

# ASSOCIATION OF SEAFOOD PRODUCERS

Snow Crab 2023  
Technical Briefing





# WELCOME AND OPENING REMARKS

# Standing Fish Price Setting Panel

- In 2022, the Government of Newfoundland and Labrador announced a review of the *Fishing Industry Collective Bargaining Act*, Sections 19.1 – 19.14
- This review enabled the report *The Fishing Industry Collective Bargaining Model: Past, Present and Future*, completed by Mr. David Conway, which resulted in 20 recommendations and 7 amendments to the Act.
- The FFAW and ASP participated in the selection of the Independent Chair, selected individual Panel Representatives and all parties endorsed the process.
- Collective Bargaining occurs for all species every year, and if no agreement is reached a quasi-judicial arbitration process selects one of two final offers.



# Master Collective Agreement & Schedules

- The Master Collective Agreement between ASP and the FFAW is for the purpose of regulating the first-hand sale of fish and shellfish, and the conditions under which it is sold.
- Under Article 3 – Prices:

*3.04 - Prices listed in the attached Schedules, unless otherwise indicated in the Schedule, are minimum prices. The buyers may pay more than the minimum price, but not less.*



# Minimum Price

- The “minimum price” set by the Standing Fish Price Setting Panel is the minimum that may be paid by producers.
- Producers cannot pay less than the minimum, but they can pay more.
- The “minimum price” applies to all raw material with some minor deductions for size and limited quality issues.
- Incremental and differential payments occur above the minimum price when warranted by the Market.
- Incremental and differential payments are influenced by quality, supply, and other business considerations.



# How did we get here?

## 2020:

- Covid-19 pandemic forced consumers to stay home.
- U.S. consumers received Covid-19 financial support and stimulus.
- Disposable income increased and U.S. consumers spent on luxury food items like snow crab.

## 2021:

- Demand continued to increase throughout the year, leading to the highest prices in history, with no surplus inventory at the start of the season.
- However, demand began to slow later in the year, leading to an inventory build-up.



# How did we get here?

## 2022:

- The season started with some high priced inventory already in the market, and supply exceeding demand. This led to price drops on new product while simultaneously building higher levels of inventory.
- The Panel selected the ASP position of \$7.60 in 2022, a rollover of 2021 prices.
- As the market descended further, ASP applied for a reconsideration of the “minimum price” on raw material. ASP’s position was selected and the new price was set at \$6.15. However, the market price continued to decline.
- Only 1 reconsideration is permitted each for ASP and the FFAW.



# How did we get here?

**2023:**

- Large volumes of high-priced, slow-moving inventory, has led to continued falling prices to date. Producers continue to incur losses on this inventory.
- The UB data lags actual market prices.





# Who is affected?

- There are 14 producers in the province and 22 snow crab processing facilities.
- Each plant employs between 150-650 seasonal workers.
- Producers bring in Temporary Foreign Workers during the snow crab season with numbers ranging from 45-125 per plant
- Along with the above, some of the following sectors that will be impacted are:
- Trucking (local), grading, offloading, shipping (export), freight management, maintenance, cleaning chemical suppliers, pest control, packaging, laboratory analysis, fuel and subsidiaries, NL power, storage, food safety/plant worker supplies (gloves, hairnets, etc.), and stores in rural communities.



# The US Market

- As measured by export dollars, the US accounted for 76.93% in 2019, 84.89% in 2020, 89.61% in 2021 and 83.02% in 2022
- The market has declined principally due to the World's economic situation and supply surpassing demand.
- Uner Barry (UB), a market intelligence platform based in the U.S., tracks various food commodity prices, including snow crab.
- According to UB, the crab price has fallen from a \$16.80 USD peak in late 2021 and early 2022, to \$4.80 USD today, a 71% decrease.



# The US Market

- The most recent commentary from UB:

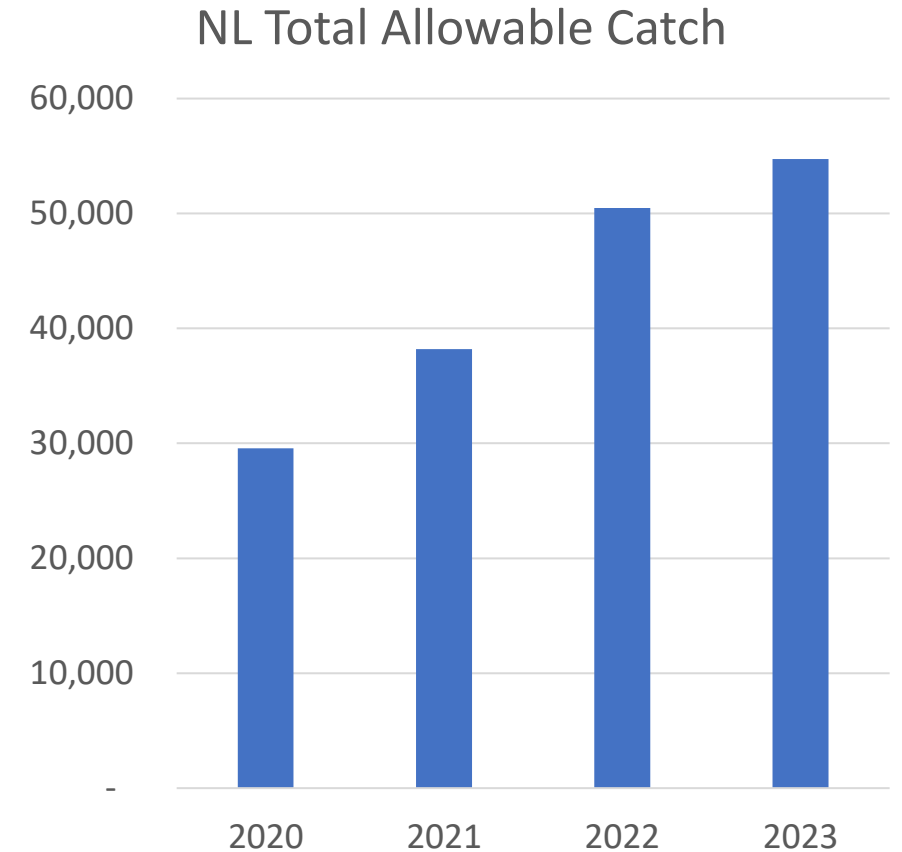
“Newfoundland quotations continue to adjust lower, and some still lower offers are noted on 2022 production. The undertone throughout the market continues to be highly unsettled. Supplies continue to outstrip demand.”

- The overall reduction in supply could not counter the drop in demand.



# Quota

- The Total Allowable Catch (TAC) for Newfoundland and Labrador snow crab has increased 85% from 29,551 tonnes in 2020 to 54,727 tonnes in 2023.
- The TAC increase of 8.4% in 2023 was opposed by ASP.



# The Gulf and Maritimes

- While NL is not fishing, the Gulf and Maritimes are landing product.
- As reported by DFO this April 24<sup>th</sup>, the Gulf has landed 17.13% of their TAC, 11,838,080 lbs. of 69,371,690 lbs.
- The Maritimes Region has landed 10.63%, 1,951,126 lbs. of 18,350,716 lbs.
- New Brunswick, Nova Scotia, P.E.I. and Quebec are fishing at \$2.25.
- Quebec Zone 16 harvesters agreed to a guaranteed \$2.25 price despite a QC Court setting the price at 3.10.



# Industry Expert's Views

- John Sackton, a leading seafood market analyst, has been covering the fall in the crab market since February 2022.
- On April 11, CBC News featured Sackton stating that more crab must be sold to balance the demand and supply. He says, *“The only way to do that is to make it very attractive in terms of pricing so that they make promotions. Now, the good thing is this seems to be working. The worst thing about a period of low prices would be having to endure it for multiple years. But if we can get through 2023 by moving both the existing inventory and the new season inventory because it’s priced at an exceptional level, then we’re setting ourselves up for a healthy fishery in 2024.”*



## Industry Expert's Views

- Les Hodges, another seafood consultant regularly quoted by Trade Media made the following intro in his monthly newsletter:

*Rising interest rates and inflation concerns, along with a few bank failures, are having an affect on consumers. Many consumers are behaving as if we are in a recession already. They have been trading down from premium food products such as crab to private labels and other cheaper alternatives.*



# Market Price and Sharing

- 1 lb. of crab purchased at the wharf is not the 1 lb. of crab sold at market.
- 1 lb. of crab sold into the market requires approx. 1.538 lbs. of raw material.
- Therefore, at \$3.50 CAD raw material price, 1 lb. of crab sold into the market requires \$5.38 CAD in raw material.
- Current Urner Barry quote for 5-8 sections of crab is \$4.80 USD. This is \$6.48 CAD at a 1.35 exchange rate. (5-day exchange average is 1.3448).
- Harvesters would receive 83% of the market price. Processors have not paid for anything else, other than raw material.
- At \$2.20 minimum price, Harvesters' receive 52% of the market price.





# Market Price and Sharing

- Producers must pay for harvesters' Workers' Compensation Costs, unlike the Maritimes or Quebec. (\$0.95 per \$100 fish sold: Workplace NL Rate Tables).
- Transportation costs are higher from NL to Boston, than the Maritimes or Quebec.
- Raw material size and quality are generally better in the Atlantic Canada and QC.



## ASP's Position

- We will adhere to the Collective Agreement as required by law and purchase raw material at the minimum price established.
- Producers do not support a Fall fishery and will not purchase snow crab in Fall 2023.
- A discussion with the FFAW, DFO and DFFA is required to establish trip limits and a structured fishery to ensure quality product.





association of  
seafood producers