

Alaska Seafood COVID-19 Briefing Paper

February 2021 Edition



Prepared on behalf of the Alaska Seafood Marketing Institute by McKinley Research Group (formerly McDowell Group), this series of briefing papers is intended to provide information on the depth and breadth of the pandemic's effects on Alaska's seafood industry.

COVID-19 Inspections in China Continue to Bottleneck Alaska Seafood

COVID-caused closures and slowdowns at key northern Chinese seafood processing ports continue to add costs for producers and complicate the process of getting some seafood to market. Import delays started last summer as Chinese authorities imposed strict COVID-19 inspection and sanitization protocols for imported frozen foods, including seafood. These protocols came despite the lack credible scientific evidence that the virus is transmitted by food or food packaging.¹

The inspection and sanitation policies transformed a customs process that used to take days into one that takes weeks or months. Backlogs built up since the policies were enacted have led to compounding delays. In late January, one Alaska processor described having cargo loaded for export in September that was still waiting clearance through customs in Dalian, China.

China has been the Alaska seafood industry's largest export partner for more than two decades. China's port cities provide the infrastructure and labor to efficiently transform raw headed and gutted fish into specific products for the world market.

However, over the last several years industry leaders have increasingly explored alternative reprocessing markets due to rising labor costs and increasing trade disputes with China. Southeast Asian countries, including Thailand, Indonesia, and Vietnam, are the most cited alternatives. However, capacity in these countries is very limited. Alaska seafood export volume to Southeast Asia was just 12% of those to China in 2020. At this time, for most companies shipping seafood to China, the only option is to wait for their turn to unload.

Adding to the issue with COVID inspections in China this year is a longer Chinese New Year season, also a result of the pandemic. Seafood production in China stopped earlier ahead of the holiday (February 12 this year) to give workers time to quarantine before traveling home. Processors have expressed concern that factories will not ramp up until weeks after the holiday and that it will be hard to find workers because of strict quarantine rules and unfounded government warnings about coronavirus on imported seafood.

¹ FDA, 2021. USDA, FDA Underscore Current Epidemiologic and Scientific Information Indicating No Transmission of COVID-19 Through Food or Food Packaging. [fda.gov/news-events/press-announcements/covid-19-update-usda-fda-underscore-current-epidemiologic-and-scientific-information-indicating-no](https://www.fda.gov/news-events/press-announcements/covid-19-update-usda-fda-underscore-current-epidemiologic-and-scientific-information-indicating-no)

These briefings are informed by ongoing interviews with stakeholders and quantitative data when possible. The impacts of the pandemic are still unfolding. In some instances, the best available information may be anecdotal and subject to change. In addition, isolating pandemic-induced effects from other resource and market forces is not always possible. The authors welcome feedback at seafood@mckinleyresearch.com

U.S. Retail Seafood Sales Surge Continues Nearly One Year into Pandemic

An abrupt transformation in consumer seafood buying behavior that started in the early days of the pandemic continues nearly one year later.

Retail scanner data from market research company IRI shows a continued pattern of 2020 grocery seafood sales beating 2019 figures by 20% or more nearly every week through the end of 2020.² This is a major swing for a retail sector that usually measures year-over-year growth in single digits.

During the “stock up” grocery boom at the start of the pandemic frozen seafood surged while fresh seafood sales numbers dropped. Over the course of the year the difference between fresh and frozen product categories closed, though both categories performed well.

Unfortunately, while the increase in retail seafood sales has continued for months, so too has the continued economic pain in the foodservice sector. Foodservice is critical to the U.S. seafood industry and the Alaska seafood industry in particular. Of the approximately \$100 billion that U.S. consumers spent on seafood each year before the pandemic, only about a third of expenditures came from “at home” consumption such as retail and direct-to-consumer seafood purchases.³ The big increase in retail seafood spending still does not make up for the major cutbacks to seafood consumption outside the home that occurred in 2020.

Peak Processing Workforce Down 21% in 2020

Employment statistics now available through September 2020 show the number of Alaska seafood processing workers was down an average of 15% over the second and third quarters last year compared to the same period in 2019. In the peak month of July, workforce numbers were down 21% from 2019.

