

COVID-19 and the Seafood Industry

May 14th Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

Recent Developments

As of the 14th of May, there are over 4.5 million confirmed cases of COVID-19 worldwide and 300,000 deaths. The USA currently has the highest case load with over 1.4 million active cases and 85,000 deaths. This report is part of an ongoing series of weekly updates, the last of which was provided on May 7th.

USA

President Donald Trump continues to place pressure on states to reopen their economies. Dr. Anthony Fauci, the Director of the National Institute of Allergy and Infectious Diseases, has warned that re-opening the country too quickly could result in uncontrolled second outbreaks. If these second wave outbreaks occur, re-implementing lockdown measures could become necessary.

The majority of US States have begun to at least partially reopen (Figure 1, following page). However, economically important states such as New York, Massachusetts, New Jersey, Michigan, Illinois, and California remain closed at this time. Notably, many of the states that have partially re-opened have failed to meet the criteria recommended by the Trump administration for loosening restrictions. Some of these states are reopening with more new cases or a higher share of positive tests compared to two weeks ago, such as Tennessee, Maine, and Texas. The recommendations provided by the White House are non-binding and governors may choose to adhere to them at their discretion.

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

Province	Retail/restaurant re-opening date
Alberta	Partially re-opened Full re-opening date undetermined
British Columbia	Between June and September
Saskatchewan	Retail: May 19 Restaurant: May 19
Manitoba	Retail: Partially re-opened Restaurant: Patio – Partially re-opened Indoor – No earlier than June 1
Ontario	None announced
Quebec	Partially re-opened May 25 for Montreal
New Brunswick	Partially re-opened
Nova Scotia	None announced
P.E.I.	Retail: May 22 Restaurant: June 12 (Tentative)
Newfoundland and Labrador	Mid-June
Territories	None announced

Statistics Canada reported that the economy lost approximately two million jobs in April, an increase from the one million lost in March. Total number of hours worked in Canada has plummeted to near 30 per cent of pre-pandemic levels. Job loss has been particularly concentrated toward the bottom end of the labor market, with salaried positions being less affected.

China

China reported a cluster of five new COVID-19 cases in the city of Wuhan, which is where the virus originated. There were also new cases in the city of Shulan, and Chinese officials quickly issued stay-at-home orders and travel bans. China remains under global scrutiny for its handling of the early days of the pandemic, and potentially withholding information from the global community. Tensions between the US and Chinese governments continue to mount as both countries blame the other for the pandemic. Meanwhile the seafood market in China, particularly retail, continues to slowly revive. Demand for seafood such as lobster is estimated to be at 40-50% of normal levels.

EU

Germany recently relaxed restrictions and promptly saw the reproduction rate (R Value) of the virus rise to greater than one. This means that each infected person on average spread the disease to more than one person. Left unchecked, this means the virus would spread at an increasing rate. Public health officials were not concerned, as an R Value greater than 1 is only an issue if it persists for multiple days, particularly if the R Value is only slightly higher than 1. If it rises higher, restrictions may have to be re-implemented. This illustrates the difficulty of reopening a country without a vaccine to prevent infections, particularly with a disease as easily transmissible as COVID-19. Countries with an R Value greater than 1, such as the United States, are likely to experience a large resurgence of the disease if a re-opening policy is pursued.

France, Spain, and the UK have been heavily impacted by the virus. The UK and France have no opening date for restaurants as both daily new case count and fatalities remain high. Spain has allowed restaurants to open outdoor areas at 50% capacity. In the Netherlands restaurants will re-open on June 1 with a 30-person maximum limit. Restaurants in Belgium will begin preliminary re-opening on June 8, though it is not entirely clear in what capacity. As a whole, European consumers are doing more food preparation at home. E-commerce has seen a significant rise in popularity, a trend repeated across the world as lockdown measures remain in effect.

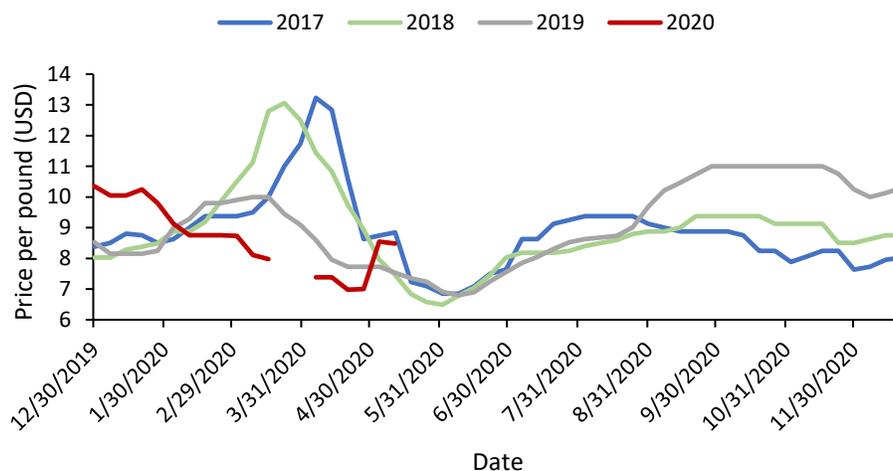
Seafood Market Status

This section of the report will discuss the current state of the seafood market by species as of May 14th 2020.

