

# COVID-19 and the Seafood Industry

## June 11<sup>th</sup> Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

### Recent Developments

As of the 11<sup>th</sup> of June, there are over 7.5 million confirmed cases of COVID-19 worldwide and 419,000 deaths. The USA has been the most heavily impacted, with over 2,000,000 cases and 114,000 deaths. This report is part of an ongoing series of weekly updates, the last of which was provided on June 4<sup>th</sup>.

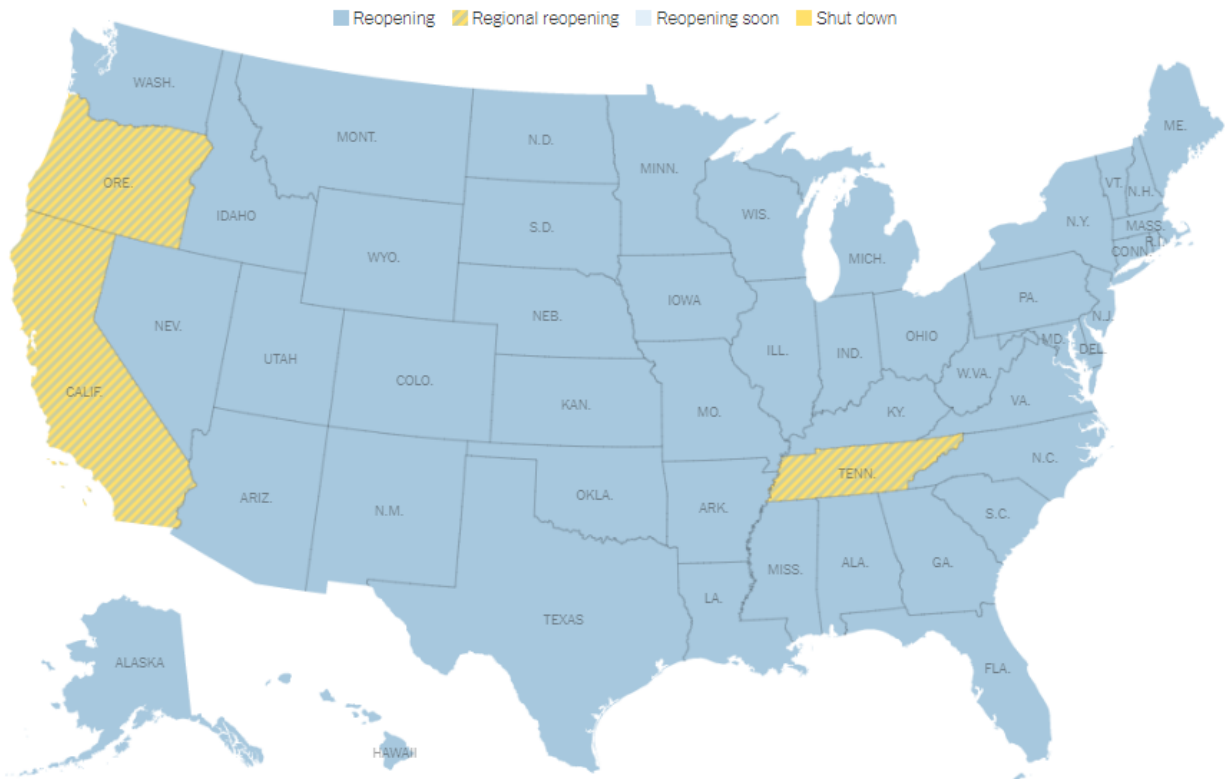
### USA

Coronavirus cases have begun to spike once again in the US as states continue to relax public health measures. Every US state has begun re-opening to some degree (Figure 1). The number of infections increased for the first time in five weeks, rising by 3% in the US. Some states saw rises of 40% or higher including Arizona, Utah, and New Mexico. This may have consequences for the economic recovery for the US, particularly if quarantine measures must be re-imposed.

