

Inshore Shrimp Fishery-Fall 2007

The Standing Fish Price-Setting Panel, hereinafter referred to as "the Panel" issued its Schedule of Hearings for 2007 on February 12, 2007. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as "the Act", the Panel set Monday, March 5, 2007, 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. Accordingly, 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 "FFAW", and ASP. Section 19.11(1) of the Act and regulations made pursuant thereto required 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 submissions 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 parties to collective bargaining on shrimp prices, the FFAW and ASP, concluded a collective agreement on shrimp prices for the spring shrimp fishery 2007. The Shrimp Schedule 2007 outlines the terms and conditions applicable to and binding on all processors and buyers of shrimp in the province in 2007. The prices paid to harvesters for shrimp purchased are to apply in three different seasons of the year; spring, summer and fall. Section 13 of the Shrimp Schedule for 2007 stated that the spring price Table shall be in effect from April 1, 2007, to June 23, 2007. All other terms and conditions of the schedule are to apply from April 1, 2007 until March 31, 2008. The summer shrimp prices, negotiated by the parties, were confirmed by the Panel in its decision, dated June 21, 2007, the price Table being effective from June 24 to September 8, 2007. The price Table was amended by an adjustment of 2.5 cents per pound on all prices, effective on August 3 to September 8, 2007, by order of the Panel, dated August 24, 2007.

The Panel issued a notice, dated August 29, 2007, advising that in the absence of a binding collective agreement being in effect for fall shrimp prices, the Panel would conduct a hearing at the Labour Relations Boardroom, at 7:00 p.m., September 6, 2007.

On September 6, 2007, the Panel received the report of the facilitator, the parties having exchanged their positions (copies attached), the hearing convened at 7:00 p.m. The written submissions of the parties were supported by oral representation in main argument and rebuttal.

The Panel advised the parties of its decision by letter on September 7, 2007, due to the fact that the new price Table was to be effective as of September 9, 2007 (copy attached). The Panel further advised that its report would be issued the following week.

The parties and the Panel have had the benefit of an update on Northern Shrimp Markets, dated August 29, 2007, from Mr. John Sackton. The report was prepared for the Department of Fisheries and Aquaculture (DF&A). As well, attached are copies of an exchange of e-mails with Mr. Sackton subsequent to the submission of his report. Mr. Sackton earlier provided a

comprehensive overview of the shrimp markets for 2007 on March 1, 2007, prior to the start of the spring shrimp fishery. Mr. Sackton also provided an update of the first report on June 13, 2007, prior to the start of the summer shrimp fishery. All of these reports are helpful in providing a perspective on what is happening to the principal markets for cooked and peeled shrimp, and the current trends.

In addition, the Department of Fisheries and Aquaculture has provided an European Foreign Market Trend Report – August 2007, prepared by Lozowich Market Research received August 28, 2007, (copy attached). Also, attached is a copy of an e-mail from Mr. Lozowich forwarded by DF&A, dated September 5, 2007.

These current reports, and the earlier information supplied, provide an excellent background in assisting the parties and the Panel in understanding the significant changes that have taken place in the harvesting and marketing of cold water shrimp and the cooked and peeled market. While there are some very positive aspects for our industry, they are tempered somewhat by the underlying issues related to the demand and consumption of cold water shrimp going forward. Oversupply to the cooked and peeled market was a factor of the huge increase in supply from the inshore fishery in this province. The principal markets were the US and Europe, particularly Denmark and the U.K. A declining price trend over a five year period, exacerbated by currency differentials and a tariff wall in European Union, culminated in an exceedingly difficult year economically for both harvesters and processors in 2006. That appears to have been the bottom as market returns are improving in 2007 for a number of reasons.

First of all, for economic reasons and resource decline, there has been a substantial redirection in the North East Atlantic Fishery. This major downturn in supply from our major competitors has restored the supply demand balance, especially in the EU, and consequently, in the US market.

Secondly, the decision of the EU to increase the tonnage to 20,000 m.t. of imports of cooked and peeled shrimp subject to a 6%, instead of 20% duty, has put Canadian production in a much more competitive position. The combination of lower landings from the North East Atlantic, has strengthened the market position. Inventories are low, spot prices have been higher and the overall market prices in Denmark, the UK and the US are higher. The largest single beneficiary from this turn of events should be the industry in this province.

There is one fact that should not be ignored at this time. The underlying demand for cooked and peeled shrimp has not been increasing and there is price resistance at the retail level, especially in the UK. Mr. Sackton is quick to point out that: "the strengthening of prices is not due to increased customer demand... The main fact is that supply, which had greatly exceeded the level of consumer demand for cold water shrimp, has now come more into balance. Nevertheless, the potential for price increases is significantly limited by the low price of warm water shrimp in Europe."

