

# COVID-19 and the Seafood Industry

## January Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

### Recent Developments

Despite the recent development and initial distribution of the vaccine, the COVID-19 pandemic continues to worsen. Over 700,000 new cases are diagnosed worldwide on a daily basis, with approximately 15,000 new deaths per day. Holiday gatherings have been blamed for some of the proliferation of the virus in recent weeks. In addition, new strains of the virus have been detected in the UK, Canada and the USA. The UK variant is as much as 70% more transmissible than the original virus.

### USA

The USA continues to see growth in the number of new cases diagnosed per day. Over the past several weeks, more than 25,000 new cases have been diagnosed on a daily basis. The number of deaths per day has also demonstrated an increasing trend, and on January 7<sup>th</sup> a record high of 4,200 people died due to COVID-19.

The vaccination rollout in the US has been criticized for being slow despite plans for a fast implementation. This has been blamed on a fragmented and decentralized approach to the rollout. Some state and local public health departments have cited a lack of leadership from the Federal Government and a lack of appropriate funding as an explanation for the disjointed vaccine rollout. Originally the US Federal Government had planned to immunize 20 million individuals in December. Through January 10<sup>th</sup>, that number was below seven million.

Joe Biden was voted into the presidency by the electoral college and the vote was certified in Congress. The Democratic party will have control of both the House of Representatives and the Senate following two run-off senate races in Georgia. This means that incoming President Biden will not encounter serious difficulty in passing major stimulus packages in the US. Included in this plan are a likely increase in the amount paid to individuals via stimulus checks and possible partial student loan forgiveness. Economists hope that this stimulus will help improve a sluggish recovery in the US.

The US economy remains heavily burdened by COVID-19. The US economy is operating at 74% of March 2020 levels. Over five million people file for employment on a weekly basis, with the unemployment rate at 6.7% nationwide. Small business work hours have declined by 24% compared to pre-pandemic levels.

The restaurant and foodservice industry continue to bear the full brunt of the pandemic, and in December the US lost 372,000 bar and restaurant jobs. The unemployment rate in the foodservice industry jumped by 2.3%, erasing all employment gains made since September. Severe public health restrictions in states such as New York and California have forced many restaurants to close again. Compounding these losses is the lack of stimulus that the foodservice is receiving, with no special carve-outs in the December stimulus bill which allocated \$900 billion to other industries such as airlines and entertainment venues. To date, 110,000 restaurants in the US have permanently closed.

The seafood industry in the United States experienced heavy losses in revenue compared to 2019 through June of 2020. In the Northeast region, total revenues declined by \$126 million compared to last year from January through June. Most of this loss was attributed to declines in the scallop and lobster industries. Lobster prices were initially 13% above baseline levels in January of 2020, but fell by 39.6% in March to \$4.82/lb (USD). A National Oceanic and Atmospheric Administration (NOAA) survey reports that 35% of processors had reduced operations or business hours, 35% had reduced sales to restaurants, retail, or grocery store, and 48% were closed entirely for 1 to 3 months. Overall, 91% of seafood processors in the US reported that the pandemic had negatively impacted their businesses.

## **Canada**

Much like the United States, Canada continues to set new record highs for daily cases. Canada diagnosed over 10,000 cases on January 2<sup>nd</sup>. The majority of these new cases are in Ontario and Quebec. Canada experienced a national decline in employment of 63,000 jobs, which is the first national drop since April of 2020. Due to the magnitude of the second surge of the virus, financial experts believe that short-term economic recovery will not be as robust as previously anticipated.

8 out of 10 restaurants in Atlantic Canada have indicated that they are either losing money or barely scraping by, according to the Atlantic Canada division of Restaurants Canada. 61% of restaurants in the region are operating at a loss, and only 20 percent are breaking even. Nearly half of Canada's restaurants expect to close permanently if conditions do not improve in the near future.

