

## **STANDING FISH PRICE-SETTING PANEL SUMMER SHRIMP FISHERY 2017**

The Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel”, issued its Schedule of Hearings for 2017, on March 2, 2017. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the “Act”, the Panel set Wednesday, June 14, 2017, as the date by which collective agreement(s) binding on all processors in the province that process Summer Shrimp must be in effect.

The Panel also noted, at that time, 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 at 10:00 a.m. on Thursday, June 15, 2017, at the Labour Relations Board Hearings Room, Beothuck Building, 20 Crosbie Place, St. John’s.

The Panel convened its hearing for the species Summer Shrimp at 10:00 a.m. on Thursday, June 15, 2017, at the Labour Relations Board Hearings Room, Beothuck Building, 20 Crosbie Place, St. John’s. 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 two market reports provided by the Department of Fisheries and Land Resources. They are from Gemba Seafood Consulting and Janet Farmer of CanadaUK Partners, respectively referred to as “Gemba” and “Farmer”. The two reports provide a detailed analysis of the current market situation in Europe and, by Farmer specifically, the UK market.

Both market reports lean towards the position that markets will be stable in the coming months and may even present an opportunity for strengthening vis-à-vis, the market outlook seen during the early spring. This is particularly true for larger size shrimp in the UK and Europe. Furthermore, strengthening GBP and DKK against the Canadian dollar may offer an incentive to increase the shrimp trade. As well, the significant reduction in the Canadian quotas will add to a shortage of supply.

The Gemba Report indicates on page 7, that "*price is expected to be stable over the summer months and the forecast for September is a shrimp price around 61-63 DKK/kg*". 2017 Canadian shrimp will not be in trade before late August or early September.

Gemba states clearly on page 4 that larger shrimp are in higher demand. Smaller sized shrimp is more abundant than larger sizes and there are plenty of them. Specifically, with respect to Canadian product, Gemba states on page 4:

*"Newfoundland and Labrador is the largest producer of pandalus borealis for the Canadian industry and the reduction in landings here will cause a reduction in the overall Canadian landings for 2017 and add to a shortage of pandalus borealis on the world market".*

In terms of the two key European shrimp markets, Gemba points out that on page 13: "*The UK market remains strong and there is still demand for many different shrimp sizes and types*". On page 14, they also point out: "*The Danish market continues to improve and there is in general an increasing willingness to buy shrimp. The demand for larger sized shrimp is more pronounced than that of the smaller sizes*".

Farmer states at page 8: "*The CWP market has been quiet to date though larger sizes are scarce and will continue to command better prices. As the UK market awaits the arrival of Canadian product, there does appear to be a tightening of availability for large CWP ...*"

In terms of competition from other products and the market impacts of other producing countries, Gemba notes on page 5: *"The Greenlandic fishery has started and current reports from the inshore fishery, shows that the landings are lower compared to last year's catch around the same time". "The 3,500 tonnes of tariff-free *Pandalus jordani* have yet to be exhausted and trading over the last two months have been slow – so far 69% of the quota has been used."* Further, with respect to *jordani* on page 6: *"... have been the shift in the retailers buying preferences, with the *jordani* falling out of favor due to questions regarding its quality when compared to traditional *Pandalus borealis*..."*

In terms of currency developments, Gemba notes on page 2: *"The currency development since March 2017 has seen a weakening of the CAD which have resulted in positive exchange rates for the GBP, USD and EURO in late May 2017".* On page 10, Gemba continues further to suggest *"all other things being equal, this would give rise to additional purchases of shrimp..."*

Gemba notes on page 4, that on the supply side: *"Newfoundland and Labrador is the largest producer of *pandalus borealis* for the Canadian industry and the reduction in landings will cause a reduction in the overall Canadian landings for 2016 and add to a shortage of *pandalus borealis* on the world market."* The "Fishery in Canada has only started and there are still uncertainties about the sizes of catches and hence filling of the inventories."

At the hearing, there was little agreement between the parties on market outlook with the exception that both sides noted that the relevant currencies were somewhat favorable and markets were down from the peak of the past couple years. The ASP felt that the markets were showing no improvement over the spring, and there is uncertainty as to the actual levels of inventory held in the market. While there appeared to be some positive signs for large shrimp, most of the Newfoundland and Labrador production would not be of a size sufficient to avail of this potential opportunity. The FFAW held the view that the markets were improving and inventories were being used up. They contend that over 60% of the Newfoundland and Labrador production is of the larger sizes and will fetch the higher prices being offered for the larger shrimp.