According to a survey by ABC News affiliate FiveThirtyEight, economists believed there was a 20% probability that unemployment rate would not fall to single digits until the second half of 2021. Notably, this is an increase in confidence from the previous survey, when economists believed there was a 37% chance of double-digit unemployment extending deep into 2021. This increased optimism is the result of a surprising May jobs report that indicated employment levels had increased rather than declined. Some economists are skeptical that this data is properly inclusive of all workers that have lost employment and are also concerned that a resurgence in coronavirus cases will cause new spikes in job losses.

According to the Independent Restaurant Coalition, as many as 85% of all independent restaurants may go out business by the end of this year. Independent restaurants comprise nearly 70% of all restaurants and are much more dependent on dine-in revenue than are large chains. There is also no corporate safety net for these smaller businesses to turn to for aid. Restaurants will continue to operate at a loss for a significant period of time.

**Figure 1.** Map of US State closures, partial re-openings, and planned re-openings. Graphic taken from The New York Times.



## Canada

Canada is likely to announce the extension of the border closure with the US through mid-July. This is the result of US case count increasing unlike the situation in Canada, which continues to improve. Canada reported 408 new cases on the 9<sup>th</sup> of June, which is the lowest increase since March 22. Canada’s provinces and territories have continued to reopen, and restaurants in all provinces are either partially reopened or are due to reopen within the next week (Table 1).

The minority Liberal government has encountered resistance from the other parties in attempting to pass adjustments to the Canadian Emergency Response Benefit that would punish individuals who try and fraudulently claim benefits. Other parties have viewed this as an opportunity to force concessions from the Liberal party. Meanwhile, Parliament’s spending watchdog has released projections indicating that extending the CERB until 2021 would cost the federal treasury an additional \$64 million. Notably, the first cohort of CERB recipients will reach the 16-week maximum early next month.

**Table 1.** List of opening dates for retail and restaurants by province.

Province	Retail/restaurant re-opening date
Alberta	Reopened with capacity restrictions
British Columbia	Reopened with capacity restrictions
Saskatchewan	Reopened with capacity restrictions
Manitoba	Reopened with capacity restrictions
Ontario	Retail: Partially reopened Restaurants: June 12, later for GTA
Quebec	Retail: Partially reopened Restaurants: June 15-22
New Brunswick	Reopened with capacity restrictions
Nova Scotia	Reopened with capacity restrictions
P.E.I.	Reopened with capacity restrictions
Newfoundland and Labrador	Reopened with capacity restrictions
Territories	Retail: Partially reopened Restaurants: Partially reopened in Yukon

## Asia

China continues to resist and rebuff calls from other nations to allow an inquiry into the origins of the coronavirus. Tensions between China and one its largest trading partners, Australia, have risen as Australia continues to call for an inquiry. China has enacted tariffs on Australian goods, though this is claimed to be unrelated to the rising tensions.

Recent data suggests that Chinese demand for fresh seafood product will not be heavily impacted by the pandemic. Processed seafood commands significantly less demand from Chinese consumers, in part due to freezer space requirements in small urban living spaces. Chinese consumers also prefer fresh seafood for taste and nutritional reasons. However, there has been a rise in purchases of processed seafood, and there is opportunity for processed seafood companies to expand in hotspots within China. Opinion among industry experts remain divided on the future of Chinese seafood consumption patterns.

South Korea, which has been lauded for its rapid and effective response to the pandemic, has recently had an uptick in new cases as it has rolled back public health measures. Over the past five days, an average of approximately 50 new cases have been reported each day. This is a significant uptick from the low double digit and single digit numbers seen in late April and early May.

