

Issues for Nova Scotia's Seafood Markets in 2021

John Sackton
Seafood Datasearch
Province of Nova Scotia
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Background

- 40+ Years in Seafood Industry
- Crab, shrimp, lobster and cod market analyst since 1997
- Price and market outlooks for Atlantic Canada, Alaska, and US West Coast
- 2005-2018 Price arbitrator for Alaska crab
- Expert on Mussel and Oyster Markets
- Co-Founder of NFI's Global Seafood Market Conference
- Annual Market Review for Fisheries Council of Canada
- Founder of SeafoodNews and Seafood Datasearch



Outline for Today

- Overview of Pandemic impact:
 - New food purchase patterns in the US, China, and Europe
 - Disruptive factors in seafood production and shipping
 - Changes in Trade Flows
- Marketing Opportunities in a Post-Covid Environment
- Discussion of 2021 market outlook for specific species



One Year into the Pandemic

What Have We Learned

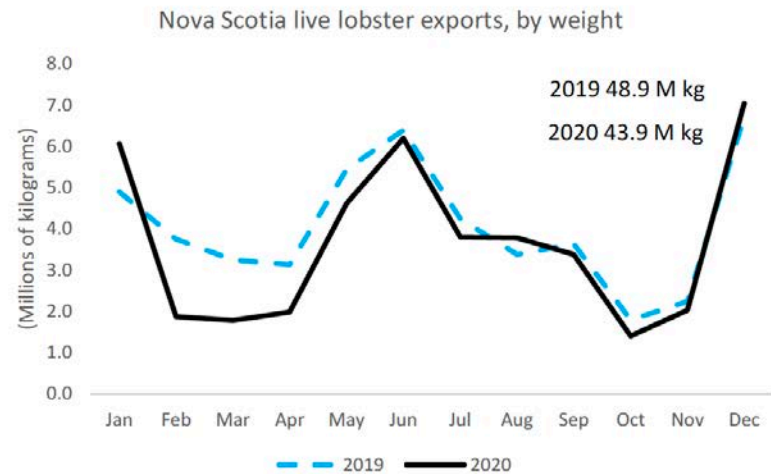
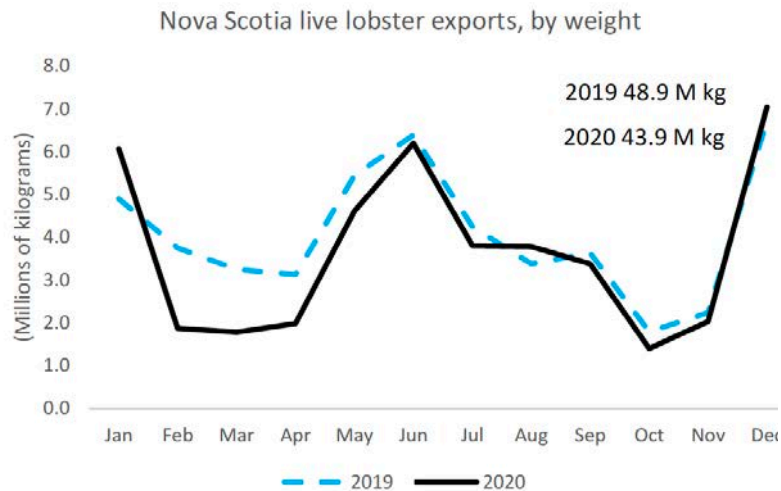
- After a sharp drop in price and output in April and May, most species recovered strongly in 2nd half of year.
- Major changes in food consumption patterns have occurred in North America, China, and Europe.
- In the US the timing of relief checks plus the shutdowns resulted in a surge in retail seafood
- This has led to higher overall seafood sales in 2020 than in 2019.
- Recovery in 2021 depends on continued stimulus



Nova Scotia Seafood Exporters Had Better Year Than Expected

Lobster volume down 10%

Avg price down only 3%



Source: Preliminary figures, NS Dept of Fisheries & Aquaculture

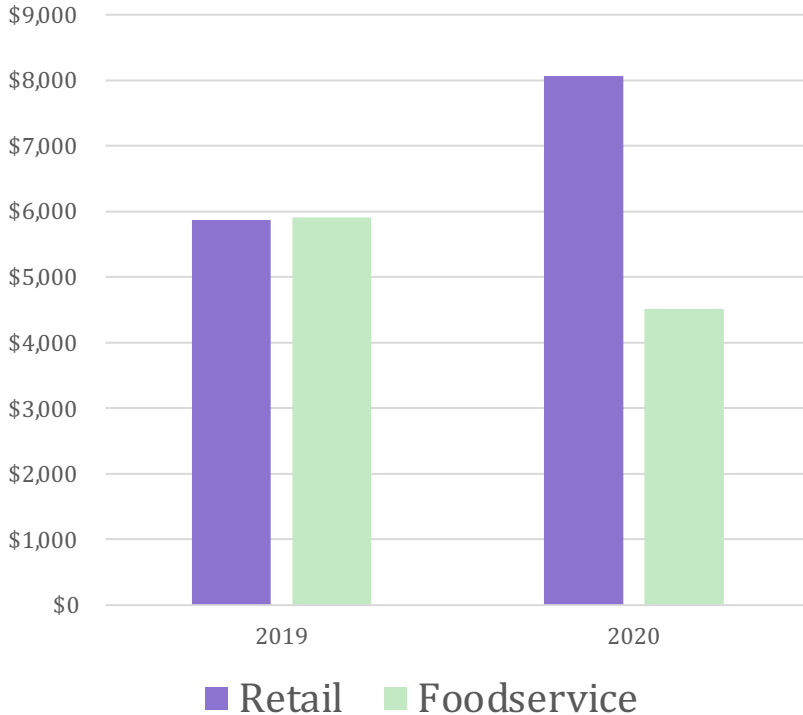


Major Structural Changes in Trade Patterns and Markets Will Persist

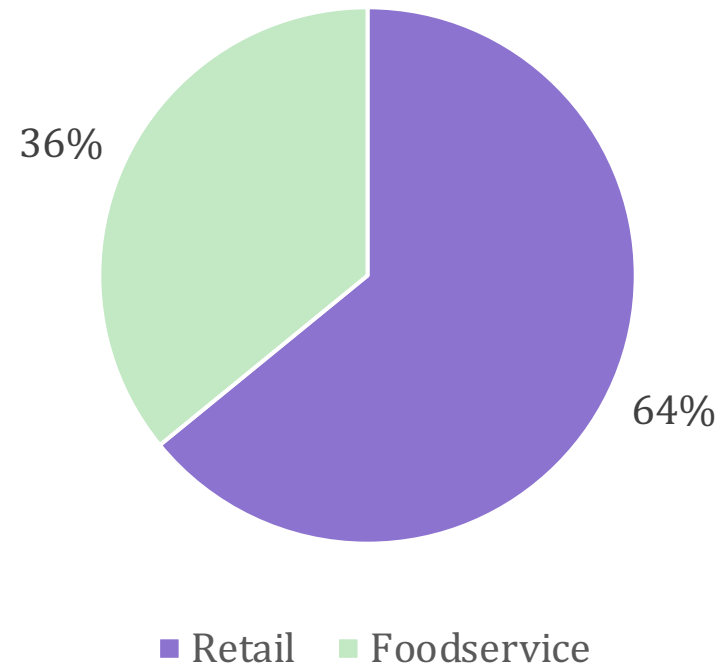
2019: Retail Seafood 50%

2020: 64%

US Seafood Sales 2019 vs 2020

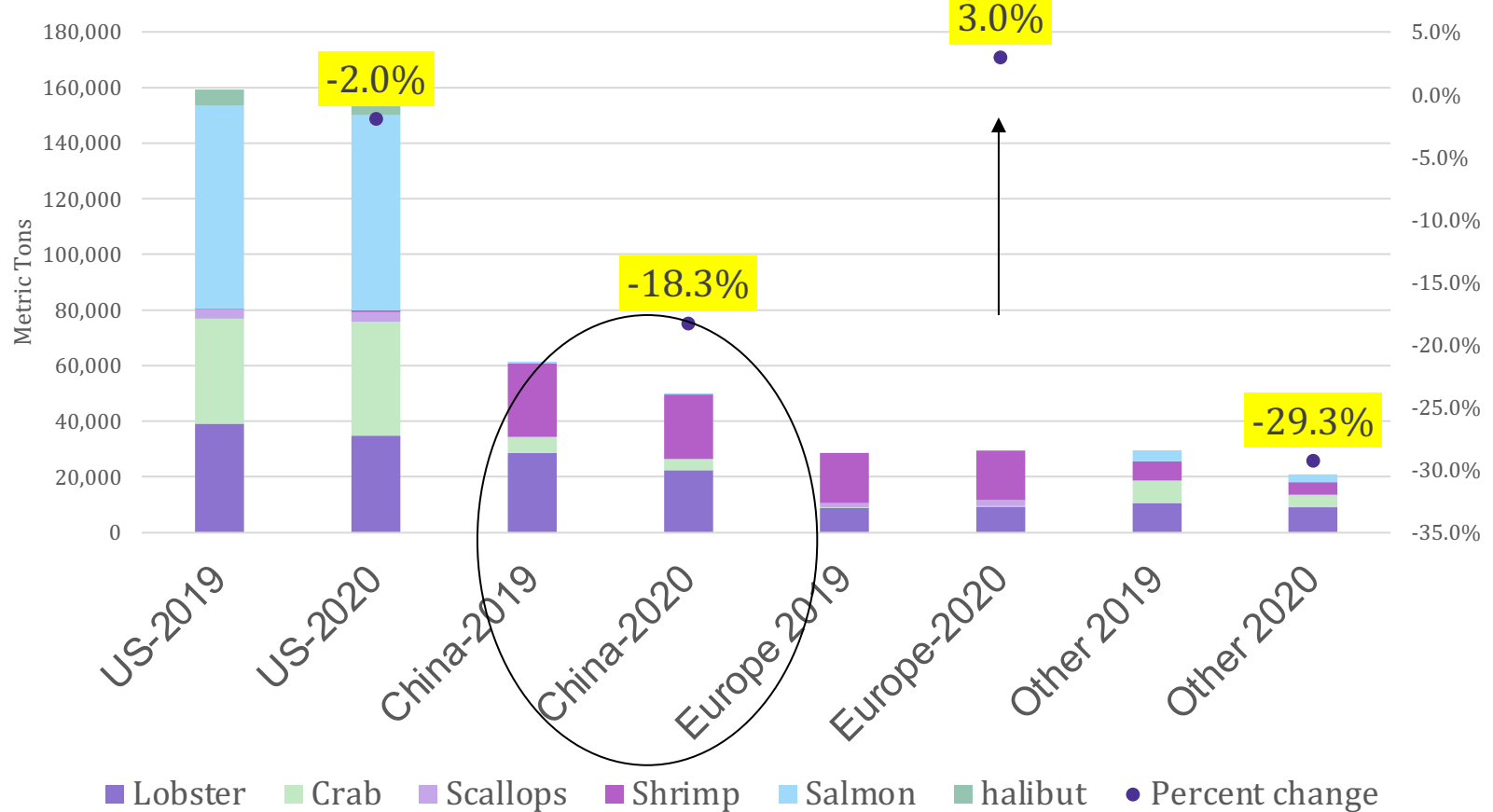


2020



Canada's Seafood Trade: China was most impacted

Major Canadian Seafood Trade Partner Change 2019-2020



Seafood Sales Grew in 2020

2020 Retail + Foodservice sales



\$12.6 BILLION

INDUSTRY HAD NET GROWTH OF +7%
WITH TOTAL GROWTH OF \$800 MILLION

NATIONAL
FISHERIES
INSTITUTE

Retail: IRI data CY2020. Foodservice: NPD Supply Track data 11/2019-11/2020.



