

Alaska Seafood COVID-19 Briefing Paper

July 2021 Edition



Prepared on behalf of the Alaska Seafood Marketing Institute by McKinley Research 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.

Highlights

- Data published in June by the Alaska Department of Fish & Game (Commercial Operator's Annual Report or COAR data) make it possible to better estimate the year-over-year decline in the value of Alaska's seafood harvest between 2019 and 2020.

Key findings about the 2020 season from COAR data include:

- The total first wholesale value of Alaska's seafood production was **down 27%** from 2019 to 2020.
- The proportion of Alaska's seafood that was exported increased in 2020. By value, **an estimated 78% of Alaska's seafood harvest was exported in 2020**, up from 67% in 2019. Both total production value and total export value decreased in 2020, but total production value dropped more substantially.
- Processors and harvesters helped quantify COVID-19 mitigation expenses in their responses to two surveys conducted this spring by McKinley Research Group on behalf of ASMI. Full survey results are available on the ASMI website ([harvesters survey report](#) and [processor survey report](#)).

Some of the main findings were:

- Based on survey responses and other industry data, McKinley Research estimates processor sector COVID mitigation costs totaled approximately \$70 million in 2020. The biggest cost category (54%) was employee travel and quarantine.
- Most processors expected 2021 COVID mitigation expenses would exceed 2020 COVID expenses. If this holds true, total mitigation costs in 2021 could surpass \$100 million.
- Harvesters reported an average of \$9,350 in COVID mitigation expenses in 2020. Among respondents, 62% of harvesters said COVID had a "major impact" on 2020 fishing operation expenses.
- Half of harvesters expected 2021 mitigation costs would be similar to 2020 costs, while one third expected 2021 would bring a higher level of expenses.
- Sixty-three percent of harvesters reported making no staffing changes related to the pandemic, while about one-third reported hiring fewer crew members. Among processors, 50% reported reducing the size of their workforce due to the pandemic, while 21% reported increasing it.

- Americans have continued buying retail seafood at levels higher than pre-pandemic quantities, although sales were down in May 2021 compared to the spike experienced in May 2020 at the height of the pandemic, according to a recent analysis of IRI retail data.¹ Comparing May 2021 to May 2019, frozen seafood sales across the United States were up 42.3% (led by growth in frozen shrimp sales), and fresh seafood was up 40.7% (led by fresh shellfish). These sales value numbers likely reflect both an increase in sales volume and higher prices for seafood in 2021 as compared to 2019. Comparing May 2021 with May 2020, seafood sales are down 14.5% for frozen, 11.6% for fresh, and 12.2% for shelf stable seafood.
- The U.S. Department of Agriculture made the largest seafood commodity purchase in the agency's history in May, buying \$70.9 million in U.S. seafood, including nearly \$33 million in Alaska pollock, Pacific rockfish, and sockeye salmon. Two of the three major COVID-19 stimulus bills have included funding for USDA commodity purchases, which are used both to support federal nutrition programs (such as school lunches) and stabilize prices for U.S. farmers and seafood producers. However, the large May purchasing round was from Section 32 of the Agricultural Adjustment Act, which is funded from customs revenue rather than COVID-19 emergency appropriations. Since the start of the pandemic, the USDA has purchased more than \$199 million in seafood, including more than \$159 million worth of Alaska pollock and salmon. The March 2021 American Rescue Plan included \$4 billion for the USDA for commodity purchases, grants/loans to U.S. seafood and agricultural producers to address COVID-19 mitigation costs, and other uses. The eligibility criteria for this USDA program have not yet been determined, so it is uncertain whether Alaska seafood producers will benefit.

