

Alaska Seafood COVID-19 Briefing Paper

March 2022 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.

Special Topic: Two-Year Review of COVID Impacts

This month's briefing paper is a broad analysis of the Alaska seafood industry in 2019, 2020, and 2021, comparing the 2019 baseline with the first and second years of the pandemic, based largely on seafood export data. This paper also reviews government COVID-relief funding expenditures and key economic indicators over this period.

Health and Economic Indicators Provide Mixed Signals of Recovery in 2021

The COVID-19 pandemic has passed through multiple phases with respect to public health conditions, the economic climate, and seafood markets. The first phase, 2020, was one of economic contraction as large segments of the global economy shut down. Data for 2021 do not fit a simple narrative: COVID-19 vaccines became widely available in 2021 and provided important protection against infection and illness. But in Alaska, the virus caused more sickness and death in 2021 than in 2020, largely due to a delta variant spike in fall 2021. Gross domestic product and unemployment numbers show that the U.S. economy partially recovered in 2021 from the 2020 contraction, but many Americans stayed out of the workforce. Also in 2021, inflation and disruptions to global shipping significantly increased costs for businesses.

Unlike much of the larger economy, the Alaska seafood industry did not shut down in 2020. But the pandemic made it more challenging and costly to produce seafood in both 2020 and 2021. The pandemic also contributed to a lower value for Alaska seafood products in 2020, due to reduced foodservice/restaurant markets. The value of Alaska's seafood harvest and production (ex-vessel and first wholesale values) each fell more than 20% in 2020.

Complete 2021 seafood harvest and production data will not be available until summer 2022, but the export data explored in the next section of this paper point to a partial recovery of global seafood markets in 2021.

Table 1. Summary of Economic and Fishery Indicators, 2019-2021

	2019	2020	2021
Average U.S. unemployment rate	3.6%	8.1%	5.3%
Average U.S. workforce participation rate	63.1%	61.8%	61.7%
Average U.S. GDP growth rate	2.9%	-3.4%	5.6%
U.S. Consumer Price Index change	1.8%	1.2%	4.7%
Alaska seafood ex-vessel value	\$2.0 billion	\$1.5 billion	Not Available

Alaska seafood first wholesale value	\$4.7 billion	\$3.7 billion	Not Available
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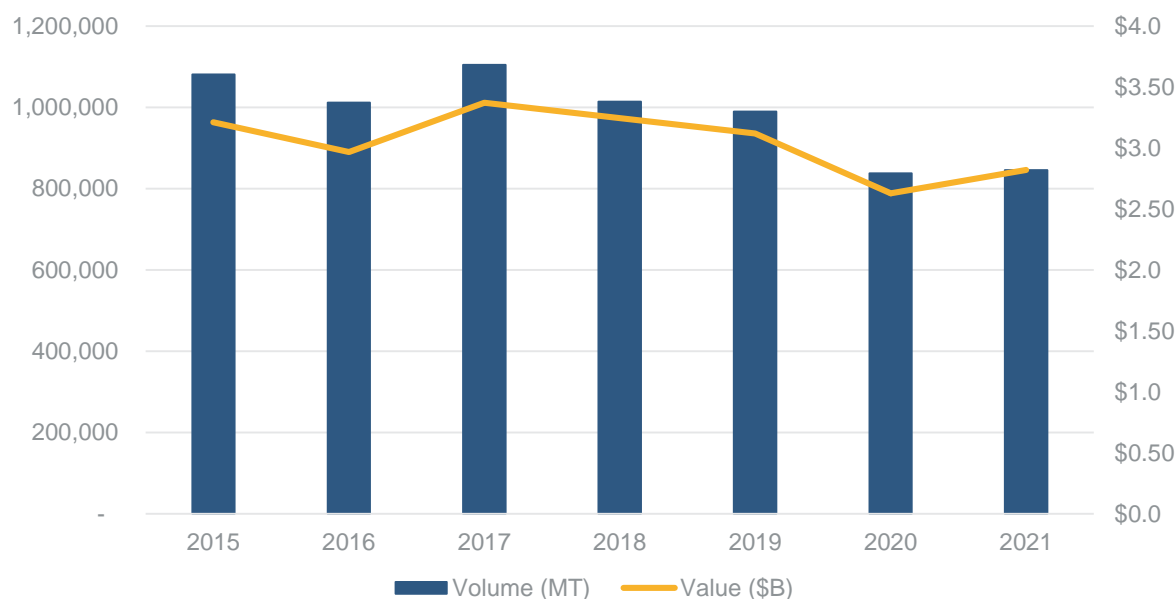
Source: Bureau of Labor Statistics, Bureau of Economic Analysis, AK Dept. of Fish & Game, National Marine Fisheries Service.

