

INSHORE SHRIMP FISHERY – SUMMER 2006

By a decision of the Panel, dated the 4th day of April, 2006, prices for the spring shrimp fishery were determined and were to apply until the 24th day of June 2006. The parties to the proceedings with respect to the spring shrimp fishery appearing before the Panel were the Fish, Food and Allied Workers (FFAW) and the Association of Seafood Producers Inc. (ASP). Proceedings before the Panel for the spring shrimp fishery were conducted pursuant to Section 19.11(1) of the *Fishing Industry Collective Bargaining Act*.

Accordingly, in the absence of any changed circumstances, the same parties are the only ones involved before the Panel in the determination of prices and conditions of sale for the conduct of the summer shrimp fishery. FFAW and ASP advised the Panel that negotiations between them with respect to the spring shrimp fishery were conducted from June 16th to 20th, resulting in two items which remain outstanding and in dispute for reference to the Panel in accordance with Section 19(2) of the *Act*. They are, trip limits and prices which are to apply to the summer shrimp fishery for the period June 25th until September 8th, 2006.

Under the provisions of Section 19.11(1), the Panel is required to hear and consider the positions of the parties on price and conditions of sale and choose one of the positions submitted to the Panel.

The Panel convened the hearing on June 20th, 2006, at 7:30 p.m., at the Battery Hotel in St. John's. The parties exchanged positions prior to the hearing at which time written submissions were tabled (copies of which are attached to this report) supported by oral presentations and rebuttal of the other submission.

BACKGROUND:

The issues related to the shrimp fishery in 2006 were exhaustively detailed by the parties in their submissions during the March 30th hearing, including a review of the market situation by Mr. John Sackton of Seafood.Com in his report, entitled, "Review of Northern Shrimp Markets in 2006". The Panel and the parties have the benefit of Mr. Sackton's update to that report, dated June 11, 2006, entitled, "Update on Northern Shrimp Markets in 2006". (A copy of which is attached to this report).

From the perspective of the market, the earlier grim picture described by Mr. Sackton has not improved; if anything, the situation is worse. He concludes that there have been no substantive changes to the problems which confront the shrimp industry in this province and states at page 2, "The industry is caught in a very negative situation that is hard to reverse".

The salient points are: the markets for northern shrimp are oversupplied, no long term contracts are available from buyers, the markets in the United States and Europe are not expanding, in fact, there is some erosion in the European market resulting from increasing competition from warm water shrimp, particularly in the UK. The combination of market oversupply, unfavourable exchange rates as a result of the rising Canadian dollar, and the 20% tariff wall in the European market has resulted in a downward spiral of prices available from the market. In fact, market returns are down more than 20% from last year. Using the term "crisis" to describe the state of the industry is not an overstatement.

Both ASP and FFAW are aware of and in agreement on many of the issues of the marketplace and the issues confronting the industry. They may differ on how or what the best approach should be to improve the situation. Another factor is the extent to which either of them, working individually or collectively, could ensure positive results in the future from any actions that might be taken.

In issue before the Panel are prices and trip limits for the summer shrimp fishery. A price differential for the summer fishery from the spring or fall is dictated in part by lower yields from the summer fishery. This has been the subject matter of previous studies, acknowledged by the parties. A review by the Inshore Shrimp Panel in 2002, known as the Vardy Report concluded that yields in July and August: "are by far the lowest for the year" and that yield variations from spring to summer is as much as 7 percentage points.

The position of the FFAW, as outlined in its submission to the Panel during the March 30th hearing and in the current hearing, is that prices below an average of 45 cents/lb put harvesters in an uneconomic position. In its view, this downward spiral of prices must be reversed if harvesters are to continue to fish. Having raw material prices based solely on market, yield and foreign exchange fluctuations is not sufficient. Given the serious oversupply situation, they had earlier proposed to ASP that a six-week closure of the fishery would reduce production substantially from the 158 million pounds quota available in 2006. Given the fact that in excess of 50 million pounds have been landed in a six-week period in the past two years, the FFAW and its member harvesters were, and still are, prepared to take a substantial reduction in landings in an effort to address the market oversupply.

ASP, for reasons outlined in its submission, did not agree to a closure, and as it points out, does not represent all processors. They do recognize, and as well, are negatively impacted, by the circumstances in the marketplace; however, they see a broader rationalization of the industry and the addressing of specific issues as being fundamental to a reversal of the economic position of harvesters and processors. Such issues include: fleet rationalization, overcapacities, harvesting caps, seasonal landing profiles. They do strongly assert that nothing will assist in the short term to change sales or price, and we must deal with the current issue of price and conditions of sale. Harvesters and processors then can decide what they will do. ASP also emphasizes the fact that the realities of the marketplace must be taken into account in setting raw

material prices regardless of the economic circumstances of either processors or harvesters.

