

COVID-19 and the Seafood Industry

November Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

Recent Developments

As of November, there have been over 51 million confirmed cases of COVID-19 worldwide and 1.27 million deaths. The USA has been the most heavily impacted, with over 10.3 million cases and 243,000 deaths. This report is a follow up to the October update provided to APC.

USA

Former Vice President Joe Biden is the apparent President Elect of the United States of America. Sitting President Donald Trump has vowed to fight this result in the courts, claiming that widespread voter fraud resulting in an illegitimate outcome. To date, these allegations are unsubstantiated, and the predicted outcome is that Joe Biden will assume office on January 20th. Biden has announced his plan to build a team of scientists in his cabinet capable of bringing the coronavirus pandemic under control. Trump has been criticized for not taking serious measures and downplaying the effectiveness of masks and physical distancing.

The COVID-19 pandemic has experienced a surge of intensity over the past few weeks in the United States. In some states, hospitals are approaching maximum capacity as an influx of COVID-19 victims threaten to overwhelm the healthcare systems. Some states, such as California, Maryland, Michigan, Oregon, and others have reinstated dine-in restaurant closures or capacity reduction measures to stem the spread of the virus. Other states have taken minimal precautions.

The US added 661,000 jobs in September, though current employment is still lower by 10.7 million compared to February of 2020. Employment in restaurants and bars remains down by 2.3 million jobs and employment in retail is 483,000 below February levels. 732,000 American workers filed for new unemployment claims during the week ending October 24th, which is three and a half times greater than the number of unemployment claims filed at the same time last year. Overall unemployment in the US is 6.9%, while the total economy is 3.5% smaller than it was at the end of 2019.

Canada

To date, Canada has confirmed 266,525 cases of COVID-19 and 10,549 deaths. Canada is experiencing a second wave of the virus that is significantly larger than the first wave that occurred during the Spring. November 3rd represented an all-time high with 4,672 new cases. In some regions of Ontario such as certain Brampton neighborhoods, the prevalence of COVID-19 in the local population has been found to be 19%. British Columbia has over 5,500 active cases

As a result, some provinces have begun re-implementing public health restrictions. British Columbia has implemented a two-week ban order on social gatherings outside of one's household and suspended indoor physical activities where proper distancing cannot be maintained. In the Peel region of Ontario, banquet halls have been forced to close and gyms have been forced to only allow visitation by appointment. Additionally, restaurants in Peel are only able to accept diners if they belong to the same household.

Notably, Atlantic Canada (not including Quebec) has so far avoided a major second wave of outbreaks. The Canadian economy added 84,000 jobs in October, meaning that the deficit between now and February has shrunk to 600,000. This is the lowest number of new monthly jobs recorded since May, but it beat the estimate of 75,000 jobs that economists were on average expecting. Notably, however, the foodservice industry shed 48,000 jobs, primarily in Quebec.

Asia

India has the second greatest number of cases after the United States having confirmed over 8.5 million cases since the beginning of the pandemic. Countries in Southeast Asia, such as Korea, Japan, and China have had comparatively few cases due to effective health regulations and fast response times.

China's economy has continued to recover following the near-total shutdown of the economy imposed in January and February of 2020. The Chinese economy grew by 4.9% between July and September compared to the same period in 2019. Retail spending has rebounded to pre-virus levels, and factory output has risen in response to global demand for masks and other medical supplies. China is anticipated to be the only major world economy to experience growth in 2020.

EU

Throughout Europe, case counts are spiking, and health infrastructure is in danger of being overwhelmed. In France, 92.5% of the available intensive care capacity is occupied by COVID-19 patients. Italy, which was the first country to experience a severe mortality event related to the virus, is once again seeing hospitals overwhelmed and the death rate has begun increasing for the first time since April. Spain and the United Kingdom are seeing over 10,000 new cases per day.

European countries have begun re-implementing aggressive public health policies to slow the spread of the virus. Portugal has ordered 7 million people to stay home on weeknights between 11 pm to 5 am. On weekends people may only leave from the morning to 1 pm, unless to buy essentials. In Hungary, all businesses must be closed by 7 pm. In France, only schools and essential businesses remain open at this time.

