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Weekly Seafood Market Update on Covid-19 Impacts

The situation with the pandemic is evolving so rapidly that any individual report is just a snapshot in time.

This report will cover the most recent developments over the past week, focusing on 4 areas:

- General overall situation
- Species Issues
- Warehouse, logistics and worker issues

We will attempt to cover all these areas in each report.

General

With the pandemic rapidly expanding, closures, stay at home orders, and social distancing are rapidly increasing in the US. Areas that have resisted taking these actions, like Texas and Florida, are now catching up to areas that have higher levels of cases. Large city mayors and governments in cities such as Miami, Atlanta, Houston, and Dallas are all ahead of their state governments in taking measures. Currently 21 states have stay at home orders, and those that don't often have major restrictions in Urban areas.

Impact on Food Sales:

Retail sales have surged, in some cases to record levels. At the same time, foodservice sales have largely collapsed as restaurants have closed. Retail sales increases have been concentrated in meat and poultry, and are not as strong in seafood.

Problems with Retail Seafood: The shortage of workers at retail, due to volume demands, restocking, and delivery demands, means that retailers have been cutting back on items that they deem more labor intensive or less essential. This has resulted in some retailers closing their fish counters, to use the workers elsewhere. They are only selling tray and packaged seafood.

Items that come prepackaged, like frozen shrimp or scallops can do well in this environment, while items that have to be served and weighed out are less suitable.

For Snow crab, this will increase the demand for retail boxed snow crab.

Collapse of Foodservice is Backing Up Inventories

The collapse of foodservice sales is backing up inventories. In some cases, customers are returning products that they no longer want or can sell. At the same time, foodservice at every level is trying to adapt.

Dataessential reports that "In last week's Dataessential update, about 27% of Americans surveyed stated they will avoid eating out entirely. Now, 47% will "definitely avoid" eating out. That is an increase of 20 points in just four days. The spike is particularly pronounced among Boomers, jumping a massive 31 points. Meanwhile, 24% have "no concerns" with dining out whatsoever, and 29% are "slightly nervous." It is highly likely this trend of avoiding eating out, even where restaurants remain open, will accelerate next week.

One adaptation is to focus on takeout. However, this does not replace a restaurant's normal sales. One restaurant told me it represents now about 15% of what their sales were before. So even with all things being equal, take out will not support a lot of seafood sales.

At the beginning of this week, some foodservice distributors were switching over to focus on supplying retail customers. This has helped maintain a little bit of product movement. Last week there were virtually no foodservice orders for some distributors. This week some have seen a trickle of new orders, in the range of less than 100 cases for particular items.

Species Issues

Lobster

In Maine, there is very little lobster fishing occurring. What is being landed is sold at about \$3.00 US, but not all can find buyers, so some lobstermen are pounding their lobsters instead.

There are a few local sales, and some sales to New England supermarkets, but that is about it. Supermarkets have widely varying prices on live lobster, with some still at \$9.99, while others have moved the price down to \$6.99.

In Canada, Nova Scotia areas 33 and 34 are open, and area 32 is scheduled to open April 17th. Shore prices in Nova Scotia are around \$4.00 CA, and there is a substantial overhang of live lobster tubed and pounded inventory.

