

COVID-19 and the Seafood Industry

February Update

Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat

Recent Developments

This section describes the most recent events relating to the COVID-19 pandemic as of February 2021.

USA

The US has administered nearly 50 million vaccines to date. The number of new cases per day has been on a declining trend since early January, though there are still greater than 100,000 new cases per day. The death toll in the US is expected to surpass 500,000 by the end of the week. Some US health officials believe that the hardest hit parts of the US may be close to reaching the minimum threshold of herd immunity. This is suspected to be contributing to the precipitous decline in new cases over the past two weeks, and suggests that upwards of 60% of the population in hard hit areas may have been infected. The US economy dropped by 3.5% in 2020 total, the worst decline since World War II. While 2021 will likely see economic growth, that growth is likely to be more concentrated at the back half of the year as vaccination rates improve.

Canada

Canada's vaccination program lags far behind the US. While the US has vaccinated over 10% of its population, Canada has only vaccinated approximately 3.5%. However, despite difficulties in acquiring vaccines there has been an uptick in deliveries over the past week. Canada has ordered 72 million syringes, of which two million were received last week.

Recently an outbreak occurred in Newfoundland, with new case counts rising substantially over the course of a few days. This prompted that province to go into lockdown for several weeks. Previously, largely insulated from the virus, this recent outbreak demonstrates the speed at which the situation in an area can deteriorate if the virus goes undetected for a short period of time.

Some hard-hit Canadian provinces such as Ontario have begun reopening the economy with a phased approach in low case-count regions. The greater Toronto area remains under a stay-at-home order which

will likely not be lifted until daily new case counts drop below 1,000 cases. Manitoba and Alberta have begun relaxing restrictions related to restaurants despite the presence of more virulent forms of COVID-19 being present in those provinces.

Asia

Southeast Asia continues to experience relatively low viral activity compared to the global community. A recent study has suggested this may be explained in part due to genetic differences between the Asian population and the rest of the world. A gene that codes for a protein that has protective effects against the virus is much more likely to have mutations that make it ineffective in European and American populations.

However, despite the success in keeping case counts low, the Asia-Pacific countries have been slow to acquire COVID vaccines. This is in part due to a lack of urgency by Asian countries as their outbreaks are significantly less severe than the raging outbreaks in the US and Europe. The other factor has been scarcity of supply, with most manufacturers residing in European countries which have opted to keep the majority of vaccines within their own borders.

The Lunar New Year, which is an important holiday festival in many Asian countries, is typically a period of intense travel and heavy consumer spending. However, restrictions related to COVID-19 have reduced both travel and spending activity. China's Ministry of Transport estimates that people will make 20% fewer trips in 2021 compared to 2020 and 60% fewer compared to 2019. Holiday travel via train is down by nearly 70% compared to last year.

EU

The EU Center for Disease Control (ECDC) has issued a warning about a more infectious, potentially more lethal strain of COVID-19 that has established itself in Europe. The report warns that unless non-pharmaceutical interventions are continued or strengthened, there is likely to be a major increase in COVID-19 related deaths and cases. Europe, like much of the world, is experiencing shortfalls in vaccines due to manufacturer bottlenecks in production.

Some EU nations have begun partially closing borders to other member states, attracting the ire of the EU government body. Germany restricted travel from the Czech Republic and Austria over concerns of a surge in COVID-19 mutations. Germany is limiting entrants from those countries to German citizens or German residents only. The EU has condemned this course of action claiming that closed borders will not stop the virus, while German public health officials have derided the EU for its sluggish handling of the pandemic.

Seafood Market Status

The ongoing coronavirus pandemic has had substantial impacts on the seafood market to date. These impacts have not been uniformly negative with some sectors seeing losses while others have seen accelerated growth. This section of the report will discuss the current state of the seafood market by species as of February 2021.