## Asia

For the majority of the pandemic to date, countries in East Asia have been considered the gold standard for public health management as cases and deaths have been low. Over the past month, however, case counts have spiked dramatically in South Korea, Japan, and Hong Kong. China has locked down several cities near Beijing after more than 500 new cases have been announced over the past several weeks. Cold air, drier weather, and increased time indoors have contributed to the spread of the virus in these countries. Restrictions on bars, restaurants, and other public venues have been reinstated to get the spread of the virus under control.

## EU

The countries in the EU are facing an increasingly large strain on their public health systems as the virus continues to spread. Ireland, which previously had one of the lowest per capita rates of infection in Europe, now has the highest in the world. New strains of COVID-19 in the UK are projected to be some 70% more transmissible than the original virus. As a result, the UK has implemented its third national lockdown. In early January, Germany was recording over 10,000 new cases per day.

European countries have extended lockdowns and public health measures to prevent catastrophic spread of the virus. In Italy, people are only allowed to visit friends once per day in meetings capped at a maximum of two adults. Germany also only allows meetings of two outside of one's home, and all non-essential businesses are closed. Many countries within Europe have also closed schools, though this is viewed as a last resort and highlights the severity of the situation.

Brexit has complicated the seafood trade in Europe, and harvesters out of Scotland have suddenly found themselves without access to European markets. Scottish harvesters have indicated that as a group they are losing up to \$1 million pounds (UK) per day.

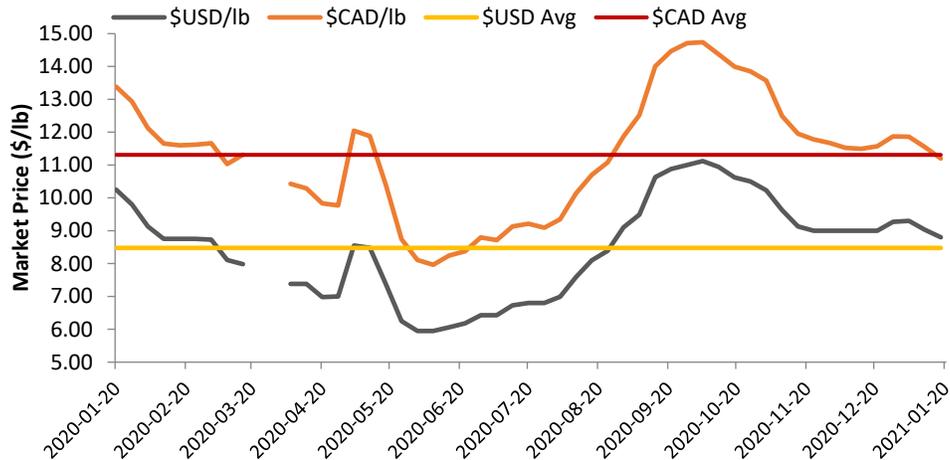
## Seafood Market Status

This section of the report will discuss the current state of the seafood market by species as of January 2021.

### Lobster

Lobster prices have rebounded slightly following the drop in price that occurred in the autumn of 2020. Market prices are trending lower compared to last year at this time. There has been a decline in demand following the end of the holiday season, however lower supplies due to poor weather preventing fishing has helped to avert severe price declines. Market price is currently \$8.80/lb (USD) where as it was over \$10/lb (USD) this time last year. Shore prices have declined to \$8.00/lb (CAD) in Southwest Nova Scotia.

**Figure 1.** 52-week 2021 weekly average prices for live 1 1/4 lobsters. Data Source: Urner Barry



US lobster has lost its MSC certification and as a result Canadian lobster can now potentially use its MSC certification as a competitive advantage in the market. The Chinese market for lobster is seeing tight margins, with boxes being air freighted and sold for \$9.00/lb and less. As shore prices remain near the \$8.00/lb level, this means that margins are less than \$1.00/lb once other selling costs have been taken into account.