The EU is experiencing turmoil between its member states over a proposed \$888 billion (USD) COVID-19 relief recovery plan was blocked by Hungary and Poland. This will prevent an injection of economic stimulus to the European economy that is experiencing its worst recession since World War II. It is unknown at this time when these parties will come to an agreement to allow for a stimulus plan to pass.

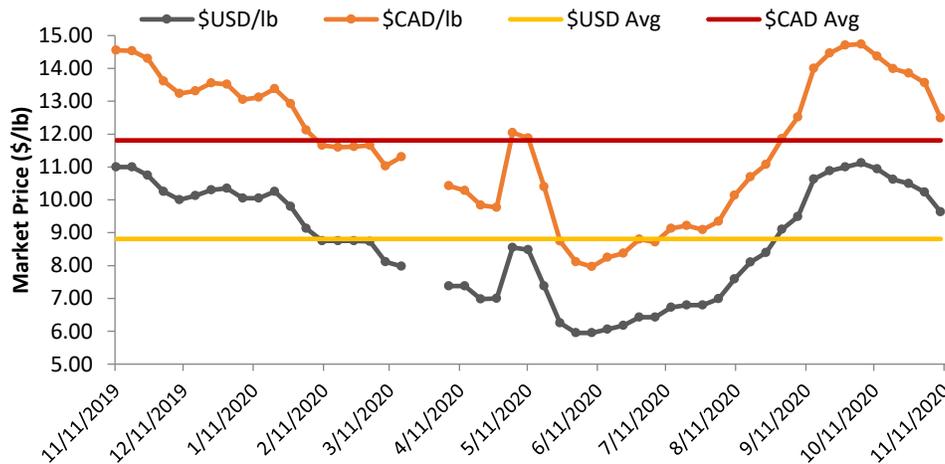
Seafood Market Status

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

Lobster

The market price for live lobster has recovered to near 2019 levels. After reaching a low of \$5.95/lb (USD) in June of 2020, price began climbing and by October had reached \$11.13/lb (USD). Since the beginning of October price has begun gradually declining as supply increases due to the winter lobster fisheries in the Bay of Fundy opening. Current market price is \$9.63/lb (USD) (Figure 1).

Figure 1. YTD November 9 2020 weekly average prices for live 1 1/4 lobsters. Data Source: Urner Barry



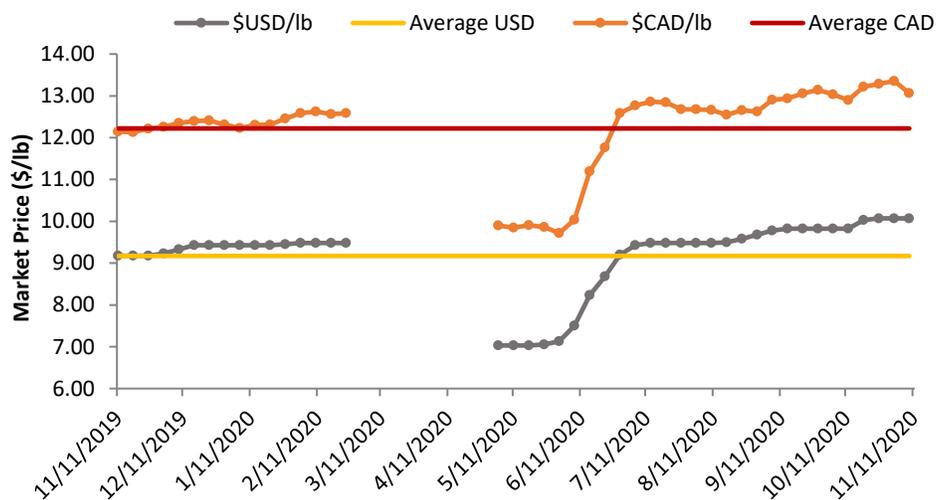
The Autumn Atlantic lobster fishery began with the opening of LFA 35 in the Upper Bay of Fundy. Harvesters in LFA 35 began setting traps on October 14. Initial shore prices ranged between \$11.00-13.00/lb (CAD), which is partially explained by lower catches compared to last year. Recently, catches have gone up and more areas in the Bay of Fundy have opened to fishing. As predicted, shore prices quickly dropped and have since fallen to \$7.00/lb (CAD) as of November 10th. This is a drop of 40% or more, indicating that buying activity was overheated to begin the season due to a lack of supply. LFA's 33 and 34, two of the largest in Atlantic Canada, will open at the end up of the month and will add supply to a faltering market. Shore prices are expected to remain along the \$6.00-7.00/lb range, though pricing data is not available at the time of this report. This will be discussed further in the December update.

