

COVID-19 and the Seafood Industry

June 25th Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

Recent Developments

As of the 25th of June, there are over 9.5 million confirmed cases of COVID-19 worldwide and 486,000 deaths. The USA has been the most heavily impacted, with over 2.5 million cases and 124,000 deaths. This report is part of an ongoing series of weekly updates, the last of which was provided on June 18th.

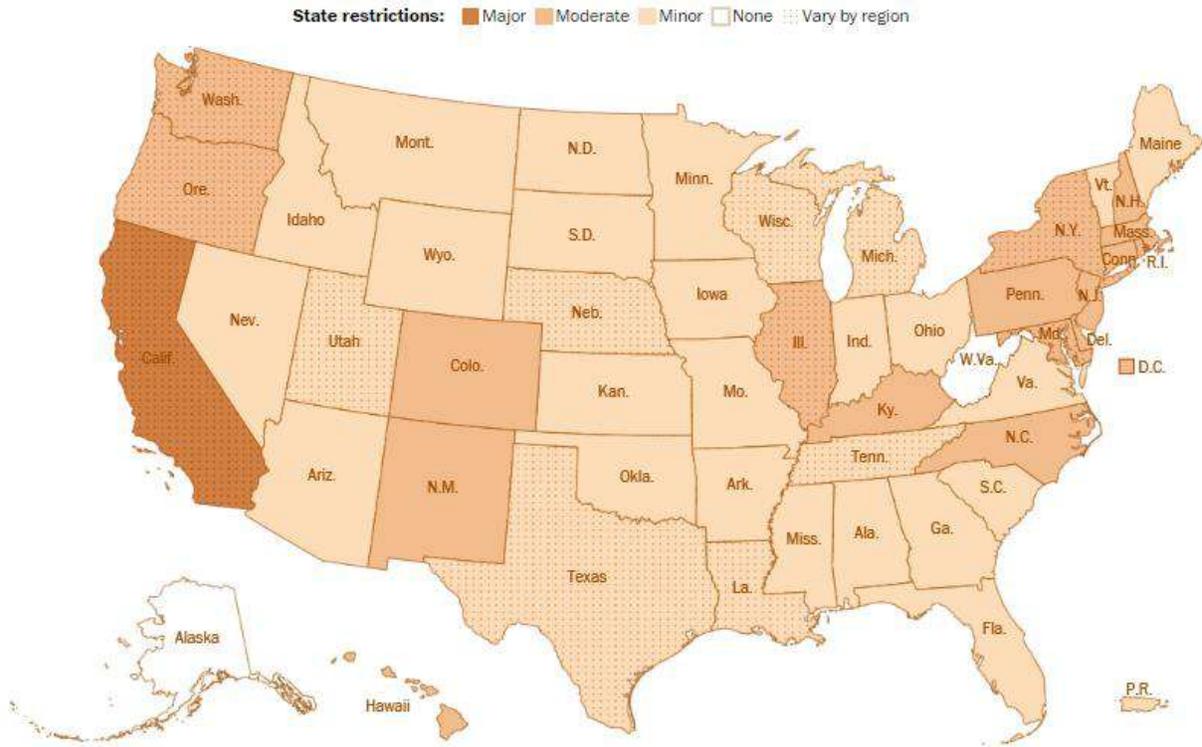
USA

The seven-day average of coronavirus cases has increased by 30% from the past week. A portion of this increase may be explained by wider testing, but in some southern states the percentage of positive tests is increasing as well. This suggests that the disease is once again spreading at a growing rate in some regions of the United States. Young people in the US have made up an increasingly large percentage of positive cases as they are more likely to visit public spaces after reopening than older generations. Despite the increase in cases, US states are continuing to ease restrictions (Figure 1).

President Donald Trump held a rally over the past week and was met with a smaller than expected crowd. This is significant as his administration and campaign has recently been downplaying or otherwise muted regarding the ongoing pandemic. This low turnout could suggest that despite his efforts, portions of his conservative voting base are still concerned about the pandemic. This level of unease has now been demonstrated to be affected most demographics in the US, and a return to normal consumer behavior is unlikely in light of a vaccine.

The US federal government announced the Real Economic Support That Acknowledges Unique Restaurant Assistance Needed to Survive (RESTAURANTS) Act. This act designates \$120 billion towards helping independent restaurants recover from the financial difficulties imposed by the pandemic. The fund will help reemploy the 11 million workers in the foodservice and related industries that lost their jobs. In the month of April during the peak of the pandemic, 5.5 million restaurant workers lost their jobs. This accounted for 27% of the country's total job losses that month.