In its deliberations, the Panel notes that while markets are still lower than recent years, there is a shift in tone toward the positive between the most recent market reports and those prepared for the Spring Shrimp hearings. While there is uncertainty, there is a potential upside to the markets. Currencies are more favorable and in the absence of a Canadian spring fishery inventories of *Pandalus Borealis* are likely depleted. The competitors' *jordani* shrimp is not a popular substitute and the significant reduction in Canadian shrimp quotas (62% since last year)

should be a positive in terms of the supply side of the market. Newfoundland and Labrador shrimp is probably a medium to large size shrimp and larger size shrimp appear to be commanding higher prices. This may offer some opportunity, in particular, if demand further strengthens. Also, summer shrimp catches are more heavily distributed toward the larger sizes vis-a-vis spring shrimp.

The ASP position is a price of \$1.04, which is based upon the summer distribution of shrimp sizes. When the difference in spring size distribution is accounted for, this is about the same as its spring offer of \$0.95 which was accepted by the Panel. On the other hand, the FFAW significantly reduced its position vis-a-vis its spring offer. The FFAW position is a price of \$1.25 based upon the summer distribution of shrimp sizes. This is significant movement from its spring position when it sought \$1.45, based upon the spring size distribution which is weighted toward smaller size shrimp.

The parties have divergent views as to which comparison(s) the Panel should use in applying the Weighted Average Market Price (WAMP) calculations as a guide to its decision. The ASP feel that the summer of 2016 was an anomaly due the lack of a spring 2016 fishery while waiting for the LIFO decision, and, the fact the spring price set by the Panel of \$1.22 was renegotiated up to \$1.40 for the summer outside the formal collective bargaining process. It argues that the Panel should go back to 2015 and 2014 to find comparisons to use in evaluating the WAMP. The FFAW are of the view that all parties, including the previous Panel, recognized that the negotiations that took place in summer 2016 were legitimate and resulted in a price that was recognized and paid by all processors and harvesters during 2016.

In total, the parties presented 6 different options for making comparisons. There was also disagreement as to what historical data and current market prices to use leaving the Panel with much to consider. The comparisons and data selected by both sides are those that best support their respective offers and in that sense are self-serving.

After careful consideration, the Panel is of the view that season to season (i.e. fall to fall, summer to summer) comparisons are more appropriate since they account for the time of year impacts (yields, fishing patterns, markets, etc.). The Panel also feels that the posted price of \$1.40 which was paid in summer 2016 represents the market and other conditions in play at that time. Arguments as to whether it is a legally recognizable price are muted by the fact it was arrived at through a negotiation that involved most key fleets and processors. Also, all shrimp processors and harvesters opened the fishery based upon this price and used it consistently as a minimum price during the summer of 2016. Therefore, a summer 2016 to summer 2017 comparison of WAMP is valid.

Both parties noted the significant collapse of Northern Shrimp quotas and the impact on industry. The Panel foresees much hardship for shrimp plants and shrimp dependent fish harvesters. No matter which price offer is selected, given the low quotas there will be plants and fishing enterprises that will likely not earn enough to fully cover overheads. We also recognize the need for a price that will get the fishery underway. To be fair to both sides, it is difficult to use either of these considerations as a primary determinate of the Panel's decision. Therefore, as has been the case for some time, the Panel's decision is guided by the expected change in the WAMP.

As noted in the spring shrimp decision, it is not the Panel's mandate to set the 'right' price but rather to decide which offer is closest to that reality. The Panel feels the 'right' price is somewhere in between the two offers. After considering the submissions, the market reports and the various comparisons of WAMP (including the summer 2016 to summer 2017 comparison), it is the decision of the Panel to accept the FFAW offer. The prices for the species shrimp will be \$1.25 as per the attached schedule.

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

Dated the 21<sup>st</sup> day of June, 2017.



Wayne Follett



Brendan Condon



Bill Carter

## Schedule "A"

Size Categories	Distribution Summer 2016 (%)	Plant Price
2.0-2.9	3.99	0.440
3.0-3.9	9.50	0.744
4.0-4.9	11.29	0.909
5.0-5.9	11.60	1.075
6.0-6.9	11.39	1.266
7.0-7.9	13.72	1.359
8.0-8.9	14.88	1.453
9.0-9.9	11.49	1.595
10+	12.13	1.688
		\$1.25

\* Prices for trucked shrimp are 3¢/lb. less.