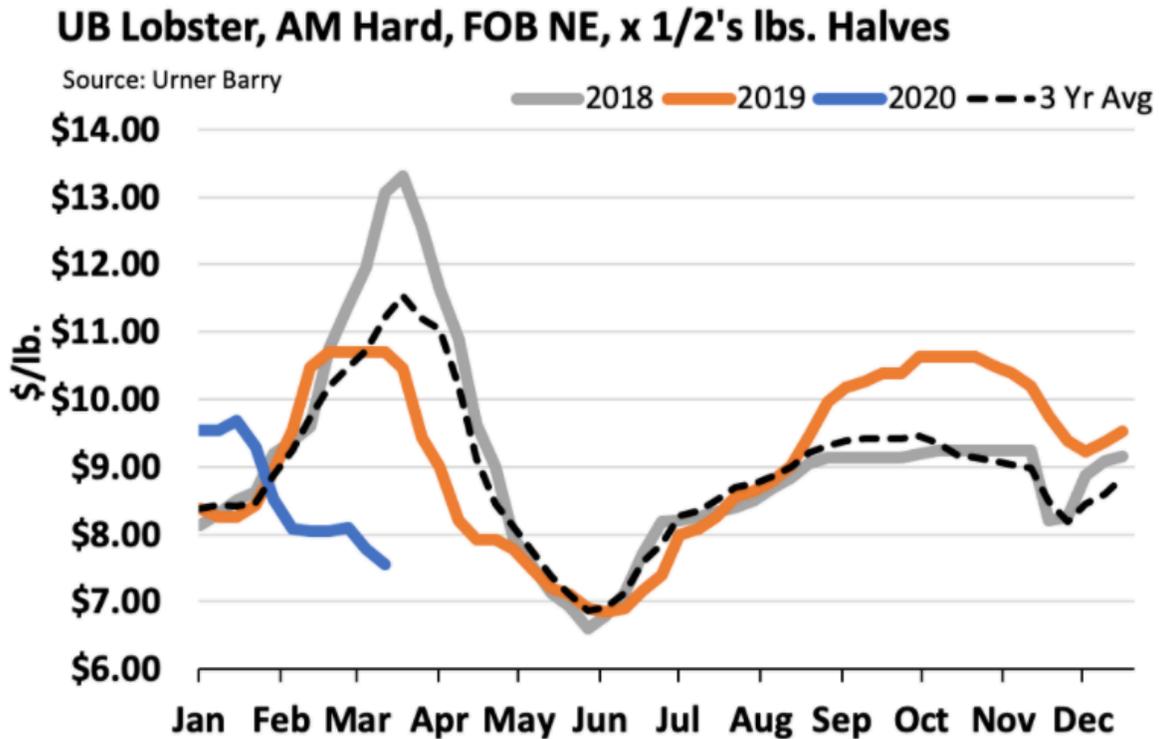
One positive sign was that four cargo shipments were sent from Halifax to China, representing about 400,000 to 500,000 lbs of live lobster from Sunday to Tuesday of this week. This was the first cargo flight in two weeks. The buyers demanded new caught lobster, not pounded lobster, so the price for new caught temporarily went up to \$5.00 as some dealers attempted to fill these orders. But to put this in perspective, one company said yes, it was good to see the sales, but it represented only 10 truckloads, the same volume they would do normally in a single day.

Snow Crab and Lobster Inventories becoming economic problem

With the collapse of sales, those holding inventory of snow crab and lobster are getting worried. Part of the pressure from packers to delay the start of the fishing seasons comes from those who are afraid of the business loss that will occur on their inventory, once the new season prices are established.

Although the general situation of snow crab inventory was dry, there is quite a bit of snow crab in the pipeline, ie already committed to customers, but in warehouses, or held at customer locations. Some of this is backing up, so the inventory picture is changing, and those who have some inventory would like to see a longer period where they could attempt to move this product.

Same thing is happening with frozen lobster tail. Although recent low prices have seemed like a processing opportunity given the previous high demand for frozen lobster tail, now prices are falling at it is becoming more risky for lobster processors to buy and hold product. They are facing their own problem with a devaluation of what they already have in stock.



Urner Barry has stopped quoting live lobster as the market has essentially frozen up, so it is not possible to get reliable price quotes. This chart shows the wholesale price development up until quotations were stopped.

Frozen lobster tail prices have not come down in the same fashion, and are still near their recent highs.

Frozen Snow Crab prices have also not changed that much. Although Urner Barry is not quoting either Canadian or Alaskan product, Russian snow crab has come down only around 4% so far this month.

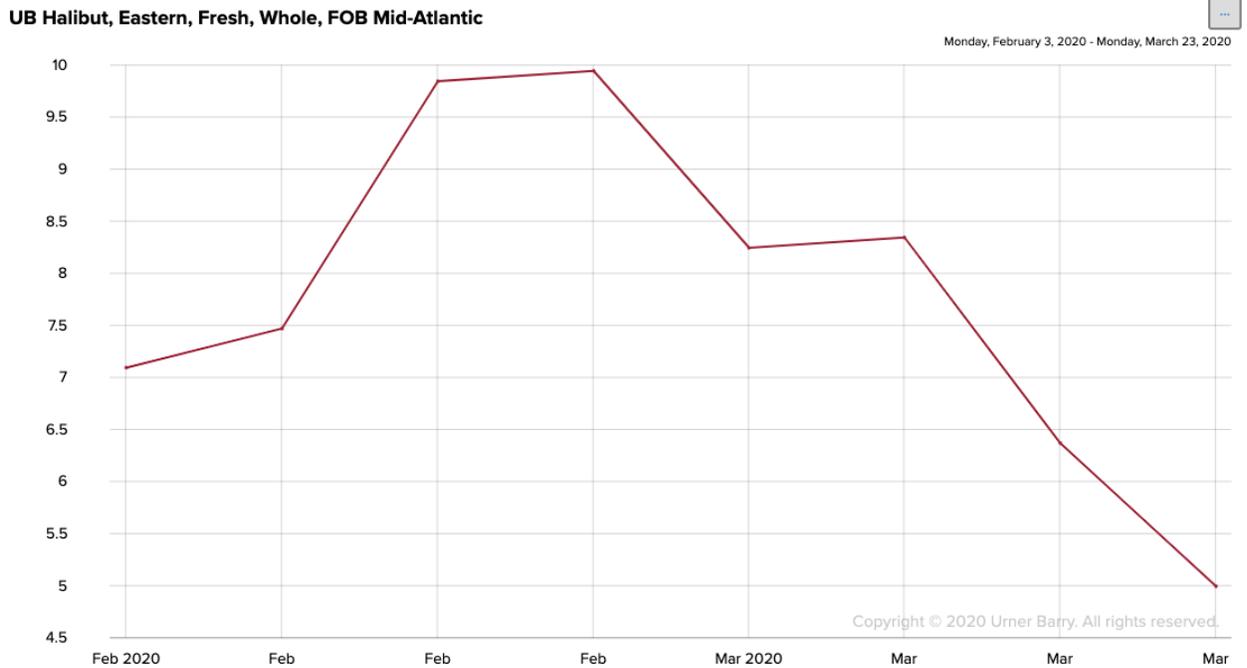
The reason is that there is not a lot of new product yet, so sellers have low volume requests and little competition forcing prices down.