The negative economic consequences have reduced our competition and reconfigured their fishery. Our industry has survived, barely, and needs an economic shot in the arm. The question now, is how to best take advantage of the changed circumstances and ensure we maximize our returns from the market? Equally, as important is the question of how the increased returns are equitably divided between the harvesting and processing sectors of our industry.

Given the approach of the parties appearing before the Panel the outlook has been less than promising. The parties did negotiate the spring price, an agreed 7% increase over 2006 spring prices. The summer prices could not be concluded as the parties could not agree on the effect that the increased quota subject to the lower tariff in the EU should have on prices. At the time of the negotiations, the ATRQ had not been announced officially. The matter was brought to the Panel and the parties were given a time frame in which to settle the issue. Again, no agreement was achievable between the parties who held quite divergent views on the issue of the impact of the tariff relief on market prospects and the effect on raw material prices. The Panel finally imposed a settlement after the process was taken out of final offer selection at the request of the Panel. The summer prices were adjusted as of August 3, 2007. The price table which became effective June 24, 2007, negotiated between the parties provided for a 14% increase over 2006 summer prices. The August 3, price adjustment imposed by the Panel increased summer prices by 21.4% over the 2006 summer prices.

In the view of the Panel, the parties did not engage in negotiations on the fall shrimp prices. After the initial proposal by the FFAW, no further meetings were held between the parties. Hours prior to the hearing, ASP did send a proposal to the FFAW in response to a second proposal sent by them. The submissions received by the Panel show the parties to be 5.2 cents apart on the average price, a difference of 12.8%. Obviously, there was no attempt made to resolve the issues through negotiations since neither of the offers presented reflect the fact that the parties are supposedly using the process of final offer selection. The Panel has commented in earlier reports on the fact that the parties have presented widely divergent positions using final offer selection. This has occurred in previous negotiations especially in 2006 in the setting of shrimp prices. The results were wide fluctuations between spring, summer and fall prices in 2006 which, in the view of the Panel as previously expressed, did not in any way resemble what the appropriate range of prices should have been.

As the Panel previously noted, 2006 was a very difficult year for both harvesters and processors. Market returns were insufficient to adequately compensate either side. The markets are substantially better in 2007, for the reasons stated. However, the attitude or approach to collective bargaining in better circumstances has not improved. As can be seen from the submissions, the parties do not have a common approach on how to assess the facts, or deal with the issues. Much of the argument is of little relevance especially in relation to the appropriate price comparison. In the end the parties did agree that the comparison should be between fall prices. Much of the two submissions dealt with various points if these were thought to provide an advantage. Comparing prices fall to fall, only taking into account market prices and currency changes, does not necessarily provide the best approach or the best result. As can be seen from past experience, prices in each season have been affected by other factors and there is no prior base price that can be used as a solid starting point for the calculation of a subsequent price.

The parties also have not been able to agree on the role that variations in yield should play in setting price differentials from season to season. There is also no consensus on appropriate sharing arrangements between harvesters and processors. In short, there are no building blocks in place between the parties which would enable them to better address the issues in the context of collective bargaining on shrimp prices. The effect of final offer selection in this situation only amplifies the problem.

The market reports indicate that prices are up by as much as 19.8% in the US, Urner-Barry, and by 15% in Europe. The parties did not provide any information as to the market split for sales between the US and the EU. The US market is in short supply and the Canadian focus

has been on the EU as a result of the ATRQ and the shortfall in supplies from Norway and others. This province is now the most important supplier to the cooked and peeled market for cold water shrimp in the EU and the US. As Sackton noted: "Overall, I think it is fair to say that we are seeing the most positive outlook for the cooked and peeled shrimp market in at least five years." Under the circumstances, in a rising market, the Panel is of the view that we must press to take full advantage of the current situation. Accordingly, it is the decision of the Panel to accept the submission of the FFAW.


FFAW/CAW Offer – September 6, 2007

Size Categories	Landed at Plant	Trucked
2-2.9	0.151	0.121
3-3.9	0.267	0.237
4-4.9	0.337	0.307
5-5.9	0.419	0.389
6-6.9	0.500	0.470
7-7.9	0.535	0.505
8-8.9	0.581	0.551
9-9.9	0.639	0.609
10+	0.698	0.668

An additional \$0.025 will be added to each price category for the value of the ATRQ.

By virtue of the Act, this fall price table together with the Shrimp Schedule 2007, 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 the 12th day of September, 2007.


JOSEPH P. O'NEILL
CHAIR


BILL WELLS


MAX SHORT