

STANDING FISH PRICE-SETTING PANEL

SHRIMP (SUMMER) FISHERY 2020

The Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel”, issued its Schedule of Hearings for 2020, on February 27, 2020. Pursuant to Section 19 of the Fishing Industry Collective Bargaining Act, hereinafter referred to as the “Act”, the Panel set Thursday, April 16, 2020, as the date by which collective agreement(s) binding on all processors in the province that process Shrimp must be in effect. At the request of the parties and considering COVID-19, the Panel subsequently amended that date to Thursday, June 25, 2020.

The Panel also noted, at the time of setting the Schedule of Hearings, 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 Summer Shrimp. As a result, under Section 19(11) of the Act, should a hearing be required for Summer 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 Summer Shrimp was scheduled to take place on Friday, June 26, 2020. The Panel convened its hearing for the species Summer Shrimp at 10:00 a.m. on Friday, June 26, 2020, via Microsoft Teams 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, (copies attached) supported their submissions in main argument and rebuttal.

The parties and the Panel have the benefit of one market report and an April to June market update report, provided by the Department of Fisheries and Land Resources, from Gemba Seafood International, as well as data on landings and export value also provided by the Department of Fisheries and Land Resources. The parties and Panel were also provided a February, 2020 report by the Strategic Services Division of DFO, Quebec entitled Economic and Commercial Profile of Gulf Shrimp.

In its reports, Gemba points to a stable market that has bottomed out with the possibility of a slight improvement. Gemba states on page 2 of its report:

"The forecast for September 2020 is stable and is expected to be around 50 DKK/kg - a small upward tendency may be expected due to a reopening of the UK foodservice market in the coming months".

"The large market for grab and go shrimp sandwich and the large foodservice sector went down immediately when UK was locked down due to the corona outbreak..... but might increase from July 4, when UK is expected to reopen its restaurants, canteens etc. again".

On page 7, it reiterates:

"The shrimp prices in June 2020 shows that the 150-250 pcs/lbs. are traded around 50 DKK/kg. The price forecast for the CWS is that the prices will remain stable for the coming months, given that the UK foodservice market is still in early phases of reopening".

On page 13, Gemba notes:

"The grab and go sales have also been highly challenged by the Corona outbreak and a further reopening will stimulate this purchase form as well and lead to additional buying".

With reference to Denmark, Gemba states: *"The prices have since the last report been stable in the retail market".*

In terms of supply and demand, Gemba explains on page 2:

"The COVID-19 has had an impact on both supply and demand side of CSW..... Overall catch of CWS in 2020 is below the 2019-level [sic]. Especially Norwegian and Russian landings have decreased due to low landing prices and problems connected to the Corona outbreak".

The ASP offer is \$0.70/lb., which is a 57.6% reduction from the minimum price in summer 2019. In its submission, ASP takes the position that the normal comparison of summer to summer market pricing is no longer adequate to establish pricing for 2020. ASP contends that a recalibration of sharing is needed. They feel the Panel should establish pricing in line with 2014 when, as noted by the Gemba data, the market was similar to the level it is currently at in 2020. They contend that pricing has become distorted in the past few years despite the fact Panel

decisions have not been the cause. ASP claims that 2019 was a difficult year for shrimp processors' viability.

The ASP maintains that most of the 2020 shrimp will be caught during the summer when yields are low, and the product will be marketed in an already depressed market that is further compromised by the COVID-19 pandemic. This, combined with the fact there is still unsold shrimp from 2019, presents a significant marketing challenge. They feel that the Weighted Average Market Price comparisons prepared by the FFAW overstate the situation for 2020 given the use of the wrong baseline data for 2019 and the inappropriate use of Undercurrent data to calculate the change in the U.K. market.

The FFAW offer is \$1.18/lb., which is a 28.5% reduction from the minimum price in 2019. They contend that a summer to summer comparison of market returns is appropriate in establishing 2020 pricing and that the use of summer to summer comparison eliminates the need to consider yield differences between spring and summer. The FFAW points to the fact that there has been much agreement between the parties on pricing with three of the last six seasonal prices being established by mutual agreement. Also, where Panel decisions were required in the past couple of years, the gaps between offers were small (i.e. 10 cents). They further note that this high level of agreement occurred despite the market challenges of Brexit and a volatile exchange rate in the U.K.

