

COVID-19 and the Seafood Industry

June 18th Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

Recent Developments

As of the 18th of June, there are over 8.5 million confirmed cases of COVID-19 worldwide and 453,000 deaths. The USA has been the most heavily impacted, with over 2.2 million cases and 120,000 deaths. This report is part of an ongoing series of weekly updates, the last of which was provided on June 11th.

USA

According to the National Restaurant Association, the restaurant industry in the United States has lost \$120 billion in sales since March. Only approximately 9.5% of US restaurants surveyed said that they were legally allowed to reopen and have done so, with another 18.5% remaining closed due to health concerns. 40% of respondents do not have the proper social distancing measures in place to reopen, while 34% believe that there will not be enough consumer demand to justify reopening. Of the 3,800 respondents, 75% do not believe they will be profitable within the next six months without further assistance from the government. At the height of the pandemic, over eight million foodservice workers were unemployed. This number has softened somewhat as 76% of restaurants that remained open for take-out during the pandemic have rehired workers, and 25% of those that closed completely have begun rehiring. In a separate survey conducted recently by Zagat it found that more than half of those who eat out once a week would wait at least three weeks before visiting a dine in restaurant.

Every state in the US has entered into the stages of reopening (Figure 1). There has been an uptick in the number of new coronavirus cases in many of these states, and the overall case load throughout the country has demonstrated a rising trend since the 8th of June. New cases are concentrated most heavily in states that reopened early, such as Texas and Florida. President Trump has stated that the country will not shut down again.

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



Canada

The border shutdown between the US and Canada has been extended to July 21st at the earliest. All non-essential travel between the two nations will therefore remain forbidden. The Federal Government has announced that the Canada Emergency Response Benefit will be extended for an additional two months. Notably, other aid packages such as those designated for seafood processors and harvesters have yet to begin releasing funding. However, it was announced that applications for the Seafood Stabilization Fund can be submitted Monday the 22nd of June. Details surrounding the harvester aid package are still scarce. These aid packages were announced in April and May, respectively.

Every Canadian province has begun the reopening process (Table 1). Restaurants are open with capacity restrictions throughout most of Canada, with exceptions for hotspots such as Montreal which will remain closed until the 22nd of June. Despite legally being allowed to reopen, many restaurants have chosen not to do so out of health concerns, lack of consumer demand, or a lack of funds. According to recent data collected by Ipsos, approximately 26% of Canadian restaurants do not have the funds necessary to reopen.

The seafood stabilization fund will open to applicants on Monday June 22nd. Factory freezer vessels have been confirmed to be eligible for the fund. Association and not-for-profit organizations are allowed to apply as well. The Federal Government also announced a \$50 million food surplus program that will see the government purchase food products, including seafood, that would otherwise go to waste or doesn't have a market.

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: Reopened with capacity restrictions Restaurants: Reopened with capacity restrictions
Quebec	Retail: Reopened with capacity restrictions Restaurants: Reopened with capacity restrictions Greater Montreal: June 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: Reopened with capacity restrictions Restaurants: Reopened with capacity restrictions in Yukon

The Federal Government has announced that it will release an economic snapshot of the current situation in Canada on July 8th.

Asia

China has reported a new outbreak in Beijing. There have been 106 new cases in the nation's capital since June 11th, the highest count since mid-April. The outbreak has been linked to the largest wholesale food market in Beijing, which has since been closed. At one point, imported salmon was blamed for the outbreak and resulted in China blocking imports of salmon. The salmon link was later discredited, and the blame was shifted to a contaminated cutting board. China has since requested the Canadian Food Inspection Agency ensure that all Canadian exports to China are uncontaminated. This is expected to slow the border clearance process for Canadian goods.

According to Beijing city spokesman Xu Hejian, the epidemic situation in the city is "extremely severe" as dozens of new cases have emerged. More than 25 neighborhoods have been designated as medium risk

or higher, which allow the government to take increasingly restrictive measures to safeguard public health, such as fencing in those neighborhoods. Residential areas near the market have had Wuhan-style lockdowns imposed by Chinese government. Health authorities have entered “wartime mode” according to Chinese state media.

South Korea has seen an upward trend in cases as well, demonstrating the difficulty in containing the virus in even the most well-prepared and equipped countries. Korea is averaging over 30 new cases per day over the past week. Cases have been diagnosed in the greater Seoul area, linked primarily to nightlife establishments, church services, e-commerce warehouses, and door-to-door sellers. Health officials are finding it difficult to trace the new cases and have voiced concern that the virus could quickly break containment if the appropriate measures are not taken.

