

STANDING FISH PRICE-SETTING PANEL

SPRING SHRIMP FISHERY 2021

The Standing Fish Price Setting Panel, hereinafter referred to as “the Panel”, issued its Schedule of Hearings for 2021, on February 25, 2021. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the “Act”, the Panel set Thursday, April 22, 2021, as the date by which collective agreement(s) binding on all processors in the province that process Spring Shrimp must be in effect.

The Panel also noted, at that time, that it had been advised by the Department of Fisheries, Forestry and Agriculture that the Association of Seafood Producers, hereinafter referred to as the “ASP”, represented processors that process the majority percentage of the species Spring Shrimp. As a result, under Section 19(11) of the Act, should a hearing be required for Spring Shrimp, the parties appearing before the Panel would be the Fish, Food and Allied Workers’ Union, 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 the collective bargaining must be obtained.

The hearing, if required, for Spring Shrimp was scheduled to take place at 10:00 a.m. on Friday, April 23, 2021. With mutual consent of both parties, it was agreed that the hearing for Spring Shrimp be delayed until Monday, April 26, 2021. The Panel convened its hearing for the species Spring Shrimp at 10:00 a.m. on Monday, April 27, 2021, via Microsoft Teams virtual meeting capabilities. Appearing before the Panel were the FFAW and ASP. The parties, having previously exchanged their final offer submissions, and filed copies with the Panel, (copies attached) supported their submissions in main argument and rebuttal.

The parties and the Panel had the benefit of two market reports prepared by Gemba Seafood Consulting and Sea Data Center as well as information provided by the Department of Fisheries, Forestry and Agriculture, including data on Newfoundland and Labrador landings, production and export statistics and recent published articles related to Shrimp markets.

Gemba presents a somewhat cautionary outlook on the overall Shrimp market for 2021. On page 2, Gemba states:

“Prices have remained rather stable in the last part of 2020 and early 2021 and the 150-250 pcs/lb. category is traded at around 49 DKK/kg in April..... The short-run forecast to June 2021 suggests a somewhat stable situation with a downward tendency to around 48-49 DKK/kg. A midsummer recovery and price upward tendency will depend on the level of opening after Covid-19 - especially in the UK market”.

More specifically, in terms of the UK market, Gemba explains on page 2:

“With the implementation of Brexit in January 2021, British imports of Shrimp have seen a massive drop from all exporting countries. The great decrease is partly explained by a large restocking in late 2020 it is expected that trade will take up speed in the spring of 2021 due to low inventory and a speedy reopening of society, including an increased demand from especially the food service sector. This might have a positive impact on prices in mid-summer”.

On page 17, Gemba explains that:

“The main reason for the price drop is the closing of the food service industry in several European countries following the outbreak of the Covid-19 pandemic and subsequent demand decreases. The prices are estimated to decrease further towards the summer season due to promotions and discounts from producers seeking to empty their inventories and secure cash flow for 2021. The UK demand for 2021 is expected to be low in the first quarter and will likely take up speed in the second quarter and will hence improve the global demand which may lead to increasing prices later in the year”.

Sea Data Center also speaks to price decline over the past year. It states on page 4:

“Average export prices have shown a downward trend in the period this report covers. Average export price rose from € 9,27 in January 2019 to € 9,83 in July 2019. It has since then declined to € 8,51 in January 2020 and € 7,63 in September 2020, which is the lowest in the period.

In terms of the UK specifically, Sea Data notes that:

“When looking at price development in the UK it is clear that prices have declined more than for the other big markets. Average export price to the UK was € 8,42 in January 2019, 9 % below average; whereas the average in July 2020 was € 6,95, which was 17 % below average”.

With respect to inventories, Gemba explains that,

“Due to the lower demand in 2020 caused by the pandemic, inventories are available in most countriesThese inventories are currently being emptied and there is an expectation of increased restocking in the spring. In the main catch nations, there are still stocks of Shrimp from 2020 available”. (page 11)

“The pandemic has led to the closure of restaurants and canteens in many countries over longer periods of time, or to reduced activity in restaurants (i.e., restaurant openings only for take-out). This has caused a decline in demand for CWS products, which has only been redirected to supermarkets to some extent”, as noted by Gemba. (page 23)

In terms of landings and price in other Shrimp exporting countries, Gemba notes on page 11 that:

“The total Norwegian catch decreased by 19 % in 2020. The main reasons for the decrease are found in the landing price for the CWS in Norway and the Covid-19 restrictions”. Similarly ((p. 12) “The Russian catch in the Barents Sea has decreased in 2020 to an estimated 22,000 tonnes out of a Russia TAC of approx. 40,000 tonnes in 2020. The reason for this decrease is the lower price that Russian vessels have been able to fetch for their catch”.

With respect to currency considerations, Gemba states on page 16 that:

“As concerns the EUR value, its development is affected by fear of a third and a fourth Covid-19 wave, new lockdowns and the lacking supply and roll out of vaccines in several of the major countries (Germany, France, and Italy). This has led to political pessimism and this political pessimism has spilled over to the EUR value, as there are fears of a potentially delayed European economic recovery in the latter half of 2021 and early 2022”.

The FFAW offer is \$1.50/lb. which represents a 39% increase over 2020 fall prices. The FFAW accepts that 2020 was a poor year for Shrimp markets and that Shrimp did not experience a price

recovery like that seen for Crab and Lobster. However, they contend that Shrimp is poised for a significant recovery in the short term (2-3 months). They contend that the Panel needs to reflect this in its Spring Shrimp decision to avoid processors accruing gain by selling lower priced spring landings into the higher market in the summer period.

