

COVID-19 and the Seafood Industry

April 23rd Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

Recent Developments

As of the April 23rd, there are over 2.5 million confirmed cases of COVID-19 worldwide and 182,000 deaths. The USA currently has the highest case load with over 830,000 active cases and 46,000 deaths. This report provides an update to the overview provided to APC on April 16th.

USA

Over a quarter of the US economy has shut down due to the pandemic, according to data from Moody's Analytics published by The Wall Street Journal. 45 states have issued full or partial stay-at-home orders. California has reportedly lost 31.5% of its daily gross domestic product output. The analysis suggests that the US economy has seen a 29% decline from a month ago.

Moody projects the US GDP will decline an annualized rate of 30% in the second quarter. These losses are expected to be temporary as the economy reopens in the weeks ahead. This assumes that the US is experiencing the worst of the pandemic now and in the immediate few weeks to follow. If the current lockdown situation extends for two months the rate of decrease in GDP will spike to a disastrous 75%. Estimates for total 2020 US economic growth range from the negative single digits to negative 10-14% for worst case scenarios. Retail sales fell by 8.7% in March and are expected to fall further in April.

Oil prices have crashed, and futures for oil are now negative in the short-run. There is virtually no storage available for oil as consumers have drastically curtailed driving and airline travel. Producers have been slow to ease production and are now stuck with barrels of oil that cannot be sold. In most economic conditions, low oil prices lead to increased consumer consumption which can stimulate the economy, but this pandemic is an exception to that rule. As a result, low oil prices are acting to harm the economy rather than aid in its recovery.

The current unemployment rate is between 12-13%, the highest level seen since the Great Depression. High-end estimates for near-future unemployment estimates are up to 20% of the US population.

Approximately 25-30 million Americans have lost employment. The US has begun issuing stimulus checks of \$1,200 in an effort to mitigate the damage done by the economic turmoil.

There is evidence that the USA may have experienced the peak of the outbreak and may begin seeing the rate of new cases decline as the effects from the quarantine measures become visible. As of mid-April, the incidence of new cases appears to have plateaued. Northeastern US states have begun discussing gradual re-opening measures. Dr. Fauci, the head of the US Center for Disease Control, said that the economy in parts of the country could have “rolling reentry” in May. Some southern US States have announced that they will begin partial or full re-openings by May 1st, though this has been met with criticism from health experts and officials. Georgia, Tennessee, and South Carolina have begun re-opening their economies, though restaurants have yet to be given approval to reopen.

Canada

Canada has reported 1,960 deaths from COVID-19 as of April 23rd. This has surpassed projected “best-case” scenarios and the case load may end up being higher than originally projected. Estimates range from 10% of the Canadian population being infected by the virus to 84.5% if physical distancing measures are relaxed too soon.

The International Monetary Fund projects Canada’s economy to contract by at least 6.2% this year. Six million Canadians have applied for emergency unemployment aid as of April 13. Canada’s labour force pre-pandemic was 19.2 million workers. A drop of 6 million results in the true unemployment rate in Canada at over 35%. Canada’s GDP is expected to make its biggest contraction since the Great Depression. Less than 10% of Canadian small business-owners believe their businesses are in good shape. 63% have cut full-time staff. Canadian household borrowing rate has dropped four times faster than during the Great Recession.

Prime Minister Justin Trudeau has stated that there will be a phased-in approach to reopening Canada’s economy. He stated that this was still weeks away, and that daily life might not completely return to pre-pandemic normality until a vaccine is developed. US-Canada travel restrictions are expected to remain in place for weeks to come.

Increasing numbers of seafood sector workers are advocating for fishery shutdowns. One lobster harvester explained that cruise ships and casinos, which buy “massive amounts” of product from the crab and lobster sectors, have shut down across the US. This has caused demand to collapse, and there is little

demand for these ordinarily lucrative products. A small amount of seafood product is moving at reduced prices, often near fire sale price points, for use in retail and ready-to-cook meals. The Atlantic snow crab fisheries have been delayed until late April and early May, depending on the region. These delays are subject to extension. All inshore commercial fisheries in Newfoundland and Labrador have been delayed until after April 30th. A meeting is being held on April 24th to determine the start date of the NL fisheries.

The opening of fisheries will be dependent on the ability of processors and harvesters to establish safe working conditions needed to attract workers.

