

SPRING SHRIMP 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 Wednesday, April 4th, 2012 as the date by which collective agreement (s) binding on all processors in the province that process shrimp 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 shrimp. As a result, under Section 19(11) of the Act, should a hearing be required for shrimp, 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 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 shrimp was scheduled to take place at 2:00 p.m. on Thursday, April 5th, 2012 at the Labour Relations Board Hearings Room, Beothuck Building, 20 Crosbie Place, St. John's.

At the request of the parties the Panel moved the date of the hearing to 3:00 p.m. on Tuesday April 10th, 2012.

The Panel commenced its hearing for the species Shrimp at 3:00 p.m. on April 10th, 2012. The parties appearing before the Panel were the FFAW and ASP. The parties, having previously exchanged their submissions to the Panel, copies attached, supported their submissions in main argument and rebuttal.

The parties and the Panel have had the benefit of marketing reports provided by the Department of Fisheries and Aquaculture. The reports, copies attached, were provided by Seafood.com, Gemba Seafood Consulting and Patrick Wood.

The Marketing reports document the fact of a steady increase in market prices for cooked and peeled shrimp which continued through 2011, and peaking towards the end of the year. Prices are now described as stable, with small volume sales. The principle reason for the price increases noted has been the decline in supplies to our traditional markets.

Overall it is the conclusion of the Panel that while the current higher market returns are stable the market is "fragile", product is moving in smaller quantities, generally slower. The market reports refer to a destabilization of the market if reduced supplies put even more pressure for price increases. There is no support for higher market returns at this time

The rise in market prices throughout 2011 is reflected in the prices paid to harvesters in this province, starting with the spring price of 65¢ lb, the summer 70.5¢ lb and in the fall 73¢lb. The Panel should note that spring and summer prices reflected it's choosing the FFAW position in the spring and the ASP position for the summer, the Panel having to chose one of the two positions presented. The fall price was a negotiated settlement between the parties and is perhaps a fair representation of the market conditions at that time. Normally, summer prices are less than spring or fall prices, due to the impact of lower yields. Fall prices are usually lower than spring prices. Last year the market returns were such that prices to harvesters increased throughout the season.

The other important factor to note at this point is that both parties have agreed, in previous hearings on shrimp, that prices are to be determined by comparing the weighted average market price of the previous year with the current year, in each of the fisheries, spring, summer or fall. This avoids having to deal with issues related to change in yields in different fisheries. It has been the most consistent approach in the determination of shrimp prices by the Panel.

The FFAW in its presentation while relying mainly on the change in market returns this spring compared to 2011, also referenced the fall 2011 price, and yield and market changes since then. Their objective was to seek higher prices for harvesters then those achieved in the fall of 2011, in the spring of 2012.

In the opinion of the Panel there is nothing in the market reports that would support the view that the prices should move higher than 73¢ lb. To quote the FFAW at p.2.: "The overall thrust of the three market reports is consistent-market prices are stable with the possibility of further increases later in the year." (Emphasis added). It is also stated: "There is certainly nothing to suggest price slippage during the period of time covered by the spring price schedule." The converse is equally true on the latter point, there is nothing in the reports that suggest prices will increase in that period. Any reference to possible increases in market prices is related to "later in the year" and dependent on lower supplies. It is also predicted in the market reports that price increases could destabilize the markets. Increases in market prices do not seem to be viewed as a good thing in markets under considerable stress in absorbing current high prices. Caution is the key element.

The Panel is not supportive of any conclusion that market prices have increased at this time, or that current market price should support an increase to harvesters. Processors already have to cope with lower sales, and are on the downside of the currency exchange. This is not the time to force higher prices on our markets.

We are dealing with the change in weighted average market prices since last spring. They are in fact fairly substantial. The FFAW calculation is that the weighted average market price increase since 2011 is 56¢ lb. ASP has calculated the difference to be even higher at 68¢ lb. The parties have different positions on yield and the harvesters share of any differential, however on those figures they should have to be able to come fairly close to a common position on price for the spring fishery. In reality on this issue they are far apart.

ASP's view of the market reports is that the markets will not support higher prices and "risks moving down", things are not stable and there is a considerable risk of downward movement. On the issue of the weighted average market price comparisons, ASP states at p.2. "While the parties have never succeeded in agreeing on the figures in the market, we have also not agreed on the market shares, sharing of the market return, of yield figures." It is ASP's contention that the market price table, prepared by each party is only a proxy for market change direction, and orders of magnitude of change: "not a price formula."

The ASP submission goes to considerable length in reviewing the details in each market report noting the fragility of the markets, declining consumption, product substitution, and higher inventories due to lack of volume movements. They state that price increases in the markets would be perilous.