Alaska Seafood Exports: Prices Buoy Value, but Volume Flat in 2021

Exports provide a useful early indicator into the volume and value of the Alaska seafood harvest, although an imperfect proxy for the total volume and value.

After dropping 15.4% in 2020, the value of Alaska seafood exports went up 7.2% in 2021, as seen in Figure 1. This partial recovery in export value in 2021 was driven by increased export prices for Alaska seafood products, not by a significant increase to export volume. Export volume was up only 0.9% in 2021.

Figure 1. Alaska Seafood Exports, 2011-2021



Source: National Marine Fisheries Service.

As described in [previous editions](#) of this briefing paper series, in 2020 the pandemic caused lower prices for many Alaska seafood exports as foodservice business closures depressed demand. Seafood prices generally rebounded in 2021 for reasons including strong retail demand, foodservice reopening, and inflation. Wholesale prices for several key Alaska species including Alaska pollock, sockeye salmon, and snow crab reached record levels in 2021.

While the value of Alaska's seafood exports trended up overall in 2021, the results varied across different species groups, as seen in Table 2. Shopping patterns influenced by the pandemic led to higher prices and a 63% increase in export value for Alaska crab in 2021. Higher prices also boosted the total value of salmon, which was up 13% in 2021 compared to 2019 (the previous pink salmon peak year) despite lower export volumes.

The declining values for groundfish and flatfish exports in 2021 were largely driven by harvesting factors unrelated to the pandemic, such as smaller catch limits for Alaska pollock and Bering Sea Pacific cod compared to 2020.

Table 2. Alaska Export Volume and Value for Key Species Groups, 2019-2021

	2019 Export Value (\$millions)	2020 Export Value (\$millions)	2021 Export Value (\$millions)	YOY % Change 2020-2021*	Main Value Change Drivers 2020-2021
Groundfish	\$1,594	\$1,344	\$1,270	-5%	Lower harvest volumes
Salmon*	\$926	\$732	\$1,043	+13%	Higher prices
Flatfish	\$205	\$188	\$152	-19%	Lower harvest volumes
Crab	\$88	\$93	\$152	+63%	Higher prices

Source: National Marine Fisheries Service.

*Salmon values are compared to 2019 values instead of 2020 values due to the two-year lifecycle of pink salmon.

COVID-19 and Tariffs Continue to Affect Value and Challenge U.S.-China Trade Relationship

Before the start of the pandemic, the U.S.-China trade war was the primary cause of the decline in China's prominence as a trading partner. The pandemic further exacerbated this decline. As seen in Figure 2, exports to China have generally declined (both in absolute terms and as a percentage of total exports) since 2017, the year before the current trade conflict between the U.S. and China began, following a period of rapid growth in the early 2000s.

The pandemic has further complicated the trading relationship with China, especially for frozen food products including seafood. The Chinese government blamed frozen imported food packaging for spreading the virus and imposed strict sanitization and inspection procedures that continue to delay and add uncertainty to seafood supply chains. The U.S. Centers for Disease Control, U.S. Department of Agriculture and the Food and Drug Administration, along with the international scientific community, state there is no credible evidence that food packaging is a likely source of transmission for the virus that causes COVID-19.¹

Additionally, China banned seafood imports from non-containerized tramper vessels for much of the pandemic, blocking a key supply route for Alaska groundfish, especially flatfish.