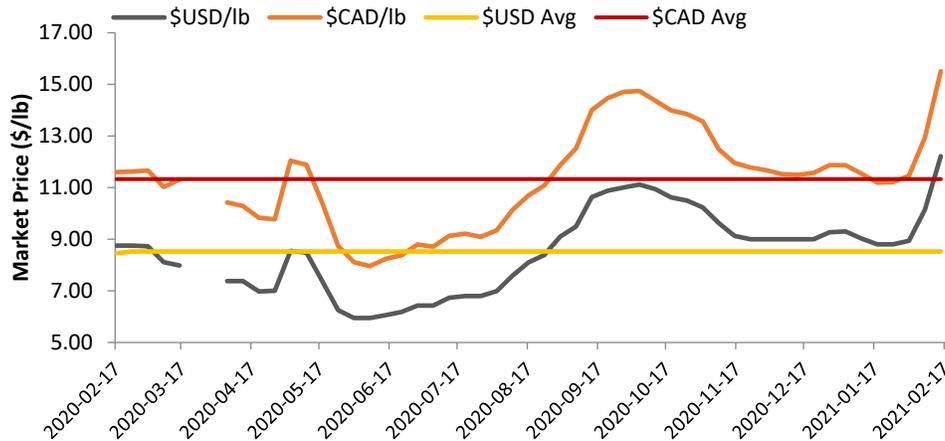
Lobster

The US lobster industry showed some signs of recovery in 2020 following the easing of the US-China Trade war. This had previously been a significant competitive advantage for the Canadian lobster industry, but 2020 presented a more even playing field. The US had sent more than \$140 million (USD) in lobster to China in 2017 and 2018, but this value fell to \$51 million in 2019 due to the trade war. In the final two months of 2020, China purchased 3,223 MT of lobster worth \$51.2 million from the US, which was an all-time record for any two-month period.

Under normal conditions, the Chinese New Year which occurs from late January to early March, is a major source of international demand for American and Canadian lobster. The Chinese New Year is the largest annual mass migration of humans on the planet. Due to the restrictions imposed by the Chinese government to prevent the spread of COVID-19 this migration has been severely curtailed. As a result, the normally weeks-long feasting period has been reduced to a few days for many individuals. This has substantially decreased demand for lobster in China. A compounding factor is the lack of available flights to transport product. Chinese consumers have also become more wary of imported products, expressing fears of COVID-19 contamination.

Market price for lobster spiked over the Valentine's Day weekend, rising to \$12.22/lb (USD) and \$15.51/lb (CAD) (Figure 1). These prices are the highest ever recorded in the month of February. It is unknown at this time if this rising trend will continue beyond Valentine's Day.

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



Shore prices for lobster have sharply increased over the past few weeks. Harvesters have seen price at the wharf rise from \$8.00/lb (CAD) to \$10.00/lb (CAD) in eight days. As of late February, this price has risen to \$13.00/lb (CAD) or more. This high price is being driven by extremely tight supply, though some industry participants have expressed concern that the market for lobster may be overheated. There are few imminently approaching festivals or celebrations associated with traditional spikes in demand for lobster. It is suspected that the current prices are nearly entirely driven by supply rather than evidence of heavy demand. The concern is that upon the opening of the spring lobster fishing seasons, the market price will plummet due to increased supply and lobster buyers will be forced to sell for less than what they paid.

Crab

As mentioned in the January update, the supply of Canadian snow crab is non-existent at the moment. Recently released data detailed the substantial growth that crab (snow, king, Dungeness) saw in retail. Crab sales in the US were \$1.6 billion (USD) in 2020, which was a 63% increase from the previous year. The Canadian snow crab fleet landed 145 million pounds of snow crab in 2020. The US imported 79 million lbs of the Canadian catch, which was an 8.8% increase from the previous year. There is some concern that this growth is unsustainable as the resource is limited and unlikely to receive large TAC increases to account for rising demand. Currently price remains strong for Russian snow crab, with the Canadian crab season expected to open in April and May. Buyers are anticipating offering higher shore prices in 2021 compared to 2020, which had unusually low shore prices due to the onset of the pandemic occurring at nearly the same time as the opening of the fishery.