Figure 1. Map of US State restrictions by severity. Graphic taken from The Washington Post.



Canada

Prime Minister Justin Trudeau has indicated that international borders will not be reopened in the near future. There has been no official date set for the reopening of international borders. The US-Canada border will remain closed at least until July 21. It is possible that the high case load in the United States that continues to persist may cause this closure to be delayed further.

Provinces within Canada have begun releasing plans for easing regulations concerning inter-provincial travel. Atlantic Canadians will be able to travel freely among the Maritimes and Newfoundland without having to self-isolate beginning on July 3rd. This is being done as caseloads in Atlantic Canada, excluding Quebec, are at extremely low levels. It is hoped that this “Atlantic bubble” will help restart the battered tourism industry in those provinces.

Retail and restaurants have been re-opened with capacity restrictions in every province. It is unknown how quickly consumer demand for these businesses will recover, though it is expected that it may take months for consumer activity to return to near normal levels.

Asia

Chinese demand for seafood has crashed due to the recent outbreak of the disease which the Chinese government initially claimed to be associated with imported seafood product. The outbreak in Beijing saw 256 local cases between June 11 and June 23. China claims it now has the virus contained once again. China eventually determined that the imported salmon was not the source, but instead a contaminated cutting board.

Despite this clarification, consumer demand for seafood in China has declined and is struggling to recover. Salmon exporters from Norway report that they have not sent a single piece of salmon to China since June 13th, and they expect little to no sales into China for the next one to two months. Major distributors such as Alibaba have halted sales of all imported seafood product into China. China has also demanded that international seafood suppliers assume liability for any outbreaks that may occur within China due to their product. China's seafood imports may drop by as much as 3% this year. In 2019, China imported over \$15 billion in seafood products.

South Korea has indicated that it is battling a "second wave" of the virus. New infections increased at the end of May and into June, and on the 20th of June Korea reported over 60 new cases for the day. This continues to illustrate the difficulty of containing the virus without harsh quarantine measures.

EU

As countries in Europe continue to reopen and prepare to welcome international visitors next week, it is likely that residents of the USA and Russia will be barred from entering due to the high case loads in those regions. The EU will open internal borders on July 1, and it is anticipated that the external borders to non-EU countries will be reopened before the end of July. The 27-country bloc is eager to jump start the tourism industry that makes up a significant portion of the regions total economic output.

Seafood Market Status

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

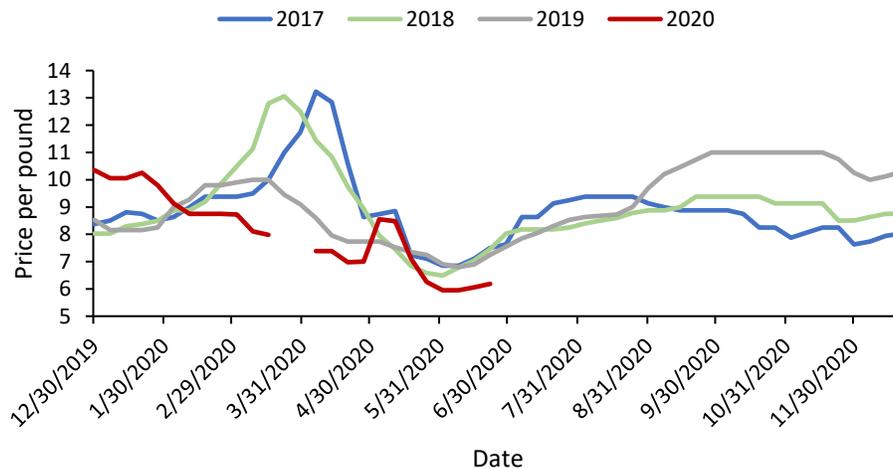
Lobster

China has demanded that any Canadian exporters shipping seafood product to China sign a liability form declaring that their product is free of COVID-19. Signees would assume liability if the disease is detected on their product within China. The Canadian government has not offered any advice on signing the form. Members of the Canadian lobster industry are extremely wary of this liability waiver and have indicated strong resistance to signing waiver.

This is in conjunction with an additional border impediment that has arisen in recent weeks. China has increased the random testing rate of imported seafood, which can slow the border crossing process. The tests have been recorded as taking up to 36 hours, which is associated with increased lobster mortality and subsequent loss of revenue. These losses are incurred by the exporter.