The FFAW agrees the 2020 markets are down significantly and impacted by COVID-19. However, they feel the COVID situation is improving, particularly in the U.K. where the economy is due to open in the coming weeks. They also contend that the amount of inventory carried over from 2019 is relatively small at 10% to 15% of 2019 production and will be cleared in the next couple of months. They feel that, as the case of other species (i.e. Crab) the impact of the pandemic has lessened as time passes and the same can be expected for Shrimp.

In making its decision, the Panel has focused on where markets are likely to be in 2020 and the appropriate sharing of market returns between the sectors. In addressing sharing, the Panel has considered whether comparison to summer 2019 or summer 2014 is more appropriate and whether a recalibration is warranted.

In terms of markets, there is agreement between the parties that the 2020 market is down significantly. The FFAW feels there may be some upside given the improving status of COVID-19 in European countries while ASP feels there is little room for improvement. Gemba reports that markets are stable but have bottomed out at very low levels.

Gemba further indicates that a small upward tendency may be expected due to a reopening of the U.K. foodservice market in the coming months. Gemba notes that overall catch of cold-water shrimp in 2020 is below the 2019 level. Norwegian and Russian landings have decreased due to low landing prices and problems connected to the pandemic. At the same time, it notes that the fishery in Greenland is expected to surpass the 2019 level due to more inshore landings. Gemba notes that the Canadian dollar has decreased in value compared to the GBP and USD. The value of the GBP and the USD is expected to be volatile in the coming months as they become more reactive to news headlines, the ongoing COVID-19 situation, and the Brexit negotiations. Gemba expects that the Euro will be stable with the ratification of a large EU stimulus package. The COVID-19 has had an impact on both the supply and demand side of Shrimp, however, in different ways in the different European countries.

In using different methodologies and reference years for 2020 price comparisons, both parties have made offers which, in the opinion of the Panel, are quite aggressive given the market reality in 2020. The Panel feels the 'right price' is clearly somewhere in between. The question for the Panel is which offer is closest to the 2020 market reality.

The Panel has on previous occasions noted that season to season comparisons are most appropriate, but it does appear that the harvesters' share in 2019 was in their favour. ASP makes the case for a recalibration of sharing to that in place in 2014 when the minimum price was set at \$0.87. However, there is no conclusive analysis that demonstrates the 2014 minimum price level represents the appropriate sharing of return for the current year. The Panel notes that the three Panel decisions in 2015 were in favour of the FFAW, which indicates some readjustment of sharing in favour of harvesters occurred in 2015. This was supported by the Panel at the time. However, in 2016, the Parties reached agreement on summer pricing. Since 2016, the Panel decisions and agreements between the Parties have been more balanced.

The Panel feels that sharing has likely tilted in favour of harvesters over the past five years. However, the appropriateness of a full adjustment of sharing to 2014 levels is not substantiated in the ASP submission. It is the Panel's view that ASP has overreached by seeking a 57.6% reduction in harvesters' prices, which would, at the same time, significantly improve their share relative to recent years. This suggests much lesser sharing by processors of the current market downturn while harvesters would have a significant reduction. At the same time, the Panel recognizes that the FFAW offer will likely put considerable pressure on the viability of shrimp processors in 2020, particularly if bonus payments continue to be in play in the competitive port market environment. However, bonus payments are at the discretion of processors. Under final offer selection, the Panel may only choose one of the two offers.

In consideration of this, a review of the submissions, and the likelihood that markets have bottomed out, it is the decision of the Panel to accept the FFAW offer. The Panel recognizes that the situation this year is unpredictable and will be available to the parties to reconsider its decision should factors change and alter the market trajectory as currently forecasted.

Effective midnight on July 2, 2020, the average price for the species Shrimp, based upon 2019 summer size distribution, will be:

- \$1.18/lb. for shrimp landed at the plant.
- \$1.15/lb. for trucked shrimp.

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

Dated the 2nd day of July, 2020.



Wayne Follett



Bill Carter



Brendan Condon