

STANDING FISH PRICE-SETTING PANEL MACKEREL FISHERY 2018

The Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel”, issued its Schedule of Hearings for 2018, on March 1, 2018. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the “Act”, the Panel set Thursday, August 23, 2018, as the date by which collective agreement(s) binding on all processors in the province that process Mackerel 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 Mackerel. As a result, 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 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 Mackerel was scheduled to take place at 10:00 a.m. on Thursday, August 23, 2018, at the Ramada Hotel, 102 Kenmount Road, St. John’s.

The Panel convened its hearing for the species Mackerel at 10:00 a.m. on Thursday, August 23, 2018, at the Ramada Hotel, 102 Kenmount Road, 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, supported their submissions in main argument and rebuttal.

The parties had the benefit of information provided by the Department of Fisheries and Land Resources including landings, production and export statistics of the Atlantic Industry, as well as, export/import information for Iceland, Norway and Japan and recent published articles related to Mackerel markets.

Both parties noted and accepted that the Mackerel fishery in recent years is much smaller than the previous decade and markets have been primarily domestic, focused upon the bait market for fisheries in the Atlantic Provinces. In 2016 and 2017, the level of Mackerel exports outside Canada amounted to 18% and 12%, respectively. With regard to export markets there is limited information available and there are mixed signals. The FFAW feels the available

information suggests potentially strengthening prices and opportunities in export markets, whereas, the ASP suggests Newfoundland Mackerel is not in demand by buyers outside Canada and the level of exports/prices are likely to remain flat in 2018. Both parties supplied receipts showing the value of the domestic bait markets. ASP provided receipts covering a significant volume of sales (totaling 139,000 kilograms) to the bait market in Nova Scotia and New Brunswick. These showed that bait prices thus far in 2018 were \$0.90/pound compared with \$0.88 and \$0.85 in 2017 and 2016, respectively. The FFAW provided receipts showing 2018 bait prices at \$1.00 and \$1.10 but these were for a couple receipts and very small volumes (totaling 270 kilograms). ASP claims these receipts are local incidental sales and not representative of the bait market which is primarily in the Maritimes.

Based upon the available information, the Panel feels the overall market for Mackerel in 2018 is unlikely to change significantly from that experienced in 2017. Exports will likely remain low and the bait market in the Maritimes will continue to dominate. Export market prices may strengthen slightly but the overall market returns will be dominated by the market prices for bait in the Maritimes at or slightly above last year's prices.

The FFAW takes the position that, despite having negotiated agreements on Mackerel prices in 2016 and 2017, there needs to be a re-calibration of Mackerel prices to harvesters in 2018. Export prices and bait prices have increased in recent years and the harvesters' share has not kept pace with increasing market returns. They also point to much higher wharf prices in PEI as evidence processors can pay more to harvesters. They contend the Panel decision of 2012, provides the guidance needed to look at reasonable sharing. The FFAW offer calls for an increase of 29.4% in 2018 in the weighted average price to harvesters over 2017 prices.

The ASP takes the position that, the stable market price scenario does not warrant a significant increase in the 2018 price. Their offer is for a 3% increase in the weighted average price to harvesters. They further contend that the PEI price quotes are not reflective of the Newfoundland industry situation or the bait markets in Nova Scotia and New Brunswick. The PEI prices fluctuate significantly during the year and are based primarily upon fresh Mackerel exchanges between harvesters and fishers.

The Panel is of the view that year over year changes do not support the FFAW proposed price increase. However, it devoted considerable time and analysis to the question of fair sharing and whether a re-calibration as proposed by the FFAW is warranted. The Panel also notes the ongoing disparity between the PEI prices and those in Newfoundland. However, based upon the current level of analysis and information comparing the Mackerel industries in the two provinces, the Panel cannot conclude the two are comparable. However, we believe that

further comparative analysis of the situation in PEI and other Atlantic Provinces versus Newfoundland would better inform the parties and the Panel in future discussions with respect to fair sharing.

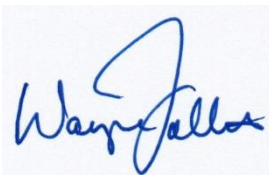
The Panel also notes that the guidance on sharing suggested by the previous Panel decisions in 2012 and 2014, is based upon export prices and exports today make up a much smaller percentage of overall market returns. The question for 2018 and beyond is, at what level of weighted average prices should some higher percentage of sharing to harvesters occur? At some price point processors have covered their costs and the shares to harvesters can increase substantially. After much deliberation and analysis we are persuaded by the FFAW argument that sharing warrants further consideration. However, we feel the FFAW proposal for an immediate 29.4% increase over the 2017 negotiated price is overly ambitious given the information at hand and the changing nature of the Mackerel industry. In this regard, we urge both parties to further share the necessary information and analysis to inform this discussion in future years. We also note that the ASP offer, with the exception of a brief period in 2015, provides for the highest level of pricing for Mackerel in our data time series dating back to 2002.

As is often the case, the decision is difficult and likely the “right” price is somewhere in between the two offers. In light of a review of the submissions of the parties it is the decision of the Panel to accept the final offer of the ASP. The per pound prices for the species Mackerel will be:

- 200-400 gm \$0.24
- 400-600 gm \$0.29
- 600+ gm \$0.33

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

Dated the 29th day of August, 2018.



Wayne Follett



Brendan Condon



Bill Carter