

STANDING FISH PRICE-SETTING PANEL

TURBOT 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 Monday, June 6, 2022 as the date by which collective agreement(s) binding on all processors in the province that process Turbot 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 Turbot. As a result, under Section 19(11) of the Act, should a hearing be required for Turbot, 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 Turbot was scheduled to take place on Friday, May 25, 2022. The Panel convened its hearing for the species Turbot at 10:00 a.m. on Friday, May 25, 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 two market reports prepared by Meros Consulting, as well as information on landings and production provided by the Department of Fisheries, Forestry and Agriculture. The DFFA also provided monthly and annual export data (export volumes and value) by product type and country receiving the exports. This is the first year that the Panel has had access to market reports to help inform its deliberations on Turbot.

The Meros reports outline conditions in NL’s two most important Turbot markets – China and Japan. In the case of China, Meros reports that imports of Turbot declined by 8% in 2021 compared with 2020, to 53,867 tonnes. Most of this product was consumed domestically (43-48,000 tonnes) with the remainder further processed for export to other markets such as Japan. Canada, which was the third largest supplier of Turbot to China in 2021 after Greenland and Norway, was the only key supplier to increase its shipments which totaled 7,673 tonnes, up 48% from 2020. Prices continued to decrease during 2021, but have reportedly been increasing during

2022. The majority of Turbot (70%) is consumed at food service in China, with the remainder (30%) sold at retail. In light of the Covid-19 impacts on food service through lockdowns and reduced consumer demand, China has been quite innovative in pivoting to meet this challenge. Some restaurants have moved to selling ready-to-cook and ready-to-eat meals, and retailers have engaged in new product development and sought supply chain improvements. Overall, it appears that the Turbot market has weathered the impacts of Covid-19 in China reasonably well to date. For 2022, China's "zero Covid" policy of lockdowns of major cities such as Shanghai when occurrence of the virus is found will continue to have some impact on the market, potentially resulting in lower volumes sold but at higher prices. The war in Ukraine is also impacting the China market somewhat, in that it is resulting in higher domestic demand for Turbot in Russia, and thereby reducing Russian exports of this product, which is a positive development for Canada and other key suppliers to China.

Meros reports that Japan's imports of Turbot in 2021 totaled 16,000 tonnes, a 2,000 tonne decline, with Canada being the largest supplier (26%). Russian supply to the Japanese market declined significantly in 2021, due to increased domestic demand for the product in Russia. This is likely to continue in 2022 and result in increased supply opportunities for other countries including Canada. Import prices have been rising steadily in Japan since mid-2021, and in 2022 the weakening of the Yen has further contributed to historically high prices for Turbot. Most Turbot consumption in Japan is at retail (70%), with 20% at food service and 10% in institutional settings. However, due to the Covid-19 pandemic there has been a 10% shift from food service to retail. Product innovation has contributed to strong consumer demand, with good flow through of product and low inventory levels.

ASP's offer is \$1.70/lb., a rollover of price from the past two years. They contend that the market is stable and has been for several years at between \$3.05/lb. and \$3.10/lb. They note that these average market prices represent a blend of prices for Frozen at Sea (FAS) product and similar product landed from the inshore fishery. They maintain that the price of FAS Turbot is higher than the inshore product to which the minimum raw material price pertains. ASP also notes that prices in Norway have been relatively stable as well, and that Icelandic prices have declined. They acknowledge that the current price paid in Quebec is \$2.05/lb. but state that this product is sold fresh into the domestic market in central Canada and is not comparable to the markets into which NL must sell. ASP also points out that the freight and logistics costs to producers have increased significantly, which erodes their margin. Overall, ASP states that the Turbot market is generally stable and that this dictates a stable raw material price, supporting their proposed price of \$1.70/lb.