The FFAW maintains the market reports do not adequately forecast the market recovery that will occur. They feel that with a high vaccination rate and the reopening of its economy, the UK is positioned for a speedy recovery, especially in the foodservice segment. Recovery in Denmark and other European countries will be later but should also show improvement as the year progresses. They feel the inventory carryover from last year is smaller than in 2020 and Gemba is overstating the global supply of cold-water Shrimp (CSW) given the slow fisheries in Norway and Russia.

The FFAW also contend that Canadian Shrimp producers will have a significant competitive market advantage given that Canada has signed a post Brexit deal with the UK which will mean the continuation of the tariff free access that existed under the CETA agreement. They point to the fact that Greenland, Canada's main competitor into the UK, has not yet signed a post-Brexit deal and none is imminent (may even be 2022 before a deal is signed). Greenland producers will lose their tariff free status and be subjected to a 20% tariff. This will give a significant edge to Newfoundland processors.

The FFAW feels that 2019 was the last normal year and 2019 spring prices should be used to calculate this year's price to harvesters. They believe that their projected improvement in market prices when compared to 2019 supports their offer.

The ASP offer is \$1.00/lb. which is a 7.5% reduction from the minimum price in 2020. They contend that the spring 2019 comparison of market returns is not appropriate given the current poor market conditions during the pandemic. Prices to harvesters were at record high levels in 2019 and markets have since declined sharply. They maintain that as fall and spring yields are similar, a comparison to fall 2020 pricing is more relevant. They contend that the current Shrimp business is highly marginal (pennies business) and cannot afford the pricing levels suggested by the FFAW.

The ASP maintain that Shrimp markets were on a downward trajectory prior to the Covid-19 pandemic. They have further declined during the pandemic and remain flat and at a low level. The last time Shrimp markets were this low was in 2014. They maintain that the Gemba market analysis has been relied upon for over a decade and is still the relevant baseline. They also maintain that the FFAW has consistently defended Undercurrent data in calculating prices but wants to move to Urner Barry this year because it suits their cause.

The ASP contend there is no evidence of an improving market and the FFAW prediction of a short-term recovery is not based upon reality. It feels it is not supported by the market reports. Shrimp has not behaved like Crab and Lobster and did not find new market options. Consequently, demand remains flat. They also maintain that in past years, the Danish and UK markets have consistently tracked each other in terms of price. Given the pandemic situation in Demark, and the other European countries it supplies, the recovery in Demark is far off. The UK foodservice recovery will also be more delayed than predicted by the FFAW. Given the relative size of the UK market it cannot rescue the overall Shrimp situation.

The ASP notes that the three-season price system for Shrimp has been in place for many years between the parties. It is intended to account for yields and in season market changes. The Summer Shrimp negotiation is only six weeks away and is the appropriate time to explore any future changes in the market.

Under Final Offer Selection, the Panel can only pick one of the minimum price offers presented by the Parties. The offers are far apart (FFAW offer is 50% higher than ASP). Due to the pandemic, these are uncertain times. In the case of Shrimp, the markets are depressed and it is extremely challenging to predict what will happen as countries seek relief from the impact of Covid-19. The decision comes down to an assessment of risk and sharing.

In terms of markets, there is agreement between the parties that the 2020 market was down. The FFAW feels there is much upside given the improving status of COVID-19 in the UK and the likely tariff situation in Greenland. The ASP feels this is highly speculative and should be further examined at the time of the summer price negotiations. Gemba reports that markets have remained stable at a low level since the last part of 2020 and is expected to remain that way until the end of June 2021. Any recovery into the summer will depend upon the level of re-opening after the pandemic is controlled, especially in the UK market.

The Panel notes that Shrimp has not responded to the pandemic in a fashion similar to other high-priced shellfish. The others seem to have adopted a new market niche as exclusive, premium products which have attracted new customers and demand given the dynamics of the pandemic (fewer alternatives for high end consumers, shutdown savings, food security, etc.). Shrimp on the other hand has not found new market outlets. While some improvement is likely with the reopening of economies, it is challenging to forecast the pace and timing of any market recovery. If the tariff situation in Greenland remains unresolved, there will be a competitive opportunity for Canadian processors. However, the magnitude of this remains to be seen and may become clearer in the weeks and months ahead.

The Panel has on previous occasions noted that season to season comparisons are most appropriate and still supports this approach. However, Shrimp prices were historically high in 2019 (near record high at \$1.78) and it does appear that sharing in 2019 was in the harvesters' favour. In last years' decision, the Panel noted that sharing has likely tilted in favour of harvesters over the past five years. ASP makes the case that the last time Shrimp markets were as they are now, was in 2014 when the minimum price for spring Shrimp was \$0.76. However, sharing for harvesters was probably at the low end at that time.

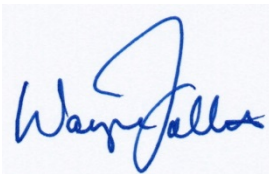
The Panel feels the 'right price' is likely somewhere in between the two offers. The question for the Panel is which offer is closest to the 2021 market reality. In making its decision, the Panel feels that the FFAW offer is not supported by the current market as described in the market reports and information. While there may be some recovery during the summer, the pace and timing is still very uncertain. In that sense, the FFAW have likely over-reached with their price offer. Things may become clearer in time for the setting of summer prices on June 17, 2021.

In consideration of this and after a review of the submissions, it is the decision of the Panel to accept the ASP offer. Effective immediately, the average price for the species Shrimp, will be:

- \$1.00/lb. for Shrimp landed at the plant.
- \$0.97/lb. for trucked Shrimp.

These prices will form a collective agreement or part of a collective agreement binding on all processors that purchase the species Spring Shrimp.

Dated the 29th of April 2021.



Wayne Follett



Bill Carter



Brendan Condon