China

China is the first severely affected country to have halted the spread of the virus from non-travel related cases. The city of Wuhan, which is where the virus originated, has begun to open back up as quarantine restrictions have been lifted. The bus and subway systems in Wuhan have been reopened following their January 23rd closure. The final quarantine measures preventing people from leaving Wuhan ended April 8th. While businesses are re-opening, customer traffic and consumer activity has been sparse due to lingering fears concerning the virus – this could foreshadow what could be the case in western economies.

EU

Parts of the EU are very gradually beginning to ease lockdown measures. Spain and Austria allowed partial returns to work on April 14th, however France has extended lockdown measures until May 11th to combat the raging outbreak in that country. Spain reopened construction and manufacturing, while shops, bars, and public spaces remain closed until at least the 26th of April. Denmark reopened day care centers and schools for children in first to fifth grade on the 15th. Austria has allowed non-essential shops with a floor-space of less than 400 square meters to reopen, along with DIY stores and garden centres. Germany began to reopen on the 20th of April, and some non-essential shops are open to the public. Other lockdown restrictions remain in place. Switzerland announced a three-stage plan to end its shutdown, which began on the 16th of March. On the 27th of April, an approved list of non-essential businesses will reopen. The UK remains under lockdown due to severity of the situation there. Russian experts believe that the country may run out of hospital beds in the upcoming weeks, and President Putin may have to mobilize the army to address the crisis. Italy, so far the hardest hit European country in terms of death toll, has reopened some bookshops and children's clothing stores. New case rate in Italy has fallen to the lowest level since March 13th.

Seafood Market Status

This section of the report will discuss the current state of the seafood market by species as of April 23rd 2020.

Lobster

The Canadian lobster industry is projecting that 70-100 million pounds of lobster will not be able to be sold into existing markets in 2020. In 2019, the total landings of Lobster were approximately 200 million pounds. This means that the economic potential of the lobster fishery for 2020 may be cut in half. Processors have requested that harvesters do not actively fish until the market recovers, and some harvesters have been amenable to the idea. It has been noted that if harvesters do actively fish that buyers will only be able to buy a “fraction” of what they normally do. Currently, LFAs 36 and 37 around the Bay of Fundy have had their seasons delayed. All spring PEI lobster fisheries have also been delayed by two weeks.

Harvester groups are awaiting information from the Canadian government on aid packages to determine if they can afford to sit the harvesting season out. There are approximately 1 to 2 million pounds of live lobster in inventory and an unknown quantity of frozen product. Tail prices remain high, but the live market in the US and Canada remains stagnant. Live lobster is being bought for \$2-3.00/lb less than in February of 2020. Shore prices for seasons that are underway range from \$4/lb to \$5/lb.

Demand for lobster in China has begun recovering, albeit at a very modest rate. During the peak of the outbreak in China, demand for lobster was effectively non-existent. As of mid-April, there has been an uptick in demand to approximately 10% of normal levels. While this is still far below a sustainably profitable level for exporters, it is an encouraging sign that the Chinese market for Canadian and US seafood may be recovering.

Market prices for lobster are at 10-year lows for April. According to Urner Barry, there has been a minor increase in sales of lobster tails, however at diminished qualities and discounted prices. The market for live lobster is experiencing tight supply and severely depressed prices. The lobster fishery in LFAs 31B and 32 opened on the 19th, with landings designated for the live market. As previously mention, LFAs 23, 24, 26A and 26B have been delayed by two weeks. DFO has not extended the closure to the season, meaning harvesters have lost two weeks of potential harvesting and revenue generation. If other fisheries take a similar course of action, the end result will be low volumes of lobster bought at weak prices. It is currently unknown how aggressively license holders in that region will fish.

Crab

Supply for snow crab is nearly non-existent. There is limited sales activity and the market remains unsettled. There appears to be some retail demand for seafood in the US, though it is unclear how this specifically relates to snow crab at this time due to the aforementioned lack of inventory. The US foodservice industry has collapsed, and restaurants providing take-out are only operating at 10-15% of normal levels. This industry will rebound following the relaxation of quarantine measures, but it is unknown how long this recovery will take and if there will be any long-term changes in the market.

Nova Scotian harvesters have begun fishing for snow crab, and limited sales information indicates extremely low prices of \$3.50-4.00/lb (CAD). That data will become available in the next several days. Snow crab areas 12C, 15, 16, and 16A have been delayed until May 1st. Area 12 will be open on the 24th and harvesters appear ready to fish. The Association of Seafood Processors offered a price at or below \$3.25/lb (CAD) to harvesters in Newfoundland, however this proposal was rejected by the Fish, Food, & Allied Workers Union that represents lobster harvesters in the province.