Nova Scotia Species benefitted from new retail demand

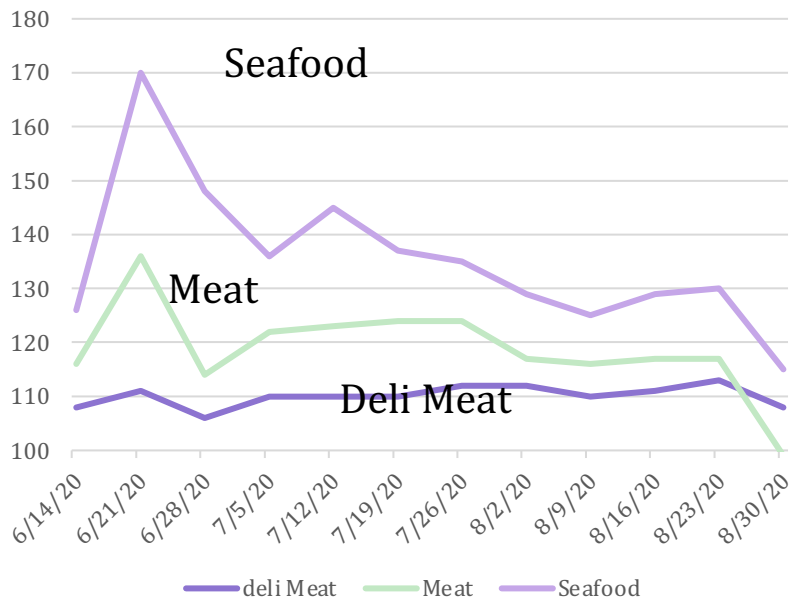
Big winners in retail seafood:

- Crab +87%
- Lobster + 87%
- Scallop +64%
- Mahi Mahi +56%
- Barramundi +70%
- Sea Bass + 114%
- Catfish +40%
- Halibut +52%
- Tilapia +25%.



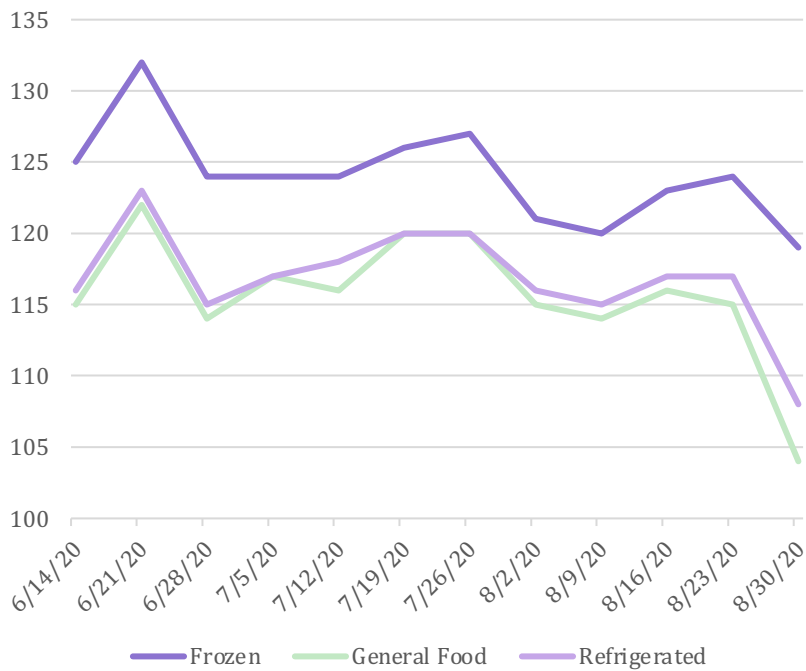
Industry got reprieve from retail seafood