## EU

Sweden did not lock down to the same degree as most of its European neighbors. The theory held by Sweden's public health experts was that the disease could largely be contained through tracing and voluntary physical distancing measures. As a result, Sweden acts as an example of the consequences of businesses reopening and allowing consumers to frequent public spaces. So far, Sweden has had a significantly higher death rate than its neighbors. Sweden's 459.3 deaths per million inhabitants is four times greater than the death rate in Denmark and ten times greater than in Norway. Both countries enacted significant quarantine measures. Moreover, the rate of new cases has not appreciably slowed in Sweden, and the highest increase in new cases occurred on June 5<sup>th</sup>. Most other developed countries have seen downward trends in new cases. This evidence suggests that Sweden's model is not one that can be successfully emulated to control the virus. Furthermore, Sweden's economy is expected to sharply decline in a similar manner to the rest of the world, indicating that Swedish policies were ineffective at addressing both public health concerns and economic concerns.

The EU will not open internal borders completely until after the end of June. This means that inter-EU travel restrictions will not be lifted until July. This is likely to impact tourist revenue in the EU, as many tourists plan trips to pass through multiple countries in the bloc. Most EU countries have agreed to lift border control by June 15<sup>th</sup> but some countries, including Spain, have not. Additionally, the coronavirus stimulus plan announced by the EU faces several hurdles before implementation. A group of fiscally conservative countries are opposed to distributing the aid package entirely as grants. There is also concern over how the fund will be distributed amongst the member countries of the EU.

The UK has announced that those travelling into the country must self-isolate for 14 days. The UK has become the second country to surpass 40,000 deaths. Notably, the UK has begun testing experimental vaccines for the coronavirus and will be expanding the tests to 10,000 individuals. If successful, this could result in a vaccine becoming available on a wider scale in the Autumn or Winter of 2020.

## Seafood Market Status

This section of the report will discuss the current state of the seafood market by species as of June 11th, 2020.

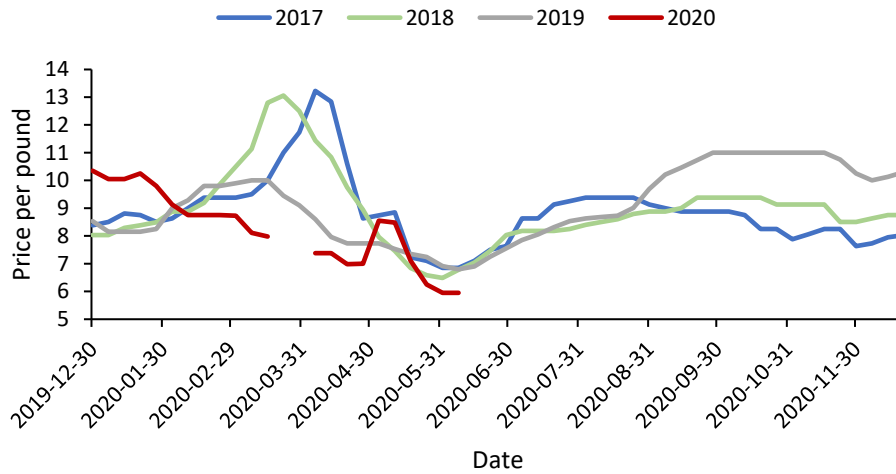
### Lobster

President Trump has threatened to enact retaliatory tariffs on the European Union if the current EU tariffs on US lobster are not removed. Notably, the EU does not enact tariffs on Canadian lobster as a result of the free trade agreement. Trump warned that tariffs would be placed upon imports of automobiles from the EU, of which the US is a major source of demand.

Market prices for lobster remain at 10-year record lows. The current market price for lobster according to Uner Barry is \$5.95/lb (USD) (Figure 2) and \$7.96/lb (CAD). Price in \$CAD continues to weaken as the Canadian dollar strengthens against the US dollar by \$0.013 (Table 2). There has been a slight uptick in purchasing activity in anticipation of the upcoming Father's Day holiday in mid-June. Notably, the quality and quantity of lobster caught in Atlantic Canada have been high in 2020, which is serving to exacerbate the oversupply issues that exist in the market. Shore price in the Gulf remains between \$3.50-4.00/lb (CAD), and trip limits are in place. Some harvesters have been chosen or have been limited to fishing only a portion of their allocated traps, and some distributors are only buying 700-1,000 lbs per day from individual harvesters.