Shrimp

The market for shrimp is weak. The foodservice industry is a major source of demand for shrimp and as previously mentioned is effectively non-existent. The price for coldwater shrimp has not declined as precipitously as black tiger shrimp as it is more reliant on frozen retail sales and is a niche product. There is also limited supply of shrimp on the market as the new fishing season just recently began, and inshore fisheries in NL have been delayed. The depth of activity in the coldwater shrimp sector is unknown at this current time but will become more apparent as the fishery opens in the near future. Chinese demand for coldwater shrimp has helped to keep prices somewhat stable, however the volume of sales is depressed. The European market for shrimp continues to decline.

Bivalves

The market for fresh shellfish and bivalves has collapsed. The foodservice industry is a major driver of demand for oysters, scallops, and clams, and remains shutdown in major metropolitan cities across the world. Scallops sold at the BASE seafood auction in Massachusetts are being purchased at very low prices, between \$4-5.00/lb less than the average for April. This may be the result of the season changing from 2019-2020 to 2020-2021 with an associated reset in fishing days. This has resulted in a flood of supply during a period of weak demand. Recent prices have been somewhat higher but extremely variable, due in part to lower volume. The pandemic continues to put negative pressure on the scallop industry.

Oyster growers are being forced to store thousands of tons of product as demand for oyster has disappeared. Some companies have had demand fall to less than 5% of normal levels for this time of year. There are concerns that price wars will emerge as oyster farmers try to shed excess inventory while the oysters are still a desirable market size. In speaking with a few oyster suppliers in NB, there does not appear to be a concrete plan on how to deal with the excess inventory. Most of the oysters grown in Atlantic Canada are too expensive to be put toward the canning industry where returns are low. PEI shellfish harvesters have asked for the season to be postponed due to the lack of demand for oysters, clams, and quahogs. Companies are trying to stay afloat by offering direct-to-consumer sales at discounts of up to 30% of normal price.

Finfish

Prices for finfish remain near or below 5-year record lows for April. Public seafood markets, restaurants, and casinos continue to close which is greatly reducing the demand for fresh product. Seafood markets are nearly fully stocked; however, the biggest buyers are not purchasing product due to shutdowns. As most restaurants in the US or Canada have been forced to switch to take-out services, seafood sales have suffered due to being a less popular take-out item. Some distributors have lost 90% of their buyers ahead of the April busy season. There has also been a shift to frozen product by retail outlets. Fresh fish is being sold less frequently as many seafood counters are not currently staffed as a measure to reduce employee exposure to the virus. Frozen product generates less profit and typically has inferior margins compared to fresh product, in part due to the higher processing costs.

Tuna and halibut are experiencing 5-year record lows for market prices. The Japanese sushi market, the dominant driver of demand for bluefin tuna, has been hit hard by the pandemic and demand has vanished. Halibut is being sold for between \$6-7.00/lb (USD) in the US, while Tuna is going for between \$8-9.00/lb (USD). Swordfish price has demonstrated slightly more resiliency, though the level of volume moving through the market is unknown at this time.

The Urner Barry salmon index has dropped by 5.3% from the previous week and is already 12% lower than the beginning of March. Price is currently \$5.00/lb (USD), approximately \$1.00/lb (USD) less than at the three-year average for April. While the retail market was strong at the beginning of April, it has since deteriorated and buying and selling opportunities have declined. Scottish exports of salmon have declined by \$39 million since the onset of the pandemic. Trout and steelhead have seen steady movement in the retail market.

Whitefish products have experienced drops in prices but are still moving in the frozen retail sector. There has been an increase in available product, but demand is weak. Haddock, monkfish, and pollock fillets also experienced price declines.

Processing Sector

There is a high level of concern about the potential spread of coronavirus among members of the seafood processing industry. Typically, processing plants require employees to stand in near proximity to one another, which is conducive to the spread of the highly infectious virus. In order to maintain proper physical distancing measures, many plants that are planning to open will be operating at 50% capacity or less. Personal Protective Equipment (PPE) has become scarce due to high demand, and processing plants are having difficulty in acquiring PPE.