The Panel is not in a position to deal with the issue of oversupply to the market, a closure of a fishery is not within its mandate. As well, unilateral action on the part of processors and harvesters, or either level of government, to reduce the supply of cold water shrimp in the market may have unpredictable results. The fact remains that action is required if we are to have an economically viable shrimp fishery. The Panel is not oblivious to the issues and will comment on the situation following its decisions on the summer shrimp fishery.

DECISION:

In their submissions, both ASP and FFAW tabled shrimp prices for the summer fishery that would be lower than the spring prices. In the absence of agreement, FFAW did not include a formal offer of an August/September closure; however, they affirm a willingness to have a closure of the fishery during the summer period which would substantially reduce landings available to harvesters.

ASP price submission reflects the circumstances of the market but does not take fully into account the total declines resulting from the market prices and the exchange rates. ASP stated in its submission, and verbally in support, that the price table it presented for the differing size categories would, based on summer landings in 2005, result in an average price to harvesters in excess of 35 cents/lb. In rebuttal of the FFAW submission on price, in their view, the average price, based on the table submitted by the FFAW, would result in an average price to harvesters in excess of 40 cents/lb. The FFAW, on the other hand, said their price submission would result in an average price to harvesters of 37.5 cents/lb compared to an average of 32 cents/lb submitted by ASP.

After the conclusion of the hearing, and following a review of the tables submitted and the representations of the parties, the Panel requested both parties to meet with Panel members to clarify their positions with respect to the average price claims based on the tables submitted. The meeting took place at the Holiday Inn in St. John's at 10:30 a.m. on June 21st. At that time, it was confirmed in the presence of both parties that, based on the distribution of shrimp landed in the 2005 summer fishery, the ASP submission for 2006 would result in an average price of 35.34 cents/lb. The FFAW submission for 2006 would result in an average price of 40.4 cents/lb.

The Panel recognizes that the actual distribution of shrimp may vary from one summer fishery to the next; however it is unlikely to vary to such an extent that it would dramatically affect the results of either price submission by the parties for the 2006 summer shrimp fishery. It is noted that, based on the 40 million plus pounds landed in the 2006 spring fishery, the average price for shrimp has been in excess of 41cents/lb. In choosing the price table submitted by FFAW for the spring fishery, it had been projected that the average price would be 40.5 cents/lb. Variations in price from what is projected

can reasonably be anticipated, but they are not such that they should alter the relative merits of a tabled submission.

In making its decision for the summer shrimp fishery the Panel must choose one of the positions presented. The FFAW position, as tabled, reflects an average price in the vicinity of 40 cents/lb, which is a reduction from the spring price that does not reasonably equate in any way to the acknowledged reduction in yield of up to 7 percentage points stated in the Vardy Report. FFAW, in submitting their position, said that the average price would be 37.5 cents/lb. Obviously, they were prepared to acknowledge a price differential that corresponded to at least the reduction in yield.

The ASP price submission is based on a different premise, reflecting its view of the market and, as well, the variance in summer prices reflecting the lower yield in shrimp during the summer fishery. The tabled submission, based on last year's landings, would result in an average price of 35.3 cents/lb.

Given the facts, as stated, the FFAW position does not reflect the traditional variance in price for the summer shrimp, and if the Panel were to accept its submission, it would be doing it in light of that fact. The Panel accepts the submission of ASP as being more reflective of the price variance for the summer shrimp fishery. In accepting the position of ASP, the Panel also accepts the proposal on trip limits as a component of the submission.

Accordingly, the decision of the Panel is that the following schedule of prices and trip limits will apply for the summer shrimp fishery effective for the period June 25th to September 8th, inclusive.