EU

The EU has begun opening to internal travel, with France, Germany, and Switzerland joining other nations such as Italy and Belgium in lifting some travel restrictions. Restaurants, cafes, and bars have reopened with capacity restrictions across most of the region. The UK, among the last to impose public health restrictions, is currently less advanced in its re-opening than its European neighbors. Restaurants, pubs, and gyms all remain closed in the UK currently.

Major producers of salmon in the EU, such as Denmark and Norway, have seen exporters to China cease instantaneously after Chinese officials linked the latest outbreak in Beijing to an import of contaminated salmon product. It was determined that a cross contaminated cutting board was likely the source of the spread, however China has halted all imports of salmon into the country for the time being.

Seafood Market Status

This section of the report will discuss the current state of the seafood market by species as of June 18th, 2020.

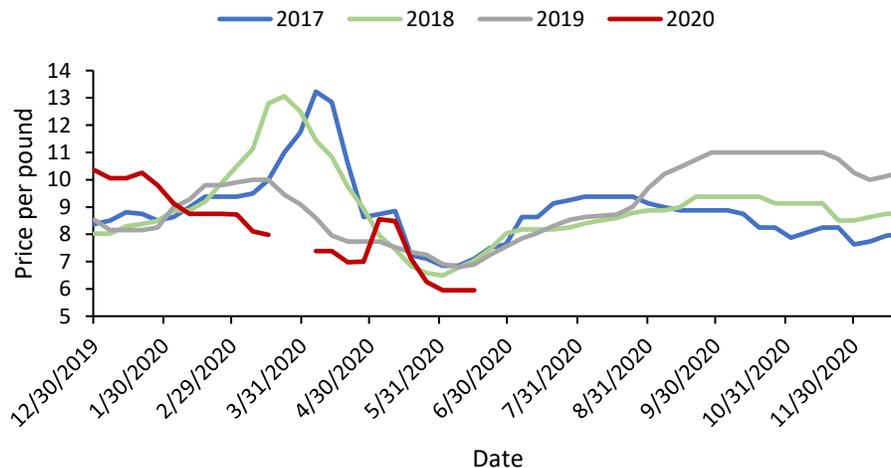
Lobster

The market for lobster remains low as a result of the ongoing pandemic. Exporters have reported canceled orders from China because of the recent outbreak in Beijing, which has caused the government to enact strict lockdown measures in the area. Some experts within the lobster export industry believe this interruption will be temporary in nature and expect to see Chinese importing activity continue to climb once the COVID clusters in Beijing are contained.

The US faces challenges in competing with Canadian lobster due to tariffs from the EU and China. The Canadian-European Union Comprehensive Economic and Trade Agreement (CETA) removed all tariffs from Canadian lobster, among other goods. China does not currently enact heavy tariffs on Canadian seafood as it does for US seafood. This results in Canadian exporters having an edge over US exporters.

Prices remain unchanged from the previous week at \$5.95/lb (USD) (Figure 2). Shore price for lobster varies from approximately \$4-5.00/lb (CAD). Harvesters in Cape Breton are receiving approximately \$4.35/lb (CAD). Lobster tails and meat are being purchased at prices below levels seen last year, though retail demand for processed products is reportedly brisk.

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.



The Canadian dollar softened slightly against the USD, leading to a \$0.14/lb (CAD) increase in price despite the price in USD remaining the same (Table 2). This is a favorable change for Canadian exporters following several weeks of strengthening from the Canadian dollar.

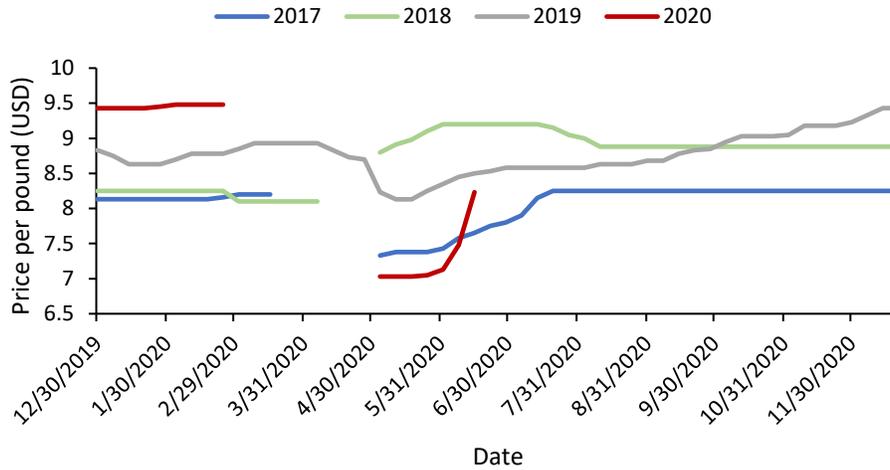
Table 2. Market price and exchange rate for 1 ¼ lb lobster for the winter and spring of 2019 and 2020. Data source: Urner Barry. Blank entries represent periods where no market data were available.