IRI Weekly Retail Data: Seafood, Meat, Deli Meat
100=no change YOY



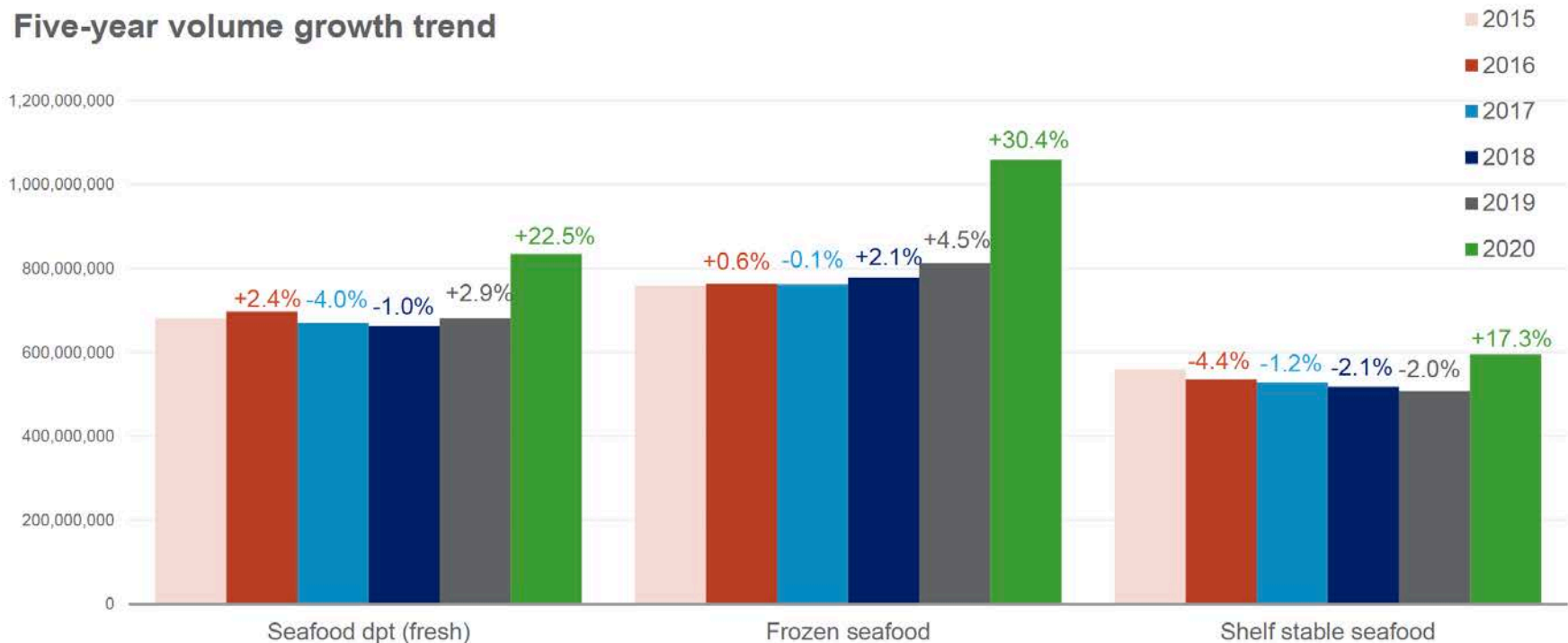
Frozen category very strong at retail

IRI Weekly Retail Data: Frozen,
General Food, Refrigerated
100=no change YOY



Frozen Seafood Had Better Performance than Fresh

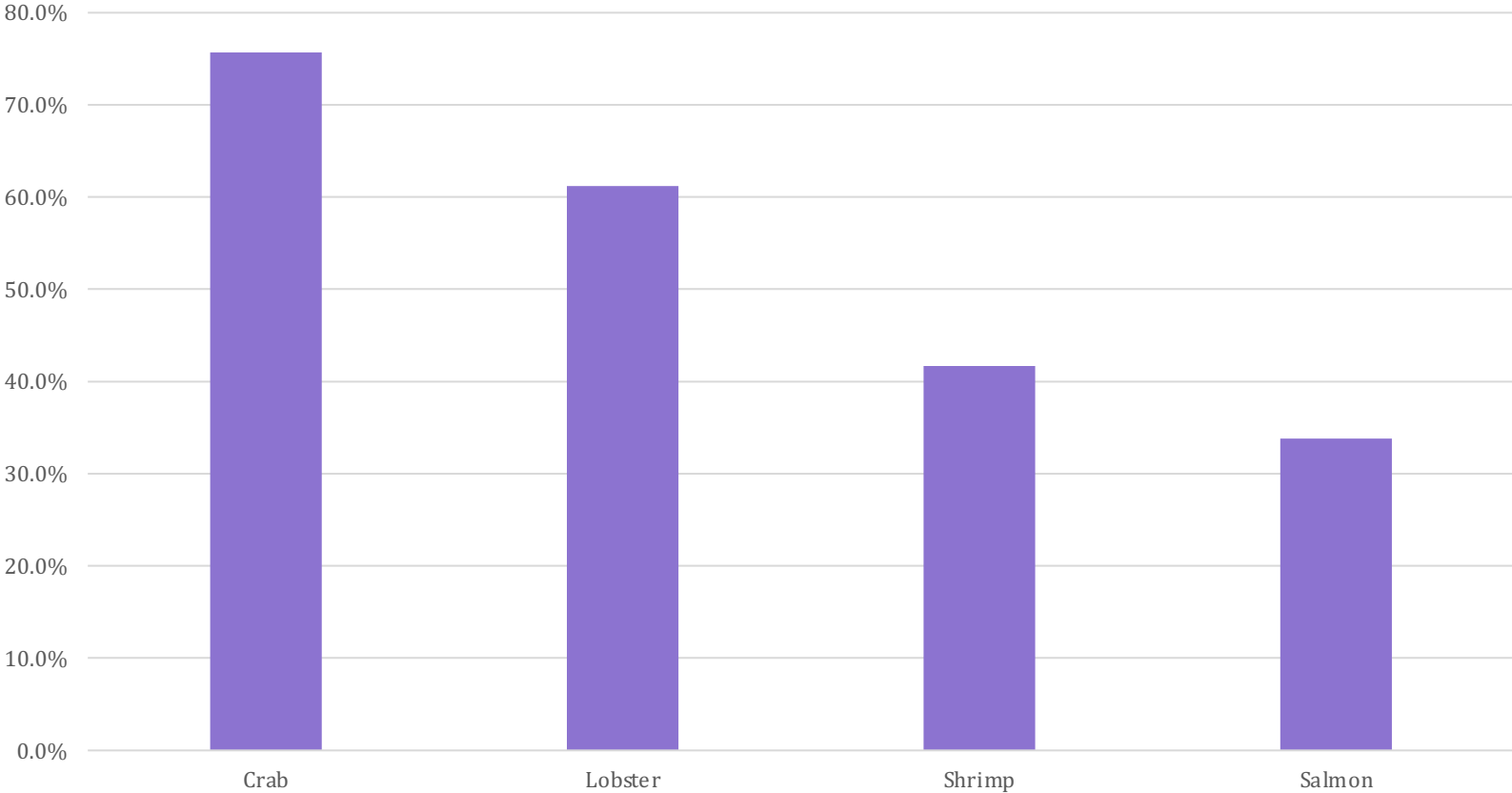
Five-year volume growth trend



Source: IRI, MULO, 52 weeks ending 12/27/2020

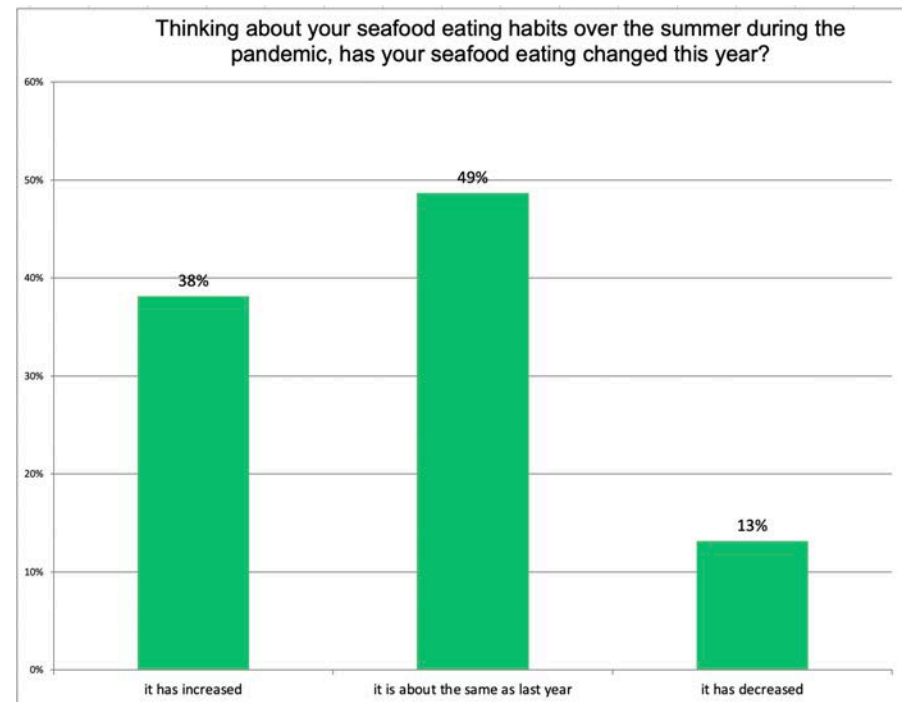


Crab and lobster were mostly sold frozen



Three trends helping seafood consumption

- Big Increase in home cooking
- Big increase in use of frozen food
- Continued emphasis on health during pandemic



Data from informal survey of changes in seafood consumption
by SeafoodNews



Pandemic has hit different sectors unevenly

- 70% of US Seafood dollar sales are at Foodservice
- Shut down of foodservice sector has had huge impact
- But impact was initially mitigated
- New round of shutdowns means more closures will be permanent
- Restaurant relief so far not a government priority



Casual Dining and Fine Dining Restaurants Hit Harder

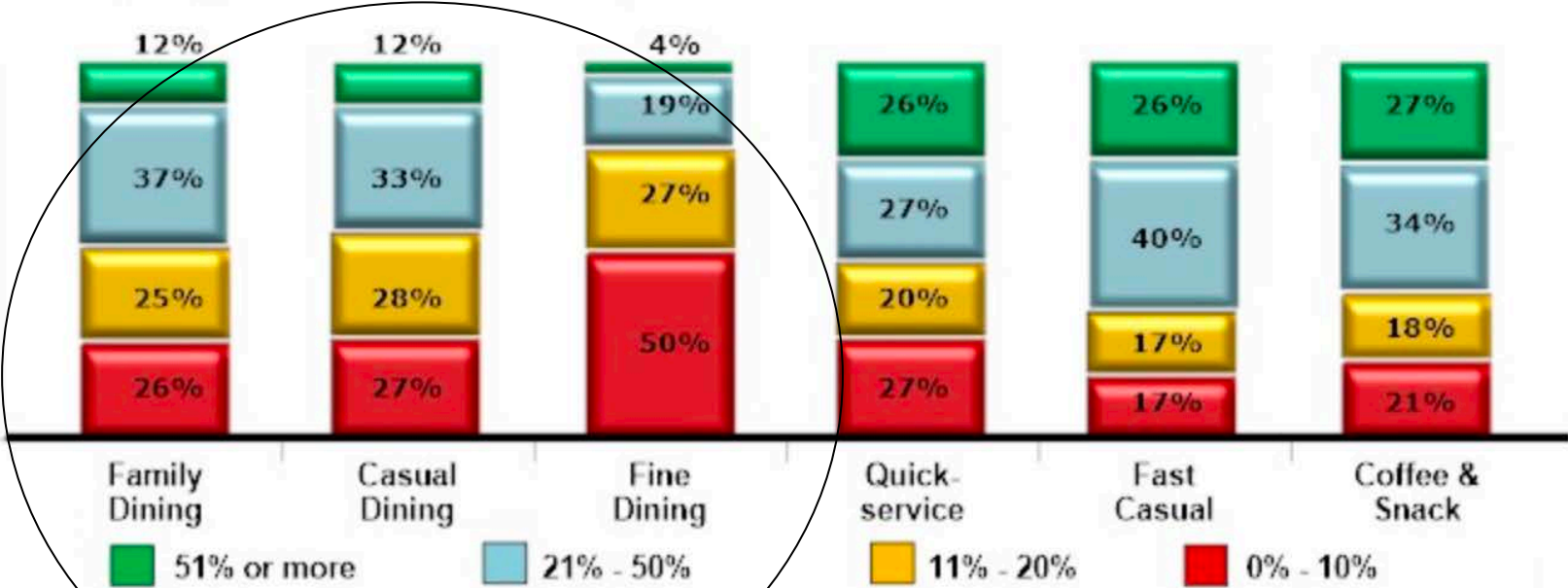
	Total Closed	Temporarily Closed	Permanently Closed
Total	11.0%	2.6%	8.4%
QSR	9.8%	1.7%	8.1%
Fast Casual	11.0%	2.9%	8.1%
Midscale	9.8%	1.9%	7.9%
Casual Dining	12.4%	4.1%	8.3%
Fine Dining	18.6%	9.5%	9.1%

Source: Datassential Covid Tracker February 2021



Take-out is not making up for lost revenue

Proportion of lost on-premises sales that were made up by additional off-premises sales in recent months



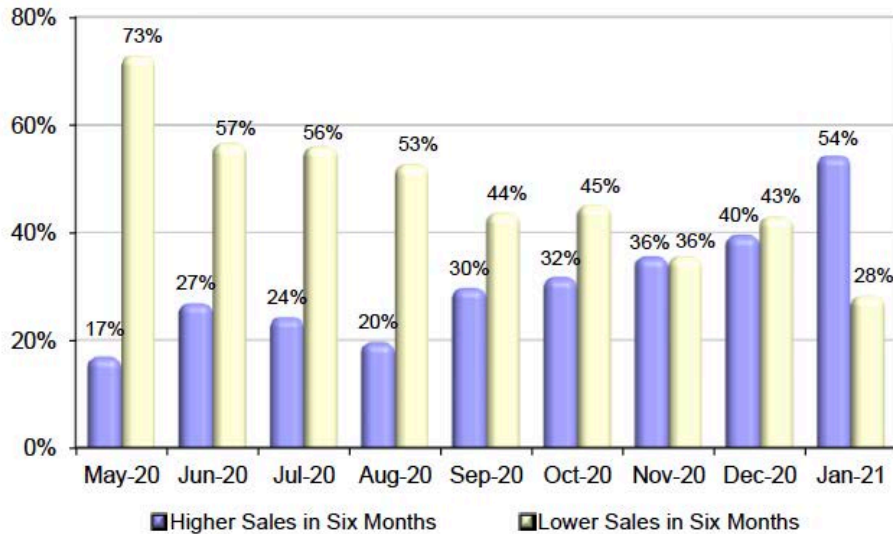
Source: National Restaurant Association, survey of 3,000 restaurant operators conducted 2/2 - 2/10, 2021



Operators Expect Some Recovery

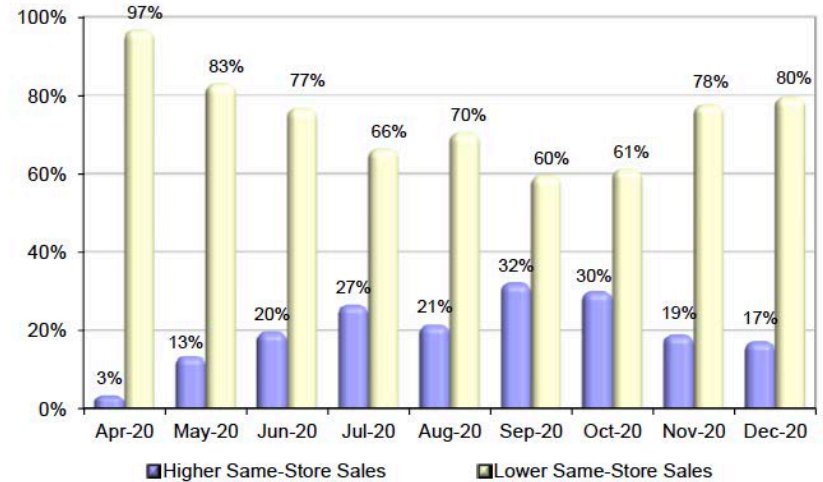
80% Seeing lower revenue, but 54% expect higher sales in six months

Restaurant Operators' Outlook for Sales Volume in Six Months versus Same Period in Previous Year



Source: National Restaurant Association, Restaurant Industry Tracking Survey

Restaurant Operators' Reporting of Same-Store Sales versus Same Month in Previous Year

