

STANDING FISH PRICE-SETTING PANEL

SPRING SHRIMP FISHERY 2017

The Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel”, issued its Schedule of Hearings for 2017, on March 2, 2017. Pursuant to Section 19 of the Fishing Industry Collective Bargaining Act, hereinafter referred to as the “Act”, the Panel set Wednesday, April 19, 2017, 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 Land Resources, 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 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 shrimp was scheduled to take place at 10:00 a.m. on Thursday, April 20, 2017, at the Hampton Inn and Suites, 411 Stavanger Drive, St. John’s.

The Panel convened its hearing for the species spring shrimp at 10:00 a.m. on Thursday, April 20, 2017, at the Hampton Inn and Suites, 411 Stavanger Drive, 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, (copies attached) supported their submissions in main argument and rebuttal.

The parties and the Panel had the benefit of two market reports provided by the Department of Fisheries and Land Resources. They are from Gemba Seafood Consulting and Janet Farmer of CanadaUK Partners, hereinafter referred to as “Gemba” and “Farmer.” The two reports provide a detailed analysis of the current market situation in Europe and, by Farmer specifically, the UK market. The Panel also had other market information, including historical price comparisons from Urner Barry.

As forecasted in each of the two market reports for the spring, summer and fall of 2017, prices will decline. The Gemba report indicates on page 4, that price expectations in the short run are stable with a slight downward trend. The current price for 150-250 pcs./lb. is down by 13% compared to six months ago.

Similarly, in the Farmer report, as stated on page 3:

“UK buyers note that while prices had been stable over the winter, there is a softening of price in GBP, notably for smaller sizes...”

Farmer further states on page 13:

“Prices for small CWP are particularly weak currently though there may be a shortage of large sizes.”

Urner Barry also demonstrates that average prices for the first four months of 2017 have declined in comparison to average prices for 2016.

Most importantly, both parties agree that prices will decline in 2017, as demonstrated in their submissions and presentations to the Panel. The parties are in agreement that the weighted average market price (WAMP) for this years spring fishery is down. They differ on the magnitude of the decline: \$.78-\$1.00/lb. according to ASP, \$.46-.54 according to the FFAW.

The process the parties have directed the Panel to follow in arriving at a decision on the price of shrimp to harvesters has been clear for many years. It has been quoted by the Panel in many of its reports and confirmed by the parties. In each shrimp fishery; spring, summer and fall, the WAMP for the season in the current year is to be compared to that of the same season in the previous year (ie. compare spring to spring, etc). The difference in the weighted average market prices, up or down, is used as a guide to determine the change in the price to harvesters.

For example, if the WAMP change in a year was an increase of \$1.00, yield and a percentage share to harvesters, would be calculated, to get the price, in this case to be added to the previous years price. ASP from the onset has generally used a yield of 32.7% and a harvesters share of 65.4%. If those percentages were applied in this instance, the harvesters share of the \$1.00 price increase in the WAMP would be: $1.00 \times 32.7 = 32.7 \times 65.4 = 21.38\text{¢}$. This would be added to the minimum shore price in the prior year. The WAMP is calculated based on the market reports that are available to the parties and the Panel.

The price tables are not intended to provide an actual price that resolves the issue. As the Panel noted in its summer shrimp fishery 2014 report at page 2:

"The parties are agreed that the calculations provide a guide, not absolute or precise figures, to price adjustments and are a helpful tool in making the adjustment in price, in relation to the position of either party and the prevailing market situation set out in the market reports."

The Panel has considered other factors that will likely influence price and market conditions in 2017. As Gemba states on page 3:

"The inventories are big and all shrimp sizes are available. Inventories from 2015 when prices were high are still available...."

While inventory carry-over from previous years has happened, it is extremely unusual during times of declining supply. The Panel is led to believe that the quantities remaining in inventory are significant but neither party was prepared or able to substantiate volumes.

Gemba also states on page 3:

"The currency development since 2016 has been very volatile. The weakening of the GBP and EURO compared to the CAD has created headwind for the Canadian export..."

Gemba, as does the Panel, recognizes that Canadian exports have and will continue to decrease due to reduced raw material availability and quota cuts. As Gemba states on page 7:

"Other causes to the drop in Canadian export are linked to increasing trade of substituting species such as wild-caught seabob, jordani and montagui shrimp as well as cultivated warm water shrimp vannamei to the EU."

Farmer references similar factors on page 12:

"Buyers also say that there had been significant inventory over recent months including some parcels from 2015, but that it is reducing now and large sizes are now scarce."

With respect to the competitive impact of WWP, she notes on page 11:

"From 2008 to 2016, frozen CWP volumes were down some 50% and chilled nearly 40%. By contrast WWP volumes were up some 50% and 20% respectively over the same period."

The mandate of the Panel is very clear, in that it must chose one of two final offers on "price and conditions of sale" made by the parties (Final Offer Selection) as the minimum price for the 2017 spring shrimp fishery. (Note: The minimum price may not represent the right price but, rather, a price closest to the right price). The Panel recognizes, however, that 'minimum price' presumes that higher prices might be paid in addition to the minimum price under the collective agreement, as the term 'minimum' would suggest. While it also acknowledges, as do both parties, that a price of \$1.50 for 2016 spring shrimp was independently agreed upon between members of both parties, outside of the collective bargaining process, the level of premium payments over the minimum price creates a problem, not necessarily for the Panel but moreso, for the parties. The Panel maintains its position with respect to the issue of extra payments or bonuses, that continues to be raised by the FFAW and cannot take them into consideration when choosing a price.

Following past procedures, it is clear that the WAMP for the 2017 spring shrimp fishery has declined by: according to the FFAW \$.46-\$.54/lb.; according to ASP \$.78-\$1.00/lb. The FFAW final offer is \$1.45/lb. and the ASP final offer is \$.95/lb. If one were to take a yield of **32.7%**, and a harvesters share of 65.4%, which favors the harvesters on price drops, an adjustment to the price would be in the range of \$.10/lb.-\$.21/lb. less than last years minimum price of \$1.22.

While the Panel acknowledges the inevitable challenges and hardship to be faced by fish harvesters this year due to significantly reduced quota cuts, the Panel, as per its mandate, has no choice but to accept the final offer of ASP. Under the provisions of the Act, the spring price table (attached as Schedule "A"), 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 23rd day of April, 2017.



Bill Carter



Rosalind Walsh



Brendan Condon

SCHEDULE "A"

| Size Categories | Distribution Spring 2016 (%) | Plant Price |
|-----------------|------------------------------------|-------------|
| 2.0-2.9 | 4.46 | 0.373 |
| 3.0-3.9 | 13.06 | 0.631 |
| 4.0-4.9 | 22.17 | 0.771 |
| 5.0-5.9 | 13.04 | 0.912 |
| 6.0-6.9 | 13.12 | 1.074 |
| 7.0-7.9 | 14.63 | 1.151 |
| 8.0-8.9 | 11.01 | 1.233 |
| 9.0-9.9 | 5.54 | 1.350 |
| 10+ | 2.97 | 1.387 |
| | | \$.95 |

* Prices for trucked shrimp are 3¢/lb. less.