

## STANDING FISH PRICE-SETTING PANEL COD FISHERY 2015

The Standing Fish Price-Setting Panel, hereinafter referred to as "the Panel", issued its Schedule of Hearings for 2015 on February 19<sup>th</sup>, 2015. Under Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as "*the Act*", the Panel set Sunday, May 10<sup>th</sup>, 2015, as the date by which collective agreements binding on all processors in the province that process Cod, must be in effect. In the absence of such collective agreement(s), the Panel set Monday, May 11<sup>th</sup>, 2015, as the date on which the Panel would conduct a hearing regarding prices and conditions of sale for the species Cod.

It was noted by the Panel, at that time, that it had been advised by the Department of Fisheries and Aquaculture that no processors' organization had been identified that represents processors in the province that process the majority of the species Cod. As a result, should a hearing be required for Cod, the provisions of Section 19.9 of the Act were to apply. Presentations would be accepted by the Panel from any processor, processors' organization and the Fish, Food and Allied Workers, at the hearing.

The Panel further advised that parties intending to make a presentation to the Panel on Cod were to provide the Panel with written submissions not later than 24 hours before the scheduled hearing time and date. The Panel also advised that it would decide on all matters in dispute between the parties relating to price and conditions of sale for the species Cod, and that the decision of the Panel is final and binding on the parties and all other processors that process the species Cod, and constitutes a collective agreement or part of a collective agreement between them. At the request of industry representatives, the Panel rescheduled the date for a hearing to 10:00a.m., Tuesday, May 19<sup>th</sup>, 2015.

The Panel convened the hearing for Cod at 10:00a.m. on Tuesday, May 19<sup>th</sup>, 2015. Appearing before the Panel were representatives of Icewater Seafoods Inc., hereinafter referred to as "*Icewater*", the Association of Seafood Producers, hereinafter referred to as "*ASP*", and the Fish, Food and Allied Workers, hereinafter referred to as "*FFAW*".

The parties having previously filed their submissions with the Panel supported them, in main argument and rebuttal. (copies of the submissions attached)

The parties and the Panel had the benefit of the Cod Market Report prepared by Seafood.com for the Minister of Fisheries and Aquaculture, Government of Newfoundland and Labrador.

The Cod fishery in this province is extremely limited. Landings of just over 11,000 tons, were less than .005% of the total for Atlantic Cod in 2014, according to Seafood.com. Another big factor over the past number of years relates to the position of Icewater. The company has processed more than 50% of the Cod landings, the business is totally dependent on Cod and does not have the benefit of processing other species to augment its business operations. Icewater has built its business on exports to the UK (81%) and France (8%). Exports to the US and Canada total 11% of sales.

The company competes at the high end of the European market producing single frozen loins and tails. Given the limited supply and niche market, the market reports review of Cod products and pricing cannot be directly related to Icewater's returns.

Icewater is, and has been, the largest buyer of Cod from inshore harvesters throughout the province. Due to limited quotas, it operated at only 34% of capacity in 2014. Limited volumes of supply also result in higher collection costs. As well, seasonal variations in supply result in variability in the yield and quality of landed fish. The company has many disadvantages in relation to its overseas competition including tariff barriers.

Despite all the negative factors, the company has produced competitive quality products, has a dedicated workforce, and been the primary buyer from Cod harvesters. It has however, incurred serious financial losses in 2014 and is seeking relief on raw material prices.

Seafood.com notes at p. 16, "... the only thing keeping Newfoundland Cod in the market is the ability to sell a high quality premium product". It is also noted that our longer term viability in processing Cod depends on increased volumes permitting more plant efficiencies and cost savings. The predicted alternatives from lower quality will see product shipped to China for processing.

As the FFAW noted in its submission the Cod fishery in this province is: "...being slowly rebuilt". As Cod stocks rebuild a solid foundation must be laid for the future if the groundfish fishery is to be restored as a basis for viable harvesting and processing enterprises. The FFAW asserts: "...premium grade fish must be the industry's focus."

A major step forward was taken between Icewater and the FFAW in 2014 with the establishment of a Quality Grading Program. It is absolutely essential to the future of the Cod fishery that the focus be on the production of quality products. Icewater and the FFAW are to be commended for the progress made thus far. It is also recognized that more has to be done in achieving optimal performance in harvesting, handling and processing.