The processing sector has historically been reliant upon foreign workers to fully staff the facilities. It has become increasingly difficult to incentivize foreign workers to come to Canada to work in processing plants. Temporary foreign workers have been given exemptions allowing them to travel to Canada, but they are subject to 14 days of self-isolation upon arrival to the country. This two week delay represents an unproductive period that would accrue significant cost for either the worker or the sponsoring employer. This, along with the prospect of separation from their families during an unsettled time, has created disincentives to working in Canada that employers are finding difficult to overcome.

The average age of processing plant workers tends older, with some individual plant workforces averaging more than 60 years in age. As the virus has a significantly higher mortality rate among people ages 60 and up, processing plant workers have been vocal in the concerns they have for their own well-being. There have been calls to delay or cancel some fishing seasons as a method of preventing the virus from decimating the processing plant workforce. High Liner Foods recently suspended plant operations in New Hampshire following the positive diagnosis of an employee with COVID-19.

As a result of these concerns, processing plants are having to develop strict health codes to mitigate the potential impacts of the virus among the workforce. The preventative and mitigative measures have included reducing the number of employees in the plant in order to maintain physical distancing, increasing sanitizing efforts, and reducing the hours of operation of the plant. Developing and implementing these measures results in lost revenue and additional costs in the short-term in the hope of preventing more serious loss of life.

Apart from the health and labor concerns, the seafood market itself is in poor condition. Demand is heavily depressed due to what amounts to a shutdown of the foodservice industry. Seafood plants rely on pushing heavy volume of product to achieve profitable margins. Plants are being forced to make difficult decisions regarding product acquisition levels and selling price. By either spreading out purchases or slashing prices, plants may be able to stay afloat in this abnormal market. A more prolonged period of lockdown would hamper the effectiveness of this short-term solution, and at that point processing plants may begin to fail.

Potential Impacts on First Nations

Lobster harvesters in Northwest Nova Scotia have requested that the federal government pay employment insurance benefits instead of forcing them to confront the dangers of coronavirus and weak market conditions. 88% of the roughly 500 harvesters belonging to the Gulf Nova Scotia Fishermen's Coalition preferred receiving federal assistance compared to fishing at this current time. The details of the request have been kept confidential, and it is unknown at this time if First Nation groups would receive preferential access to this aid package. The PEI lobster season has been delayed by two weeks, and it does not appear that the season will be extended to compensate for the suspension. This will result in lost revenue opportunities for harvesters.

First Nation communities are extremely reliant on the income generated by the fisheries to support community programs. If reduction in season length becomes a common occurrence in additional fisheries, the result will be a significant loss of potential revenues. This could have significant negative impacts on First Nation communities, as one of the primary alternative sources of income is community gaming operations, which has also been severely affected by the pandemic.

The snow crab fishery in Nova Scotia has begun, and the Gulf of St. Lawrence fishery will be opening on the 24th of April. The NL snow crab fishery has been delayed until at least May 1st. In order to prevent a glut of supply from further crashing the crab market, processors will require harvesters to limit the length of their fishing trips. Processors have expressed concern over the difficulties of implementing necessary social distancing practices in cramped processing facilities, particularly because of the prevalence of older individuals who make up the majority of the workforce.

Several fisheries that have noteworthy levels of First Nation participation will open in the next several weeks. These fisheries are a highly important source of revenue for these communities and there are only limited streams of revenue from non-fishery sources for these communities. These fisheries provide employment and fund important community programs. As such, it is important to understand how the ongoing pandemic may affect the status of these fisheries. The tables below illustrate several scenarios demonstrating the potential effects of the pandemic on the lobster fisheries that will be opening within the next two weeks. The scenarios on the following page illustrate revenues assuming 2019 conditions, 2019 landings at \$4.00/lb shore price, and ¾ length seasons with 50% of 2019 landings at \$4.00/lb shore price.

