



association of
seafood producers

PRESS *RELEASE*

Seafood Producers' statement regarding the 2004 shrimp fishery

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St. John's – The Shrimp Processors in Newfoundland and Labrador wish to outline their position concerning the 2004 shrimp fishery.

- On March 9th, 2004, the FFAW/CAW and the shrimp processors signed an undertaking to finalize a Memorandum of Understanding for shrimp negotiations, and presented a detailed plan for the implementation of the Gregory/Broderick Report to the Minister of Fisheries and Aquaculture, including agreed upon mechanisms for binding arbitration on price and non-price issues. The Minister accepted the undertaking of the shrimp processors and the FFAW/CAW to conclude a shrimp agreement for the years 2004-2005.
- As detailed in that signed agreement, the two parties were involved in a process of negotiation with provision for binding arbitration to deal with non-price and price issues.
- The parties reached agreement, through negotiation, on all non-price aspects of the agreement except for a few details concerning the location of grading, and contract language concerning minimum price and scheduling. Those issues were resolved through arbitration on March 27th, 2004.
- Shrimp price negotiations commenced on March 30th, 2004. Both parties agreed on a new system for establishing prices based on the size frequency distribution of shrimp landed as proposed by the FFAW, rather than the previous count system. Base prices were agreed that reflected the prices paid in the spring of 2003. It was agreed by both parties on April 1st, 2004 to refer a decision on prices to arbitration. The arbitration ruling was delivered on April 4th, 2004; it concurred with the price schedule put forward by shrimp producers.
- Discrepancies between the price schedules put forward by shrimp producers and the Union were mostly related to the exchange rate. It is important to note that since March 2003 the US market prices have declined marginally by about 4%; more importantly, however, the value of the Canadian dollar in relation to the US

dollar has increased by 11%. This results in an 8.5 cent reduction in raw material price based on an average spring processing yield. The effect of market and price reduced the average price from 50 cents in spring 2003 to about 42 cents in spring 2004.

- The benefits and savings related to the implementation of the Gregory/Broderick Report were in the same order of magnitude in the submissions. Overall, the benefit of higher prices, based on the initial implementation of the Report, represents an improvement of value of shrimp landed of \$4.4 million annually.
- Notwithstanding market and exchange rate challenges, the price proposed by shrimp producers and accepted by the arbitration results in an average price of 47 cents/lb for product landed at plants and 3 cents less if the shrimp has to be trucked. This price is equivalent to about 87 count based on the spring of 2003 pricing. As a further reference, the price for similar count shrimp was 39 cents in the summer of 2003 and 41 cents in the fall of 2003.
- There was a significant difference between the offer of the shrimp processors and that of the FFAW/CAW of approximately 9 cents. Most of the difference relates to market and currency exchange factors. The FFAW/CAW proposed that there was no material change in the exchange and market prices from last spring to present, while the shrimp processors offer reflected an approximate 8 cent reduction due to these factors. This was principally due to the 11% depreciation of the Canadian dollar over the past year.

Shrimp processors are of the belief that a successful shrimp fishery for 2004 remains possible. Producers engaged in good faith in an extensive discussion and negotiation process which resulted in agreement on the vast majority of issues. Producers anticipate that the Arbitrator's decisions will be accepted so that the fishery might proceed in accordance with the terms and conditions agreed to by the parties.

In essence, the value of embarking on the path of implementing the Gregory/Broderick Report is that it allows a shrimp fishery even in current difficult market circumstances.

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