Mackerel – 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, August 22, 2007, as the date by which collective agreement(s) binding on all processors in the Province that process mackerel must be in effect. In the absence of such collective agreement(s), the Panel set Friday, August 24, 2007, as the date on which the Panel would conduct a hearing with respect to mackerel.

The Panel also noted, at that time, that it had been advised by the Department of Fisheries and Aquaculture that the Association of Seafood Producers, hereinafter referred to as "ASP", represented processors that process the majority percentage of the species mackerel. Accordingly, under Section 19(11) of the *Act*, should a hearing be required for mackerel, the parties appearing before the Panel would be the Fish, Food and Allied Workers, hereinafter referred to as "FFAW", and ASP. Section 19.11(1) of the *Act*, and Regulations made pursuant thereto, required 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 submissions 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 mackerel was scheduled to take place at 2:00 p.m. at the Battery Hotel and Suites, 100 Signal Hill Road, St. John's.

At the request of the FFAW and the ASP, the hearing for mackerel was deferred to Thursday, August 30, 2007. By notice, dated August 21, 2007, the Panel approved the request advising that, in the absence of a binding collective agreement being in effect by Tuesday, August 28, 2007, the hearing would take place at 10:00 a.m. at the Labour Relations Board Boardroom, Beothuck Building, St. John's.

The Panel received the report of the facilitator on August 29, 2007. In the absence of agreement on prices, the submissions of the parties were exchanged and submitted to the Panel on August 29, 2007 (copies attached). The Panel convened the hearing on the species mackerel at 10:00 a.m. on August 30, 2007, at the Labour Relations Board Boardroom. The written submissions of the parties were supported by the oral representations in main argument and rebuttal.

The issues related to the return of a significant mackerel fishery, beginning in 2001 were outlined in the Panel's report in 2006. Two of the issues were of special concern to each of the parties respectively. Regrettably, neither of the parties, despite their expressed concerns, made any attempt to deal with the issues during the past year. Once again the fishery is upon us and the same issues are being raised even though it is acknowledged that they can not be dealt with in the context of finalizing minimum prices for the 2007 fishery.

The ASP stated in its 2006 submission to the Panel at p.6 that: "... *the quality of the material is so disparate that fish of the same size classification command different prices in the various markets. Processors put forward quality specifications under which they would like to buy raw material. The FFAW suggested it would not be practical to put grades in place to determine quality grades at such short notice.*" It was also noted at p.6: "... *what is most important to understand is that the returns to producers from various markets are quite disparate with some destinations returning two to three times that of other markets. This demonstrates an absolute need for grading for quality standards.*"

The FFAW in an August 25th letter to ASP stated in part: "*There is clearly a need for an extensive review of our whole approach to marketing and collective bargaining for mackerel. This would include an examination of size ranges, basis for sharing of market returns as between harvesters and processors...*". The issue of market share for harvesters has been a central point in the submissions of the FFAW to the Panel in both 2006 and 2007.

Despite the importance of the issues raised by both parties they were not dealt with in the past year or, at least it is not obvious to the Panel that any attempt was made to deal with the issues. While the volume of mackerel available is unpredictable from year to year, landings in 2006 were significant for the fifth straight year. If we are to take the maximum advantage from this resource it is imperative that we deal with the pertinent issues that have clearly been articulated by the parties despite the lack of action to jointly address them. A quality grading system, for all the reasons noted in the submissions received to date, would seem to be essential. Not only would it provide market stability and maximize returns, it would provide a basis to ensure that the division of the returns from the market is equitable based. If these issues respectively are serious issues as claimed, the Panel would expect them to be dealt with prior to the 2008 mackerel fishery.

