

SNOW CRAB FISHERY 2012

The Standing Fish Price Setting Panel, hereinafter referred to as "the Panel", issued its Schedule of Hearings for 2012, on March 9th, 2012. Pursuant to Section 19 of the Fishing Industry Collective Bargaining Act, hereinafter referred to as "the Act", the Panel set Thursday, March 29th, 2012 as the date by which collective agreement (s) binding on all processors in the province that process crab must be in effect.

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 snow crab. As a result, under Section 19(11) of the Act, should a hearing be required for crab, the parties appearing before the panel would be the Fish, Food and Allied Workers, hereinafter referred to as the "FFAW", and ASP. Section 19.11 (1) of the Act, and regulations made pursuant there to, 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 crab was scheduled to take place at 2:00 p.m. on Friday, March 30th, 2012 at the Labour Relations Board Hearings Room, Beothuck Building, 20 Crosbie Place, St. John's.

The Panel commenced its hearing for the species crab at 2:00 p.m. on March 30th, 2012. The parties appearing before the Panel were the FFAW and ASP. The parties, having previously exchanged written submissions, copies attached, supported their positions in argument and rebuttal.

At the conclusion of the hearing, it was understood that the Panel would issue its decision as soon as possible, and without reasons, given the impending start of the fishery. The Panel issued its decision on April 3rd, 2012. The following is a review of the issues before the Panel and its conclusion in arriving at its decision.

The parties in negotiations and the Panel have had the benefit of comprehensive and detailed marketing reports provided by the Department of Fisheries and Aquaculture. They were prepared by Promar consulting, the McDowell Group and Seafood. Com. (copies attached). All of the pertinent issues are covered with respect to what is happening in our key markets as well as the situation with respect to supplies to the markets.

2011 was a banner year for snow crab in terms of the market return. Lower supply and surprisingly strong demand put market prices at record or near record levels. The parties reached agreement on a minimum price to harvester of \$2.15lb at the

beginning of the season in 2011. For the second year in a row prices in the markets did not decline after our fishery commenced, instead they increased. It is acknowledged by both parities that substantial premium payments were made to harvesters beyond the minimum price.

One of the key factors in 2011 was the significant volume of crab that went into the Japanese market. A lower supply from Russia due to restrictions on the illegal crab fishery in that country had a significant impact on supplies traditionally available in the market. The Japanese had, as well, a favorable exchange rate. The approximately 15000mt of product to Japan from this province, set the stage for the higher prices received in the US market due to decline in volume from the Alaska snow crab fishery and the high end price for King crab.

Prices to harvesters in Alaska for snow crab are determined by a formula, an initial price in a good season is topped up at the end of the season. The opening price in Alaska in 2011 was approximately \$2.14lb with a final price of \$2.41lb. Harvesters in this province had a minimum price of \$2.15 with "bonus payments" in the order of 60¢ lb. This was referenced in the Seafood.com report and in the FFAW submission. Nothing has come before the Panel to contradict these numbers. The consensus for 2012 is that 2011 was a high point for the snow crab market and 2012 will not likely repeat the success, at least for suppliers, experienced in 2011.

Market returns have declined from the high of 2011 and there will be substantial increases in the landings of Alaska snow crab as well as significant increases in the Gulf snow crab fishery in Canada. The unknown is how far the market returns may decline in 2012. Both parties before the Panel appear to have accepted a price decline. The FFAW offer of \$1.95 is 9% below the 2011 minimum price. The ASP proposal is \$1.75 which is a 19% reduction in the minimum price.

For comparative purposes the Alaskan fishery which started in January opened at prices between \$1.88-\$2.01lb. The average retro-payments in Alaska have been in the order of 18¢ over the past number of years. However, the formula which is applied in that fishery will set final payments based on the market return. The McDowell Group, which is based in Alaska, notes that there is a traditional price differential between harvester prices in Alaska and Newfoundland in the range of 20¢ in Canadian dollar terms. This refers only to the minimum price set in the collective agreement. This differential has been attributed to the fact that the Alaska fishery occurs earlier in the year, and prices historically have dropped in the March-May period, after the higher volume fishery in this province enters the market.

There are a number of observations worthy to note at this point. In 2011 harvesters in this province appeared to have been paid more for their catch in total than harvesters in Alaska. For the past two years, when landings were down in Alaska and the Gulf St. Lawrence, there was no decline in the March-May price period in the market place. And, as noted before, restrictions on the Russia illegal snow crab fishery over the past number of years have restricted supplies to Japan.

Key to the success of this years market return from the crab fishery will be the ability to maintain a high volume of exports to Japan at a price not substantially less than those which applied in 2011. This will influence the maintenance of prices in the US market, which in 2012, will have more crab to absorb than in the previous two years.

It is to be expected that each party will draw from the marketing reports those factors that best support their position. The Panel sees no point at this time in providing an exhaustive review of the marketing reports and the parties submissions.

There are both positive and negative elements which can legitimately be applied to the possible outcome for 2012. The possibilities are clearly detailed in the marketing reports and the submissions of the parties, all of which the Panel has had the opportunity to review in detail.

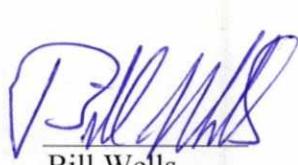
The Panel must choose one of the two positions presented. ASP has, in an excellent review of the factors involved, predicted what will happen. The reality is that it has yet to happen and commentary can be found in all three reports from the marketing groups that would not support such a precipitous decline in the market in 2012.

The Alaska fishery opened with a decline of 9% from the 2011 price to harvesters. This has been mirrored in percentage terms by the FFAW for the minimum price in this jurisdiction. The proposal by ASP is more then double that drop in price to harvesters. At this time the Panel is inclined to accept the position of the FFAW. It seems to be clear that snow crab is the product of choice, and while supplies to our markets will increase, the higher prices are reflective of the higher costs generally in the food industry. New market outlets are emerging and while 2011 was one of the exceptional years, it is not yet ordained that 2012 will not be a very good year. Should events prove otherwise, the Panel will act expeditiously, if required.

Dated at St. John's the 10th day of April, 2012



Joe O'Neill



Bill Wells



Max Short