Table 1. Lobster landings and revenue scenarios

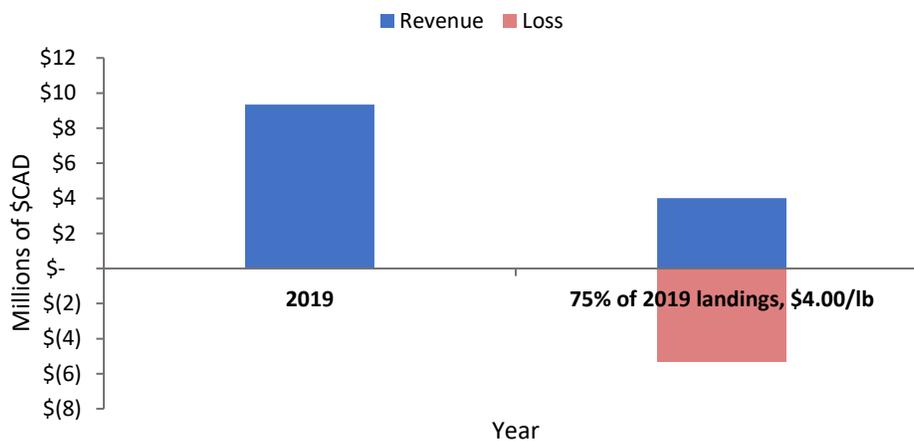
Scenario	Fishing Area	First Nation Licenses	Revenue per License (2019)	Revenue per license per day	Revenue to Boat (60/40 split with crew)	Revenue to Boat per day (60/40 SwC)	Revenue to each crew member (2 members)	Revenue to Crew per day
Lobster \$7.00/lb, 2019 landings	13A	4	\$ 45,589	\$ 625	\$ 27,353	\$ 375	\$ 9,118	\$ 125
	13B	7	\$ 44,717	\$ 604	\$ 26,830	\$ 363	\$ 8,943	\$ 121
	17	4	\$ 543,985	\$ 6,476	\$ 326,391	\$ 3,886	\$ 108,797	\$ 1,295
	23	58	\$ 189,826	\$ 3,062	\$ 113,896	\$ 1,837	\$ 37,965	\$ 612
	24	31	\$ 205,919	\$ 3,321	\$ 123,551	\$ 1,993	\$ 41,184	\$ 664
	26A	14	\$ 162,365	\$ 2,619	\$ 97,419	\$ 1,571	\$ 32,473	\$ 524
	26B	6	\$ 114,212	\$ 1,842	\$ 68,527	\$ 1,105	\$ 22,842	\$ 368
	28	7	\$ 8,819	\$ 142	\$ 5,291	\$ 85	\$ 1,764	\$ 28
	29	5	\$ 275,085	\$ 4,437	\$ 165,051	\$ 2,662	\$ 55,017	\$ 887
32	3	\$ 107,926	\$ 1,713	\$ 64,756	\$ 1,028	\$ 21,585	\$ 343	
Scenario	Fishing Area	First Nation Licenses	Revenue per License	Revenue per license per day	Revenue to Boat (60/40 split with crew)	Revenue to Boat per day (60/40 SwC)	Revenue to each crew member (2 members)	Revenue to Crew per day
Lobster \$4/lb, 100% of 2019 landings	13A	4	\$ 26,051	\$ 357	\$ 15,630	\$ 214	\$ 5,210	\$ 71
	13B	7	\$ 25,553	\$ 345	\$ 15,332	\$ 207	\$ 5,111	\$ 69
	17	4	\$ 310,849	\$ 3,701	\$ 186,509	\$ 2,220	\$ 62,170	\$ 740
	23	58	\$ 108,472	\$ 1,750	\$ 65,083	\$ 1,050	\$ 21,694	\$ 350
	24	31	\$ 117,668	\$ 1,898	\$ 70,601	\$ 1,139	\$ 23,534	\$ 380
	26A	14	\$ 92,780	\$ 1,496	\$ 55,668	\$ 898	\$ 18,556	\$ 299
	26B	6	\$ 65,264	\$ 1,053	\$ 39,158	\$ 632	\$ 13,053	\$ 211
	28	7	\$ 5,039	\$ 81	\$ 3,023	\$ 49	\$ 1,008	\$ 16
	29	5	\$ 157,191	\$ 2,535	\$ 94,315	\$ 1,521	\$ 31,438	\$ 507
32	3	\$ 61,673	\$ 979	\$ 37,004	\$ 587	\$ 12,335	\$ 196	
Scenario	Fishing Area	First Nation Licenses	Revenue per License	Revenue per license per day	Revenue to Boat (60/40 split with crew)	Revenue to Boat per day (60/40 SwC)	Revenue to each crew member (2 members)	Revenue to Crew per day
Lobster \$4/lb, 75% season length, 50% of 2019 landings	13A	4	\$ 13,025.34	\$ 238	\$ 7,815	\$ 143	\$ 2,605	\$ 48
	13B	7	\$ 12,776.25	\$ 230	\$ 7,666	\$ 138	\$ 2,555	\$ 46
	17	4	\$ 155,424.25	\$ 2,467	\$ 93,255	\$ 1,480	\$ 31,085	\$ 493
	23	58	\$ 54,236.17	\$ 1,166	\$ 32,542	\$ 700	\$ 10,847	\$ 233
	24	31	\$ 58,834.65	\$ 1,265	\$ 35,301	\$ 759	\$ 11,767	\$ 253
	26A	14	\$ 46,389.36	\$ 998	\$ 27,834	\$ 599	\$ 9,278	\$ 200
	26B	6	\$ 32,632.30	\$ 702	\$ 19,579	\$ 421	\$ 6,526	\$ 140
	28	7	\$ 2,519.57	\$ 54	\$ 1,512	\$ 33	\$ 504	\$ 11
	29	5	\$ 78,595.75	\$ 1,690	\$ 47,157	\$ 1,014	\$ 15,719	\$ 338
32	3	\$ 30,836.32	\$ 653	\$ 18,502	\$ 392	\$ 6,167	\$ 131	

