

STANDING FISH PRICE-SETTING PANEL

LUMPFISH (ROE) FISHERY – 2007

The Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel” issued its Schedule of Hearings for 2007 on February 12, 2007. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as “the Act”, the Panel set Wednesday, April 18, 2007, as the date by which collective agreement(s) binding on all processors in the province, that process the species lumpfish (roe), must be in effect. In the absence of such collective agreement(s), the Panel set Friday, April 20, 2007, as the date on which the Panel would conduct a hearing regarding prices and conditions of sale for the species lumpfish (roe).

It was noted by the Panel at that time that they had been advised by the Department of Fisheries and Aquaculture that no processors’ organization had been identified that represents processors in the province that process the majority of the species lumpfish (roe). As a result, should a hearing be required for lumpfish (roe), the provision of Section 19.9 are to apply. Presentations would be accepted by the Panel from a processor, processors’ organization and the Fish, Food and Allied Workers representatives at the hearing.

The Panel further advised that parties intending to make presentations to the Panel on lumpfish (roe) were to provide the Panel with written submissions not later than 24 hours before the schedule hearing time and date. The Panel also advised that it shall decide on all matters in dispute between the parties relating to price and conditions of sale for the species lumpfish (roe) and the decision of the Panel is final and binding on the parties and all other processors that process that species of fish to which the Panel’s decision relates and constitutes a collective agreement or part of a collective agreement between them.

At the request of the industry the Panel rescheduled the date for a hearing, if required, for the species lumpfish (roe), by notice dated April 17, 2007, to May 9, 2007, at the Battery Hotel and Suites, at 2:00 p.m. The hearing as scheduled was to proceed in the absence of a binding agreement(s) being in effect by May 7, 2007. The notice further indicated that should a hearing be required: “presentations will be accepted by the Panel from a processor, processors’ organization and the Fish, Food and Allied workers representatives at the hearing.”

The Panel received the report of the facilitator on May 8, 2007, advising that the FFAW and ASP commenced negotiations on May 3, 2007. The facilitator further advised that negotiations continued on May 7 and 8 and that agreement having been reached on a number of items, the opening price and price formula would be submitted to the Panel. Submissions from the parties were received on May 8, 2007, (copies attached). No other submissions were received by the Panel.

The Panel convened the hearing on the species lumpfish (roe) at 2:00 p.m. on May 9, 2007, at the Battery Hotel in St. John’s. The written submissions of the parties were supported by oral representations in main argument and rebuttal.

The Panel and the parties were recipients of a lumpfish (roe) market update, dated April 12, 2007, prepared by GEMBA Seafood Consulting, provided by the Department of Fisheries

and Aquaculture. A further market update dated May 3, 2007, was provided to the Panel and the parties by Mr. V. Andrews of Department of Fisheries and Aquaculture (copies attached).

The background to the production of lumpfish (roe) and its marketing has been quite stable. The significant features noted by the Panel in 2006, are still relevant today. They are:

- Virtually all lumpfish (roe) is landed in Canada, Iceland, Norway, Denmark and Greenland,
- All lumpfish (roe) production is sold in the same markets and there is no distinction between producers;
- The annual demand for the roe is approximately 30 – 35,000 barrels a commonly used figure is 32,000 barrels annually;
- The demand, or consumption, is relatively constant. The fluctuation in prices to harvesters and producers is most influenced by supply.

The parties are agreed on the basic characteristics of the lumpfish (roe) industry and the fact that market prices in “wet roe” declined, quite dramatically in 2005 and again in 2006, as a result of a period of oversupply to the market in 2004 and 2005. In 2006 the issue was whether market prices had bottomed out, and at what level. The prospects in 2007 are more encouraging as the trend in market prices indicates an increase. The extent of that increase in market prices, its durability, and the impact on the price to harvesters provides a basis for divergent views.

In issue is the determination of the opening price to be paid to harvesters at the start of the fishery. In effect this is minimum price to be paid for the season. The price may be only adjusted upward, dependant on final prices received by the producers in the market. The price adjustments are governed by a formula in the schedule to the collective agreement. This system has worked relatively well and harvesters have benefited in the past from substantial after season payments. These retroactive price adjustments apply to all landings for the season. Prices however declined substantially and in 2005, with the minimum price of \$1.50 lb. there were no retroactive payments. The same occurred in 2006, as market returns produced no extra payments. These declines, as noted may be attributed to the market oversupply as of 2004.

The FFAW attributes the lower prices in 2006 to the fact, in their opinion, that the opening price set in 2006 was too low, and actually resulted in a decline in prices in the other producing countries. ASP is of the view that the 2006 opening price reflected actual market conditions. It was the market conditions that resulted in no increases in the market price return and consequent no increases to harvesters. It is also contended by the FFAW that producers in this province sold at lower prices thus contributing to the overall poorer market result. In their view a coordinated marketing approach, managing production and other joint or collaborative efforts would result in increased market returns for both producers and harvesters.

In fact, both the FFAW and ASP acknowledge that steps have been taken in arriving at agreements during the course of the negotiations to assist in improving the return from the market. Most importantly, they have agreed to limit the fishery to two weeks. The objective to limit landings in 2007 to 6000 barrels, down from 8000 in 2006. As well, the parties have agreed on three companies to be included in the formula for determining retroactive market payments. The intent is to ensure that other producers will not sell based on minimum prices. If

they do they may be subject to paying increased raw material prices retroactivity, if the major companies secure better prices.