Chinese demand for live lobster continues to steer the market. They are virtually the only country importing lobster from North America in any significant quantity at this time. The week of June 1<sup>st</sup> saw over 100 MT of Atlantic Canadian lobster shipped to China. Fears remain that Chinese buyers purchasing lobster at low price will prevent a recovery in the lobster market from materializing.

**Figure 2.** Weekly lobster prices since 2017 in \$USD/lb. Data source: Urner Barry. Note that blank entries represent periods where no market data were available.



**Table 2.** Market price and exchange rate for 1 ¼ lb lobster for the winter and spring of 2019 and 2020. Data source: Urner Barry. Blank entries represent periods where no market data were available.

Date	\$USD/lb 2019	Exchange 2019	\$CAD/lb 2019	\$USD/lb 2020	Exchange 2020	\$CAD/lb 2020
6-Jan	8.15	0.752	10.84	10.05	0.770	13.05
13-Jan	8.15	0.753	10.82	10.05	0.766	13.12
20-Jan	8.15	0.750	10.85	10.25	0.766	13.38
27-Jan	8.25	0.755	10.92	9.80	0.758	12.93
3-Feb	9.00	0.761	11.81	9.13	0.753	12.12
10-Feb	9.28	0.752	12.34	8.75	0.750	11.65
17-Feb	9.80	0.755	12.97	8.75	0.754	11.60
24-Feb	9.80	0.759	12.91	8.75	0.753	11.62
2-Mar	9.90	0.750	13.18	8.73	0.748	11.66
9-Mar	10.00	0.745	13.41	8.11	0.735	11.03
16-Mar	10.00	0.748	13.35	7.98	0.705	11.31
23-Mar	9.45	0.743	12.72			
30-Mar	9.10	0.743	12.24			
6-Apr	8.60	0.743	11.57	7.38	0.707	10.43
13-Apr	7.96	0.745	10.68	7.38	0.717	10.28
20-Apr	7.73	0.743	10.39	6.98	0.710	9.83
27-Apr	7.73	0.746	10.36	7.00	0.717	9.77
4-May	7.73	0.753	10.26	8.55	0.710	12.04
11-May	7.53	0.745	10.10	8.48	0.714	11.88
18-May	7.35	0.757	9.70	7.10	0.701	10.01
25-May	7.24	0.762	9.50	6.38	0.715	8.92
1-Jun	6.91	0.764	9.04	5.95	0.734	8.11
8-Jun	6.80	0.767	8.87	5.95	0.747	7.96

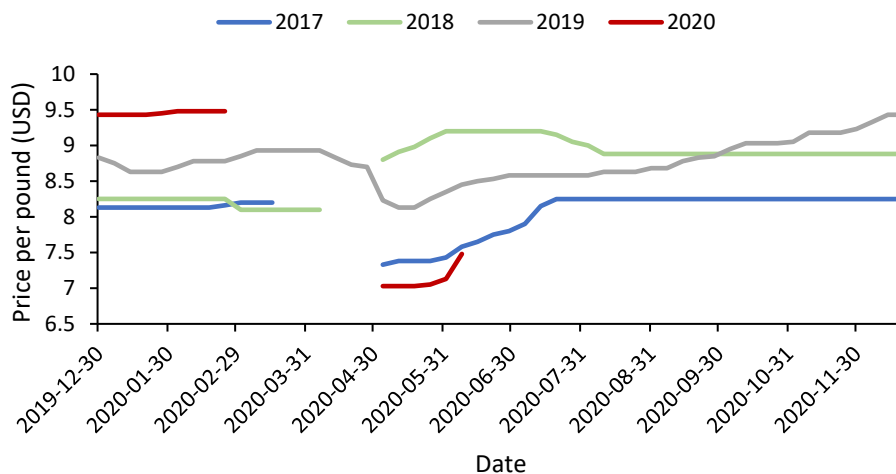
There is very little indication that the lobster market will improve before the winter season. Demand remains depressed (especially at the traditionally high prices) and supply remains extremely high as harvesters experience high catches in many regions. A slight uptick in demand will likely be noted during the upcoming Father’s Day holiday, but this is unlikely to offer any significant relief to the lobster industry.

