

STANDING FISH PRICE-SETTING PANEL SUMMER SHRIMP FISHERY 2015

The Standing Fish Price-Setting Panel, hereinafter referred to as "the Panel", issued its decision setting prices for the 2015 Spring Shrimp Fishery on the 21st day of April, 2015.

The 2015 Shrimp Schedule, between the Fish, Food and Allied Workers, hereinafter referred to as the "FFAW"; and the Association of Seafood Producers, hereinafter referred to as "ASP", stipulates that Spring Shrimp prices terminate on the 20th day of June, 2015. The parties further agreed to negotiate prices for the Summer Shrimp fishery to be effective on the 21st day of June, 2015. It was further agreed that, in the event of no agreement, the parties would refer the matter outstanding to the panel for binding resolution in accordance with the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the "Act." All other terms and conditions of the Shrimp Schedule are to remain in full force and effect.

The Panel and the parties agreed that a hearing, if required, would be held on the 19th day of June, 2015. The parties, having previously exchanged positions filed submissions with the Panel (copies attached), appeared before the Panel and supported their submission in main argument and rebuttal. The parties and the Panel had the benefit of market report updates from Seafood.com, Gemba Seafood Consulting and CanadaUK Partners (copies attached).

The Panel by the agreement of the parties acting under the provisions of the "Act", must choose one of the two positions presented by the parties in final offer selection.

Both parties acknowledged and commented on the fact that there had been a minimal effort applied by either side to negotiate a settlement. The result is that the submissions are .29¢/lb. apart on their price proposals to the Panel. The whole point of using final offer selection is premised on the parties having negotiated and exhausted all possibility of achieving a final settlement and having a third party choose between relatively close positions. In this instance with in excess of 60 million pounds of shrimp yet to be landed, millions of dollars weigh in the balance between the two extremes.

Prices for cooked and peeled shrimp are at an all time high as a result of a substantial reduction in supply over the past number of years. Coupled with this was the fact that warm water shrimp supplies contracted as a result of disease and prices rose dramatically after 2012. The latter was a major factor in the most important market for our shrimp in the UK. As warm water shrimp supplies increase and prices decline to more normal levels, it is projected that sales volumes of our product will decline in that market if prices are not reduced. All three market reports confirm the high returns for cooked and peeled shrimp and the fact that supply cannot meet the demand. As product becomes available it moves through the system and inventories are non-existent.

Prices in the markets increased throughout 2014 to 2015 and may be at their peak. Gemba Seafood Consulting does anticipate further price increases through to September. At some point, later in the year, the market reports are fairly consistent in the view that a change will occur. As stated in summary in Seafood.com at p. 16;

"All these factors suggest that sometime before the end of the year, a change will begin in the global shrimp market as we transition from an era of shortage to an era of where supply and demand are more in balance."

The shorter term increase in supply of cooked and peeled cold water shrimp during 2015 can only come from this province. In 2014, the market reports confirmed rising prices due to lack of supply. Seafood.com, issued similar cautions in 2014, noting the fact that warm water shrimp prices were falling rapidly and there would be a transition from cold water shrimp. Each of the three market reports had similar commentary in their spring reports with respect to price declines later in 2015. They all confirm the fact that prices since then have not declined and in some instances are higher.

Against this backdrop, ASP takes the position, as they did in the Spring of 2015, that due consideration must be given to the market analysis and projections in the marketing report.

The Panel accepted the FFAW position on spring prices in 2015. The concerns ASP held at that time did not materialize. That is not to say that the situation in the markets will not change going forward. The issue is, when will market prices decline, if they do, and, by how much? The only thing that changed in 2014 after our shrimp went into the market last year was the increase in price. The volume did not appear to have any appreciable impact.

The FFAW contend that the lower supplies will ensure the market prices remain high. The fact is that all three market reports confirm the current prices and the Panel should base its decision on the prices in effect and not base it on any forecast decline.

There are two other points the FFAW pursued in the course of their submission and argument. In their view, the harvesters are not getting their fair share of the improved market returns. In other fisheries, the harvesters share of the market returns are agreed, with the harvesters obtaining a higher percentage share as the market return increases. It is also contended that the yields are higher than the figure normally applied by processors. This increases the processors share of the market return to the detriment of harvesters.