Scenario	Fishing Area	Total Revenue	Total Boat Revenue	Total Crew Revenue	Table 1. cont. Intentionally Blank																										
Lobster \$7.00/lb 2019 landings	13A	\$ 182,355	\$ 109,413	\$ 72,942																											
	13B	\$ 313,018	\$ 187,811	\$ 125,207																											
	17	\$ 2,175,940	\$ 1,305,564	\$ 870,376																											
	23	\$ 11,009,908	\$ 6,605,945	\$ 4,403,963																											
	24	\$ 6,383,489	\$ 3,830,093	\$ 2,553,396																											
	26A	\$ 2,273,110	\$ 1,363,866	\$ 909,244																											
	26B	\$ 685,272	\$ 411,163	\$ 274,109																											
	28	\$ 61,730	\$ 37,038	\$ 24,692																											
	29	\$ 1,375,426	\$ 825,255	\$ 550,170																											
	32	\$ 323,778	\$ 194,267	\$ 129,511																											
TOTALS	\$ 24,784,024	14,870,414.69	\$ 9,913,610																												
Scenario	Fishing Area	Total Revenue	Total Boat Revenue					Total Crew Revenue	Lost Total Revenue vs 2019	Lost Boat Revenue vs 2019	Lost Crew Revenue vs 2019																				
Lobster \$4/lb 100% of 2019 landings	13A	\$ 104,203	\$ 62,522					\$ 41,681	\$ 78,152	\$ 46,891	\$ 31,261																				
	13B	\$ 178,868	\$ 107,321					\$ 71,547	\$ 134,151	\$ 80,490	\$ 53,660																				
	17	\$ 1,243,394	\$ 746,036					\$ 497,358	\$ 932,546	\$ 559,527	\$ 373,018																				
	23	\$ 6,291,376	\$ 3,774,826					\$ 2,516,550	\$ 4,718,532	\$ 2,831,119	\$ 1,887,413																				
	24	\$ 3,647,708	\$ 2,188,625					\$ 1,459,083	\$ 2,735,781	\$ 1,641,469	\$ 1,094,312																				
	26A	\$ 1,298,920	\$ 779,352					\$ 519,568	\$ 974,190	\$ 584,514	\$ 389,676																				
	26B	\$ 391,584	\$ 234,950					\$ 156,634	\$ 293,688	\$ 176,213	\$ 117,475																				
	28	\$ 35,274	\$ 21,164				\$ 14,110	\$ 26,456	\$ 15,873	\$ 10,582																					
	29	\$ 785,957	\$ 471,574	\$ 314,383	\$ 589,468	\$ 353,681	\$ 235,787																								
	32	\$ 185,018	\$ 111,011	\$ 74,007	\$ 138,760	\$ 83,256	\$ 55,504																								
TOTALS	\$ 14,162,302	\$ 8,497,381	\$ 5,664,921	\$ 10,621,723	\$ 6,373,034	\$ 4,248,689																									
Scenario	Fishing Area	Total Revenue	Total Boat Revenue	Total Crew Revenue	Lost Total Revenue vs 2019	Lost Boat Revenue vs 2019	Lost Crew Revenue vs 2019																								
Lobster \$4/lb, 75% season length, 50% of 2019 landings	13A	\$ 52,101	\$ 31,261	\$ 20,841	\$ 130,253	\$ 78,152	\$ 52,101																								
	13B	\$ 89,434	\$ 53,660	\$ 35,774	\$ 223,584	\$ 134,151	\$ 89,434																								
	17	\$ 621,697	\$ 373,018	\$ 248,679	\$ 1,554,243	\$ 932,546	\$ 621,697																								
	23	\$ 3,145,698	\$ 1,887,419	\$ 1,258,279	\$ 7,864,210	\$ 4,718,526	\$ 3,145,684																								
	24	\$ 1,823,874	\$ 1,094,324	\$ 729,550	\$ 4,559,615	\$ 2,735,769	\$ 1,823,846																								
	26A	\$ 649,451	\$ 389,671	\$ 259,780	\$ 1,623,659	\$ 974,195	\$ 649,464																								
	26B	\$ 195,794	\$ 117,476	\$ 78,318	\$ 489,478	\$ 293,687	\$ 195,791																								
	28	\$ 17,637	\$ 10,582	\$ 7,055	\$ 44,093	\$ 26,456	\$ 17,637																								
	29	\$ 392,979	\$ 235,787	\$ 157,191	\$ 982,447	\$ 589,468	\$ 392,979																								
	32	\$ 92,509	\$ 55,505	\$ 37,004	\$ 231,269	\$ 138,761	\$ 92,508																								
TOTALS	\$ 7,081,174	\$ 4,248,704	\$ 2,832,469	\$ 17,702,851	\$ 10,621,710	\$ 7,081,140																									