ASP on behalf of its members who purchase Cod, as part of their operations, have accepted the premise of the Quality Grading Program, but have raised specific related issues that require attention in their opinion. While there is an apparent consensus within the industry that the focus must be on quality and premium products, if the Cod fishery is to be successful as it rebuilds, the Panel is concerned about the obvious lack of discussion between the parties prior to the commencement of the fishery this year.

All parties agreed during the course of the hearing that specific outstanding items in the Grading Standards could be resolved in a matter of hours if prices were settled. The fact is the discussions should have taken place prior to and during negotiations; agreements are possible, but they require the attention and discussion necessary to resolve the issues.

The Cod fishery is expected to become a more important factor in the industry as stocks, by all accounts, are recovering. The dependency on this fishery will increase and for harvesters and processors there is an opportunity to develop the fishery in a manner which will provide the best economic return. Cooperation and buy in to the program dictates that it will require a dedicated effort amongst all participants.

The Panel has noted the comments in the marketing report and submissions with respect to market prices. Having reviewed the material available, the Panel is of the view that the highest price category "premium" is a constraint on the processor achieving a reasonable margin. While it is extremely important that harvesters are fairly compensated for their efforts in landing fish of the highest quality, the competitive position of the market place must also be recognized.

As Icewater notes in its submission, the expectation in 2014 was that the improved quality in landed fish, resulting from the grading system, would support an increased price to harvesters. Instead, while the average price increased 33% from 2013 to 2014, the increase in quality/pack mix only resulted in a 14% increase in value from 2013 to 2014. The resulting losses could not be sustained. It seems that the circumstances require a better alignment between the pricing of the raw material and the results obtained.

The premium price of .80¢/lb. in 2014, combined with the other factors inherent in operations at this time, will not provide a sufficient margin to the processor. To match the competition at the high end of the market, we have to maintain a competitive position. The market report provides the background to the international Cod markets and sources of supply. Icewater has supplied the details of its market situation and the competitive advantages of other suppliers in its market niche.

From the perspective of the Panel, there are a number of issues in play that have to be taking into consideration in setting the price to harvesters at this time.

Quality is the key to future success. The ASP proposal to create a premium price for a premium fish at 2014 pricing levels has merit. Unfortunately, it was not presented during negotiations and for consideration prior to the hearing. The Panel is reluctant to introduce a new category of pricing as part of its decision but recommends the concept should be addressed by the parties.

The Panel is also of the view that consideration will have to be given to pricing fish on the basis of time of year. There are certain intrinsic qualities or characteristics of raw material that justify differentials in prices for the landed fish. These factors in the view of the Panel cannot be ignored and looking forward to the restoration of the Cod fishery, as stocks increase, they would inevitably have to be taking into account. The Panel is also of the view that moving in that direction at this time will assist in alleviating the differences between the parties on pricing raw material.

It is the decision of the Panel that the following minimum prices for Cod 18" and over is:

**2015/16 Cod Prices**

**Spring / Summer**

May 22, 2015-August 9, 2015

Premium	.68¢/lb.
Grade B	.38¢/lb.
Grade C	.20¢/lb.

**Fall / Winter**

August 10, 2015

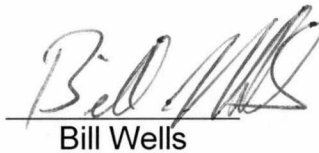
Premium	.75¢/lb.
Grade B	.40¢/lb.
Grade C	.20¢/lb.

At the time of the hearing, there were some outstanding items relating to the conditions and sale of Cod in the Schedules to the collective agreement. As the FFAW noted such issues are: "...better resolved between the parties". At the close of the hearing, the Panel urged the parties to address those issues and have now been advised that the only matter outstanding is price. The Panel commends the parties for addressing those outstanding issues in a timely fashion.

It is the decision of the Panel that the prices and conditions of sale for the species Cod, for the 2015/2016 collective agreement(s) will be as set out in the 2015/2016 Cod Schedule, which includes the Panel decision on prices. These prices and conditions of sale are binding on all processors that purchase Cod and will form a collective agreement, or part of a collective agreement with the FFAW.

Dated the 22<sup>nd</sup> day of May, 2015.

  
Joe O'Neill

  
Bill Wells

  
Max Short