### Crab

Harvesters in Newfoundland and Labrador have landed 12,048 MT, which represents 42% of the allotted TAC for the region. Gulf harvesters have landed 18,792 MT (69% of total TAC), though the catch rate has slowed. There is increasing concern that harvesters may be unable to harvest the entire Gulf TAC. Notably, US demand for Canadian snow crab has picked up as retail outlets actively promote Canadian crab and the food service trade slowly restarts. In particular, the Southeastern United States has seen a notable increase in foodservice demand for snow crab. This region historically represents a major source of demand due to the prevalence of seafood buffets and casinos.

In Russia, there remain 27 vessels currently harvesting snow crab. 14 of these vessels having cooking and processing equipment on board. Despite the production of crab from both Canadian and Russian sources, supply remains tight and prices have increased and firmed over the past week. Market prices have risen to near 2017 levels at \$7.48/lb (USD) (Figure 3, Table 3). Price is experiencing upward pressure from distributors purchasing loads for sale in restaurants that begin to anticipate reopening crowds and recovering demand. Notably, as Newfoundland crab shore price decreased by \$0.07/lb (USD) as a result of the strengthening \$CAD.

**Figure 3.** Weekly Gulf of St. Lawrence snow crab (5-8oz) prices since 2017 in \$USD/lb. Data source: Urner Barry. Note that blank entries represent periods where no market data were available.



**Table 3.** Weekly market prices and exchange rate for 5-8 oz. Gulf snow crab clusters YTD 2019 and 2020. Data source: Urner Barry. Note: Blank entries represent periods where no data were available.

Date	\$USD/lb 2019	Exchange 2019	\$CAD/lb 2019	\$USD/lb 2020	Exchange 2020	\$CAD/lb 2020
6-Jan	8.75	0.752	11.63	9.43	0.770	12.31
13-Jan	8.63	0.754	11.45	9.43	0.766	12.25
20-Jan	8.63	0.751	11.49	9.43	0.766	12.31
27-Jan	8.63	0.755	11.43	9.43	0.758	12.31
3-Feb	8.70	0.762	11.42	9.45	0.753	12.47
10-Feb	8.78	0.752	11.67	9.48	0.751	12.58
17-Feb	8.78	0.755	11.62	9.48	0.754	12.63
24-Feb	8.78	0.759	11.57	9.48	0.753	12.57
2-Mar	8.85	0.751	11.79	9.48	0.749	12.59
9-Mar	8.93	0.745	11.98			
16-Mar	8.93	0.749	11.92			
23-Mar	8.93	0.745	11.98			
30-Mar	8.93	0.750	11.91			
6-Apr	8.93	0.750	11.90			
13-Apr	8.83	0.749	11.78			
20-Apr	8.73	0.749	11.66			
27-Apr	8.70	0.743	11.71			
4-May	8.23	0.743	11.07	7.03	0.710	9.90
11-May	8.13	0.743	10.94	7.03	0.714	9.85
18-May	8.13	0.746	10.90	7.03	0.710	9.91
25-May	8.25	0.744	11.09	7.05	0.715	9.83
1-Jun	8.35	0.742	11.25	7.13	0.734	9.65
8-Jun	8.45	0.754	11.21	7.48	0.747	10.01

Unlike lobster, supply of snow crab remains extremely tight and demand within the retail sector has been brisk. This has been the driving force behind a price recovery over the past two to three weeks alongside the anticipation of reopening, and it is unlikely that supply will overtake demand in the coming weeks. This is due to the poor catch rates currently being experienced by harvesters in the Gulf of St. Lawrence. This supply limitation will buffer prices against a drop and unlike lobster, price recovery may continue beyond the Father's Day holiday. It is unknown how much of this recovery will be experienced by harvesters, as Gulf crabbers may be unable to harvest the remainder of the TAC and harvesters in Newfoundland receive a pre-determined shore price regardless of fluctuations in the market price. Market price for crab has increased by \$0.45/lb (USD) since May 4<sup>th</sup>.