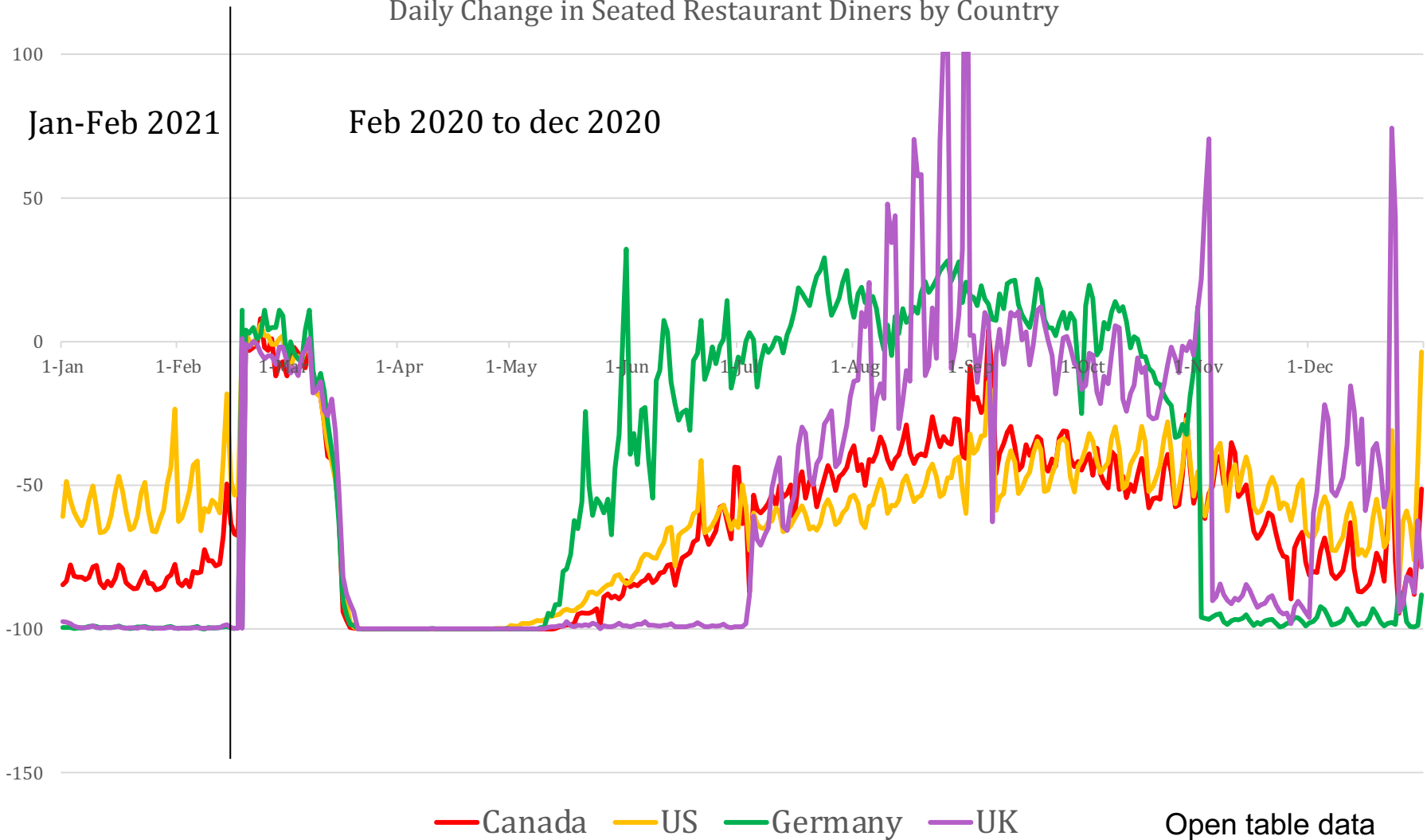


Source: National Restaurant Association, Restaurant Industry Tracking Survey



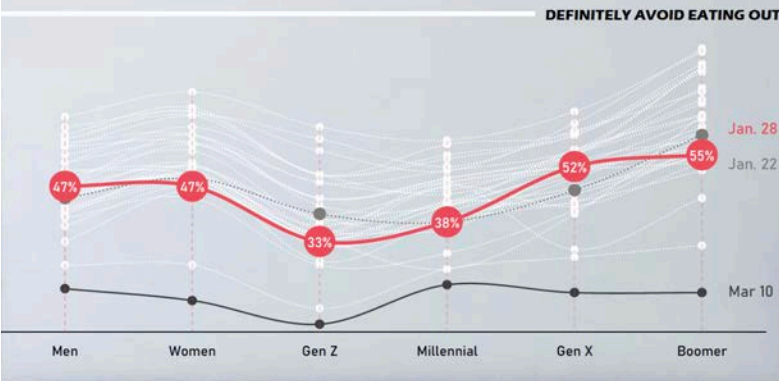
Restaurant traffic has not recovered

Daily Change in Seated Restaurant Diners by Country



Restaurant industry recovery will be slow

Willingness to dine out remains relatively flat through January, but Gen Z consumers appeared the most likely to try dining out again.



- Restaurants paring their menus
- Changes don't affect all seafood equally
- Worst for oysters and items that didn't have huge retail uptake
- Will add to overall demand rather than shift retail demand



Economic factors are key risk for first half of this year

- There is increased hope that large scale stimulus has set the stage for a quick recovery
- US Gov't and Economists and Federal Reserve all agree on large scale stimulus boosting debt to WWII levels
- After the 2008-2009 financial crash it took lobster prices years to recover
- Under current fiscal conditions, stage is set for demand for seafood to outstrip current supplies
- Upward price pressure is likely
- This rosy forecast could be upended by new virus variant outbreaks

Outlook for strong seafood export performance has improved

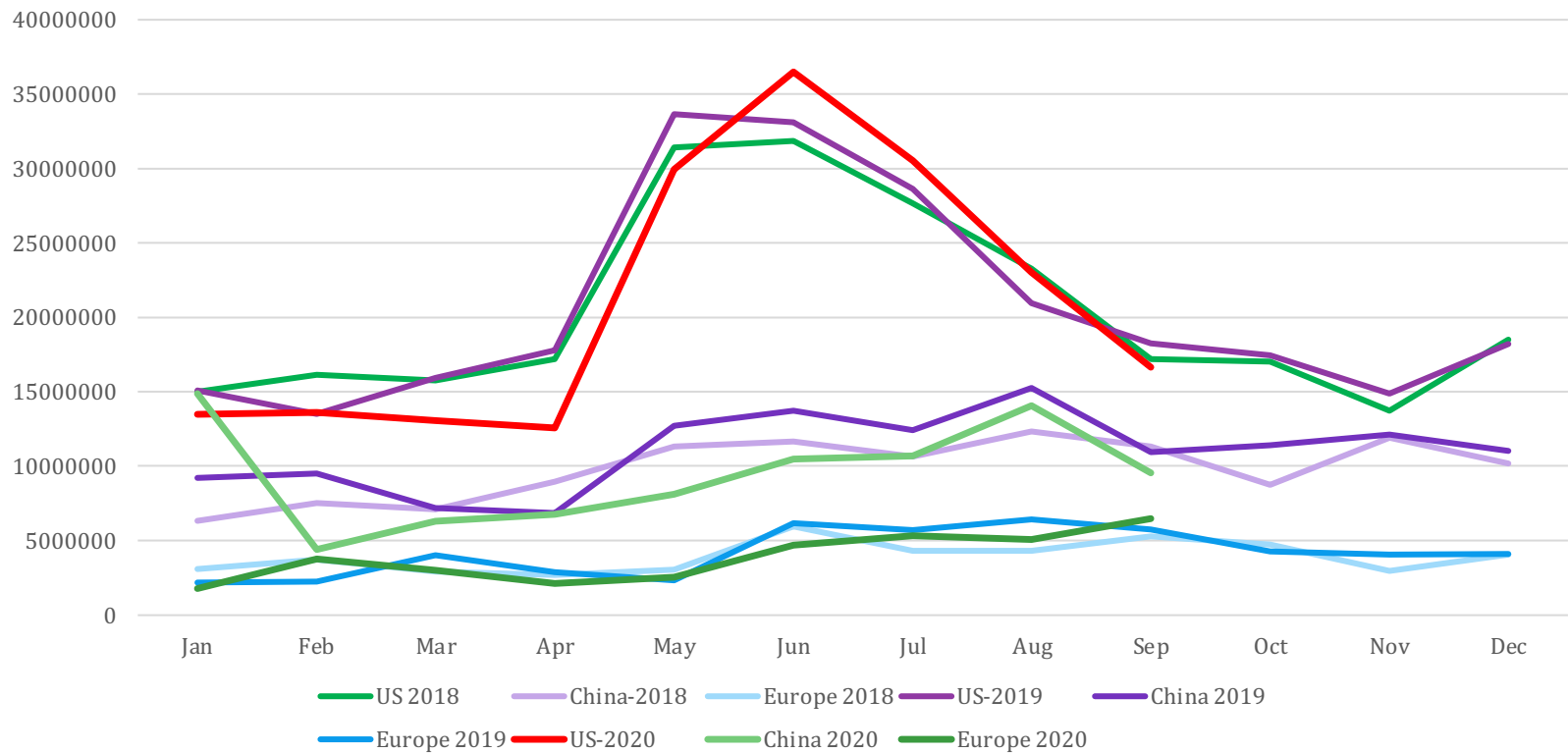
Ramped up vaccine distribution in the US may lead to strong economic recovery visible by summer

Increased seafood buying helped by maintenance of income levels. Stimulus package may provide income continuity



Canada's US, China and European trade flows in 2020

Canada Seafood Trade Flows (QTY)

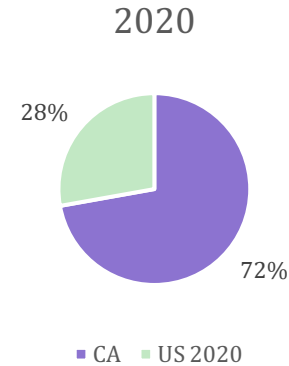
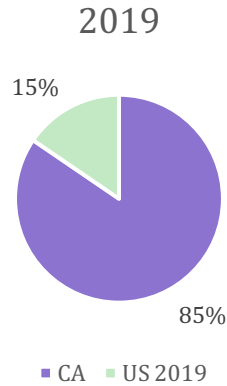


Live lobster to China

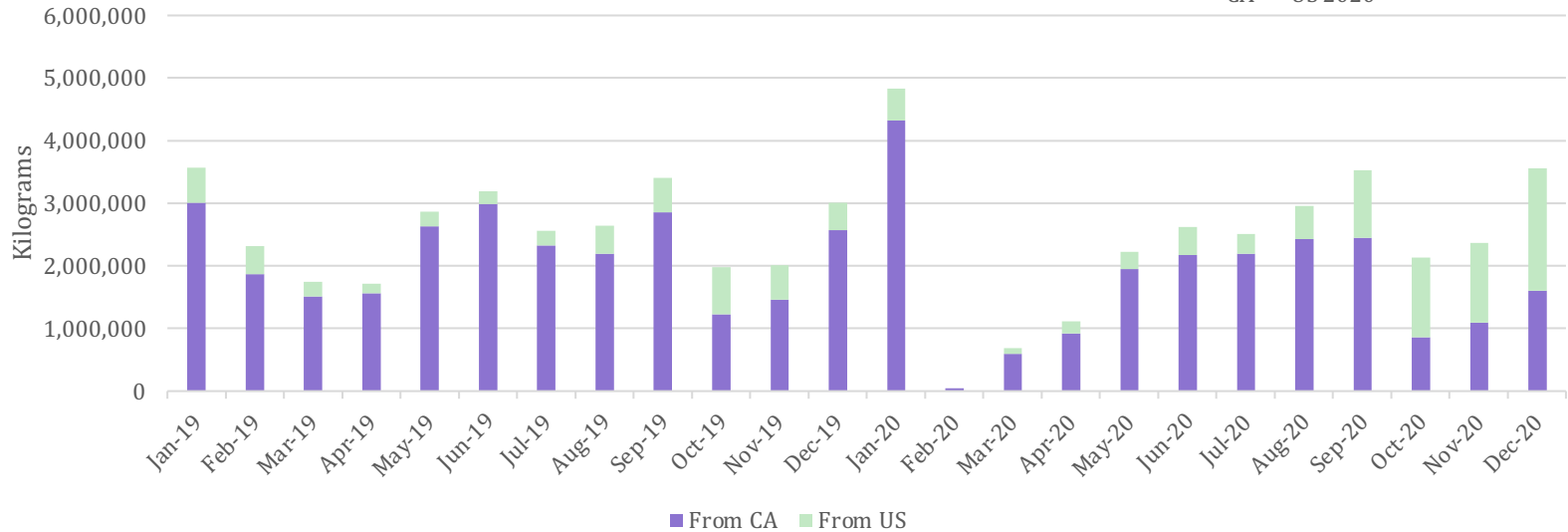
Monthly live lobster sales from Canada trail 2019 volume



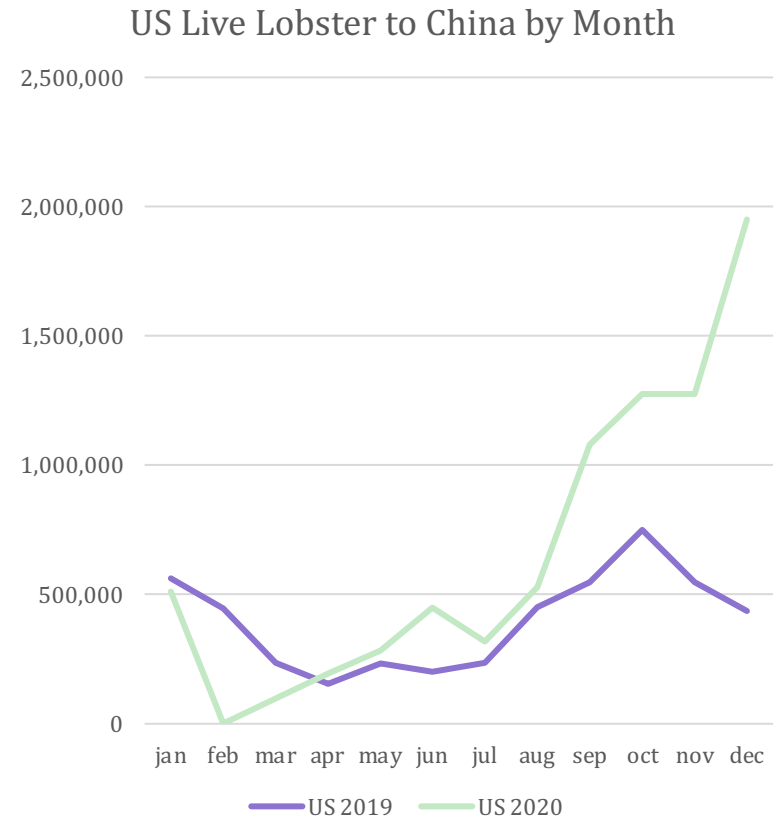
Although total live shipments declined, US share of China Trade rose