Exports of live lobster are near but slightly below 2020 levels. Frozen lobster and lobster meat exports have slightly increased compared to 2020. Currently, the international market is plagued by low demand as a result of the resurgence of COVID-19 across many countries. Price is being buoyed by low inventories compared to January of 2020. Inventories are 60% lower this year compared to the level in 2020, and harvesters are holding less than 10% of what they were last year. Hope remains that the upcoming Chinese

New Year will bolster demand, though this is dependent on China containing its own recent increase in COVID-19 cases.

## Crab

The market for Canadian snow crab has remained unchanged as inventory is virtually exhausted. Russian snow crab is currently in season and demand is high with tight inventories. Price has been steady and high for Russian crab. It is expected that prices for Canadian snow crab will be high upon the opening of the season, as demand will likely hold and supply will be lessened as the Russian season comes to a close.

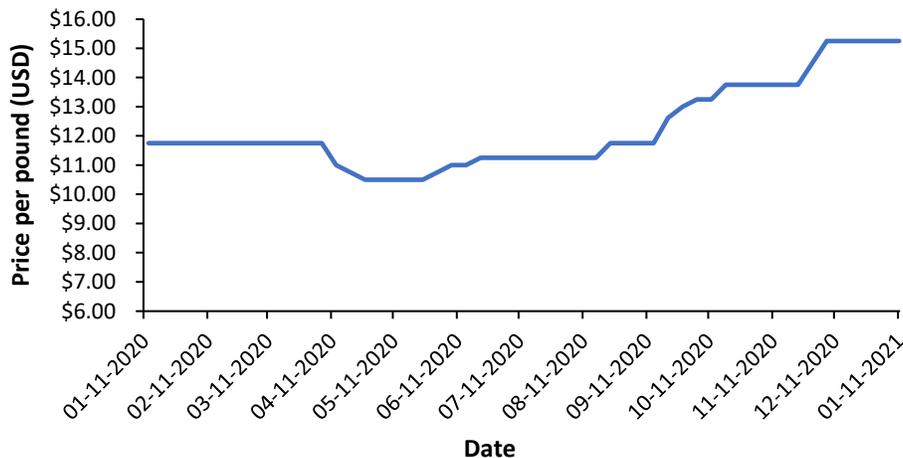
## Shrimp

The market for coldwater shrimp remains unchanged since July of 2020. There are signs that demand may be slowly recovering in Asia, but for now remains low. In Europe and the UK, retail demand has remained steady despite the increasing public health restrictions.

## Bivalves

Scallop prices have remained steady since the end of November at \$15.25/lb (USD). The scallop market strengthened at the end of 2020 but has since stabilized moving into 2021. Newly released figures revealed that imports of scallops into the US fell 12 percent below the average of the previous three years.

**Figure 2.** 52-week weekly average prices for fresh 10-20 ct. scallops. Data Source: Urner Barry

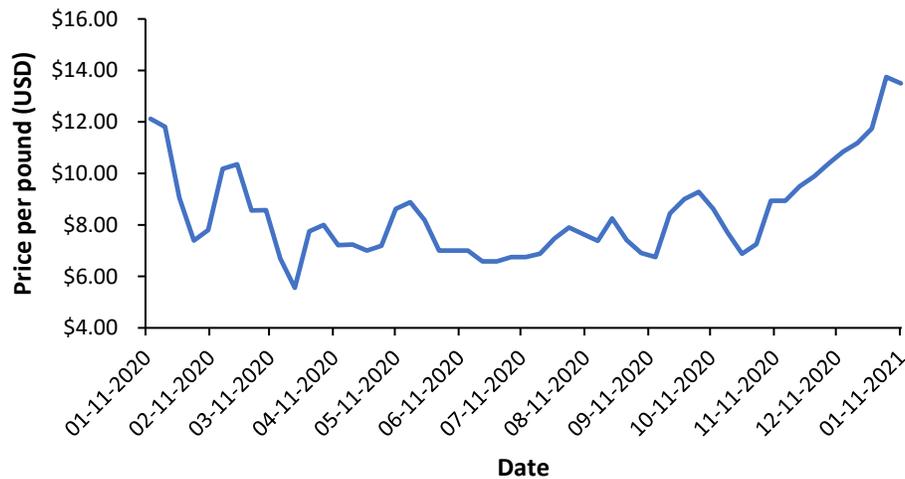


Prices for oysters continue to retreat as the foodservice industry continues to weather the worst of the pandemic. Oyster growers and harvesters in North America are almost entirely dependant on the foodservice industry for product demand and revenue streams. In BC, industry representatives reported that the members of the BC Shellfish Growers Association have been losing upwards of \$2 million per month as a group.