Prices for lobster have demonstrated a modest upward trend over the past two weeks, rising from \$5.95/lb (USD) to \$6.18/lb (USD). Prices generally begin improving at this time of the year as lobster fisheries begin to slow down and close, causing supply to tighten (Figure 2, Table 1). Additionally, some of the price recovery may be explained by the reopening of some foodservice outlets.

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.



Unlike crab, which has far exceeded expectations in terms of recovery, the live lobster market has been sluggish. While crab prices are once again at some of the highest levels ever recorded, live lobster prices remain at 10-year record lows. The difference between the two markets is that while live lobster is heavily dependant on the foodservice industry, the crab industry has successfully directed product towards the high demand in the retail sector. Notably, processed lobster product has been performing well.

Table 1. Market price and exchange rate for 1 ¼ lb lobster for the 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-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	6.06	0.735	8.24
22-Jun	7.25	0.758	9.57	6.18	0.738	8.37

The exchange rate between Canada and the US has seemingly stabilized and appears poised to remain near 0.74. This is similar to levels seen in recent years, suggesting the exchange rate has recovered from the initial shocks caused by the outbreak of the coronavirus.

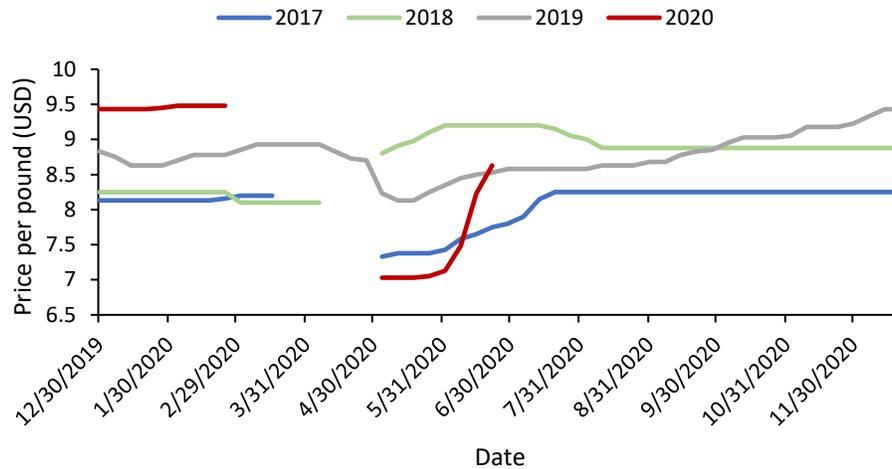
Lobster shore prices in Maine have crashed to \$2.30/lb (USD). Harvesters and regulators are considering options to prevent further softening of the market, including limiting days-at-sea, narrowing size limits, or forbidding the capture of single-clawed lobster. It is worth noting that the Gulf lobster season has been extended by four days

Crab

The area 12 crab fishery in the Gulf of St. Lawrence is set to close in a week. Preliminary data indicates that 84.85% of the quota has been landed. Over 60 grids have been closed for the remainder of the season due to right whale sightings. Gulf crab fishers out of New Brunswick have begun stowing their gear for the season. These harvesters have mentioned poor catch, high incidence of white crab, and the widespread closure of the Gulf fishing regions due to whale presence as reasons for ending their seasons early. Some harvesters have been unable to harvest 50,000 lbs or more of their allocated quota.

Market price for crab continued upon its upward trajectory over the past week, increasing by \$0.40/lb (USD) to \$8.63/lb for 5-8 oz clusters from the Gulf (Figure 3, Table 2). Price for Gulf crab has now surpassed 2019 levels for the week of June 21. This price increase has been sustained by high retail demand for crab, the reopening of some restaurants, and a very limited availability of supply.

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.



The resilience of the crab market has been surprising and suggests that the crab industry may have largely recovered from the pandemic. This bodes well for the remainder of the year and 2021 despite the relatively negative overall economic prospects for both. It has been noted that imports of Canadian crab into the US market were down 60.7% for April compared to 2019. This is unsurprising given the delay in the opening of the crab seasons. Data for May imports will paint a more thorough picture of how severely crab exports will be affected for 2020.

Table 2. Weekly market prices and exchange rate for 5-8 oz. Gulf snow crab cluster price for Spring and Summer of 2019 and 2020. Data source: Urner Barry.

Date	\$USD/lb 2019	Exchange 2019	\$CAD/lb 2019	\$USD/lb 2020	Exchange 2020	\$CAD/lb 2020
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
22-Jun	8.53	0.758	11.25	8.63	0.738	11.69

Stabilizing exchange rates are causing less fluctuations in Canadian price compared to in April and May. At this point in time, changes in the price in \$CAD for crab is being driven by real price increases rather than exchange rate fluctuations.

