



Crab Bargaining: Final Price Offers Awaiting Panel Selection

Panel & Next Steps

The FFAW Negotiating Committee and ASP argued final positions for 2024 snow crab prices before the Panel yesterday. Despite every attempt to come to an agreement through bargaining with a mediator, the Panel will ultimately select the final price setting system.

Under the amended Fishing Industry Collective Bargaining Regulations, the Panel will pick one of the two formulas submitted, and they now have the authority to pick and choose different elements of the final schedules, or to pick a middle ground.

A decision is expected by Monday, April 1.

Negotiating Committee

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The FFAW Negotiating Committee is comprised of FFAW–Unifor President Greg Pretty and a team of 14 crab harvesters from around the province. This team is charged with putting forth the strongest offer on behalf of Newfoundland and Labrador harvesters. It is not an easy task, and one that is not taken lightly. The volunteer harvesters spent several weeks this year developing a proposal that would improve the current pricing system and pay harvesters a price based on actual market returns.

WHAT WAS FFAW'S FINAL OFFER

Our final offer used the Blackwood Formula with a sliding scale holdback structure that begins after \$3.00 to harvesters. In our offer, the final settlement payment would be determined by all sales of 2024 snow crab products through September 30. Our final offer included a 20% tolerance for undersized crab and new wording in the critically weak tolerance that would only allow processors to reject crab if they were determined to be dead. All other elements of the schedule were kept the exact same as the 2022 schedule. Today, the UB Market Price for snow crab is \$7.36 CAD. Our offer would pay \$2.83—100% of which would be paid upon landing. If the final price/lbs. of NL snow crab is above \$7.36, harvesters would be paid the difference at the end of the season.

WHY A HOLDBACK AFTER \$3.00

The purpose of a market-based pricing formula is to ensure fish harvesters receive a cut of true market returns.

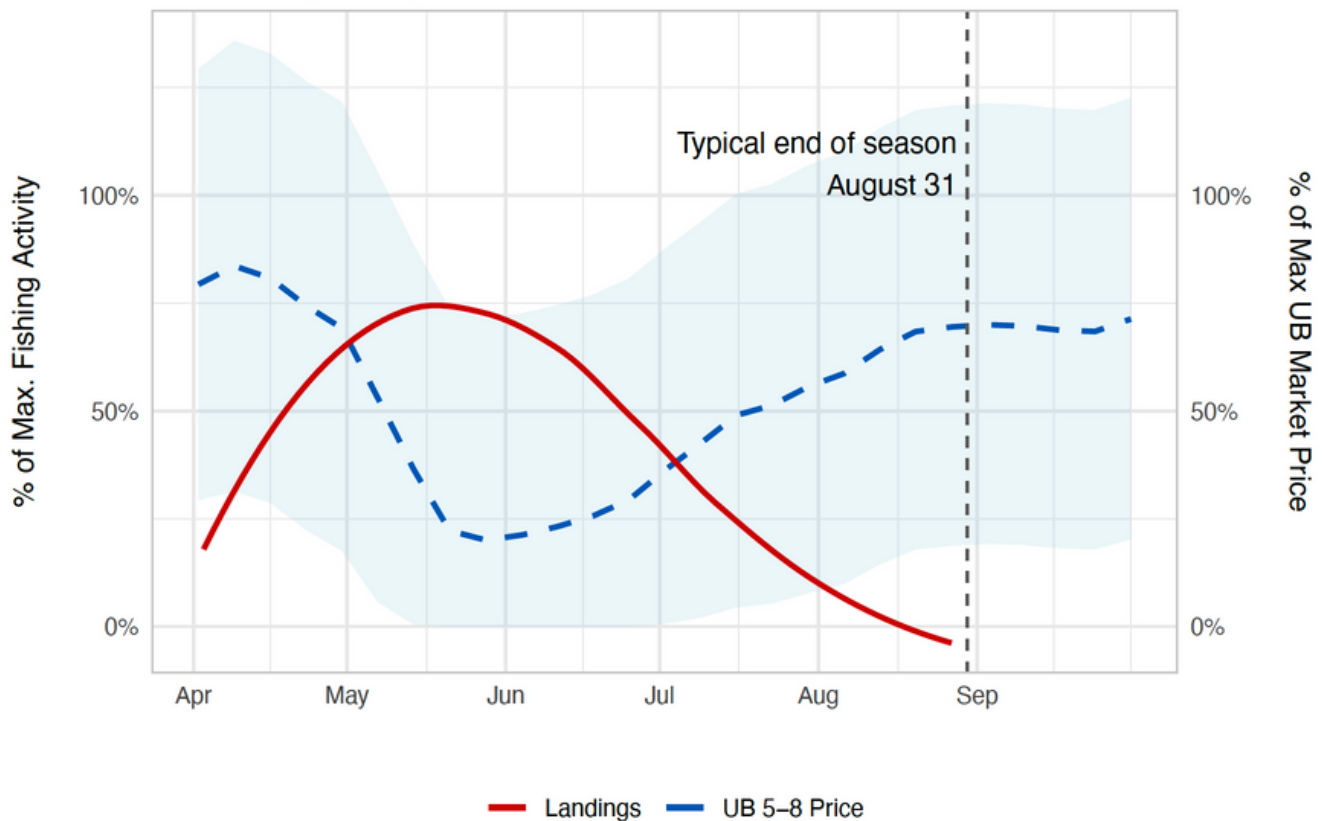
As described in the Blackwood Report: “the snow crab fishery, starting in April, has a tendency to have a higher opening price than when the bulk of supply enters the market. When the entire harvesting fleet becomes active round mid-May, and other Atlantic Canadian supply is also coming on stream, market prices have the tendency to decline.” This results in a pattern where the lowest prices for the year occur around the end of May and stay low until the end of June. These low prices are always less than the actual value of crab at the end of the season.