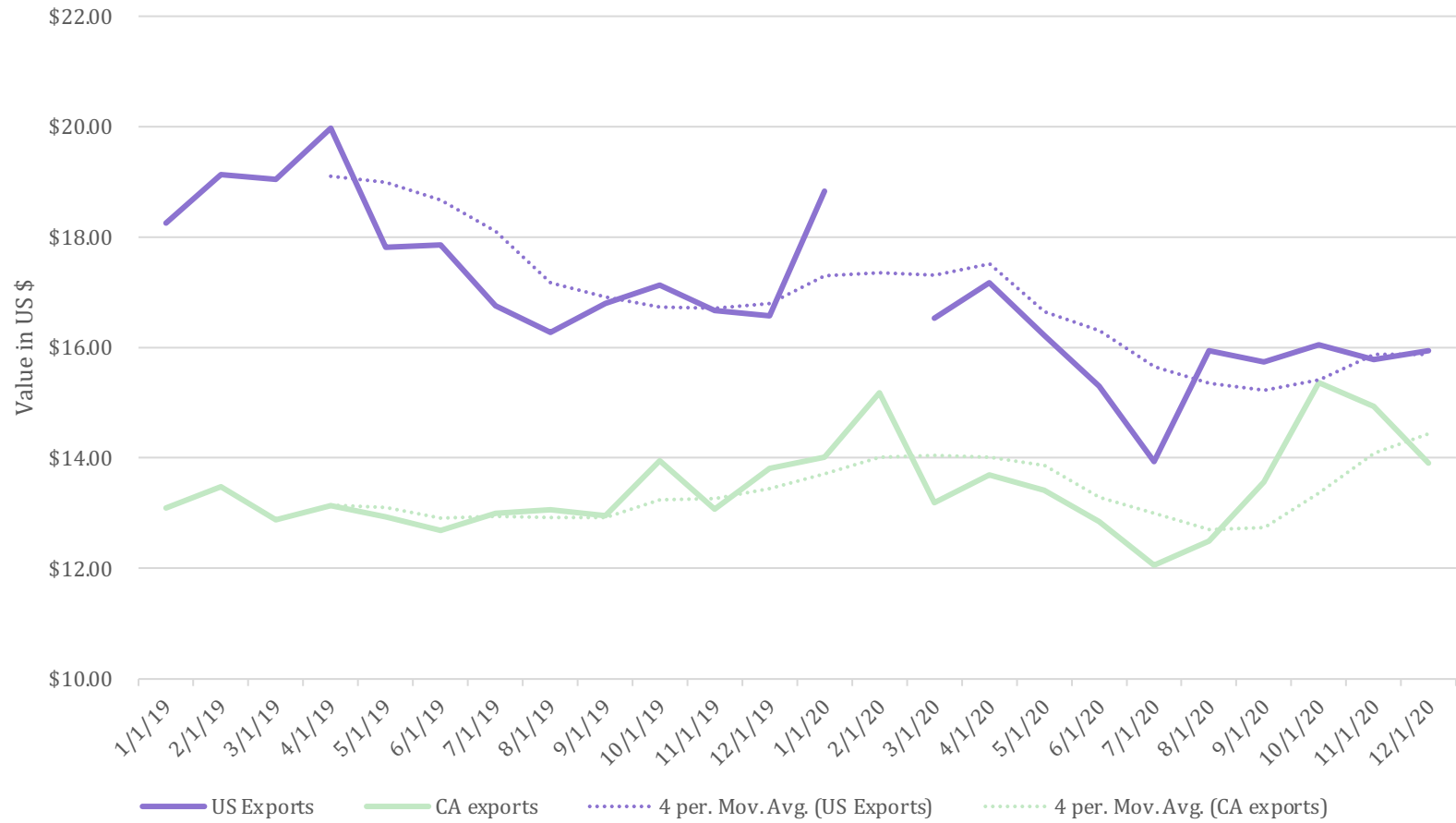
Canada and US Monthly Shipments



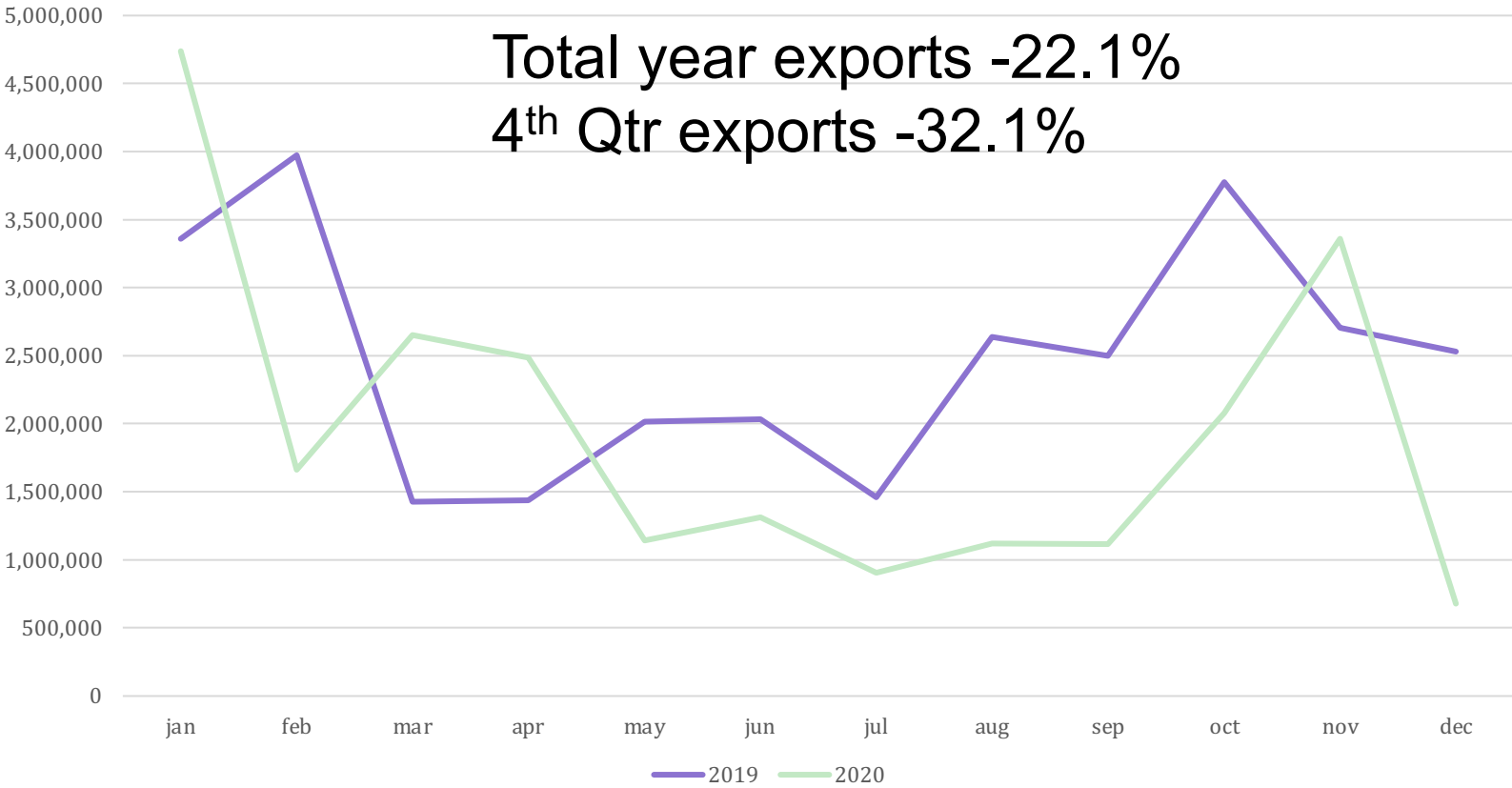
US increased lobster sales to China: total Chinese volume was lower



US Price Premium Narrowed after tariff lifted in March

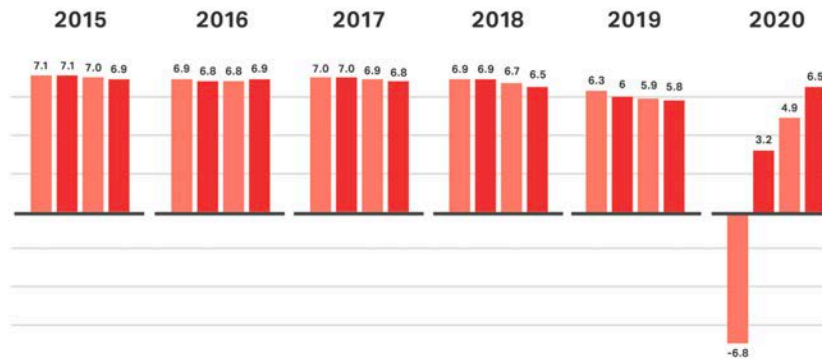


Cold water shrimp to China



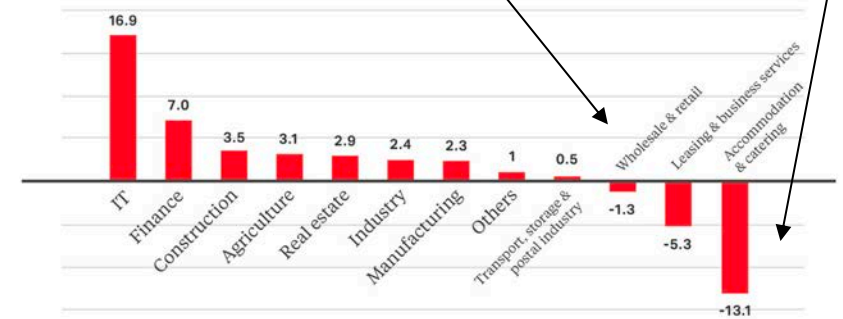
China's Economic Growth has not translated into food demand