## Shrimp

The shrimp fishery has unexpectedly restarted and harvesters from Quebec and New Brunswick are currently at sea fishing. Shore price has been set at \$1.65/lb (CAD) for large shrimp, \$1.35/lb (CAD) for medium shrimp, and \$0.84/lb (CAD) for small shrimp by the Regie des Marches Agricoles du Quebec, which is an arbitration panel. If the market remains weak, the prices will drop in July to \$1.20/lb (CAD),



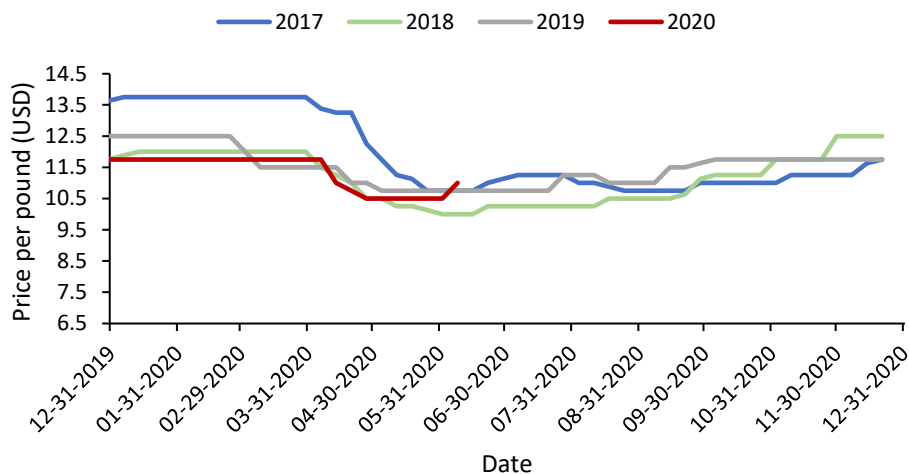
\$1.00/lb (CAD), and \$0.74/lb (CAD), respectively. The panel sided with the harvester price submission listed above.

The processors stated that they could not pay this price for shrimp, and it is currently unknown if a separate price has been established. Originally the processors had offered a an average price of \$0.63/lb. Processors have noted that inventory is nearly full from the previous season and that it may take a considerable and unknown amount of time before they can sell any new product on the market due to low demand. Harvesters have lost approximately two months of the fishing season, and the level of fishing effort and catch rates are currently unavailable. As this is a very new development, more information will be available in the following days and weeks.

### Bivalves

Scallop prices have increased slightly for 10-20 counts. As of June 11<sup>th</sup>, market prices for scallop, according to Urner Barry, are \$11.00/lb (Figure 4). Unlike most seafood products, scallop market price pattern is similar to the previous four years, indicating that scallops are a more resilient form of seafood.

**Figure 4.** Weekly market price (\$USD/lb) for 10-20 ct. scallops since 2017. Data source: Urner Barry.



Oyster price remains well below normal as the foodservice industry has been slow to restart. The oyster season in PEI opened in June after more than a month’s delay. A significant number of oyster harvesters are unable to harvest due to a lack of willing buyers. Recently, bacterial loads have been determined to be too high near Stratford, PEI, and harvesting there is currently forbidden. This is forcing harvesters to fish other beds and may put excess strain on those populations.

## Finfish

Halibut prices remain below normal levels, while swordfish and tuna market prices for the month of June are not significantly different from previous years. Prices for hake and Canadian salmon have declined as supply outweighs demand. Chilean salmon prices have continued to weaken, as has west coast salmon fillet prices.

