

STANDING FISH PRICE-SETTING PANEL FALL SHRIMP FISHERY 2015

In the 2015 Shrimp Schedule between the Association of Seafood Producers, hereinafter referred to as "ASP", and the Fish, Food and Allied Workers, hereinafter referred to as "FFAW," the agreement states in part:

"In the event there is no agreement on the price for summer or fall periods, the parties agree to refer the matter to the Standing Fish Price-Setting Panel for binding resolution in accordance with the provisions of the Fishing Industry Collective Bargaining Act."

The Act and the applicable Section 19.11, and the Regulations thereunder provide that the Panel decide on matters outstanding relating to "price and conditions of sale" by the process described as final offer selection.

The FFAW and ASP failed to conclude an agreement on prices for the Fall Shrimp Fishery. The Panel, with the agreement of the parties, set Friday, September 11, 2015, as the date for the hearing. The Panel convened its hearing at 10:00a.m. on that date. The parties appearing before the Panel were the FFAW and ASP. Having previously filed their submissions and final offers (copies attached), the parties supported their positions in main argument and rebuttal.

The parties and the Panel had the benefit of a market report on shrimp markets, provided by Gemba Seafood Consulting, hereinafter referred to as "Gemba."

Due to declining landings here and elsewhere, particularly in Greenland and Iceland, market returns rose steadily through 2014 into 2015. The unprecedented level of higher market returns dramatically changed the fortunes of harvesters and processors in this province. While prices to harvesters more than doubled quotas and landings have continued to decline to the level of 2014, with no change for 2015.

As the market prices increased through 2014, no one expected they would achieve the levels they did. As well, the Cdn \$ declined, particularly against the USD, the Euro and the GBP. As a result, prices to harvesters increased in 2014 from the spring fishery, through the summer and fall. In the spring of 2015 and again in the summer, prices increased to reflect the changes in the market return, year over year.

This is the 10th year the Panel has been involved in the setting of Shrimp prices to harvesters. The parties have agreed on the process. In each fishery, spring, summer and fall, the Panel is to consider the difference between the weighted average market price (WAMP) of the current year, to that of the previous year, for each of the three fisheries. This process eliminates consideration of the differences in yield between the spring and fall fishery, and the summer fishery.

While the parties seldom agree on final numbers or how they might be applied, a standard format is used to determine the WAMP change from the previous year. The index or tables produced are not intended to be precise or used as a formula to provide a price. They are a guide with respect to the degree of change in market returns and the trends in the market.

Other pertinent issues between the parties are the yield figures used to calculate product weight from raw material and the percentage of the harvesters share of the market return. ASP has generally applied a yield of 32.7% and 65.4% harvester share. The FFAW has contended for some time that the yield percentage should be at least 35% or higher. It has also contended that the harvesters percentage share of the market return, especially as those returns increase in dollar value, should be in the 70% range.

Another contentious issue between the parties are the actual prices paid to harvesters. The collective agreements with the FFAW specify that the prices negotiated, or set by the Panel, are minimum prices. ASP has used the argument that since the agreement is for a minimum price, prices actually paid to harvesters, in the form of bonus or incentives, are not relevant and not to be taken into consideration in setting minimum prices.

The FFAW alleges that there must be some correlation between the minimum price and the price actually paid to harvesters. It is noted in their submission for instance, that the summer minimum price was \$1.64/lb. and prices actually paid to harvesters were \$2.05/lb. or higher.

In the absence of agreement between the parties on issues such as yield or harvesters share of the market return, the Panel is in a difficult position to adjudicate the issue. This is especially so and those issues arise as an adjunct to the issue of the price to harvesters related to the market return. There is no direct evidence or information for example on the issue of yields in the shrimp fishery.

The Gemba report indicates that prices in the markets for cooked and peeled cold water shrimp have flattened or declined. At p. 6 of the report it states:

"The prices increased for the entire 2014 and flattened during the first half of 2015. Prices have during the last three months remained at this high level with a slight downward tendency."

For the all important UK market, Gemba states at p. 14:

"Prices are expected to stay around the current level and might increase a little towards the Christmas purchasing."

In the view of the Panel, there is evidence in the markets, particularly in the UK, that there is a growing resistance to the high prices. Where possible there has been substitution, but the fact remains that inventories in the market are low and demand remains high. The current decline in product prices, noted in the Gemba report, is attributed in part to the decrease in the Cdn \$ which enables the buyer to get some relief on product price without affecting the return to the exporter.

As noted in other market reports related to the summer shrimp fishery, prices have most likely peaked in 2015. Over time, the issue will be the effect of competition from warm water shrimp or substitution with other cold water species. Obviously, a return of high quotas and landings would have an appreciable effect on market returns.