ASP says that sales of contracted quantities (2011 production) are off by 40% even though the contracted prices are less than the prices reported by the market consultants. At p. 7 it is stated: "the market is not taking the contracted supplies. We are trying to sell shrimp now based on last years contract prices, but sales are not taking place. It is contended that "New contracts for this years supply will need to be at lower prices in order to sell shrimp..." Again at p.8: "the market is reacting to higher prices, even on lower supply."

ASP goes on to confirm that the prior benchmark for comparison on which to base prices for each season is the same season in the prior year. At p. 9: "For spring 2012 the appropriate benchmark is spring 2011". Having said that, they do not use the calculated weighted average market price differential (in their view 68¢) to arrive at a price offer. Obviously there is a substantial difference in 2012 compared to 2011, as we have noted prices kept moving up though 2011 to the current plateau, and as we have also noted, there is as yet, nothing to indicate a drop in market prices. At least, nothing in marketing reports available to the parties and the Panel.

ASP supports its final offer on the following basis: at p.11 "The producers are all of the view based on their market channels that current pricing levels cannot be maintained as there is a need to enhance demand for cold water shrimp in light of the current risk and slow movement of 2011 inventory...but the prices are not prices we can or are achieving."

ASP acknowledges that the market changes as per the table: "suggest a market improvement", which they can not achieve. It is also noted in 2011 the ASP price offer in the spring was higher than the calculation they were using in the table.

Using the ASP table calculation of 68¢/lb. weighted average market increase, and applying their .654% harvesters shares and .325% yield, would result in a figures of 14¢ applied to a 2011 price. Using the FFAW .56¢ lb weighted average market increases with the same share and yield, would result in a 12¢ lb increase.

There is a difficulty in what those increases should be added to. The appropriate price in the spring was probably between the two positions presented to the Panel. No matter how they are applied it would still get one to the 70¢ range for a 2012 price.

The Panel has already indicated that it does not see anything in the market reports that suggest higher market returns in 2012 over 2011, especially in the timeline of the spring shrimp fishery. The Panel also is inclined to accept the ASP review of the markets, as concluded from the marketing reports, as reasonably accurate. It is also clear, in the view of the marketing reports that prices have not declined.

The position taken by ASP is that they are not getting the prices noted in the reports, even though they have calculated the prices used in the reports, or at least reflected in them, in determining the year over year increase in the weighted average market price. Obviously the processors are concerned about the market, their final offer is not reflective of the magnitude of the increase in the market price differential with the previous year. It is based on their risks in the market in contracting for sales on this years production.

In the view of the Panel, taking all the issues into consideration, the price to harvesters for the spring fishery should be no better than the fall price of 2011, which was the negotiated price of 73¢/lb. This reflected the market prices at the time related to volumes of production. Subsequent market price returns, even if higher in some markets or smaller volume sales, do not support 3¢ price rise to harvesters at this time. From the perspective of our industry it is not, in the opinion of the Panel, the appropriate signal to our markets, and especially to the buyers on whom we are dependant and have an established relationship.

The market returns today should permit a reasonable accommodation for both sides. The Panel would support a price in the range of 72-73¢/lb, as reasonable under the circumstances to start the spring fishery. The prices proposed are extreme from either side.

The Panel, as already indicated does not support price increase to harvesters based on and assumption that market returns will increase from current levels. There is however a problem in considering the ASP proposal. ASP has stated that the weighted average market price in 2012 over 2011 is 68¢ lb. Their price proposal of 68¢ to harvesters is an 8¢ lb increase over their 2011 proposal of 60¢ lb in the spring

fishery. While ASP says the price tables are not a formula for price, an 8¢ increase on a market increase of 68¢ is not consistent with anything previously contemplated by the Panel in choosing a position on price.

If the Panel had a choice between 70¢ and 76¢ at this time it would favour the lower price over the higher. ASP has not provided any different prices than those in the market reports on which the Panel could determine the reasonableness of their proposal. If the predictions of market declines materialize then the Panel is prepared to consider new facts or information as provided for in the legislation.

It is the decision of the Panel to accept the position of the FFAW. Under the provisions of the Act, this spring price table (as attached) is binding on all processors that process the species shrimp in the Province and will form a collective agreement or part of a collective agreement with the FFAW.

Dated at St. John's the 13th day of April, 2012



Joe O'Neill



Bill Wells



Max Short

SPRING SHRIMP PRICES

Size	Distribution	Plant	Trucked	
Categories	Spring 2011	Price	Price	Price
2-2.9	6.38	\$0.297	\$0.267	
3-3.9	11.29	\$0.502	\$0.472	
4-4.9	14.81	\$0.614	\$0.584	
5-5.9	15.96	\$0.726	\$0.696	
6-6.9	19.31	\$0.855	\$0.825	
7-7.9	17.11	\$0.917	\$0.887	
8-8.9	9.05	\$0.981	\$0.951	
9-9.9	3.66	\$1.077	\$1.047	
10+	2.42	\$1.140	\$1.110	
				0.760