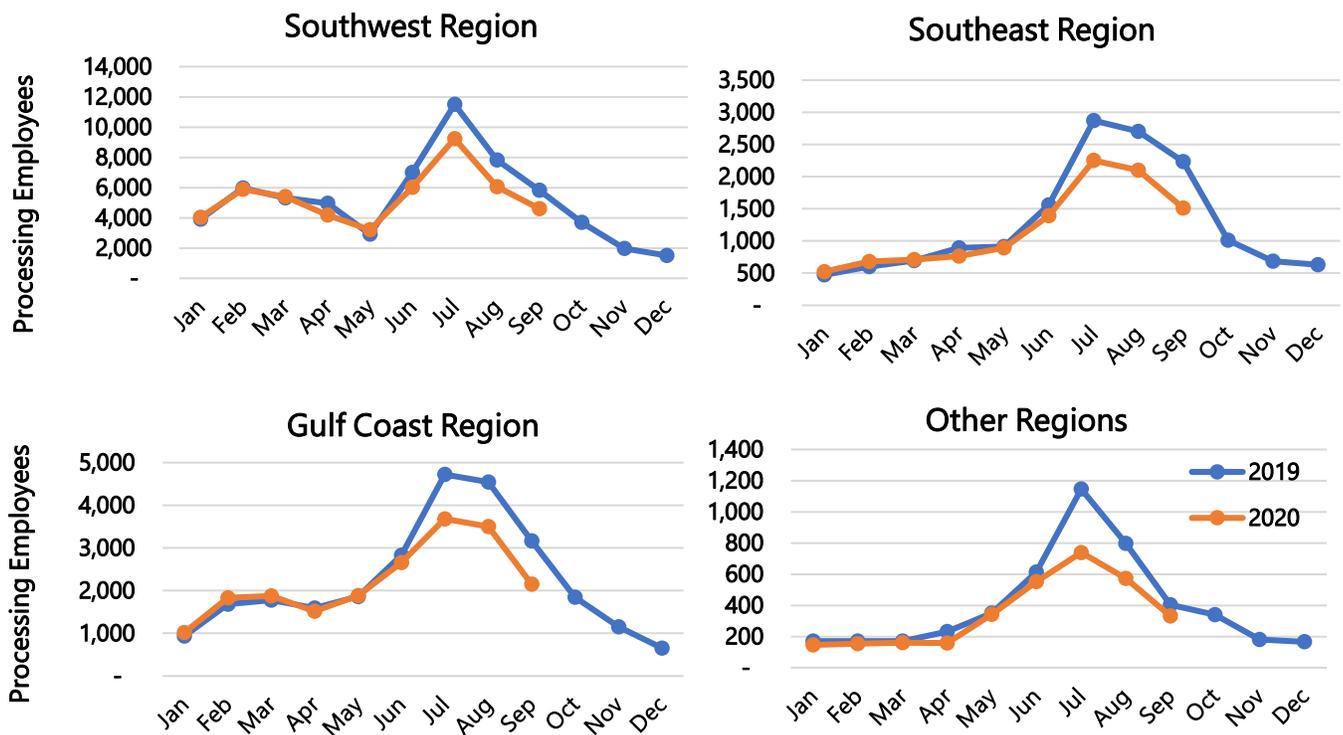
As seen in Figure 1, processing workforce numbers were largely unchanged in the opening months of the year before the pandemic reached Alaska. Employment totals started to fall behind in April, but the drop was most evident at the peak of the salmon season in July, August, and September.

The Southwest region experienced the greatest drop in number of jobs, with July 2020 employment down 2,269 jobs from the same month in 2019. On a percentage basis, peak July employment was down 22% in the Southwest and Gulf Coast, down 20% in Southeast, and down 36% in all other areas of the state combined.

² Presented at National Fisheries Institute’s Virtual Global Seafood Market Conference in February and widely cited in various trade press.

³ Love, D.C. et al., 2020. Food Sources and Expenditures for Seafood in the United States. *Nutrients*.

Figure 1: Number of Seafood Processing Employees, by Alaska Region, 2019 and 2020 Q1-Q3



Source: DOL&WD, QCEW.
Note: Y-axis scales differ by region.

Processors interviewed attributed the employment drops to both planned hiring decreases because of lower harvest forecasts in parts of the state and COVID-caused operational adjustments. On the COVID side, the added costs associated with sanitizing, distancing, testing, quarantining workers, and safely transporting workers aboard chartered planes generally made employers more conservative with hiring decisions. Processors also reported that the pandemic made it harder to hire workers in 2020.

In addition to the size of the processing workforce, the pandemic influenced the timing of fish processing work. For example, seasonal workers in the Bering Sea and Aleutian Islands region usually go home during the break between the main winter and summer seasons. In 2020, many processors incentivized workers, where possible, to stay at processing campuses between seasons to limit travel-related virus spread and limit travel and quarantine costs.

Vaccine Eligibility Expands in Alaska, But Supply Still Not Certain

Non-resident workers made up more than 70% of the seafood processing workforce in Alaska before the pandemic (based on 2018 numbers) – totaling about 17,000 workers.⁴ Non-resident processing workers are relied upon in all parts of the state, but especially so in the Southwest Region where they account for more than 80% of seafood processing workers.

⁴ Alaska Department of Labor and Workforce Development. November 2020. Alaska Economic Trends. <https://labor.alaska.gov/trends/nov20.pdf>

Vaccine eligibility for nonresident workers was previously a concern for seafood processors, but that changed in early February when state eligibility rules were modified to give resident and nonresident workers in the critical infrastructure sectors equal vaccine eligibility. Eligibility rules widened much more on March 9 when Gov. Mike Dunleavy announced that anyone who lives or works in Alaska and is 16 years or older is eligible to receive the vaccine.

With broad vaccine eligibility rules now in place, the main obstacles to having a vaccinated workplace are vaccine supply and the logistics of getting doses administered.

Another vaccine-related challenge for the seafood industry is a strong recommendation that the two doses of the vaccine (which are given about a month apart) be administered by the same healthcare provider. The industry would benefit from flexibility for non-resident workers who may be traveling to remote work sites and unavailable to get a second dose from the same provider who administered the first. This issue would also be resolved with the new one-dose vaccine from Johnson & Johnson.

As the peak summer season approaches this year, a major difference from last year will be the existence of the vaccine – provided the industry is able to get access to the vaccine fast enough for a significant portion of the workforce. While positive cases are down in some parts of the state, the virus is circulating more widely in many parts of Alaska and the U.S. than it was last summer, including new variants of the virus that are more transmissible.