Shrimp

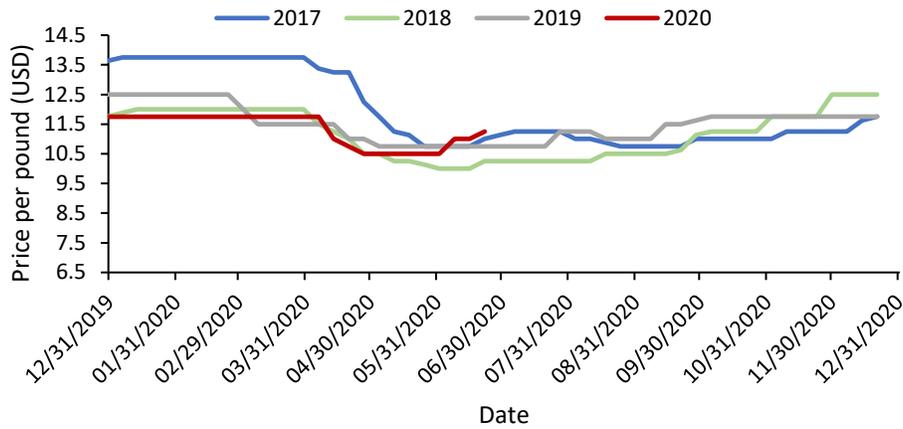
The participants of the Nova Scotia shrimp industry are expecting to have harvested and processed the Scotian shelf quota of 2,000 MT by mid-July. Catch in the Gulf and Quebec regions have been solid. Canadian caught shrimp from the Gulf is just beginning to reach the European market. This is having downward pressure on market prices in the region, though the overall situation has somewhat stabilized. Notably, foodservice demand for shrimp in the UK remains limited but is improving. Retail demand has held steady throughout most of the pandemic.

Bivalves

Oyster processors in PEI have indicated that sales are back to approximately 50% of normal levels for the month of June. The slow recovery of the oyster industry is due to its dependence on the foodservice industry, which has been significantly slower to reopen than many of the other sectors of the economy. Consumers are also exhibiting a high degree of caution in visiting restaurants, further slowing the speed of the recovery.

Scallop prices are currently at 4-year highs for the month of June at \$11.25/lb (USD) for 10-20 ct. scallops (Figure 4). Scallops have demonstrated resiliency to the negative economic conditions. Similar to snow crab, the scallop industry has been successful in utilizing retail outlets to sell product. Scallop has been previously described as a “recession-proof” seafood product, and this description has proven to be somewhat accurate so far in 2020.

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



Finfish

The finfish market continues to vary by species. Halibut, swordfish, fluke, and sole demonstrated price contractions over the past week. Cod, hake, pollock, and tuna exhibited price increases supported by limited supply. The salmon market has firmed in the Northeast US and in Canada, while the European market for Scottish and Norwegian salmon weakened. The Chilean salmon fillet market had demonstrated softness throughout much of the pandemic, but in the past several weeks has significantly strengthened due to rising demand and limited supply.

Due to China initially blaming the recent Beijing outbreak on imported salmon, salmon exporters found the Chinese market closed virtually overnight. Consumers within China have demonstrated a persistent fear of seafood product since the initial announcement, despite the Chinese government later retracting its claim. This is likely to negatively impact seafood exports into the country for some time, reversing progress that had been made over the past few months.

Closing Comments

The world economy continues to reopen at an increasing pace. The EU, the US, and Canada are each lifting various restrictions, and the EU and Canada are preparing to open some borders. This may be the beginning of the long road to recovery for the tourism industry in those regions, which may stimulate the foodservice sector as well. In the US, however, a rapidly increasing case count suggests that the country may remain gripped by the disease for some time.

One case study of the effects of the early reopening in the US can be seen in Texas. Texas has seen record increases in cases over the past several weeks, and restaurants have reported that they are once again experiencing a decline in consumer traffic after initially reporting some recovery. Some cities in Texas are preparing to reimplement restrictions on restaurants. It is projected that if the rate of new cases continues at the same level for the next 10 days, Texas will exceed its medical capacity for treating victims. The US economy will likely remain hampered as long as the virus is uncontrolled. Due to the world reliance on the US economy, this may depress the overall outlook for the global economy and, by extension, the seafood industry.