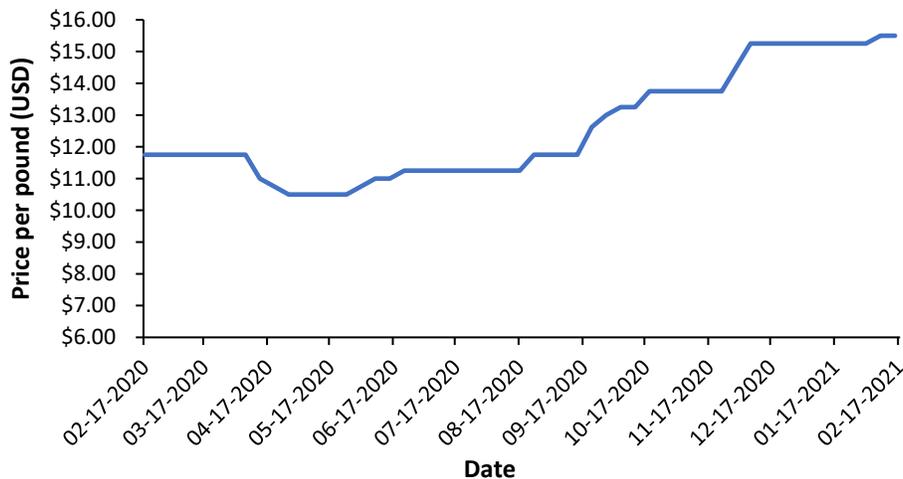
Shrimp

The coldwater shrimp market remains bearish. Low demand out of Asia, which is a crucial source of demand for the Canadian shrimp industry, has prevented any recovery in price. Current market price is the lowest since 2017, holding steady at \$5.80/lb (USD) for the past seven months. Inventory space in Canada is constrained due to inadequate demand.

Bivalves

Price for Canadian U10 and 10/20 ct. scallop has ballooned, with U10s reaching all-time highs and 10/20 ct. hitting approaching new record highs. U10 scallops began the year priced at \$15.56/lb (USD) and have risen to \$21.45/lb (USD) as of February 15th. Supply of larger Canadian scallop is extremely constrained due to the limited fishing occurring in the winter. US 10-20 ct. scallop continue to increase in price as well, though at a more gradual pace than the U10 Canadian product (Figure 2).

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



Shore price for Canadian scallop has risen to the highest levels seen in the past five years. This is largely due to the anticipation of reduced US and Canadian scallop quotas for the upcoming season. This reduction in supply will drive up price, as similar scenarios in recent years have shown. There is also a high demand for the U10 scallops, which are currently in short supply.

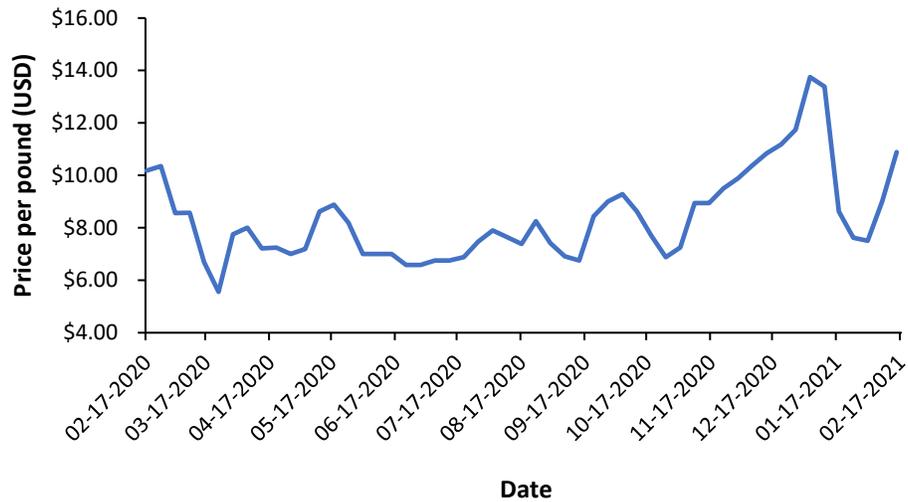
Oyster prices have continued to decline in the absence of restaurant demand. Industry participants have described the 2020 season as “catastrophic”. In the Gulf of Mexico, established harvesters and growers have indicated this is the worst year they have experienced in over three decades. These established

harvesters and growers may be able to weather the pandemic conditions but there is concern that new entrants to the industry will be forced to shut down their operations permanently.