Economic Indicators

- Fuel was an Alaska seafood industry input cost that went down significantly in 2020. That is changing in 2021. As of June 2021, #2 marine diesel prices averaged \$3.02 per gallon at Alaska fuel docks surveyed by the Pacific States Marine Fisheries Commission. This fuel price is **up 14%** from the \$2.63 average recorded in June 2020, but still below the May 2019 average of \$3.25 per gallon.
- Prices in general are up in Alaska in 2021. The consumer price index for urban Alaska was **up 4.8%** between April 2020 and April 2021. This inflation follows Alaska's first ever year of price deflation.
- Despite the sharp spike in unemployment, personal income (the total income received by all individuals and households) was **up 3.1%** (\$1.4 billion) in Alaska in 2020 over 2019 because of the increase in government transfer payments to individuals including stimulus payments and expanded unemployment payments. In the U.S. in general, personal income was **up 6.1%** (\$1.1 trillion) in 2020.
- U.S. Consumer bar and restaurant spending has reached pre-pandemic levels, according to Census Bureau data, as of April 2021.

¹"[Seafood sales showing stunning rise over pre-pandemic levels at US retail](#)," June 2021. Intrafish.

Special Topics

Production Values Down Across Most Alaska Seafood Categories in 2020

Lower wholesale prices for many Alaska seafood products have been a key impact of COVID-19. The foodservice sector has historically been a significant sales channel for Alaska seafood products. The abrupt changes to food-buying patterns during the pandemic transformed demand (often for the worse) for various seafood products, influencing the market price and the total value of the harvest.

Average wholesale prices were down for most Alaska seafood products in 2020 compared to 2019, but the exact amounts varied among species and species groups. The following table shows the average price per pound for select Alaska seafood species groups at the first wholesale level.

Table 1. First Wholesale Value Per Pound, Selected Alaska Seafood Species, 2019 and 2020

| Species/group | 2019 Average Wholesale Value/Pound | 2020 Average Wholesale Value/Pound | % Change 2019-2020 | 2020 Wholesale Volume (million pounds) | 2020 Wholesale Value (\$ million) |
|----------------|------------------------------------|------------------------------------|--------------------|--|-----------------------------------|
| Atka Mackerel | \$1.15 | \$1.05 | -9% | 65 | \$68 |
| Flatfish | \$0.79 | \$0.63 | -19% | 268 | \$170 |
| Halibut | \$6.94 | \$6.85 | -1% | 11 | \$76 |
| Pacific Cod | \$1.71 | \$1.58 | -8% | 160 | \$253 |
| Pollock | \$1.23 | \$1.25 | 1% | 980 | \$1,222 |
| Rockfish | \$0.82 | \$0.71 | -14% | 79 | \$56 |
| Sablefish | \$4.75 | \$3.92 | -17% | 15 | \$57 |
| Sockeye Salmon | \$4.27 | \$4.21 | -1% | 161 | \$677 |
| Pink Salmon | \$1.69 | \$2.56 | +52% | 140 | \$359 |
| Keta Salmon | \$2.19 | \$2.21 | +1% | 47 | \$103 |

Source: Alaska Department of Fish and Game.

In general, first-wholesale prices were down the most for flatfish, sablefish, and rockfish – all products especially reliant on the foodservice sector. Average first wholesale value per pound was up for pink and keta.

In addition to quantifying the first wholesale value Alaska's seafood production, COAR data released in June also provide information about the ex-vessel value of the 2020 seafood harvest (with complete coverage only for state-managed fisheries). This dataset shows that dock prices were down substantially for halibut, sockeye salmon, and keta salmon in 2020, and up for pink salmon.

Table 2. Ex-Vessel Prices, Selected Species, 2019 and 2020

| Species/group | 2019 Average Ex-Vessel Value/Pound | 2020 Avg Ex-Vessel Value/Pound | % Change 2019-2020 Ex-Vessel Value/Pound | 2020 Ex-Vessel Volume (million pounds) | 2020 Ex-Vessel Value (\$ million) |
|----------------|------------------------------------|--------------------------------|--|--|-----------------------------------|
| Halibut | \$5.32 | \$4.23 | -20% | 15 | \$62 |
| Sockeye Salmon | \$1.61 | \$1.06 | -34% | 224 | \$238 |
| Pink Salmon | \$0.33 | \$0.40 | +20% | 209 | \$83 |
| Keta Salmon | \$0.54 | \$0.46 | -14% | 60 | \$28 |

Source: Alaska Department of Fish and Game.