Lobster

Chinese demand for lobster has risen to approximately 40% of the usual peak demand for this time of year, indicating a gradual but steady recovery. European demand for lobster remains low as the foodservice industry remains shuttered in many countries. Market price for lobster is currently \$8.48/lb (USD), a slight decline from the previous week’s Mother’s Day prices (Figure 2).

Figure 2. Weekly lobster prices since 2017 in \$USD/lb. Data source: Urner Barry.



Shore price for lobster has been variable and region specific. In parts of NS, harvesters were receiving between \$5.00-6.00/lb (CAD) at the wharf. The spring fishery for lobster in Nova Scotia has been hampered by unusually bad weather, and catch is considerably lower than historical levels. Combined with relatively low fishing pressure, this has limited supply and bolstered prices from a sharp drop that was previously anticipated. As the weather turns milder and more harvesters begin to fish, it is likely that a decline in price will occur. On Friday May 15th, LFAs 24, 26a and 26B are scheduled to open following a two week delay.

Shore prices in the Gulf of St. Lawrence are lower at approximately \$4.00/lb (CAD, Northern NB prices). Weather has been milder compared to in Nova Scotia and landings have been stronger, resulting in a

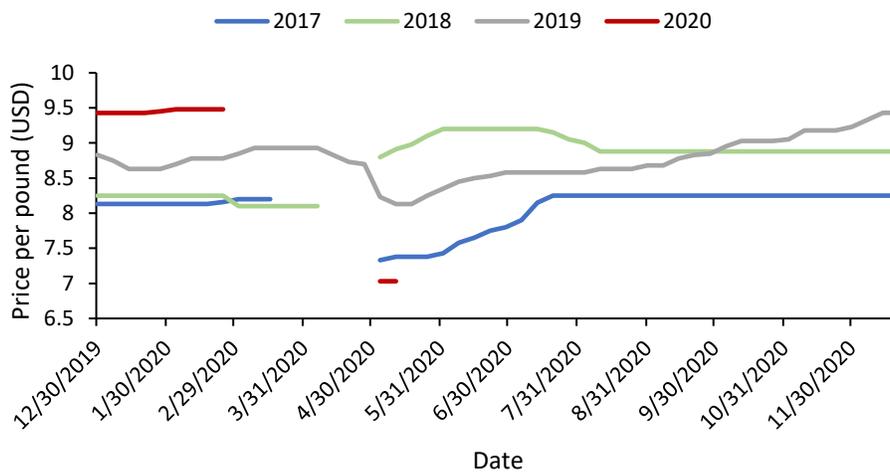
higher supply and lower prices. Gulf lobster is typically not as large or as high quality as Scotian lobster, and a slightly lower price is to be expected even in ordinary circumstances.

Crab

Snow crab market price have remained steady, due in part to limited supply. The current average market price is \$7.03/lb (CAD) (Figure 3), according to Urner Barry, which is the lowest in the past three years for this time of the year. Demand for frozen crab remains relatively healthy in retail outlets. Notably, some harvesters in Newfoundland are electing not to fish in the hopes that the Standing Fish Price Setting Panel will increase the price of crab after considering the new argument the FFAW has presented, challenging the \$3.00 /lb (CAD) point previously determined by the Panel. Processors in NFLD are currently restricting harvesters operating >45' boats from landing more than 3,000 lbs per week. As a result, most of the inshore harvesters are not currently fishing. Some of the larger crab vessels have left port to fish, as they are not subject to the same landings restrictions from processors. The larger vessels are permitted to land up to 20,000lbs per trip. These trip limits have been instituted to help the processing facilities manage under reduced capacity.

Price for snow crab generally declines once the Newfoundland crab seasons open and supply become more readily available on the market. Newfoundland crab will begin entering into the market in the next week as a portion of the harvesters are currently out for their first trip of the season. The actual impact of this supply increase will become more visible late next week.

Figure 3. Weekly Gulf of St. Lawrence snow crab (5-8oz) prices since 2017 in \$USD/lb. Data source: Urner Barry.



Snow crab harvesters in Northern New Brunswick have recently received slightly higher shore prices. While still below the highs of the past several years, harvesters in that region have reported receiving between \$3.50-4.00/lb (CAD), an increase from the \$3.00/lb (CAD) that was seen at the start of the season. At this time, it is unknown if this higher price will hold firm once the Newfoundland caught crab reaches the market.

Shrimp

There is little fishing activity occurring for shrimp, as harvesters and processors in Northern New Brunswick and Quebec cannot agree on a price. Processors are offering \$0.50/lb (CAD), pointing toward the lack of demand as justification for this low price. Harvesters are asking for more than \$1.00/lb (CAD), and little headway has been made in resolving this disagreement. Shrimp harvesters at this point have lost close to a month of fishing time due to this ongoing price dispute.