Shore price for lobster has severely declined compared to 2019 levels, and snow crab price is expected to decline as well. Lobster shore prices are hovering in the \$4.00/lb range. Based on the tables above, a scenario in which prices in 2020 hold at \$4.00/lb (CAD) and landings remain at 2019 levels would result in a loss of revenue of \$10.6 million (CAD) for First Nation groups relative to 2019. If seasons are reduced in length by 25%, landings are 50% of 2019 levels (due to buyer restrictions), and price remains at \$4.00/lb (CAD) a loss of \$17.7 million (CAD) relative to 2019 would occur for First Nation groups in 2020.

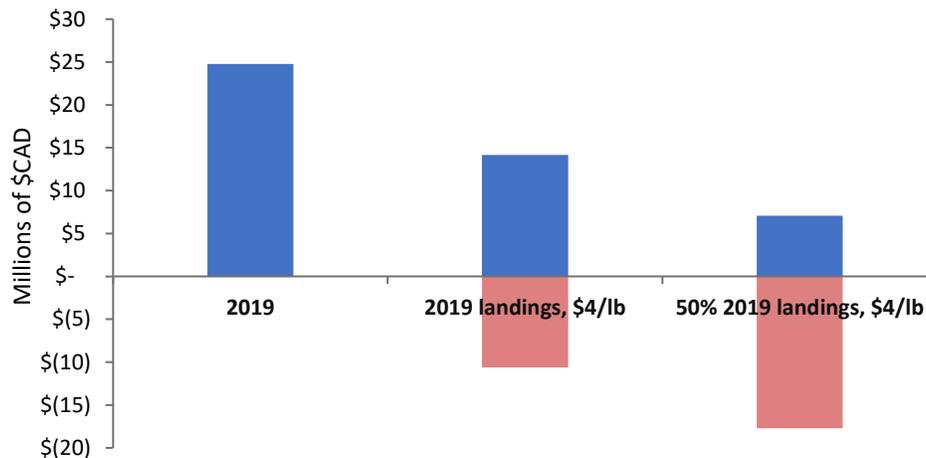
The figure below illustrates the potential loss in revenue for First Nation owned licenses in LFAs 24, 26A and 26B from market forces and as a result of the season being shortened by two weeks. The 2020 scenario assumes 25% reduction in landings due to season shortage and \$4.00/lb (CAD) shore price. In this scenario, a loss of over \$5.3 million CAD would occur compared to 2019 revenues.

Figure 1. Revenue scenarios for delayed Gulf lobster fishing areas.



The figure on the following illustrates 2019 revenues and two potential scenarios for 2020 for all Spring fisheries that open in April. The first scenario assumes 100% of 2019 landings at \$4.00/lb (CAD), while the second assumes 50% of 2019 landings at \$4.00/lb (CAD). The first scenario would result in a \$10 million (CAD) loss compared to 2019, while the second would result in a \$17.7 million CAD loss compared to 2019.

Figure 2. Revenue scenarios for lobster fishing areas that open in April.



