

## DECISION OF THE STANDING FISH PRICE-SETTING PANEL FALL SHRIMP FISHERY 2014

The Standing Fish Price-Setting Panel, hereinafter referred to as "the Panel", issued its Schedule of Hearings for 2014, on February 11<sup>th</sup>, 2014. Pursuant to Section 19 of the Fishing Industry Collective Bargaining Act, hereinafter referred to as, the "Act", the Panel set Wednesday, April 16<sup>th</sup>, 2014, as the date by which collective agreement(s) binding on all processors in the province that process the species shrimp must be in effect.

In this Schedule, the Panel also noted 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. As a result, pursuant to 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 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 collective bargaining must be obtained.

Following a hearing on Thursday, April 17<sup>th</sup>, 2014, at which time the FFAW and ASP made presentations to the Panel, the Panel selected the position of ASP. The Panel chose the lower position despite the fact the market reports from Seafood.com, Gemba Seafood Consulting, and Canada UK Partners were cautiously optimistic about the prospects for NL shrimp into the markets covered by the respective reports. The Panel advised in its decision that, "It is generally agreed that market prices are not in decline and are in fact increasing, however, the principle factor contributing to the market return has been the exchange rate resulting from the decline in the Canadian dollar vis-a-vis the currencies in the UK, US and Denmark."

The respective positions of the parties were \$0.76/lb. for ASP and \$0.80/lb. for the FFAW. At the time, it was the Panel's view that the better approach to spring shrimp pricing would be to take a cautious position with the hope that the markets would in fact continue their trend toward higher prices. The price selected by the Panel on April 23<sup>rd</sup>, 2014 was \$0.76/lb., and was to remain in effect until June 21<sup>st</sup>, 2014, at which time it would be replaced by a summer price either negotiated by the parties or set by the Panel in accordance with the Act.

In the absence of an agreement on a summer price for shrimp, the Panel, with the consent of the parties, set June 18<sup>th</sup> 2014 as the date for a hearing. The positions of the parties before the Panel were \$0.87/lb. for ASP and \$0.92/lb. for the FFAW respectively.

In its decision to accept the ASP position on summer prices for shrimp, the Panel acknowledged that while spring market prices were higher, this was generally attributable to the effect of favourable exchange rates. It was now clear that market prices had also increased and the combination of the two had resulted in a very favourable market return. There was however, a note of caution in the market reports that exchange rates can be volatile, especially in light of world conditions, and that there was a price point where consumer resistance can occur. The ASP price offer of \$0.87/lb. was selected for summer shrimp and was to remain in effect until its expiry on September 6<sup>th</sup>, 2014.

The parties commenced negotiations for a price for fall shrimp on September 2<sup>nd</sup>, 2014. In the absence of reaching an agreement on the price to be paid for fall shrimp, the Panel set Thursday, September 4<sup>th</sup>, 2014 as the date for a hearing. The parties appearing before the Panel were ASP and the FFAW. The parties and the Panel had the benefit of a market report on fall shrimp from GEMBA Seafood Consulting. At the conclusion of the hearing, the Panel, with the agreement of the parties, advised it would issue its decision prior to the expiry of the summer shrimp price on September 6<sup>th</sup>, 2014, and would follow up with a detailed report.

On September 5<sup>th</sup>, 2014, the Panel advised the parties that it had selected the position of the FFAW for fall shrimp prices. The decision of the Panel to accept the position advanced by the FFAW of \$1.08/lb. for fall shrimp was based primarily on the analysis of the situation in the key markets for CWP. The markets for CWP have been showing continual signs of improvement since the market reports received by the Panel and the parties in preparation for the spring price negotiations. In its most recent analysis of the markets, GEMBA Seafood Consulting advises that prices have continued to increase and are now being traded at an all time high level of approximately 68-70 DKK/kg. Gemba goes on to say that prices are forecasted to continue to increase in the coming months and might in December end in the area around 74-76 DKK/kg.

These two points are just a sample of the summary of the current state of the markets outlined by Gemba on page 03 of its report where it summarizes the main developments and markets. It isn't necessary to outline them in detail in this report as it is clear in the view of the panel that both parties acknowledge that the markets for NL shrimp in 2014 have been, and continue to be, very favourable.



It is interesting to note that the respective offers from both sides in 2014 are not only historically high, but they continued to climb throughout the entire season. The fact the parties are confident enough to keep prices in the range tabled to the panel at the hearing on fall prices on September 4<sup>th</sup> is good news for the entire industry. Hopefully the markets for NL shrimp will continue to remain positive throughout the remainder of 2014 and into 2015.

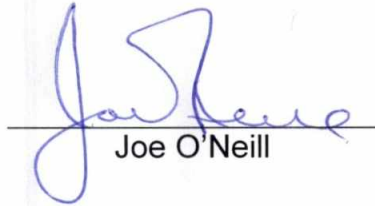
In their presentations to the Panel on the fall price for NL shrimp, both parties included, as is customary in their presentations, the market price table they have used for some period of time to delineate an appropriate price point. In this table they use factors such as market exchange rates, percentage of product going into the different markets, the yield percentage and the percentage of share to the harvester. While the parties generally agree on exchange rates and percentage of product going into the different markets they do not agree on yield percentage or harvesters share. The FFAW has long argued that for the purposes of calculating the market price change, the yield percentage should be more in the range of 35% rather than the ASP position of 32.7%. The FFAW also holds to the position that as the market returns increase, especially beyond a certain price point, the percentage of that increase to the harvester should also rise above the current approximately 65%. The FFAW pointed to a number of other fisheries where the percentage of share to the harvester does increase dramatically when the market price goes beyond a certain point.

ASP has consistently used its yield factor of 32.7% in its market analysis and has resisted any overtures from the FFAW to engage in an updated analysis of yield in the shrimp fishery. With respect to the percentage of share that should go to the harvesting sector, especially as markets increase beyond a certain price point, ASP cautioned the panel that the shrimp fishery is entirely different than other fisheries where the harvesters share rises as market prices increase and cannot be compared to those other fisheries.

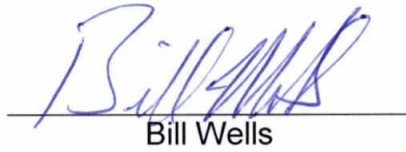
The Panel chose to defer any detailed analysis of these two factors in its deliberations on a fall price position. Rather, in making its fall price decision the Panel, as previously stated, relied primarily on its review and analysis of the market report as well as the respective price positions of the parties. There is no doubt all parties recognize the strength of the shrimp markets in 2014 vis-a-vis the markets in 2013 as evidenced in their positions to the Panel. This is the first time in the 9 year history of the Panel that it has had to choose from two positions, both of which are above \$1.00/lb. The Panel wishes to acknowledge the efforts of both parties in their attempt to reach an agreement. While the parties were \$0.07/lb. apart when they appeared before the Panel, it was \$0.07/lb. on positions in excess of \$1.00/lb. As previously indicated, the markets for NL shrimp can be very volatile and can change very quickly. Hopefully the current market prices for NL shrimp can be sustained into spring 2015.

As earlier advised by the Panel on September 4<sup>th</sup>, 2014, the Panel accepts the position of the FFAW, (\$1.08/lb.) for fall shrimp.

Dated this 17<sup>th</sup> day of September, 2014.



Joe O'Neill



Bill Wells



Max Short