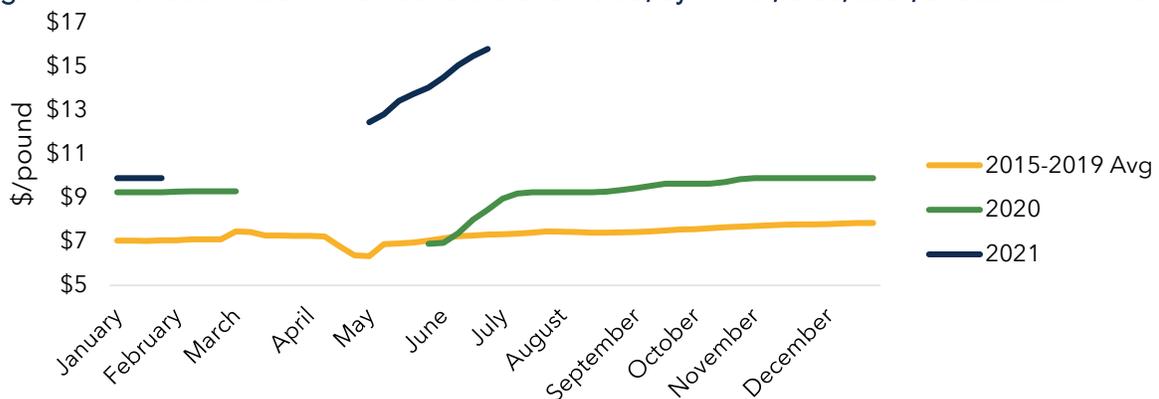
Continued Demand for Crab

Alaska's crab fisheries make up a small share of the state's total harvest but represent one of the industry's most valuable resources on a per pound basis. Crab prices were at risk of going down at the start of the pandemic because – like several other Alaska seafood products including sablefish, cod, and flatfish — crab has traditionally depended on the foodservice market. But retail demand for crab has been strong during the past year. In the U.S., crab sales at retail were up nearly 63% between 2019 and 2020 and crab was the fastest growing product category in the seafood sector (followed by lobster).²

Reflecting this demand, wholesale prices for Alaska's crab and similar products have climbed throughout the pandemic, hitting record levels in 2021. For snow crab these record prices came despite the fact that there will likely be a larger global supply in 2021 than there was in 2020 based on global catch allowances.

Urner Barry wholesale price information for Alaska-sourced crab is spotty because of limited data, but prices from the largest global producers (Canada for snow crab and Russia for king crab) illustrate the unusual global price dynamics over the past eighteen months. At the start of the spring fishing season of 2020, for example, prices for 5–8-oz. snow crab from Newfoundland were down 26% from the previous season's price (likely based on expectations of poor consumer markets for crab in the opening months of the pandemic). But wholesale prices climbed over the course of summer 2020, reaching 10-year highs by mid-June. In January 2021, price data became unavailable because of limited remaining warehouse inventories. When new season snow crab became available in April 2020, the price was \$12.45 per pound, up 80% from the start of the 2020 season. Prices have continued to climb into 2021, reaching \$15.80 at the end of June.

Figure 1. Wholesale Prices for Newfoundland Snow Crab, by Month, 2020, 2021, and 2015-2019 Average



Source: Urner Barry.

Note: Prices are East Coast U.S. ex-warehouse prices, 5-8 oz. clusters.

Wholesale prices for other snow crab products have generally followed similar trajectories according to Urner Barry data. Meanwhile, king crab products have also risen to record highs during the pandemic, starting from baseline prices at the start of the pandemic that were already near 10-year highs. Wholesale prices have not surged during the pandemic for Dungeness crab, the third major category of crab harvested in Alaska.