The ASP final offer is \$1.57/lb. The FFAW final offer is \$1.79/lb. The parties are .22¢ apart. In the fall of 2014, the offers were \$1.01 and \$1.08 respectively, a difference of .07¢/lb. Why is there such a differential between the final offers for the fall shrimp fishery?

ASP in its price table, calculates the difference in the WAMP fall 2015 over fall 2014 to be \$2.50/lb. Applying their usual calculation of yield at 32.70% and harvesters share of 65%, the harvesters share of the increase is .53¢. This is added to \$1.04 to arrive at \$1.57.

The agreed practice has been to take the previous years prices and apply them to the size distribution of the previous year. The 2014 size distribution using 2014 fall prices results in an average price to harvesters of \$1.17/lb. Had ASP followed the normal practice, the .53¢ added to \$1.17 would result in an average price for 2015 of \$1.70.

When questioned at the hearing, ASP said not using the \$1.17 price for 2014 was an "oversight". ASP said had it been applied, they would have maintained their final offer of \$1.57 based on market price declines, the pack mix of larger size shrimp with prices depressed toward the middle price size range. In ASP's view, the prices forecasted in June did not materialize and summer prices were set too high. The Panel notes that the offers presented by ASP during negotiations were below \$1.57/lb.

The Panel said earlier that the price index is not a mathematical exercise to determine the actual price. It can be however a persuasive guide. What is clear from both submissions is the WAMP difference 2015 over 2014 this fall is in the range of \$2.40 to \$2.50. It also confirms past practice to add the harvesters share of that differential to the average price paid to harvesters in the previous year using the 2014 fall size distribution, in this case an agreed \$1.17/lb.

Applying ASP numbers on yield 32.7% and harvesters share 65.4%, to \$2.50 results in .53¢/lb. which, when added to the 2014 price of \$1.17/lb. is \$1.70. Accepting the fact that there is more to this than just the calculations, adjustments are made and the parties adjust matters to support their interests as seen fit.

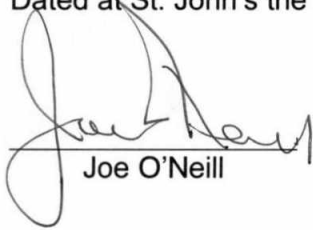
The ASP offer is some .13¢/lb. below the calculation. How does one account for that differential? The \$1.17/lb. from 2014 is accepted. The range of WAMP is in \$2.42 to \$2.50 range. ASP has the benefit of the doubt in using its numbers on yield and harvesters share. The WAMP would have to be adjusted down to \$1.86 to get the result of \$1.57. This is in contradiction to the fact that the WAMP is what it is. There is nothing in the Gemba report to suggest that prices are coming down by in excess of 20%, indeed the report states on the Danish market: *"The prices are expected to remain high (p. 14); the UK market: "...volume will be decreasing but prices are most likely kept high" (p. 14); the German market: "... the market situation for cold water shrimp is expected to remain stable over the coming months"; the Swedish market: "...demand is expected to increase over fall and winter."*

The FFAW offer is closer to the range of reasonable probabilities; inventories are low, supplies are tight, and there is no factual evidence before the Panel to support a market price decline in excess of 20%.

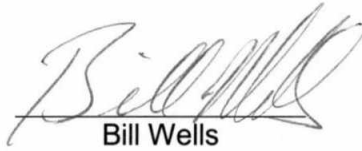
The Panel does not have to determine the issue on the basis of the "right price", it must choose one of the two offers presented. The Panel does not have to address the FFAW's arguments related to current port prices paid to harvesters. As well, the Panel does not have to comment on the issues of yield or harvesters share of the market return. It is realized that these issues are important to the FFAW and dealt with at some length in its submission. Obviously, any upward movement in yield or harvesters share, would, especially in combination, push the harvesters price beyond the FFAW final offer.

It is the decision of the Panel to accept the final offer of the FFAW. The shrimp prices attached in Schedule "A" will form a part of the collective agreement between the FFAW and ASP and is binding on all processors that produce the species Shrimp.

Dated at St. John's the 14th day of September, 2015.



Joe O'Neill



Bill Wells



Max Short

Schedule "A"

**SHRIMP PRICES FALL FISHERY
EFFECTIVE SEPTEMBER 13th, 2015**

Size Categories	Distribution Fall 2014	Price Plant	
2 – 2.9	3.64	0.623	
3 – 3.9	8.66	1.053	
4 – 4.9	10.07	1.288	
5 – 5.9	10.80	1.523	
6 – 6.9	12.92	1.793	
7 – 7.9	15.56	1.923	
8 – 8.9	15.34	2.058	
9 – 9.9	10.97	2.259	
10 +	12.05	2.391	
			\$1.79

Prices for trucked shrimp are .03¢ less per pound.