China's GDP growth (%) by quarter



Data from China National Bureau of Statistics

GDP growth (%) by industry



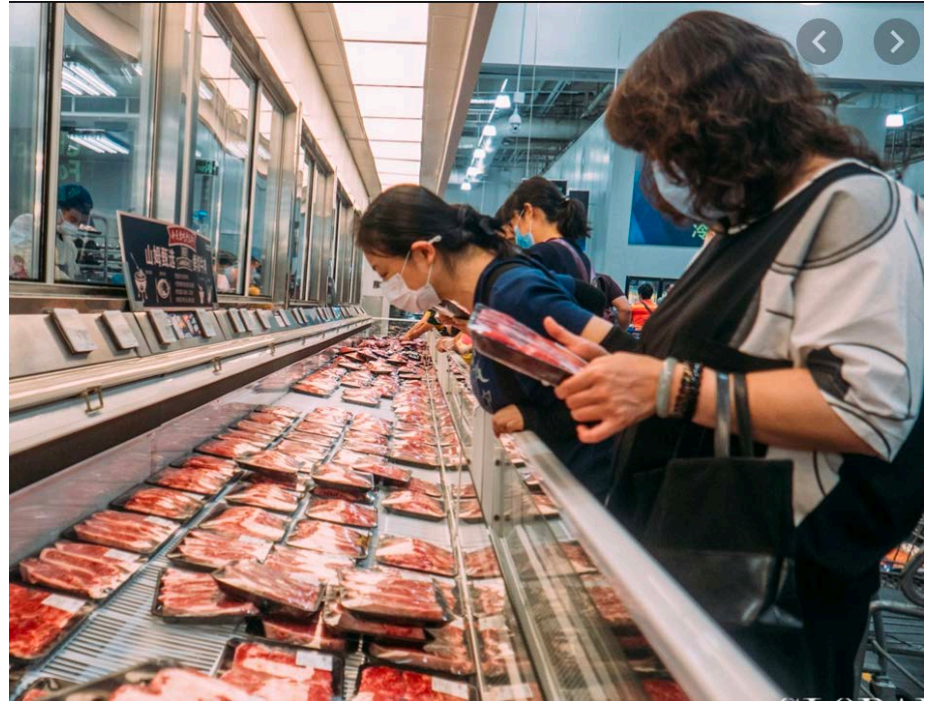
Data from China National Bureau of Statistics

retail foodservice



Exporter Headwinds

- Strict Health Inspections Increase Risk for Importers
- Chinese media blames frozen seafood imports for Covid Outbreaks
- Consumers turn away from imported food
- Chinese are saving money by spending less on food
- Foodservice Sector remains depressed

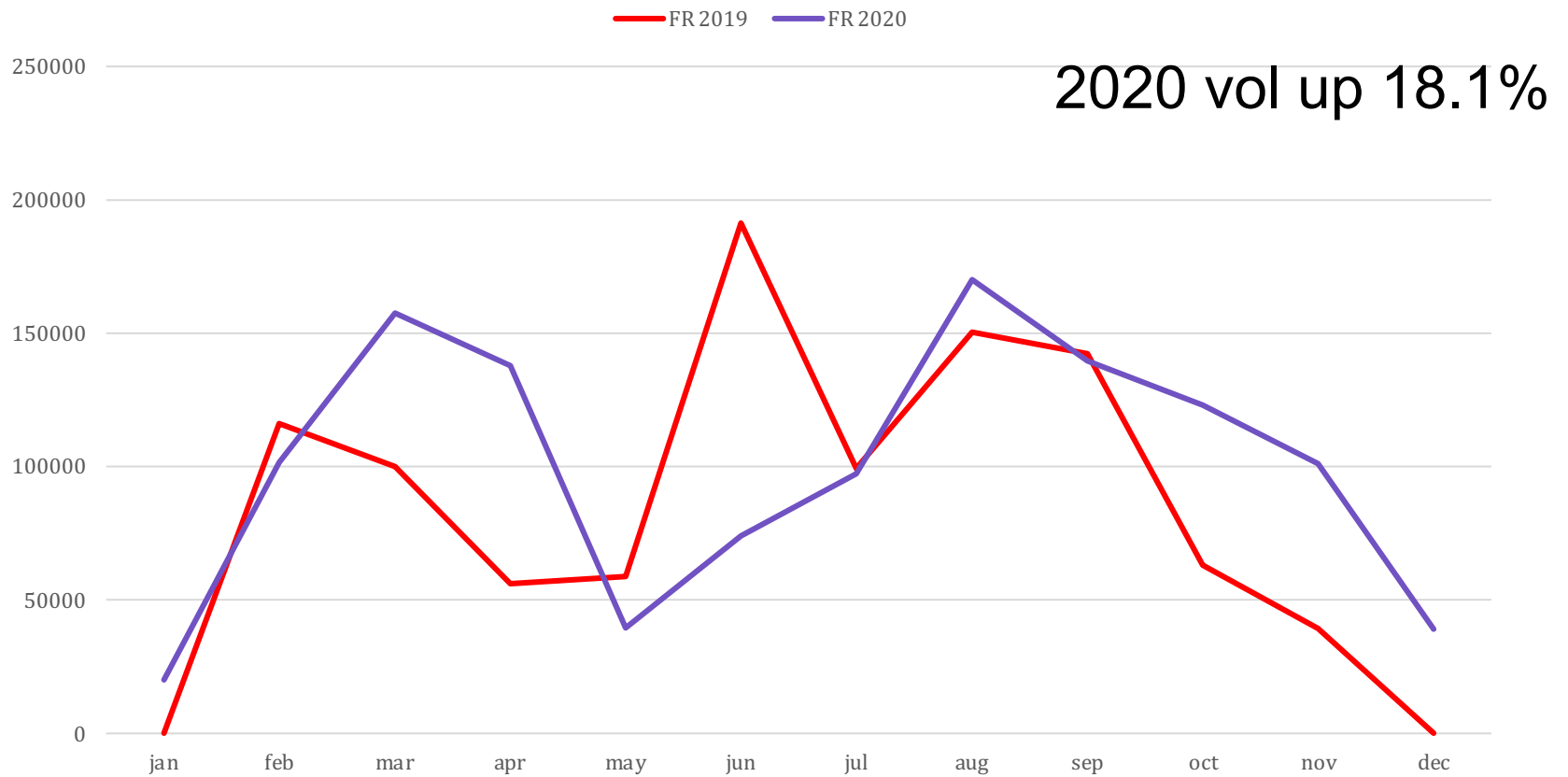


What explains Lobster Trade

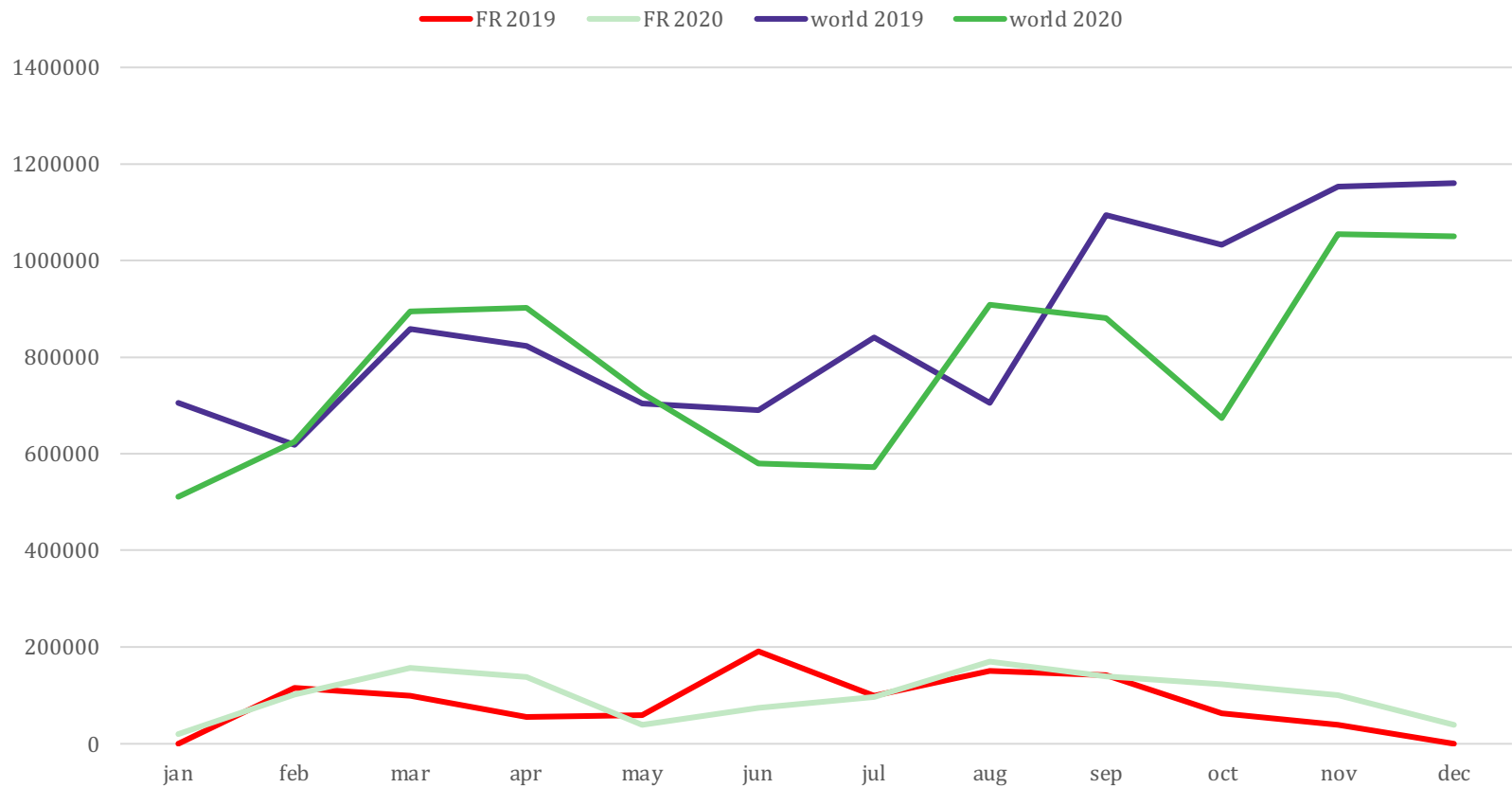
- During period July-December US produced more live lobster than Canada
- Removal of Tariff allowed US exporters to target former customers in China
- Air cargo options in summer favored US
- Fewer discounts on US lobster due to grading prior to shipment
- Industry said 2021 Chinese New Year did not meet expectations