That having been noted, the Panel and the parties are left with addressing the issue of minimum prices for the 2007 fishery on the same basis as 2006. We have been advised that the Department of Fisheries and Oceans informed the parties that a direct weight off system would be implemented for mackerel this year. Apparently the percentage deduction for water has yet to be established. That is not a matter for the Panel, and the parties have agreed on the size ranges, the same as last year, for the purposes of price differentials. The issue of setting minimum prices depends on one's view of the current market indicators. The parties and the Panel are in the same position as last year in that the market prices for 2007 are still in doubt, no contracts have been settled, and the key factor, the Japanese domestic fishery, is just getting underway.

The parties and the Panel have the benefit of a market report prepared by Eurofish for the Department of Fisheries and Aquaculture, dated the 27th of August, 2007 (copy attached). The Department also provided correspondence from Mr. Sasaki, a trade commissioner at the Canadian Embassy in Tokyo, dated the 29th of August, 2007 (copy attached). At this point, with market prices yet to be determined for 2007, there are a number of conclusions that may be drawn from the commentary. The market prices for mackerel peaked in 2005 and an expected drop in prices in 2006, in the order of 30%, did materialize. The ASP had predicted a drop in market prices of between 25% and 30%. A major factor has been the significant increase in landings of mackerel in the domestic Japanese fishery. This has affected the market price for imports of mackerel by Japan and, as well, had an impact on other markets. The minimum prices for raw material set in Norway at the beginning of the season in 2006 had to subsequently be adjusted downward later in the season. Norway has been the principal supplier to the Japanese market and is the price setter in that premium market.

We have experienced a dramatic decline in our exports of mackerel to Japan, from 40.8% in 2002 to18.75% in 2006. Since the highest prices are obtained in the Japanese market, the reduced volume in sales reduces the overall return for our exports as higher volumes are exported to lower return markets. Should the domestic fishery in Japan maintain higher volumes, which is expected, the ASP expects that export sales to Japan will be much less than last year, if any. Another potential effect of higher Japanese production will be increased exports from Japan into other markets. This will have a negative effect on prices for both Norwegian and Canadian sales in other international markets. While the minimum prices for 2007 to harvesters in Norway are higher than the final minimum prices in 2006, there are concerns that resistance to higher prices in the Japanese market will prevail.

Although there is a definite price issue for 2007, markets for mackerel are otherwise stable and the demand remains strong. However, the lower returns from markets in central Europe are not expected to replace the gains made in the Japanese market. It will be some weeks before the market price pattern for mackerel will become clear. While there is some room for "*cautious optimism*" that the markets will be stable and provide slightly higher returns than last year, there are obvious concerns that the negative pressures could prevail.

The ASP contends that the minimum price in 2006, which was their proposal, did not fully reflect the drop in market prices that occurred last year. Their proposal this year may be more in line with the market results from last year and the prospects for this year. Given the current feedback from the market, in dealing with minimum prices, a rollover of the 2006 minimum prices might have been a better option for an agreement between the parties. Under the current circumstances the Panel is reluctant to increase the minimum prices from 2006. The market price drop was at the high end of the forecast drop in 2006 and the current uncertainties do not provide a strong footing for an increase over 2006 minimum prices.

Minimum prices maintain a level of security for harvesters, and as proposed by the ASP, will be on average only slightly lower than those of 2006. On the other hand, should the optimistic outlook for the market prevail, resulting in stable, or modest price increases, the competition for raw material should provide a corresponding benefit to harvesters.

The decision of the Panel is that the following schedule of minimum prices will apply for the 2007 mackerel fishery, effective September 4, 2007.

SIZE (GM)	PRICE
200-399	8 cents per pound
400 – 599	14 cents per pound
600 and over	18 cents per pound

Mackerel with 10% plus feed content will be subject to individual harvester-processor negotiations.

These prices and conditions of sale are binding on the ASP and all other processors that process mackerel from the inshore fishery in the Province, and will form a collective agreement or part of a collective agreement with the FFAW.

DATED at St John's on the 4th day of September, 2007.

JOE O'NEILL
CHAIR

BILL WELLS

MAX SHORT