Quebec area 17 opens in the gulf this week (Wednesday) and by next week there should be some actual new season prices. Customer who have reportedly seen offers have been “shocked by how low they were”. This is a small volume fishery that also largely serves a local Quebec market, so it does not represent the overall market trend but it is an indication.

In New Brunswick, crabbers in Shippagan are putting their boats in the water, but police were called to the pier to enforce social distancing. Not all harvesters are putting their boats in. Some are waiting to see if there will be a delay.

Another way to look at price movements is to see what has happened to seafood products that have started their 2020 season, or have responded to the cutback in foodservice demand.

Fresh Halibut



Weekly Pricing

The halibut season opened in Alaska, and at the same time, prices for Eastern Canadian halibut in the US plunged. Fresh halibut is a foodservice item, and the lack of restaurants is crashing the price in a way that cannot be made up with retail sales.

FQY Daily Weekly Monthly Yearly VIEW Cyclical Contiguous RANGE 1 month: 02/01/2020 - 03/24/2020 Settings Search

UB Salmon, Northeast Atlantic, Wholefish, Fresh, FOB Northeast, 12-14 Pound

Monday, February 3, 2020 - Monday, March 23, 2020



Canadian salmon also has come down 20% (whole fish) in the past three weeks. This is in spite of their being logistics issues developing out of Chile, and European salmon airfreight largely shut down.

Even with strong retail sales, the lack of foodservice is hitting prices. Once again, labor is an issue at retail also, as those retailers who use commissaries to cut their own fish are potentially facing labor issues.

What these few species tell us is that fresh products that move more quickly to the market are experiencing rapid price decline, and this would be carried over to new season snow crab and lobster.

Warehouse, worker, and logistics issues

Warehouse Capacity is Short

One key issue right now for seafood companies is warehouse space. Many refrigerated warehouses are full, and won't take new deliveries unless the customer takes something out first.

Frozen meat and poultry is moving very well with high turnover. But the public cold storage warehouses tend to be more specialized, with some focusing on general public cold storage meaning seafood and foodservice, while others are devoted to high volume frozen meat etc.

The East coast cold storage warehouses are seeing the back up in foodservice and are running out of space. This has led some companies making retail sales to use the retailers own cold storage for their product... a temporary solution.

Right now if more snow crab and lobster were to be frozen in Atlantic Canada, where is little warehouse space anywhere to put it. Once processors ran out of their own storage capacity, things would likely grind to a halt.

Warehouses are taking steps for business continuity, and will be able to staff locations by moving people around if needed. But they are still subject to having to do temporary closures due to cleaning or sanitizing if some of their workforce gets sick. Major Boston distributors are preparing for potential disruptions at freezers and trying to make alternative plans, such as not keep everything at a single location.

Marine workers slowing down readiness of vessels.

Commissioning a crab boat takes onboard visits by multiple service people, from insurance to electronics and engine techs. These visits have been slowed down by social distancing requirements, and in Shippagan, the reluctance of some of the service people to work without significant precautions. This is impacting the speed at which vessels can be made ready for a season opening.

Processors have not solved the foreign worker problem

Although Processors have received permission from Canada to bring in foreign workers, the details are very difficult. First, the problem is simply getting air transport. Most workers will have to be brought by charter flight, and then transported by bus from Montreal.

Secondly, processors are all concerned about worker safety and social distancing, so they plan to operate with fewer workers in a given plant or on a given shift.

Third, some workers are not comfortable in the processing environment, and will not come to work at all. The upshot is that it is very unclear at this stage whether processors will be able to operate except in a very limited way.

With the opening of a fishery and limited processing capacity, a disastrous pile up of product on the dock could happen.

--John Sackton