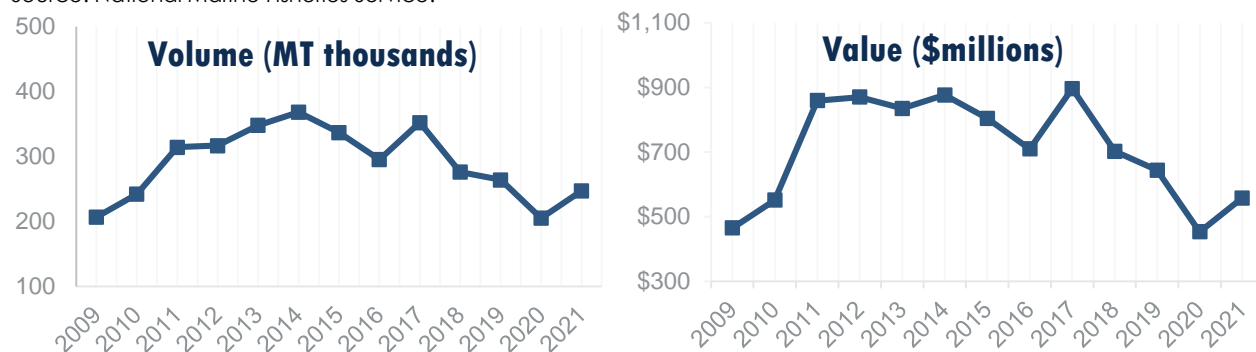
Delays and shutdowns at Chinese ports have been sporadic over the course of the pandemic but have generally been a constant threat. Most recently, seafood processors closed for more than a month in the northern Chinese port city of Dalian, following a COVID outbreak at a cold storage facility.

¹ USDA, FDA, 2021. "[COVID-19 Update: USDA, FDA Underscore Current Epidemiologic and Scientific Information Indicating No Transmission of COVID-19 Through Food or Food Packaging.](#)"

Despite complications associated with COVID-19 procedures, 2021 data indicate that Alaska seafood exports to China ticked up in 2021 (by volume and value) following steep declines in 2020. The projected 2021 volume of 247,000 metric tons remains 6% below the pre-pandemic 2019 volume. The 2021 export value of \$557 million is 13% below the pre-pandemic value.

Figure 2. Alaska Seafood Exports to China by Volume and Value, 2009-2021

Source: National Marine Fisheries Service.



By volume, China remains by far the largest single-nation importer of Alaska seafood in the world. However, in 2021 Japan overtook China to become the largest importer of Alaska seafood by value. This is the first time since 2010 that China has not been the highest value direct export market for Alaska seafood.

Bulk of Government COVID-19 Aid Gets to Fisheries in 2021 and 2022

Federal COVID relief spending on Alaska’s fishermen and processors is expected to total more than \$200 million over the three-year period of 2020-2022. This assistance has helped soften some of the worst economic damage that could have been caused by the pandemic. However, this assistance fails to make up for revenue loss caused by 2020 price shocks and for direct industry spending on COVID-19 mitigation.²

In addition, much of the funding approved in 2020 and early 2021 will not reach the Alaska seafood industry until later in 2022. This is especially true for large seafood processors with high COVID-19 mitigation costs, most of which did not qualify for assistance from two early pandemic programs: the Payroll Protection Program and Section 12005 of the CARES Act.³ Large processors are eligible for funding from two subsequent programs.

² As previously mentioned, the ex-vessel and first wholesale values of Alaska fisheries each dropped about 20% between 2019 and 2020 for reasons both related to an unrelated to the pandemic, representing a loss in value of about \$500 million for harvesters and \$1 billion for processors. McKinley Research Group conservatively estimates direct Alaska processor spending on COVID-19 expenditures in 2020 and 2021 exceeded \$170 million, based on an ASMI-commissioned survey.

³ The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law in March 2020 was the first major federal legislation passed in response to the pandemic.

Table 3. Government COVID Aid Programs Relevant to Alaska Seafood Industry 2020-2022 projected, (\$million paid or planned payments/year)

	2020	2021	2022P
Paycheck Protection Program (CARES)	\$41	\$94	0
Section 12005 Funding (CARES)*	0	\$50	\$40
American Rescue Plan Alaska Funding**	0	0	Up to \$90+
SPRS*** Block Grant Program	0	0	\$30.7

Source: U.S. Small Business Administration, Pacific States Marine Fisheries Commission, DCCED.

*This funding was provided for fisheries participants that included commercial, sport, and subsistence.

**This funding is for all Alaska businesses that met specified criteria. It is not yet clear how much of the \$90 m appropriation was granted to businesses in 2022 or what portion will go to qualified seafood businesses. See below for more information.