The FFAW also paints a picture of relative stability in the Turbot market, but are seeking a price of \$1.85/lb. They contend that the uncertainty of the past two years due to Covid-19 led to conservative pricing from both parties, but the market declines which were feared did not materialize. They state that the sharing for harvesters has been negatively affected by this and

therefore a price increase is warranted. They do not accept that FAS product is higher priced than inshore product and note that no data has been provided by producers to show a price differential. They agree that the Norwegian prices are relatively stable but believe that Icelandic prices are increasing and point out that the price in Quebec is \$2.05/lb., up from \$1.95/lb. in 2021. The FFAW notes that inshore landings of Turbot have declined in NL over the past two years and contend that the combination of lower raw material prices and increasing costs are making it less affordable for harvesters to pursue this fishery.

The Panel reviewed in detail the submissions of the parties and the information available. The Panel considered the overall market supply and demand situation, inventory, prices, currency exchange rates, and sharing.

The Panel also considered the claim by ASP that FAS prices are higher. It is noted that for the past two years, processors have made the same claim but have still not provided factual evidence that this is the case, nor the amount of premium that might apply to FAS product or the overall impact on inshore pricing. As in previous years, the Panel must conclude that in the absence of verifiable information to the contrary, it is reasonable to assume that the relative values of FAS versus inshore Turbot are reasonably consistent and that average export values still reflect market trends and relative sharing.

In terms of demand, the Panel concludes that the market for NL production is likely to remain relatively stable. The China market has proven to be quite resilient to pressures from Covid-19 lockdowns by pivoting from food service to direct-to-consumer sales, and Japan has increased its focus on retail. Supply to both markets has been reduced by the increase in domestic consumption of Turbot in Russia and the resultant decline in exports, which has been beneficial to other suppliers, notably Canada. Indications are that inventory levels are low in both China and Japan, suggesting that a good flow of product from NL should continue in 2022.

There appears to be concurrence by the parties on export price over the past several years. The Panel notes that there has been a high level of stability, with prices ranging from \$2.95/lb. to \$3.10/lb. over the past five years. Nevertheless, there has been a marginal increase of 5% over the past three years, from \$2.95 in 2019 to \$3.10/lb. in 2021. The price in 2022 to date has averaged \$3.39/lb. which is the highest January-to-March price during the past six years. This might not be indicative of the yearly average which will ultimately occur for 2022 but suggests that the price may be at least equal to the 2021 price.

While the exchange rate for Canadian to US dollars is relatively unchanged from the same time last year, the Chinese Yuan has devalued 4.5% compared with the US dollar and the Japanese Yen has fallen by 15%. This is noted by Meros, who indicates that Japanese prices in Yen are the highest ever recorded. They indicate that this could adversely affect the volume of Turbot Japan will purchase.

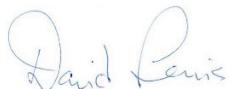
In its pricing decision reports on Turbot in 2020 and 2021, the Panel noted that during the 2017 to 2019 period prior to collective bargaining when prices were set through port market competition, the sharing was approximately two-thirds to harvesters and one-third to processors. The raw material price during those years averaged roughly \$2.00/lb. In light of the Covid-19 pandemic and the absence of market reports to support their collective bargaining in both 2020 and 2021, both ASP and the FFAW exercised caution in assessing where market prices were likely to fall and what the resulting raw material price should be. In both years, the Panel selected the price put forward by the FFAW - \$1.70/lb. In retrospect it is evident that the market was more resilient than had been anticipated, with market prices remaining more or less stable during these two difficult years. Consequently, the share of market to harvesters declined to 55-56%, a decrease of 11 percentage points from the sharing of 2/3 - 1/3 that had been in place for several years. If the market remains stable again in 2022, which both parties and the various supporting documents suggest, the ASP offer will result in a 55% share to harvesters and the FFAW offer will increase the harvester share to approximately 60%.

The Panel notes ASP's contention that the port market competition during the years prior to collective bargaining resulted in inflated prices for Turbot, as processors bid up prices in an effort to maintain relationships with harvesters to ensure supply of other more lucrative species such as crab. However, there continues to be an absence of clear evidence from processors that this is the case and that sharing was unfair prior to collective bargaining. In the absence of such evidence, the Panel has difficulty accepting that processors would have continued such a practice for a period of years to their disadvantage.

Considering these factors 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 Turbot is \$1.85/lb.

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

Dated at St. John's, NL, this 3rd day of June 2022.



David Lewis



Earle McCurdy



Bill Carter