## First Nations Impact

As the seafood industry begins to exhibit more predictable trends, the likely impacts of the ongoing pandemic on First Nation fishing operations in Atlantic Canada have become clearer. There will be a significant loss of fishing revenue in 2020 compared to 2019 due to shortened seasons, decreased market and shore prices, and limits set by buyers (Table 4). The shrimp fishery, which is one of the most lucrative for First Nations besides the lobster and crab fisheries, is unlikely to occur this summer and may not occur at all in 2020. Revenue from both the lobster and crab industries will be significantly reduced as well, though the crab market has recently demonstrated more resilience overall than the lobster industry. The assumptions are:

- Lobster – 50% of 2019 landings, price to harvesters is \$4.00/lb (CAD).
- Crab – 75% of 2019 landings, price to harvesters is \$3.50/lb (CAD).
- Shrimp – 0% of 2019 landings. No shore price. Note that this information will be adjusted as information regarding the newly restarted shrimp fishery becomes available.

**Table 4.** Projected revenue loss for First Nation-owned shellfish fishing enterprises in 2020.

Species	2019 Revenue	2020 Projected Revenue	Relative Loss
Lobster	\$ 57,255,151	\$ 17,098,264	\$ 40,157,886
Crab	\$ 68,764,115	\$ 30,084,300	\$ 38,679,815
Shrimp	\$ 13,806,663	\$ -	\$ 13,806,663
<b>Total</b>	<b>\$ 139,825,929</b>	<b>\$ 47,182,564</b>	<b>\$ 92,644,364</b>

First Nations for 2020 are projected to experience a \$92.6 million decline in fishing revenue relative to 2019, pending new information regarding the shrimp fishery. This is an improvement from previous projections due to the stronger than expected performance of the crab market. However, the market for lobster and shrimp is weak, which will result in losses of greater than 60% for each of those fisheries

compared to 2019. Compounding these losses is the decrease in fishing revenue will have a negative impact on the amount that harvesters can receive through employment insurance. Finally, there may be significant long-term declines in revenue if lobster fails to maintain its position as a luxury good. If buyers are able to capitalize on the weak market and desperation of sellers, the price for lobster may be driven lower into the commodity range, and recovery to pre-pandemic levels may take months or years if a recovery occurs at all.

## Closing Comments

The global economy continues to reopen in Asia, North America, and Europe. Businesses anticipated this reopening and began hiring and rehiring individuals earlier than anticipated, resulting in unexpected jobs gain in the month of May in the US and Canada. Despite this positive news, the foodservice industry remains in poor health. Dine-in restaurants have been among the last businesses to be allowed to reopen. Six out of ten restaurants indicate they are operating at a loss due to capacity restrictions, and less than 22% are breaking even according to a survey by Restaurants Canada. 47% of restaurant owners have said reopening has thus far had a negative impact on their operations, again due in large part to capacity restrictions and lower demand.

Concerns are mounting that the United States may not be capable of containing the virus within its borders as individual states continue to lift restrictions despite increasing case loads. More than 20 states have now recorded their highest ever seven-day average of new cases. These states are generally rural and reopened sooner than urban states. New projections from the University of Washington indicate that between 145,000 and 166,000 people in the US may die by August. If the disease continues to spread at an increasing rate, states may be forced to re-enact lockdown measures or risk hospitals being overrun with victims.

Other countries, particularly in the EU, are attempting to reopen in time for tourist season. However, the extent to which people will be willing to travel abroad is unknown, and tourism revenues will be drastically reduced compared to normal years. This will negatively impact countries such as Spain and Greece that rely on tourism as one of the major industries.

The global situation remains unsettled and continues to evolve rapidly. At this point, results are only just beginning to become available for the longer-term efficacy of the quarantine measures as people slowly begin to resume a normal semblance of life. The impacts of reopening are likely to be unique to each country, though economies for countries across the world have all experienced similar and severe declines. The speed and extent of the post-pandemic recovery is dependent on the ability of the world to handle the anticipated second wave of the disease in the autumn. Until a vaccine is developed, the global economy will remain delicate and vulnerable.