

# COVID-19 and the Seafood Industry

## April 2<sup>nd</sup> Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

### Recent Developments

As of the April 2<sup>nd</sup>, there are over 900,000 confirmed cases of COVID-19 worldwide and 48,556 deaths. The USA currently has the highest case load with over 200,000 active cases, while Italy has the greatest number of fatalities, currently standing at 13,155. By the end of the week, Spain is likely to overtake Italy in both number of cases and total deaths. Outside of a select few countries, case counts are increasing across the world. As most quarantine measures were not implemented until the middle of March, it will likely be several weeks before the positive effects of those measures will be noticeable in the statistics. This is due to the relatively long incubation period and infection time of the virus, which can exceed two weeks. This report provides an update to the overview provided to APC the week of March 26<sup>th</sup>.

### USA

There were 6.6 million applications for unemployment in the US over the past week. On March 27<sup>th</sup>, the US formally passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. The \$2 trillion dollar act seeks to provide financial aid to the business sector, workers, individuals and families. Notable provisions of the bill include a direct \$1,200 payment from the US Federal Government to US citizens that make less than \$75,000 a year. \$300 million dollars has been allocated to relief for fish harvesters, aquaculturalists, and others working in the seafood industry. This \$300 million is scheduled to become available in two weeks. Important at-risk industries such as airlines will receive billions in financial aid in an effort to keep those businesses from failing.

Restaurant sales of seafood in the US have declined by 90% as of April 2<sup>nd</sup>. This is devastating to the seafood industry in the US as two thirds of Americans eat their seafood in restaurants. One area of seafood sales that recently improved in the United States was grocery stores. Sales of frozen and canned seafood spiked considerably, and fresh seafood saw increases as well. The data on grocery sales is for the week of March 14<sup>th</sup>, which is approximately the time when most US states announced more restrictive quarantine measures. As time progresses, it will become clear if this frenzied buying activity was a one-time, pre-quarantine panic event or a longer-term trend. In an effort to sustain business, some restaurants have

begun delivering ready-to-cook seafood meals with instructions on how to put the dish together to customers.

## **Canada**

Between March 16 and March 25, 1.55 million Canadians applied for jobless benefits. The government of Canada passed a \$75 billion dollar coronavirus relief package on the 25<sup>th</sup> of March. Highlights of this bill include four \$2,000 monthly payments to people who have lost their jobs due to the ongoing pandemic, wage subsidies for small businesses, and tax relief measures. This bill also allows the finance minister to spend and borrow without parliamentary approval until September. The province of Quebec has the highest confirmed case load, with Montreal accounting for approximately one quarter of all Canadian cases. Trudeau recently announced the ban on non-US foreign nationals entering the country would be extended until the end of June.

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

## **China**

Community spread is not known to be occurring in China as of March 31<sup>st</sup>. China is the first severely affected country to halt 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 23<sup>rd</sup> closure. The final quarantine measures preventing people from leaving Wuhan are due to end April 8<sup>th</sup>. While businesses are re-opening, customer traffic and consumer activity has been sparse due to lingering fears concerning the virus. Recently, China has been accused of providing fraudulent or incomplete data on the extent of the outbreak by US intelligence services.

## **EU**

The majority of EU countries continue to remain under lockdown. Italy is beginning to show signs of improvement and projects to have only a marginal number of new cases by the end of April, whereas other EU countries such as Spain and France continue to deteriorate. The UK is seeing exponential growth in caseloads as well. It will likely be several weeks before the situation improves, similar to the trajectory



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Italy has experienced. Restaurants, bars, and other public spaces remain closed. There has been an increase in purchases of frozen whitefish such as cod and haddock from grocery stores as consumers stock up on cheaper sources of protein.

## Seafood Market Status

This section of the report will discuss the current state of the seafood market by species as of April 2<sup>nd</sup> 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 harvesters have been amenable to the idea. Currently, LFAs 36 and 37 around the Bay of Fundy have had their seasons delayed. 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.

There are six charter flights scheduled to deliver approximately 1 million pounds of graded and packed lobster to Asia this week. This shipment will help determine how well demand in the Asian markets has recovered. There are expectations that a shortage of lobster in Asia will help boost shore prices in Canada and the US. Notably, the lobster shipped on three previous charter flights were sold at a major loss, up to \$2-3.00/lb less than cost.

### Crab

Currently, there is very little supply of Canadian snow crab on the spot market. This precludes an accurate projection of the price, especially during a global crisis. The majority of snow crab exports in Canada occur in the spring and summer, but the fishing season is almost certain to be delayed as a result of the virus. This will severely curtail the available supply of crab, although a current lack of willing buyers makes this decision necessary. US states continue to close restaurants as the case load in the US continues to grow exponentially. A small quantity of crab was landed last week in CFA 17, selling for \$3.00/lb to local markets in Quebec.

## **Bivalves**

Scallops remain near 5-year record low prices for March, though it is worth noting that this is not yet a significant deviation compare to the past three years. The scallop season opened on April 1<sup>st</sup> and the following two to three weeks will be a litmus test for the strength of the scallop market. Oyster prices have reached 5-year lows for March. Clam prices remain at or near record highs for March, a deviation from the general trend of decline the seafood market is experiencing. As with scallops, the real strength of the market for clams will be demonstrated during the following few weeks and months as what is ordinarily the busy season for seafood purchases begins.

## **Finfish**

Prices for finfish remain near or below 5-year record lows for March. 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. Restaurants in New York have begun testing a new product in the form of ready-to-make meals containing salmon and instructions that can be delivered to customers. There appears to be demand for this product.

## **Closing Comments**

Italy has begun to see the rate of new infections fall from the quarantine and nation-wide lockdown. It is projected that by the end of April Italy will only have a marginal number of new cases per day. Once the country re-opens, the challenge will be ensuring that a second wave of infections does not erupt. Italy will serve as a case-study for how severely impacted countries should handle prevention measures post-outbreak.

As a result of the reduction in the number for flights into the US from the EU, Chile and other important seafood suppliers it could result in Canadian seafood products, particularly farmed salmon and other whitefish, being more widely demanded in the US. This represents a potential opportunity for Canadian suppliers to acquire a greater foothold in the US that will persist beyond the timeframe of the pandemic. It is important to note that while product is moving, consumers are price sensitive, and if prices increase too high they are more likely to switch to alternative options.

Discussions are ongoing between DFO and the fishing industry regarding potential fishery closures. The results of these discussions, in addition to any potential federal aid packages being developed for the seafood sector, will solidify and become evident in the following weeks. The fishing industry has begun consolidating important voices and groups in the industry to effectively communicate the needs of harvesters, processors, and distributors to the Federal and Provincial governments. It is highly recommended that First Nations, Indigenous, and Aboriginal peoples do the same to ensure that their voices are heard during this critical time.