It is not yet known how the lockdowns instituted by several states will affect the market, however if more states implement restrictions on restaurants then the lobster industry could experience another decline similar to that in May and June. European demand has declined due to new lockdown, while Chinese demand has become price sensitive due to competitive pricing. The Maine fishery has been interrupted by poor weather.

Crab

The snow crab season concluded at the end of the summer in Atlantic Canada. As of November 10th, the supply of Canadian 8 oz. or greater snow crab has been virtually exhausted. Demand is still strong for what little product remains and market prices remain high (Figure 2).

Figure 2. YTD November 11, 2020 weekly average prices for frozen 5-8 oz snow crab clusters from the Gulf of St. Lawrence. Data Source: Urner Barry

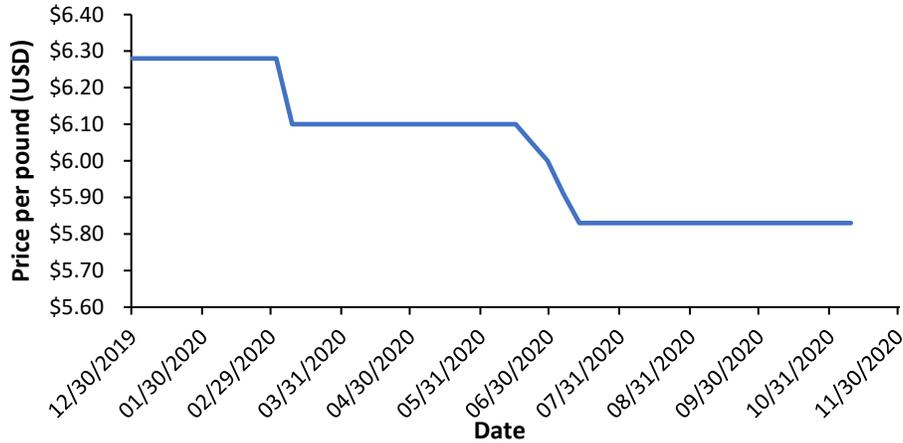


Snow crab has been among the top-performing seafood products during the pandemic. The Alaskan snow crab quota has been increased. This will likely alleviate some of the demand pressure that contributed to 2020 Canadian market being oversold moving into the next season. It is expected that in the interim period buyers will look to Russian and US snow crab to obtain inventory. Despite the increased Alaskan TAC, however, the 2021 snow crab season is expected to continue the trend of high demand, limited supply, and overall high prices.

Shrimp

The market for coldwater shrimp remains lackluster. Market price for Coldwater shrimp has stagnated at \$5.83/lb (USD) since July (Figure 3) and there has been no sign of price firming. Important markets in Asia remain flat, though there is some retail demand in the United Kingdom.

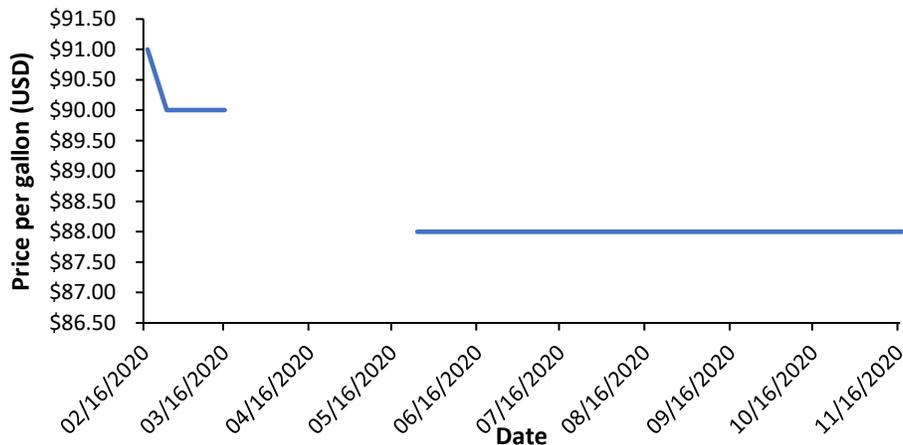
Figure 3. YTD November 16 weekly average prices for frozen 175-250 ct. shrimp. Data Source: Urner Barry