Recent information suggests snow crab is selling for \$3.50-4.00/lb (CAD), a more than 20% decrease from 2019 levels. As the seasons are just beginning, further increases in supply could drive prices further down. The current level of retail demand for snow crab is not yet well established.

The collapse in demand for lobster, and potentially weak demand for snow crab, has both harvesters and processors worried. Prices have dropped precipitously for both species. Companies that are vertically integrated have the advantage of being able to spread expenses out. Individual harvesters or processors bear the full brunt of the revenue declines. Careful watch must be given to the state of the lobster and crab markets over the next several weeks as the spring and summer fishery seasons ramp up.

Federal Aid Packages

The Federal Government of Canada announced a \$306 million relief package which will be disbursed by the National Aboriginal Capital Corporations Association. This relief package will take the form of an interest-free loan that in some cases may have non-repayable contributions. To qualify for the loans through Aboriginal Financial Institutions (AFIs), applicants must not have applied for the Business Credit Availability Program (BCAP) which is available to all Canadians. However, Indigenous businesses may still apply to the Emergency Wage Subsidy (EWS) which subsidizes up to 75% of salaries for qualifying businesses (businesses which have lost 30% of their revenue due to COVID-19) in conjunction with loans through the AFIs. The EWS is a 12-week program. Additionally, the Canada Revenue Agency implemented the 10% Temporary Wage Subsidy for Employers, which allows eligible employers to reduce the amount of payroll deductions required to be remitted to the CRA.

The AFI Indigenous loan program is specifically designed to address immediate liquidity needs. A simple business viability assessment is the pre-requisite for the loan program. The maximum loan amounts have not yet been determined at this time. The non-repayable option is available to Indigenous businesses that were thriving and viable prior to the pandemic but have since encountered great difficulty. This application process is more rigorous and requires the AFI to assess the impact of the pandemic on the business on a case-by-case basis. The AFI will also assess any other support the business has received. This program will roll out more slowly and businesses are encouraged to first apply for a working capital loan to address immediate cash needs. Further information regarding these aid programs will be available in the coming days and weeks.

Additionally, the Federal Government recently announced and implemented the Indigenous Community Support Fund. This fund exists to help Indigenous communities prevent, prepare and respond to COVID-19. It is primarily oriented to mitigating health impacts of the disease. There is no deadline for application for communities, however the deadline for proposals for urban or off-site organizations has passed.

The Federal Government of Canada has enacted measures to assist citizens of Canada that have had employment terminated due to the pandemic. The Canada Emergency Response Benefit (CERB) provides \$500 per week for up to 16 weeks for affected individuals. As of April 15, individuals are allowed to earn \$1,000 per month while collecting the CERB. The Government has also proposed a one-time special payment for early May 2020 through the Goods and Services Tax credit that will provide, on average, \$400 dollars to low and modest-income individuals.

Farm Credit Canada has received an additional \$5 billion in funding to respond to COVID-19. Farm Credit Canada offers loans to agri-food businesses including aquaculturists and seafood processors, but not fish harvesters. Farm Credit is providing support of \$1,500 for each temporary foreign worker to ensure workers can isolate for 14 days without accruing cost to their employers. The Business Credit Availability Program allows for small and medium-sized enterprises to acquire guaranteed loans, with options for partial forgiveness if paid within a set time period.

Closing Comments

While case load has yet to peak worldwide, there are signs that the severity of the pandemic is beginning to lessen in some countries as quarantine measures begin to demonstrate effectiveness. The number of new infections has stabilized or begun to drop in countries such as Italy, Spain, and the USA. Several EU countries and US states have begun slowly reopening their economies, though it will be weeks or months before the global foodservice industry fully recovers.

The seafood market remains in dire straits. The majority of seafood restaurants in the Western Hemisphere remain closed, along with casinos and cruise ships. Prices have collapsed for a vast array of seafood products and this problem will likely be exacerbated by increasing supply as the spring and summer fishing seasons begin to open. Distributors are being forced to pivot to the retail market to move inventory, and this supply glut will cause falling prices. It is unlikely that strong recover of the seafood market will occur until the pandemic is contained and lockdown measures eased, and even then the recovery will likely be slow as consumers exhibit caution in returning to public spaces and governments try to prevent second and third waves of the disease. Sectors that export to Asia may see recovery begin sooner as Chinese markets begin to re-open, though this recovery is likely to take time as consumers demonstrate skittishness in returning to public spaces.