Finfish

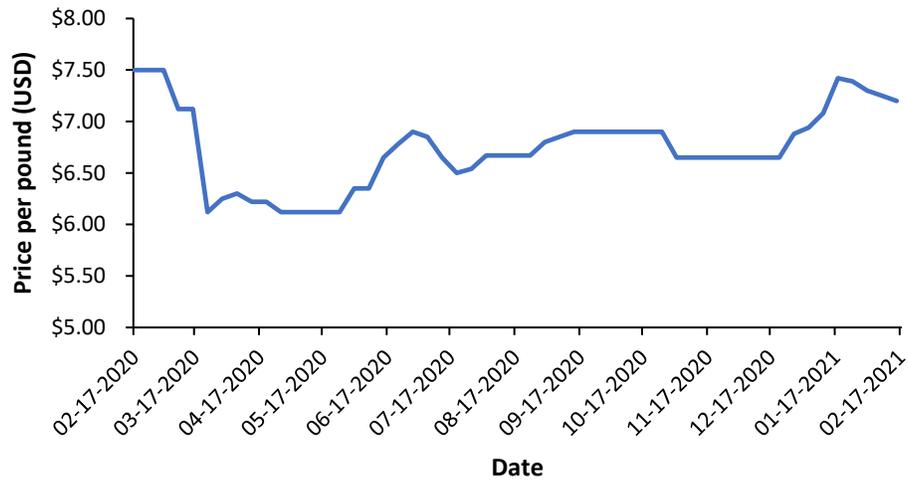
Halibut prices have fluctuated wildly over the past month. Market prices were \$13.75/lb (USD) at the beginning of the year before dropping to \$7.50/lb (USD) by the beginning of February. Prices have since recovered to \$10.88/lb (USD) in the span of two weeks (Figure 3). Shore price for halibut have also been erratic, ranging from under \$6.00/lb (CAD) to over \$8.00/lb (CAD). Halibut prices are typically unsteady during this time of year due to fluctuations in landings and demand in key markets. The ongoing COVID-19 pandemic has a suppressing effect on both market and shore prices.

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



Prices for salmon fillets have remained between \$6.50-7.00/lb (USD) since July of 2020 (Figure 4). The market has been described as steady with adequate demand for current supply. The ability of salmon to move through retail outlets has bolstered it against the negative effects of COVID-19.

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



Finfish species such as cod, haddock, hake, and other whitefish have seen considerably more minor impacts from the COVID-19 pandemic. These species are common in freezers in grocery stores throughout the US and Canada and typically require limited effort to cook and eat. This has made these species somewhat less vulnerable to price shocks due to COVID-19. Some species such as haddock have demonstrated no abnormal fluctuations in price that can be tied to COVID-19.

Closing Comments

Vaccine rollout continues to occur at a slower than anticipated rate worldwide. Public health officials are taking action to reduce the spread in the meantime and prevent the proliferation of more virulent mutant strains of COVID-19. This will likely result in lockdowns and stringent public health restrictions lasting longer than anticipated. This is likely to have continued impacts on the foodservice and hospitality industries, which in turn will impact the seafood industry. The International Monetary Fund has boosted the growth outlook for the world but warns that new strains of COVID-19 could derail this prediction. Many of the outlooks predict slow growth in the first half of 2021 followed by a period of rapid growth for the remainder of the year and into 2022.

A large number of harvesters are preparing for the upcoming spring and summer fishing seasons. The spring fisheries are likely to be impacted by the ongoing pandemic, while fisheries that extend deeper into the summer are more likely to benefit from the anticipated recovery. The spring and summer lobster fishery typically sees prices drop during the summer due to the increase in supply and this drop may be exaggerated by the ongoing pandemic. The exception to this is processed lobster, which have performed well in retail outlets as those product forms are less intimidating to potential buyers. Snow crab is positioned to be strong performer as it performed well throughout 2020 and has a substantial retail presence.

The economic recovery is dependent on the effective distribution of vaccines on both a local and global basis. The recent outbreak in Newfoundland, which was until recently nearly COVID-19 free, demonstrates the difficulty in containing the virus without a vaccine. Until a sufficient number of people are vaccinated, it is likely that similar outbreaks will occur throughout Canada and the world, impeding economic recovery.