Bivalves

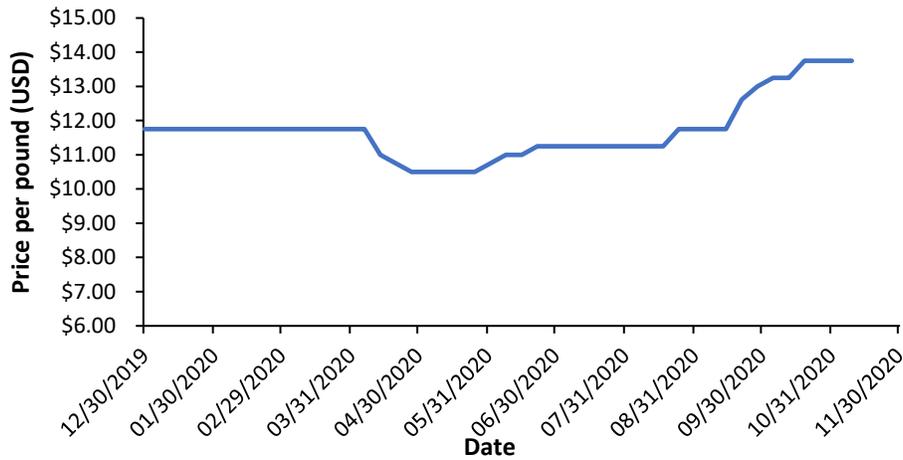
After an initial crash in the spring, oyster price has remained at a constant \$88.00/gallon (USD) since mid-May (Figure 4). This is the second lowest price in the last five years. Oyster growers continue to suffer from the reduced traffic to dine-in restaurants. One grower in BC has seen monthly sales drop from \$100,000 (CAD) to \$20,000 (CAD) from the beginning of this year to the present. In PEI, some growers have reported an uptick in sales, mostly to retail, while others in PEI have not been able to find buyers.

Figure 4. YTD November 16 2020 weekly average prices for X-Select Oysters. Data Source: Urner Barry



The prime period of the scallop fishery is past, and landings are slowing as the year ends. As a result, supply has begun to shrink, and market prices have risen to 2020 highs of \$13.75/lb (USD) (Figure 5). The low supply is leading to highly competitive bidding processes for scallop in the US, with as many as 10 different bidders competing for the same scallops. This has driven interest in international sources of scallop upwards.

Figure 5. YTD November 14, 2020 weekly average prices for fresh 10-20 ct. scallops. Data Source: Urner Barry

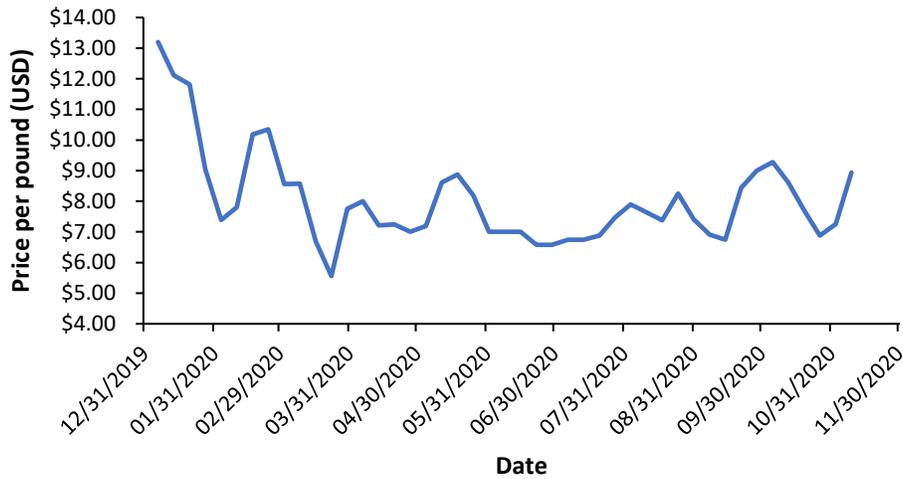


Finfish

General demand for finfish has declined. This is partially due to the upcoming US Thanksgiving holiday, which is not traditionally a seafood-heavy event. Further slowdown is attributable to more restrictive COVID-19 regulations being implemented in the US and Canada.