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
15-Jun	6.90	0.763	9.04	5.95	0.735	8.10

Crab

Unlike the beleaguered lobster market, the snow crab market continues to show signs of strength. Market prices have increased rapidly over the past weeks, rising from \$7.13/lb (USD) to \$8.23/lb (USD). Prices are now trending near historical norms for the past 4 years. Supply remains short due to the slow landings of Gulf Crab and the very firm retail demand. There has been an uptick in distributors’ purchasing crab for sale to restaurants, but the market remains primarily driven by retail demand at this time. Meanwhile, snow crab in Nova Scotia is reported to be high quality and landings are good. Due to the comparatively small size of the NS crab fishery, the solid landings are unable to make up for the scarcity of Gulf crab. This lack of supply is driving price upwards.

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.



As is the case for the lobster market, the recent weakening of the \$CAD against the \$USD has led to price increase (Table 3). In just two weeks price for crab has increased by \$1.55/lb (CAD), demonstrating an unexpected level of resiliency.

It has just been announced that crab harvesters in Nova Scotia will be allowed to rollover 25% of their 2020 quota into the 2021 season. This will be a significant boon to harvesters who were unable to harvest at the start of the 2020 season due to pandemic related factors.

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
15-Jun	8.50	0.746	11.40	8.23	0.735	11.20

Shrimp

Shrimp harvesters have reported solid landings levels from their first trip to sea. There has been no further news of processors outside of Quebec buying shrimp except for a plant in Nova Scotia. European demand for Northern shrimp has seen an uptick as lockdown measures continue to ease across the continent. The UK, the primary source of demand for Canadian shrimp, lags its European neighbors in its reopening efforts due to the relative severity of the situation there. However, there have been recent reports that demand for shrimp has been recovering in the region.

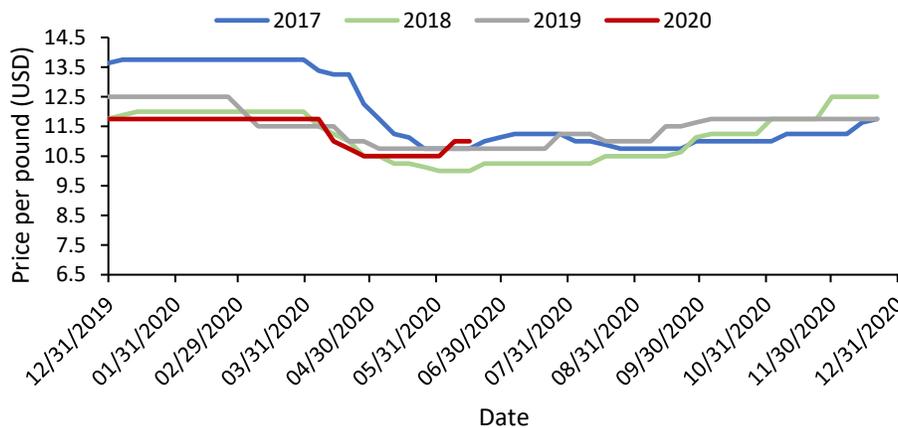
The first landings of shrimp in Quebec occurred on the 15th of June. One shrimp harvester landed approximately 70,000 pounds. Currently, only processors in Quebec and one in Nova Scotia are known to be purchasing shrimp. Other processing plants have remained closed, including those in Newfoundland. Processors in NS are purchasing shrimp for \$0.70/lb (CAD) – which is substantially lower than the price being received in Quebec at this time. The market and landings status for shrimp will continue to be monitored moving forward, and more in-depth projections will be presented in later documents as prices

and landings solidify. At this time, there are too many unknowns to present a definitive projection of the shrimp fishery.