CA Fzn Scallops to France

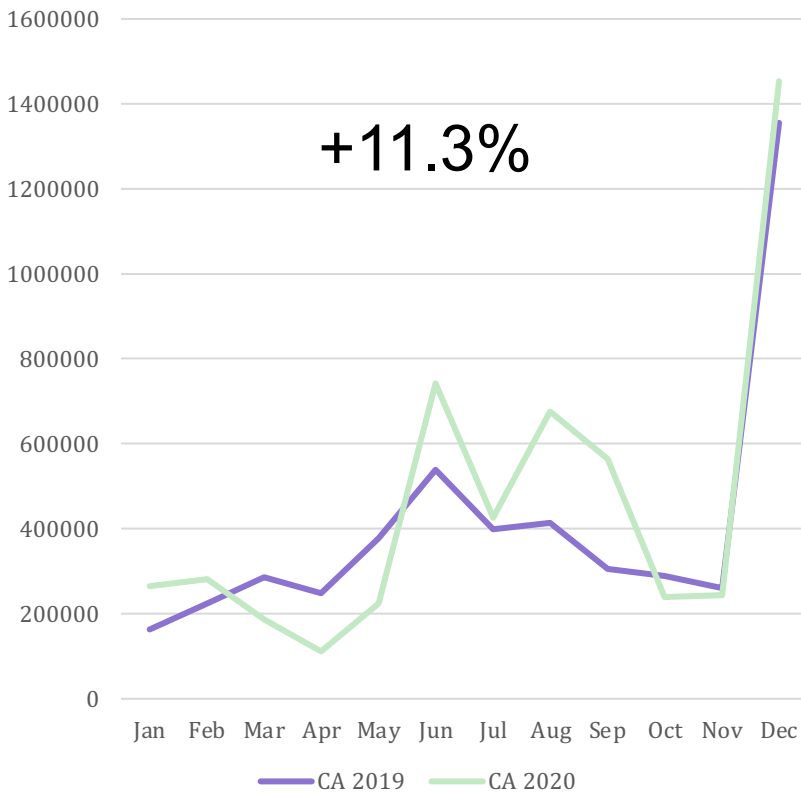


But overall volume of scallops to France fell 9.7%

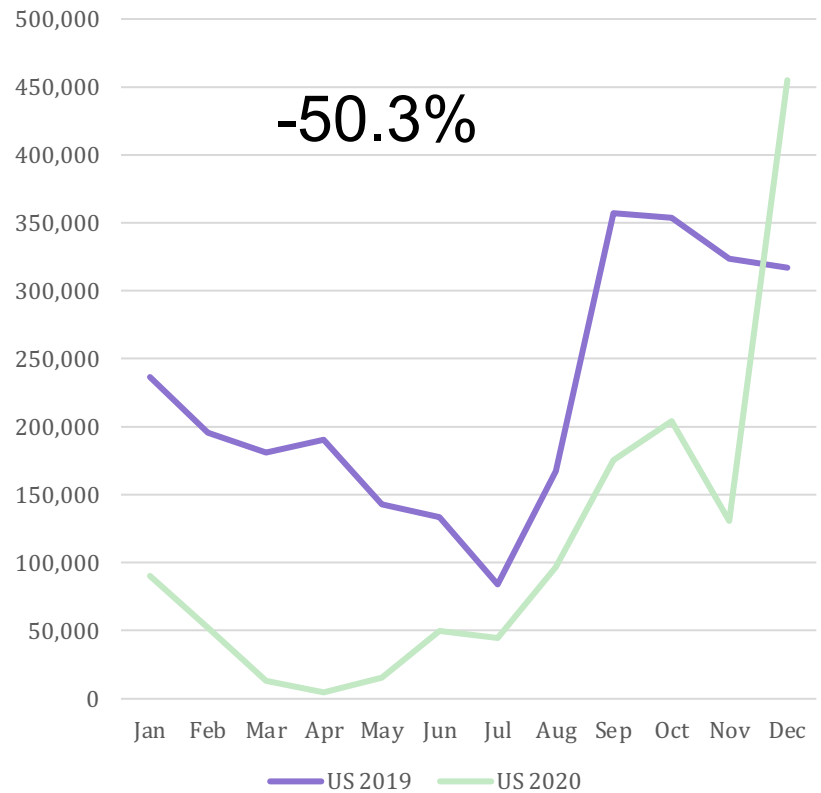


CA and US Lobster to Europe: total down 10.6%

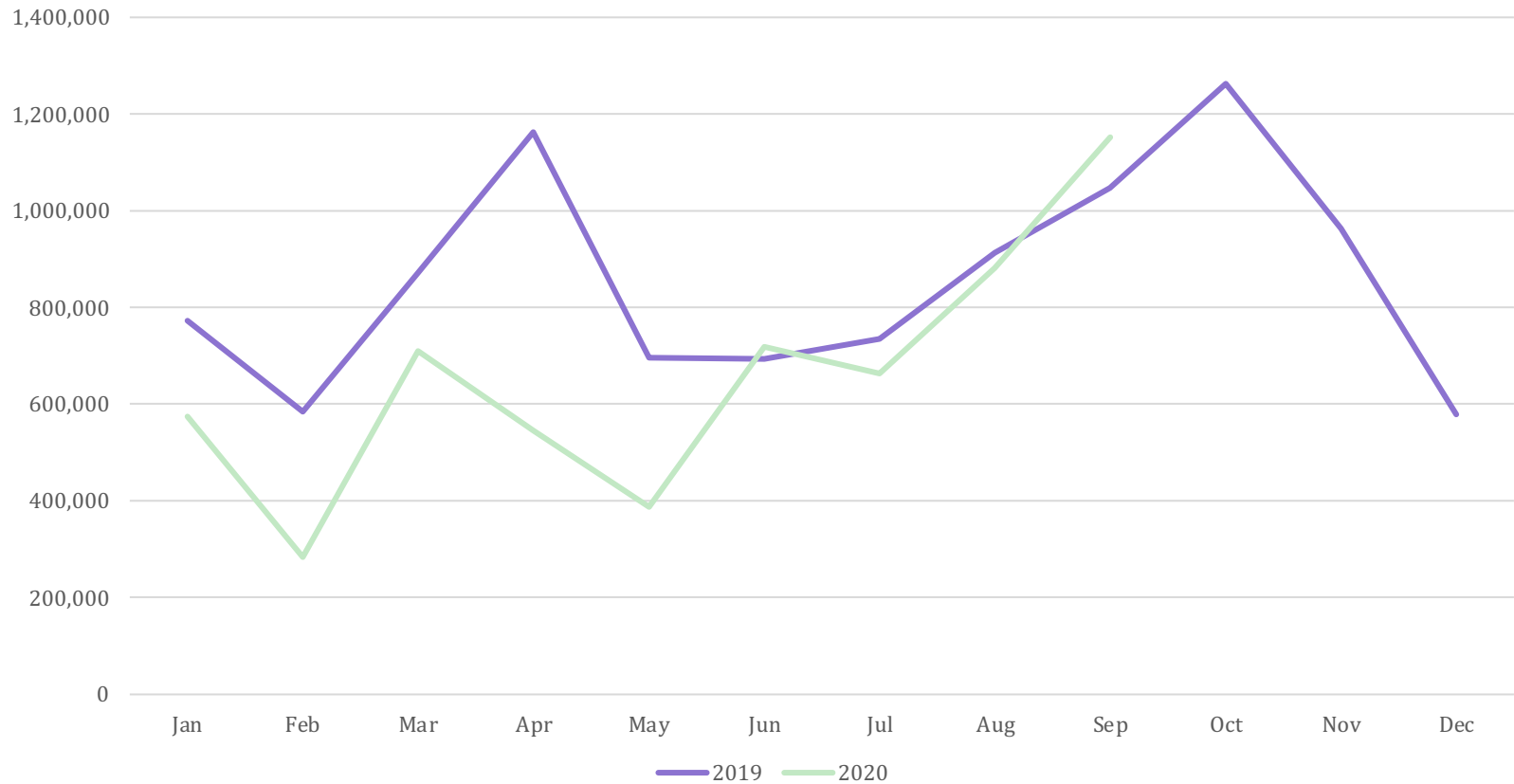
Canadian live lobster to EU



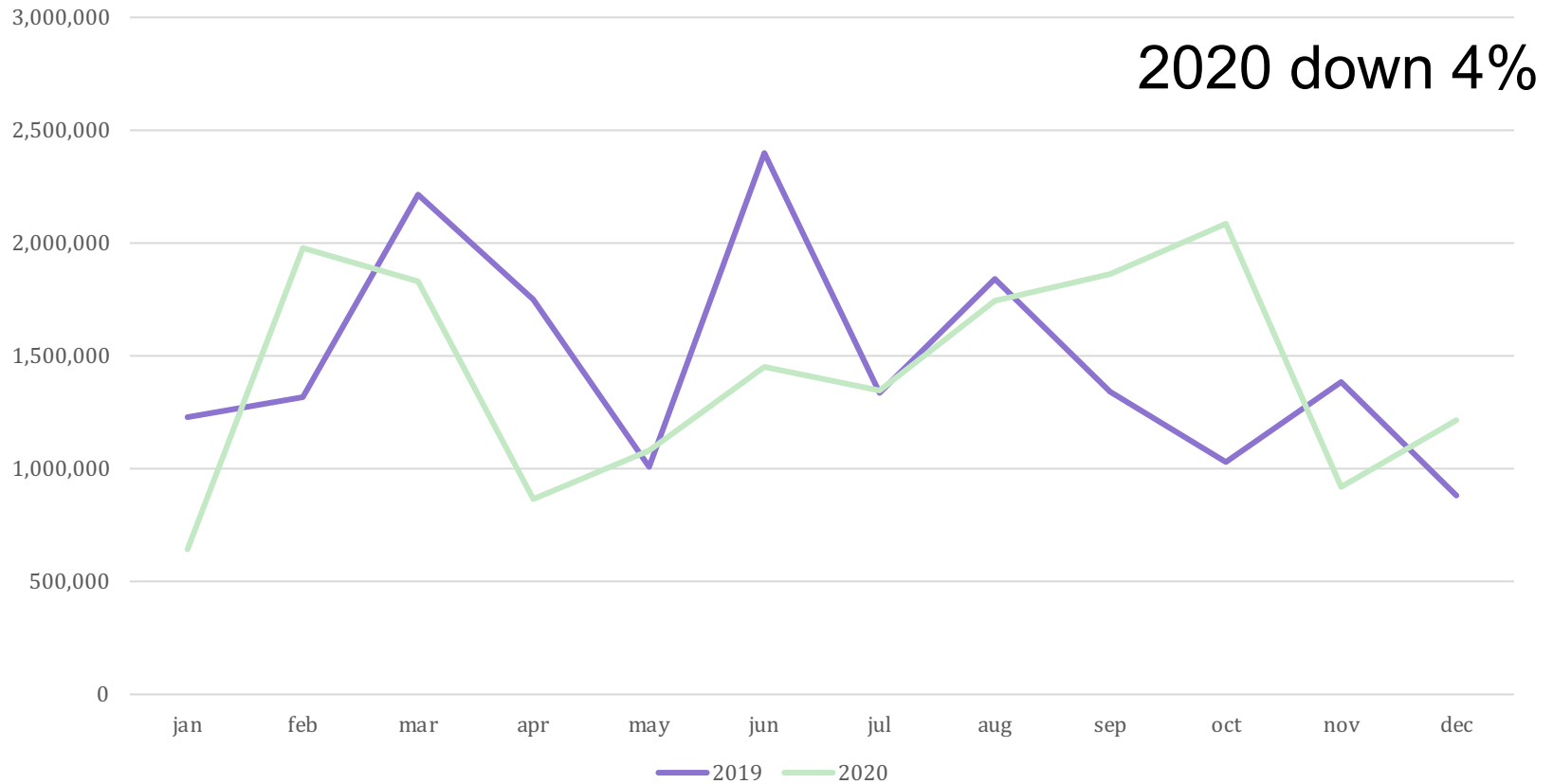
US live lobster to EU



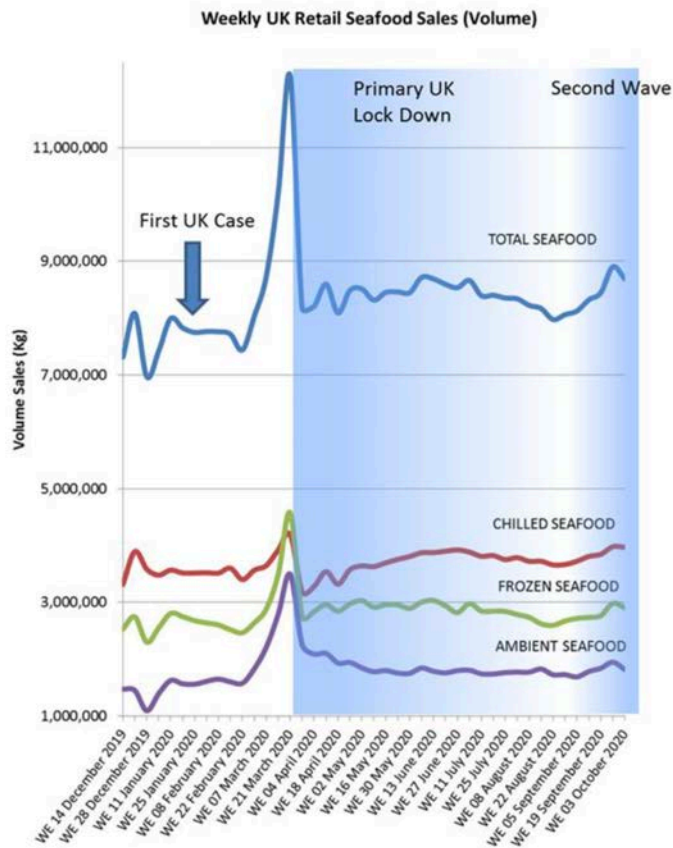
Coldwater shrimp to Europe (all sources)