Without reviewing all of the initiatives proposed, and the progress or lack thereof in such initiatives, the Panel accepts that the FFAW and ASP are concerned about the issues confronting the industry; they have dealt with some, and are prepared to continue discussions jointly and with the Department, in an effort to improve the overall industry position and increase market returns. The Panel commends the parties for the initiatives taken and the continuing cooperative approach.

The Panel however is confined to addressing the issue of the opening price and therefore the minimum price to be set for the 2007 fishery.

It is agreed that the most important factor affecting prices for "wet roe" is the supply. Inventories in February of 2007 are 5000 barrels lower than 2006. Estimates of production for 2007 are projecting lower landings in other producing countries. In Newfoundland and Labrador the FFAW estimates a 2000 barrel reduction from that as a result of a two week fishery. This is further supported by the fact that severe ice conditions in 2007 may hamper the fishery. In any event fisheries such as lobster and crab, as well as lumproe, will be compressed as a result of the ice conditions affecting effort. In their view the overall supply will be reduced at a time of lower inventories which should assist in increasing prices.

ASP points out that a two week fishery does not necessarily mean that production will actually be less. However, they point out, even if these events were to occur, at this point in time, they are not certain. Most important in their view is that current market projections are in a range of 450€ to 550€ a barrel. Since it takes time for market adjustments to occur, and since the risk is with the producers; applying the lower end of the proposed market range of 450€ would be the appropriate as an opening or minimum price. If conditions are more favourable and the market returns increase, the harvesters will have the benefit. Setting the market price at the high end of the range exposes the producers to substantial market risk. ASP is not convinced that higher harvesting prices in Newfoundland and Labrador will dictate market prices.

The FFAW has two points on this issue. The first is that setting a lower opening price, allows producers to set a pattern by selling too low. This is what they claim happened in 2006. Secondly, since we are a major producer of lumpfish (roe) and our fishery occurs last, we can influence the market. Setting the price higher at this time will assist in establishing higher overall market returns. This will fit well with the shortfall in production that they predict will occur in 2007.

The opening price proposed by ASP is \$1.07 lb. The FFAW proposed opening price is \$1.37 lb. The position of the FFAW, based on the higher end of the projected market, may not reflect the actual market conditions in 2007. On the other hand the lower end of projected market returns is not likely to be the prevailing market price.

The FFAW also proposed to amend the formula in the schedule by adjusting the payment to harvesters when the price exceeds \$900.00 a barrel by 1¢ for every \$4.00 a barrel increase, in market prices. Currently, the adjustment is 1¢ for every \$5.00 a barrel increase. The proposal would increase the share to harvesters from 61% to 76 % for prices over \$900.00 a barrel.

At this point what is lacking for the Panel, as well as the parties to negotiations, are actual market returns for a significant volume of sales. The Panel is of the view that the recent market declines have bottomed out and that prices are increasing. There are also indications that the overall production in 2007 may well be lower, for a variety of reasons, related to the conditions in the producing countries. It must also be acknowledged that inventories at the start of the season are down to more normal levels. In light of all of these factors, the Panel has decided that an opening price of \$1.20 lb would be appropriate for the 2007 season. Two other factors assist the Panel in arriving at this decision.

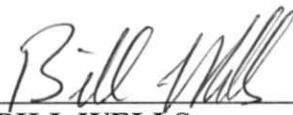
The determination of final market returns will be based on the prices obtained by three companies that are larger suppliers to the market. These companies will not be forced into early sales by financial necessity and will not be contributors in terms of assisting a decline in the market prices. Both FFAW and ASP and Icewater Seafoods Inc. are agreed that adjustments to the season, based on market, demand will be jointly reviewed.

The Panel is receptive to the proposal of the FFAW to amend the formula in the schedule when the price exceeds \$900.00 a barrel. At that level of market return the proposed increase would be in line with earlier agreements on the share of market return to harvesters.

DECISION:

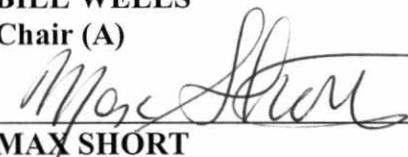
It is the decision of the Panel that: (1) the minimum price for the species lumpfish (roe) for 2007 will be \$1.20 lb. to harvesters. (2) The schedule in the collective agreement is amended by changing from 1¢ for every \$5.00 a barrel increase to 1¢ for every \$4.00 a barrel increase for prices over \$900.00 a barrel. This minimum price and adjustment in the schedule, as well as other matters agreed upon between FFAW and ASP will constitute the collective agreement with respect to the species lumpfish (roe) for 2007. By virtue of the Act this price and the collective agreement between FFAW and ASP will be binding on all fish harvesters and processors of lumpfish (roe) within the province.

Dated the 11th of May, 2007.

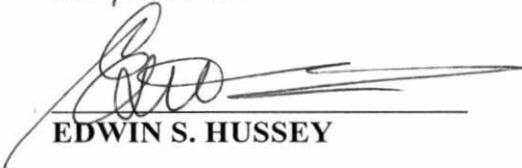


BILL WELLS

Chair (A)



MAX SHORT



EDWIN S. HUSSEY