Bivalves

Demand for oysters has dropped to near zero in the US and Canada. Oysters are disproportionately reliant on the restaurant industry for sales and the pandemic has eliminated nearly every source of demand. Oyster growers are left with inventory that cannot be moved through the market and must be frozen and stored. Due to the limited time an oyster is market sized, growers must continue to harvest the oyster to make room for the new crop even in the absence of demand, resulting in high labor costs and no revenue. Due to the lack of market transactions, there is no accurate indication of the market price for oyster.

Scallop price has plummeted over the past several weeks as supply has increased but demand has not kept pace in the US and Canada. Price has remained at \$9.50/lb (USD) for 20-30 ct. scallops for the past three weeks. This represents the lowest price point at any point in the year since 2010. Notably, scallops harvested in parts of the US have been smaller than normal.

Finfish

Frozen product continues to move through retail outlets. Smaller fish markets sourcing locally caught product have seen an increase in popularity as consumers are able to acquire fish that is normally only obtainable through restaurants. Prices for tuna, swordfish, and halibut have increased as of late, though this is in part due to bad weather limiting landings. Demand for finfish is considered moderate and supply is limited at this time.

West coast salmon is reportedly readily available in the Northeast US and Canada, resulting in downward price pressure on most salmon product forms. Demand is fair to moderate, and supply appears steady. Chilean salmon continues to sell at discounts as the foodservice industry remains shuttered.

Processing Sector

Processors in New Brunswick are encountering difficulty in addressing labour needs due to the current provincial ban on temporary foreign workers. Due to the lack of restaurant sales and in an effort to pivot to retail processors can repackage product for retail instead of selling in bulk. This results in higher per-unit costs of sales. The recently announced \$63 million seafood processing aid package, titled the Seafood Stabilization Fund, is likely to become available in one to two weeks.

Federal Support

The Federal Government just announced the \$469 million aid package for harvesters on the 14th of May. According to Prime Minister's website, the Government of Canada will:

- Launch the Fish Harvester Benefit, a program worth up to \$267.6 million, to help provide income support for this year's fishing seasons to eligible self-employed fish harvesters and sharespersons crew who cannot access the Canada Emergency Wage Subsidy. Support will be provided to those that experience fishing income declines of greater than 25 per cent in the 2020 tax year, compared with a reference period to be identified. This measure covers 75 per cent of fishing income losses beyond a 25 per cent income decline threshold, up to a maximum individual entitlement equivalent to what is provided under the Canada Emergency Wage Subsidy (\$847 per week for up to 12 weeks).
- Launch the Fish Harvester Grant, a program worth up to \$201.8 million, to provide grants to help fish harvesters impacted by the COVID-19 pandemic, and who are ineligible for the Canada Emergency Business Account or equivalent measures. This will give them more liquidity to address non-deferrable business costs. The program would provide non-repayable support of up to \$10,000 to self-employed fish harvesters with a valid fishing licence. Size of the non-repayable support will vary depending on the level of fish harvesters' historic revenue.
- Propose measures or changes to Employment Insurance (EI) that would allow self-employed fish harvesters and sharespersons to access EI benefits on the basis of insurable earnings from previous seasons (winter and summer claims).

It is likely to be several weeks before this aid is accessible. The Seafood Stabilization Fund for processors, as an example, was announced in late March and the benefits from that package will not be available until the end of May. The Canada Emergency Student Benefit package, which was announced on April 22nd, will have the benefits becoming available on May 15th. Therefore, it is important to recognize that there is a delay from when the funds are announced to when they are ready to be distributed. It is critically important that the Federal Government clarifies the eligibility of Indigenous owned fishing enterprises as it pertains to receiving benefits from these newly announced programs. Ideally, this information would be released at the beginning of the week of May 17th.

Closing Comments

New aid packages were just announced on the 14th and are due to be administered in the coming weeks. Lobster landings in parts of Nova Scotia have been unusually poor due to bad weather and lower effort, which has kept price higher than initially projected. Crab harvesters in Newfoundland operating <45' vessels are awaiting the results of the price reconsideration submitted to the Standing Fish Price Setting Panel by the FFAW, which will be announced by the end of tomorrow the 15th. Shrimp harvesters remain inactive due to continued price disputes. The oyster industry remains almost entirely stagnant.

Chinese demand for lobster is slowly recovering and frozen lobster is still in demand in some parts of Europe. The domestic and US markets remain weak especially for live lobster, though delivery services and at-the-dock purchases have increased. Crab inventory remains somewhat low and is moving through retail at a reasonable level. Smaller, local, fresh fish markets in some areas such as North Carolina have seen significant increases in activity as consumers are able to acquire fresh product that is normally only available in restaurants.

Lockdown restrictions are beginning to ease across the globe in countries at very different points in the outbreak of the virus. This means that results of re-opening in one country may not be applicable in another. Early results from South Korea and Germany indicate that containing a second wave of infections may prove challenging, particularly in countries with high case loads and limited ability to monitor citizens.