Summer 2006 Shrimp Price		
Grade Category (size in grams)	Trucked (\$)	Landed at Plant (\$)
2.1 – 2.9	0.06	0.09
3.0 – 3.9	0.12	0.15
4.0 – 4.9	0.22	0.25
5.0 – 5.9	0.30	0.33
6.0 – 6.9	0.35	0.38
7.0 – 7.9	0.37	0.40
8.0 – 8.9	0.42	0.45
9.0 – 9.9	0.46	0.49
10 +	0.50	0.53

TRIP LIMITS	
Cubic Measure	Summer 2006
0 – 1250	33,000
1251 – 1350	37,000
1351- 1474	40,000
1475 – 1599	44,000
1600 – 1699	46,000
1700 – 1800	49,000
1801 – 1950	52,000
1951 – 2100	54,000
> 2100	60,000

By virtue of the *Act*, this price table and trip limits included in the collective agreement between the FFAW and ASP will be binding for the period stated on all fish harvesters and processors involved in the inshore shrimp fishery in the province, excluding the Labrador Inuit Land Claims area.

CONCLUSION:

The Panel is compelled to comment on the situation in the shrimp industry and the position of the participants. In terms of arriving at a negotiated settlement on shrimp prices, they are in an untenable position. The Panel, in choosing the submission of one or other of the parties, either for the spring or summer shrimp fishery, is not confirming a price that would fit the circumstances of either harvesters or processors. Indeed, the circumstances are such, that no such price is realistically attainable. If the issues are not addressed, and certainly if the existing markets are going to continue to experience the current oversupply, we should not expect any better situation in the immediate future.

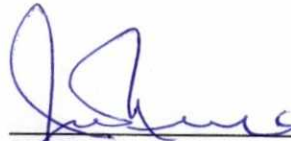
Sackton, in his earlier report, said the preferred landing pattern for the industry would be 40% spring and fall, and 20% in the summer fishery. For the past two summer seasons, the landings have been extraordinarily high. The only change this year has been a higher production in the spring fishery. However, given the total quota of 158 million pounds, which is available, the issue of oversupply will continue unabated if higher landings continue. Even if landings are more appropriately distributed between a spring and fall fishery, which have inherent benefits, we must still confront the situation of oversupply and lack of market outlets.

In its report on the spring fishery, the Panel recommended that the development of a marketing strategy for this fishery was an imperative. It also recommended as essential addressing the tariff barrier in the European market.

The shrimp resource is the largest volume fishery currently available to the inshore sector and represents a significant potential return to the province from export markets. It is highly unlikely we will capitalize on this potential without a concerted and coordinated action to deal with the issues. The more likely scenario is that, individually, harvesters and processors will be forced to abandon participation in the shrimp industry for a period of time or permanently. For those continuing, higher catch rates or volumes will not offset extraordinarily low raw material prices, nor will the market returns cover the cost to processors or provide acceptable margins. In this instance more shrimp for either harvesters or processors will not result in positive economic returns.

If there is any certainty to a prediction at this time, it is most likely the fact that, should the production from 2006 overhang the market in 2007, there is little likelihood of having any price resolution that would be effective in 2007.

St. John's, June 23, 2006.



JOSEPH O'NEILL

Chair



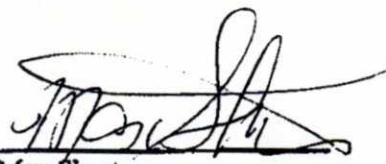
BILL WELLS

**Standing Fish Price Setting Panel
Dissenting Opinion
In the Matter of Decision on Summer Shrimp Prices**

Since my appointment to the Standing Fish Price Setting Panel in March 2006, the Panel has often worked in very difficult circumstance with regard to having to make decisions on setting the prices on a number of fish species. During this period very difficult and challenging decisions were required and the Panel was able to reach mutual agreement on all our decisions.

There is no doubt that all involved in the province's fishing industry today has an appreciation of the negative environment we are working in from a financial perspective. The shrimp fishery is one of our major fish resources and has been a major contributor to our economy since 1997-98 and I've had the opportunity to personally contribute to its development.

Over the past number of days the Panel has been involved in its deliberations to make a decision on proposals presented to it by the Fish Food and Allied Workers (FFAW/CAW) and the Association of Seafood Producers (ASP) on prices and trip limits for the 2006 summer fishery. Regrettably, while I respect the basis of decision by my colleagues in accepting the proposal of ASP, I personally find that I can't conscientiously, support that decision. World shrimp resource issues and economic circumstance are leading to a very serious situation with respect to the future of shrimp fishery in this province. The Panel was put in a very difficult situation having to make a decision that would quite likely make it uneconomical either for harvesters to harvest or processors to process. Given market volume circumstance, it may be appropriate for neither to occur. From my own personal perspective I cannot support a position that would promote maintaining declining prices and increase sale volumes to an industry that is in a continuing downward spiral.



Max Short

June 23, 2006