The other issue is the fact that wharf prices and bonuses paid to harvesters are much higher than the price set out in the collective agreement. For instance, it was alleged that as much as .35¢/lb. was paid over spring shrimp prices with bonus payments in addition to that. Since there are alleged inequities in how the additional payments are made, it was important to have a more appropriate price in the collective agreement.

The Panel has not taken additional payments made to fishermen into account in its previous decisions. As well, the Panel is not in a position to determine yields or percentage of market share. These matters need to be determined by the parties.

The Panel must decide the issue of price choosing one of the positions presented. The process to be followed is clear as the Panel stated in its decision on Summer Shrimp Prices in 2011 at p. 1;

"As commented on by the panel in its previous decisions with respect to Shrimp, the parties have directed the Panel to follow a specific procedure. In each Shrimp fishery; spring, summer and fall, the weighted average market price in the current year is to be compared to that of the previous year. The difference

between the weighted average market prices, up or down, is used as a guide to determine the change in the price to harvesters."

In the fall report of 2012, the Panel noted at p. 3;

"The Panel is not oblivious to the circumstances of the situation and the risk to which processors are exposed. However, it has no objective basis on which it can determine the price to harvesters other than the price supplied in the marketing reports."

The FFAW in Appendix A, to its submission provided a summer market report price table. The result is an increase of \$2.89/lb. in the weighted average market price in 2015 compared to the summer of 2014. ASP said it had prepared a price table but had omitted it inadvertently from its submission. ASP did confirm that there were some minor inconsistencies between the tables but the FFAW table was an accurate representation of the market price differential year over year.

The FFAW price proposal was based on a yield of 32.7%, which it disputes and a harvesters share of 78% for an increase of .79¢/lb. ASP has generally applied a yield of 32.7% and a harvester share of 65.4% to a weighted average market price differential. At this time, their price offer is based on the analysis in the market reports of a projected price decline. There is nothing in the market reports to indicate precisely when and by how much the market return may decline. In ASP's view, the price in the collective agreement is a "minimum price", beyond which they are not prepared to commit.

The calculation of the differential in the weighted average market price does not result in a mathematical exercise providing a solution. As the Panel noted in the Summer Shrimp Decision of 2014, at p. 2;

"The parties are agreed that the calculations provide a guide, if 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".

At this point in time, the market prices and returns are clear. The prevailing prices remain high with some predictions of even higher prices in the short term (Gemba). There is no trend of downward pricing, prices are stable. A \$2.89 increase in the weighted average market price year over year could certainly command a price increase to harvesters in the .60¢ range. This can be achieved by using ASP figures on yield and harvesters percentage share, without resorting to the FFAW arguments on yield or share.

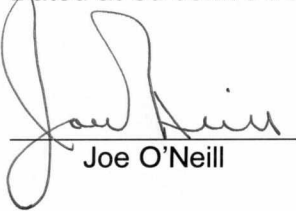
As matters now stand, the FFAW price proposal is closer to the mark in reflecting the market returns. The Panel has generally accepted current market prices in the past. Where it is clear in the market reports that prices are in a distinct trend, moving either up or down, consideration has been given to that fact. However, at this time, there is no dispute about the actual market returns and the weighted market price increase year over year. There is no noted trend in price, especially in relation to any decline.

It is the decision of the Panel to accept the position of the FFAW. Under the provisions of the Act, the summer 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.

Given the limited time between the date of the hearing and the price change, the parties and the Panel agreed to the Chair of the Panel, advising the parties of the decision on the 21st of June, 2015.

Dated at St. John's the 23th day of June, 2015.



Joe O'Neill



Bill Wells



Max Short

Schedule "A"

Size	Distribution	Plant	
Categories	Spring 2014	Price	
2 – 2.9	5.13	0.598	
3 – 3.9	10.33	1.011	
4 – 4.9	11.64	1.236	
5 – 5.9	12.40	1.462	
6 – 6.9	14.55	1.722	
7 – 7.9	16.10	1.847	
8 – 8.9	13.31	1.976	
9 – 9.9	8.28	2.169	
10+	8.26	2.296	
			\$1.640

Prices for trucked shrimp are .3¢ less per pound.