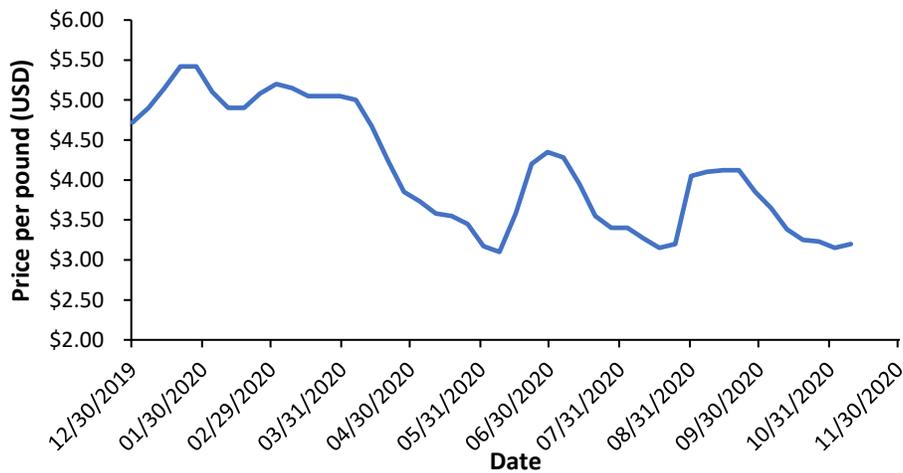
Market prices for halibut have exhibited volatility. Prices reached a low of \$5.56/lb (USD) in March. Prices in November are only just beginning to approach levels seen before the market crash brought on by the pandemic, with current prices for relatively low volumes of halibut at \$8.94/lb (USD) (Figure 6). Shore price for halibut has been extremely poor for most of the year though it has recently begun to demonstrate signs of increased prices.

Figure 6. YTD November 2020 weekly average prices for fresh whole halibut. Data Source: Urner Barry



Atlantic salmon prices have exhibited volatility throughout the year and demand remains below normal levels. Supply remains adequate which has created a ceiling on potential price increases. Price has fallen to \$3.20/lb (USD) (Figure 7), and to date prices have been at their lowest point since 2015. Grow out continues to be a concern, as some salmon that were scheduled to be harvested in early spring of 2020 remain in the water as of mid-November. Farm raised salmon has experienced large negative impacts resulting from the pandemic and the upward growth trajectory for farmed salmon has ground to a near halt. In 2019, production of farmed salmon grew by 7% worldwide, falling to just 2% in 2020. Analysts have estimated that demand for salmon will have fallen by 15% by year end 2020.

Figure 7. YTD November 2020 weekly average prices for fresh Atlantic 2-3lb salmon fillets from Chile. Data Source: Urner Barry



Closing Comments

Expert predictions of a second wave of the virus have proven accurate. Countries and cities across the world are being faced with difficult choices, including the reversing of reopening plans and the reinstatement of harsh public health policies. In Philadelphia for example, officials have announced a total ban on any gatherings of any size in any locations beyond those who live together in a household. People are being urged to remain home for the holiday season to prevent spreading the disease on an even wider scale. If infection rates keep climbing, it is likely that lockdowns resembling those seen in the spring and summer will be re-instituted. Unlike during the previous period of lockdowns, it is now known that successful vaccines have been developed and are only months away from widespread distribution.

The seafood industry is heavily reliant on the foodservice industry, and the holiday season is an important one for products such as lobster. As the pandemic continues to grow in magnitude, public health measures are being reimplemented across the globe. It is likely that purchasing activity in the foodservice industry will be markedly below pre-pandemic levels. As a result, the seafood industry is likely to see a comparatively weak holiday sales season compared to years past. Large seafood companies have seen major declines in revenue for the third quarter of 2020. Clearwater Seafood, saw sales decline by 23.6%, compared to Q3 of last year. The information from Clearwater captures a snapshot image of the seafood industry as a whole in 2020. The overall health of the seafood industry has declined compared to 2019 levels, though with the news of a forthcoming vaccine there is optimism that 2021 will be a year of growth, opportunity and recovery.