Bivalves

Bivalve shellfish prices have remained largely steady over the past several weeks. Demand is slowly trending upwards as a limited selection of restaurants begin to reopen to dine-in consumers. Oyster growers are encountering difficulties sourcing demand. Oysters may lose up to 60% of their value once they exceed the ideal raw-bar size of 3.5 inches. Those larger oysters are diverted to the commodity bread-and-frying sector and receive only a fraction of their normal price. Some oyster growers are now forced to dump oversized oyster for no revenue to free up space for the next crop. Major producers of Oysters in the US, such as Atlantic Capes, have seen sales plummet by 80% compare to last year. Meanwhile, scallop prices remained steady (Figure 4) and in line with historical norms for this period.

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



Finfish

The Chinese government has blamed imported salmon for an outbreak of coronavirus in Beijing. China has since essentially ceased importing any form of salmons, disrupting exporters in countries such as Denmark, Norway, and Australia. As a result, prices for European salmon have experienced downward pressure. Fish destined for China has been rerouted to the United States at a discount. Some niche species, such as the Common ling which is consumed in the Northeast United States, have seen market price drop by over 90% since the beginning of the pandemic. More commonly consumed species such as cod, haddock, and pollock have demonstrated more resiliency due in part to a healthy frozen retail presence.

First Nation Impacts

In Canada, several federal aid programs have been announced over the past few months. The Seafood Stabilization Fund, which was announced in April, is only now opening to applicants as of June 22nd. The distribution proportion was determined based upon the size of the seafood sector in each region. As a result, the majority of the funding has been designated for Atlantic Canada. \$6.2 million has been designated as a reserve fund which will be later distributed based on the apparent level of need in each province. The breakdown of the funding by province is listed in Table 4.

Table 4. Distribution of funds for the Canadian Seafood Stabilization Fund.

Region	Allocated Funds
Atlantic Canada	\$38 million
Western Canada	\$9 million
Quebec	\$9 million
Nunavut	Currently excluded
Ontario	Currently excluded
Emergency Fund	\$6.2 million, to be administered as needed

Details regarding the availability of the harvester aid package announced in May are still outstanding. Many harvests and organizations are beginning to voice their frustrations with the delay. Additionally, the Surplus Food Rescue Program was announced on the 15th of June, dedicating \$50 million to purchase excess food products that would otherwise be wasted to distribute to vulnerable Canadians and bolster food processors' revenues. Applications for this program are being accepted until July 15th and applications are open now. This program is open to Indigenous groups and requires an online questionnaire and the submission of a 1-page Project Budget form provided by Agriculture and Agri-Food Canada. Costs that are eligible and those that are ineligible for the funding are listed in Table 5.

Table 5. Details regarding the Surplus Food Rescue Program.

Eligible	Ineligible
<ul style="list-style-type: none"> • Horticulture, meat, fish, and seafood products • Surplus food items from producers, processors, wholesalers or distributors • Processing or packaging costs for food shelf-life • Transportation costs within Canada • Warehouse and storage rental costs, including refrigerated storage 	<ul style="list-style-type: none"> • Purchase of land or buildings • Normal operating costs • Costs unrelated to acquisition, processing, or distribution of surplus food • Surplus food at retail cost • Profit

Closing Comments

The resurgence of the disease in Beijing illustrates the difficulty of containing the virus in the absence of a vaccine. China had declared victory over the disease in March after virtually ceasing to contract new cases. Sporadic travel related cases had been reported throughout April and May, but the Beijing outbreak is large and unexpected. Health authorities are encountering difficulty tracing all of the new cases.

In the US a disjointed, state-by-state reopening approach has met with poor results. States that opened early have seen large surges in new cases, with some setting new records in daily cases. Due to the ease of travel within the United States, containing the virus within the heavily infected states will be difficult. US President Donald Trump has stated that the US will not lockdown once more, though the extent of the authority of his proclamation is unknown. It is more likely that states will enact separate, independent measures as needed, or may simply allow for the disease to spread and treat new cases as they arrive. This is likely to have strongly negative impacts on the economy as consumers will remain fearful of contracting the disease, stifling demand for seafood in the foodservice industry.

Advanced economic countries across the world have begun reopening many sectors and services. The economic conditions will begin to show signs of recovery as some normalcy returns to the global workforce. It is important to note that the magnitude of this recovery is currently unknown, and economic recovery may be hampered by ongoing outbreaks of the disease, as is the case in China's capital city. The seafood industry will continue to suffer the impacts of this uncertainty due to its reliance on the foodservice industry, which is among the highest risk for outbreaks and among the most vulnerable economic sectors.