### Finfish

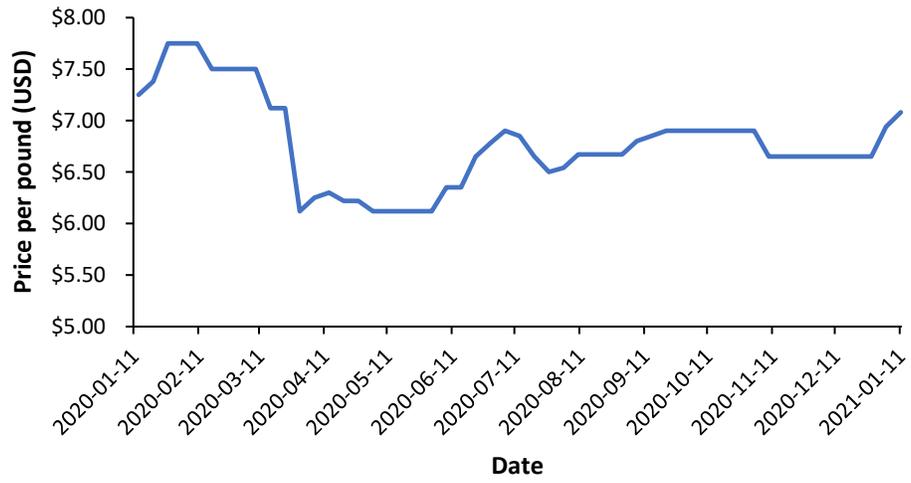
Prices for halibut have slightly fallen after trending upwards for the last two months. Prices are near the highest point within the past 52 weeks at \$13.75/lb (USD). Prices for other species such as hake and pollock have decreased.

**Figure 3.** 52-week average prices for fresh whole halibut. Data Source: Urner Barry



The market for salmon is adequately supplied for active demand. Prices have risen in January after remaining stable through December. Salmon farmers encountered difficulty with selling product in the Spring and Summer of 2020, however demand improved in the Autumn and Winter. The farmed salmon index price is below the past several years in price by 3.2%. Lower flight capacity in Europe has affected the ability of European producers to move product to destination markets.

**Figure 4.** 52-week average prices for fresh 2-3 lb farmed salmon fillets. Data Source: Urner Barry



## Closing Comments

Despite the development and distribution of a vaccine, COVID-19 continues to spread. Lockdowns have been re-implemented in some countries that were previously thought to have the virus under control, including in China where the disease originated. The UK is in the midst of its third nationwide lockdown as it tries to contain a mutated form of the virus. In Australia, officials banned outdoor exercise and dog-walking during a brief lockdown period in November. The disease, and the public health restrictions associated with it, continue to negatively impact the global economy.

The Canadian economy grew 40.5% in the third quarter of 2020 as a result of re-openings after the Spring and Summer lockdowns but grew only 3.8% in the Q4 as a result of the resurgence of the disease. Economists polled by Reuters expect the economy to grow by just 0.7% this quarter. The total economic growth forecast for 2021 is expected to be 4.4%. This is the weakest prediction for growth in 2021 since January of 2020, when the virus was first announced.

As a result of the prolonged nature of the pandemic, restaurants continue to permanently close. 10,000 restaurants in Canada have closed, and the industry may have lost more than \$30 billion in sales according to Restaurants Canada. Up to 50% of independent restaurants are at risk of permanent closure if demand remains low for the next 2-3 months. As the seafood industry is heavily dependent on foodservice, the next several months will be critical in setting the economic trajectory for both industries for 2021 and beyond.