² "U.S. Retailers notched record seafood sales in 2020," February, 2021. SeafoodSource. (Based on IRI presentation at National Fisheries Institute Global Seafood Marketing Conference)

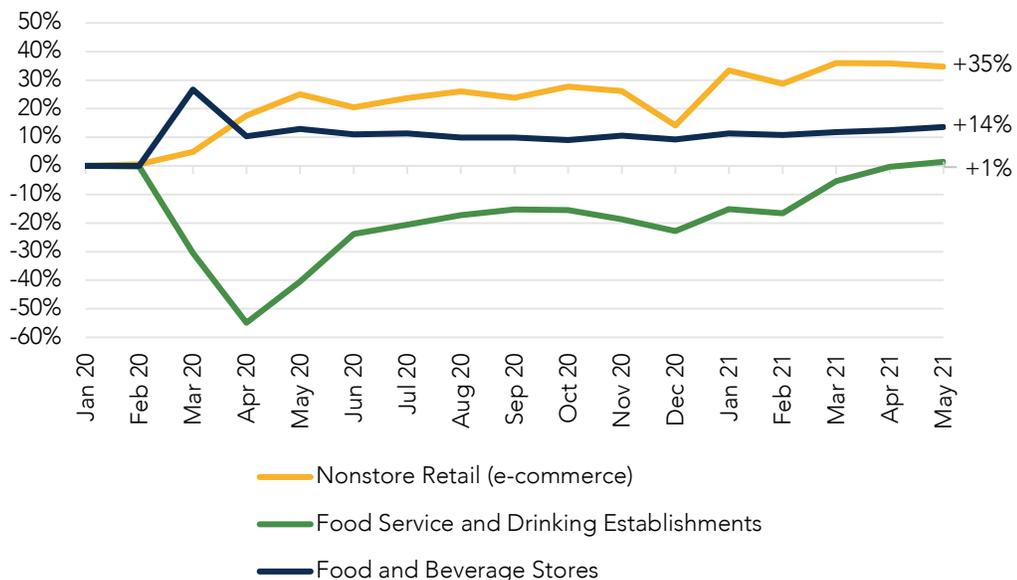
It is not yet clear if higher demand for snow crab and king crab will translate to higher prices for Alaska harvesters and processors. Ex-vessel and first-wholesale value data recently released for the 2020 calendar year is a mix of data from the end of the winter 2019-2020 season (when demand for crab was relatively low) and the start of the 2020-2021 season when demand was stronger. In general, ex-vessel prices were flat or down slightly in 2020, while first wholesale prices were mixed (down 11% for snow crab but up 20% for golden king crab).

Online Seafood Sales During the Pandemic

The pandemic accelerated e-commerce growth in the U.S. economy at large. Although seafood has traditionally been a difficult product to sell online, the channel did see a surge in interest during the pandemic, according to Alaska seafood industry interviews and consumer data. During the pandemic, Alaska seafood e-commerce businesses reported their sales were helped by both the closure of restaurants as well as consumer preference/requirements to minimize trips away from home and a drop in online advertising rates for a period.

In the U.S. economy in general, e-commerce sales have grown and remain elevated compared to pre-pandemic levels (35% up in May 2021 compared to January 2020). Food and beverage store spending has also seen sustained increases in spending, while foodservice spending has just now returned to pre-pandemic levels.

Figure 2. U.S. Retail Spending for Three Seafood-Containing Categories, Percent Change from January 2020



Source: U.S. Census Bureau. Data are seasonally-adjusted.

Specific online sales data for seafood are not widely available, but the Food Industry Association's Power of Seafood report provides some insights. According to a survey conducted in Oct. 2020:

- Even with recent increases, seafood is the least-frequently purchased category of goods purchased online among grocery categories.
- Ten percent of seafood-buying customers reported getting most of their seafood online.

- Online-only merchants were the fastest-growing secondary source of seafood in 2020, according to survey respondents. Asked where they buy seafood aside from their primary seafood store, 13% said they purchased seafood from an online-only merchant, up from 5% in 2019.

E-commerce websites are operated by a range of businesses along the seafood value chain, including harvesters, processors, wholesalers, retailers, and restaurants. Alaska seafood products are available to online shoppers through grocery delivery services, meal kit companies, and all-purpose e-commerce websites in addition to businesses that specialize in selling Alaska seafood online.

Due to generally high shipping cost structures, seafood e-commerce sites generally focus on premium quality products. Instead of low prices, the value proposition for these businesses includes product quality, direct connection to source/harvester, the convenience of delivery, and the ability to provide unique products that can be hard to find in some retail markets.