*** Seafood Processors Pandemic Response and Safety

Each of the programs had different eligibility requirements, as described below:

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT: PAYCHECK PROTECTION PROGRAM (PPP)⁴

One of the largest programs of the March 2020 CARES Act and subsequent COVID relief legislation, the Paycheck Protection Program (PPP) provided loans to help small and medium businesses stay solvent and continue paying employees during the pandemic.

The Alaska seafood industry was a significant recipient of PPP funds, but only part of the industry was eligible. The program was not open to businesses with more than 500 employees, which excluded many processors. The PPP could also not be used to pay for COVID mitigation costs which were major unplanned costs for processors to minimize risk to both communities and employees. It could only be used on expenses including payroll, rent, and utilities.

In total, about \$120 million in PPP funds went to Alaska harvester businesses, while about \$15 million went to processors. PPP funds were initially paid as loans, which in most cases became grants if businesses used the money to continue to pay their employees. In the Alaska seafood industry, 94% of PPP loans were forgiven.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT: SECTION 12005 FUNDING⁵

Section 12005 of the CARES Act provided funding specifically for a broad range of fisheries participants, including commercial fishermen, processors, sport charter operators, aquaculture operations, and subsistence harvesters. This fund included \$50 million to Alaska in round one (paid in 2021) and an additional \$40 million in round two (not yet paid).

The Section 12005 funding requires a revenue loss of 35% between 2019 and 2020. This requirement makes the program unavailable for many seafood processors whose economic loss from the pandemic was caused not by lower gross revenues but by the unexpected expenses associated with

⁴ U.S. Small Business Administration. "[Payroll Protection Program.](#)"

⁵ Pacific States Marine Fisheries Commission. "[Alaska CARES Act Information.](#)"

quarantining workers and other mitigation protocols to protect workers from the coronavirus and to mitigate community spread. Like the PPP, Section 12005 funding also is not for reimbursement of COVID-related health and safety expenses.

The Pacific States Marine Fisheries Commission is administering the Alaska part of the 12005 program. Round one payments went out in December 2021, and the commission plans to start accepting applications for round two this spring.

ALASKA AMERICAN RESCUE PLAN ACT FUNDING (ARPA)⁶

In 2021, the Alaska Legislature appropriated \$90 million for a business relief grant program, using federal money allocated to the state from the March 2021 American Rescue Plan Act (ARPA). The funding comes from part of the law directed towards local programs, known as COVID State and Local Fiscal Recovery Funds (CSLFRF).

Instead of revenue loss, applicants for the first round of funding had to demonstrate a 50% or more loss in net income (profit) between 2019 and 2020.

It is not clear how much of the \$90 million was distributed to Alaska businesses during the application period, which closed in October 2021, or what proportion of the distribution will go to the Alaska seafood industry. Alaska's Department of Commerce, Community, and Economic Development (DCCED) is administering the program.

In February 2022, DCCED announced a second application period with different, not-yet-announced eligibility requirements will open in mid-March and close April 15.⁷

SPRS (SEAFOOD PROCESSORS PANDEMIC RESPONSE AND SAFETY) BLOCK GRANT PROGRAM⁸

This USDA program has allocated \$30.7 million to Alaska seafood processors. The program is intended to help processors (including at-sea processors) pay for costs associated with protecting workers from COVID-19. DCCED is administering the program and will announce exact eligibility requirements when applications open, likely this spring.

OTHER GOVERNMENT AID TO SEAFOOD INDUSTRY NOT LISTED IN TABLE 3

The programs listed above do not include several locally administered, federally funded programs to assist the Alaska seafood industry during the pandemic. For example, the Juneau and Yakutat city and borough governments each used local CARES Act funding to provide about \$200,000 in grants to seafood industry participants, mostly commercial fishermen.

⁶ Alaska Department of Commerce, Community, and Economic Development. "[AK ARPA Business Relief Program](#)."

⁷ Alaska Department of Commerce, Community, and Economic Development. "[DCCED Announces Second Round of AK-ARPA Business Relief Program](#)."

⁸ USDA. "<https://www.ams.usda.gov/services/grants/sprs>."

The Table 3 list also does not include USDA purchases of Alaska seafood including canned salmon and breaded Alaska pollock products, most of which are funded as part of the agency's commodity purchasing program.