WHY A HOLDBACK AFTER \$3.00

CONTINUED

Between 2013–2023, only 2% of crab were landed when the market was at its highest point in the season. In the same period, over 60% of crab was landed after the market has declined. Without a holdback, this would mean that any harvester who lands most of their crab in May and June would be paid less and would not be paid for the true value of their product. The previous price-to-market formula that determined payment between 1998–2008 paid 100% upfront and resulted in wide pay discrepancies between harvesters based on when they landed their crab.

Typical Fishing Season
Market Price vs. Fishing Activity



WHY A HOLDBACK AFTER \$3.00

CONTINUED

The holdback structure allows room for a settlement payment at the end of the season, ensuring that all harvesters are paid the same regardless of when they land. If the final price of crab at the end of the year is greater than the price harvesters were paid upfront, a settlement payment will be made by ASP to pay the difference. This payment structure is the only way to make sure harvesters are rewarded for the true value of their product and benefits any harvester who lands their crab after mid-May.

The Blackwood Report recommends an initial payment structure that pays 80 percent of the formula to allow for the sharing of risk throughout the season. However, many harvesters cannot sustain their enterprises, or even cover the most operational costs associated with fishing, when being paid less than \$3.00/lb. To then withhold an additional 20% of that low payment as a means of distributing risk would be a fundamentally unworkable solution.

Instead of a flat 80% initial payment, FFAW's position is a sliding scale payment, where the initial percentage to harvesters decreases progressively over a fixed range. ASP similarly adopted this approach in their final offer exchanged with us. Such an approach is beneficial because it still adjusts with the market while providing an initial margin for both parties to operate. In this offer, we propose that the percentage of initial payment upfront decreases from 100% to 80% between \$3.00 to harvesters (UB \$7.71 CAD) to \$4.18 CAD (\$10.00 CAD).

Under this arrangement, harvesters would accept that if the final price/lb. of crab is less than \$3.00, their final price would be dependent on the time of their landings, as was done between 1998-2008, however this tradeoff is viewed as acceptable in order to maximize initial payment at lower market rates when every cent is needed to sustain an enterprise.

Under our offer, the settlement payment would be made if the final price is greater than the initial price.

ENSURING HARVESTERS RECEIVE CUT OF MARKET RETURNS

Allowing time to capture market returns will pay harvesters a final price that truly reflects actual market conditions. Based on trends from market prices in previous seasons, market prices are typically lowest during the period when harvesters are fishing.

The Blackwood Report recommends that the settlement price be determined “when the season is over, and when much of the production has been shipped to market and sold” (page 48). It is FFAWs position that this point is September 30th, or four weeks after the season is completed, whereas ASP has insisted that the settlement period conclude at the end of the crab fishing season.

CURRENT MARKET CONDITIONS & FORMULA PRICES

In 2023, the Blackwood Report would have paid \$3.02, or \$0.75 more than the \$2.27 average price harvesters received, however in 2023 there was significant excess inventory from the prior year, and the market appeared to be declining.

These pressures do not exist this year. According to the Sackton Report, the general “outlook for snow crab is for a healthy year because of lack of inventory,” and this year’s “outlook is favorable for a healthy crab market in both the US and Japan.”

QUALITY PROVISIONS

FFAW did not include any additional quality provisions in our offer. We used the 2022 crab schedule and added in language that would disallow processors from rejecting critically weak crab that is still being processed and sold. Our final offer was consistent in its reasoning: historic prices were determined by historic schedules. Any new quality provisions would need to be matched with a commensurate increase in harvester pay for premium crab. Meanwhile, ASP tried to introduce new deductions throughout the negotiating process, including new deductions for temperature, overfilled pans, leech eggs, and changing the barnacle deduction. Their final offer only included a 5% tolerance for undersized legal crab. ASPs tried to force us to accept their final offer by offering lower pay in exchange for no new quality deductions, but our committee held true. ASP's final submission to the panel did not include those quality deductions, however they argued to the panel that if our offer was chosen quality deductions would need to be implemented.

CONCLUSION

Finding a price that makes every harvester happy is not an easy task. The Negotiating Committee undertook this challenge despite the immense pressure and are to be commended for their hard work these past several weeks.

Members will be advised as soon as the Panel announces their decision.