Canadian cold water shrimp to Europe



UK Retail Seafood increased



Species	Percent vol inc	Price Change
Fzn scallops	17.8%	-2.5%
Coldwater shrimp	8.2%	1.4%
Haddock	9.7%	5.3%
FZN Tot	10.4%	5.1%



Carrefour Reported Spectacular Sales Gains in France and Spain

	Gain in 2020	Gain in 4 th Qtr (France)	Spain	Italy
Hypermarket		3.9%	6%	-7.6%
Food		5.4%		
Food Ecommerce		58%		


- Consensus is that individual country factors influenced spending based on whether regulations allowed hypermarkets to open
- Center City and Work Based shopping venues were constrained, benefiting suburban hypermarkets



Shift in where food is purchased to more rural areas: trend for Europe as well as US

FMCG DOLLAR SHARE SHIFTS TO STORES IN LOW-DENSITY AREAS

n

	TOP 10% HIGHEST DENSITY POSTAL CODES	BOTTOM 10% LOWEST DENSITY POSTAL CODES
	% CHANGE IN DOLLAR SHARE	
CHICAGO	-5.8%	9.4%
DALLAS / FT. WORTH	-0.6%	10.7%
LOS ANGELES	-7.8%	2.7%
MIAMI	-5.5%	1.2%
NEW YORK	-14.2%	9.9%

Source: Nielsen Retail Measurement Services, U.S. store-level data within Syndicated Major Markets (SMM's), Mar. - Aug. 2020 vs. year-ago.

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Overall shopping experience

- Pandemic-led shifts to further online adoption and an increased focus on neighborhood and small-format stores have become an ongoing normal.
- China, UK, France:
 - Food consumption moved out of urban cores to less dense areas.
 - Frequency of shopping declined.
 - All due to not working in office



European Recovery slower than US and China

- Export figures suggest that European demand has not recovered as much as in the US for seafood.
- Individual lockdowns in Europe by country were often 100% (UK, Germany)
- European retail trend was for sales to migrate away from center city, but there was significant expansion of retail food sales
- Although Nova Scotia exports to Europe were stable, Canadian exports overall, plus European seafood imports from all sources likely declined.

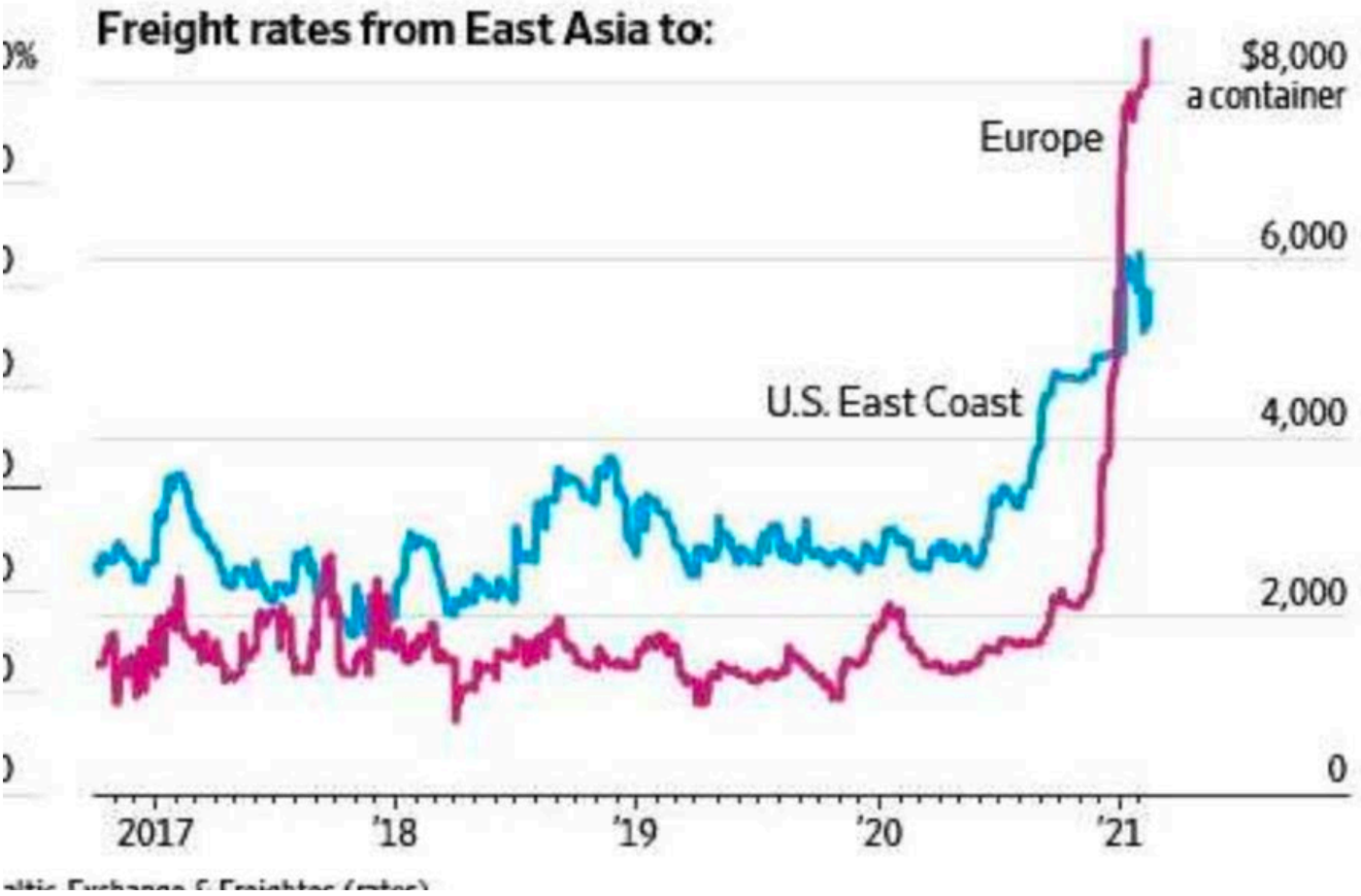


Air cargo has recovered with higher prices

- Air cargo volume expected to reach pre-pandemic levels by March; Passenger traffic remains depressed
- Avg rates rose from \$1.80 to \$3.27 per kg in Dec, but have come back somewhat
- Global sea freight disruptions increasing demand for airfreight
- More freight companies using charters

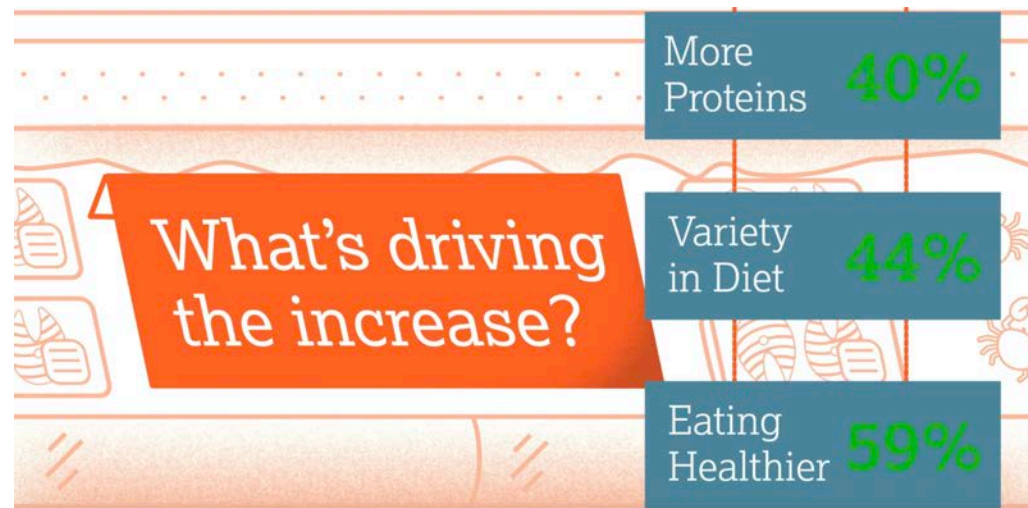


Sea Freight Disruptions include costs and lack of container availability



Seafood met the moment in 2020

- 33% of US adults bought seafood up from 25% in 2019
- 44% bought seafood online, up from 19% in 2019
- Consumers want more education about seafood



+ 30% cooking at home

FMI power of seafood



Retail Market changes also provide opportunities

- Packaging
 - Smaller units for retail sale
 - 30 lb snow crab box may not cut it
 - Foodservice packaging that can go direct to consumer.
 - Sustainable packaging.. No Styrofoam but paper insulating panels
- Education of consumers
 - Seafood consumers were more ready to cook at home than we thought
 - Opportunities for seafood education in ready to cook, ready to eat products



Protecting markets

- Retailers are nervous about high prices
 - Suppliers have to work with them on products with retail value
- Foodservice has drastically cut the range of seafood menu items
 - Need innovation to improve take out
 - Need to demonstrate why a product should be on the menu



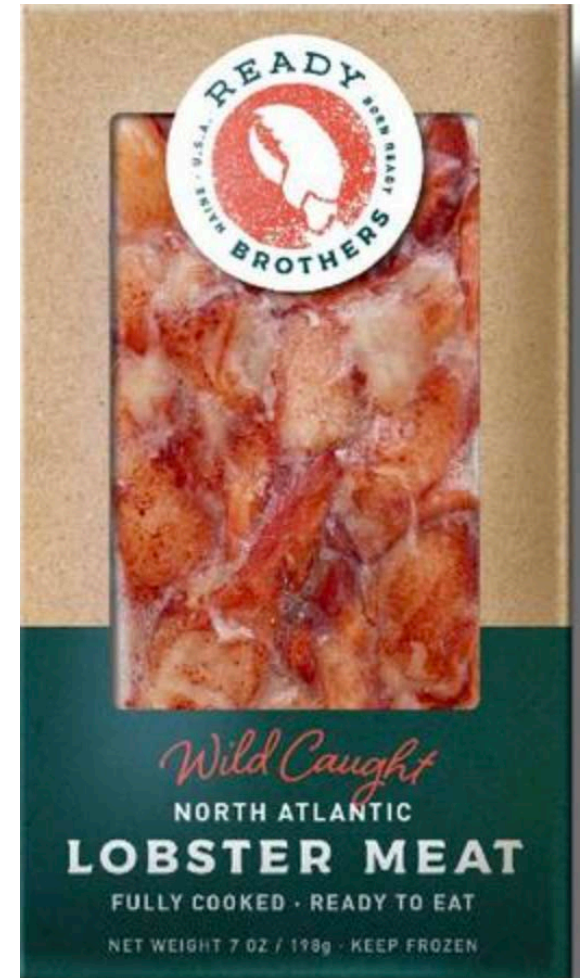
Vaccine rollout will drive trade flows

- Important to monitor vaccine rollout
 - China uptake of vaccine is key indicator
 - Europe is lagging but may recover by next fall
- Travel, Leisure, and conference sales are going to be slow to return
- Lack of air capacity will continue to be an issue
- Lack of labor mobility will also be an issue



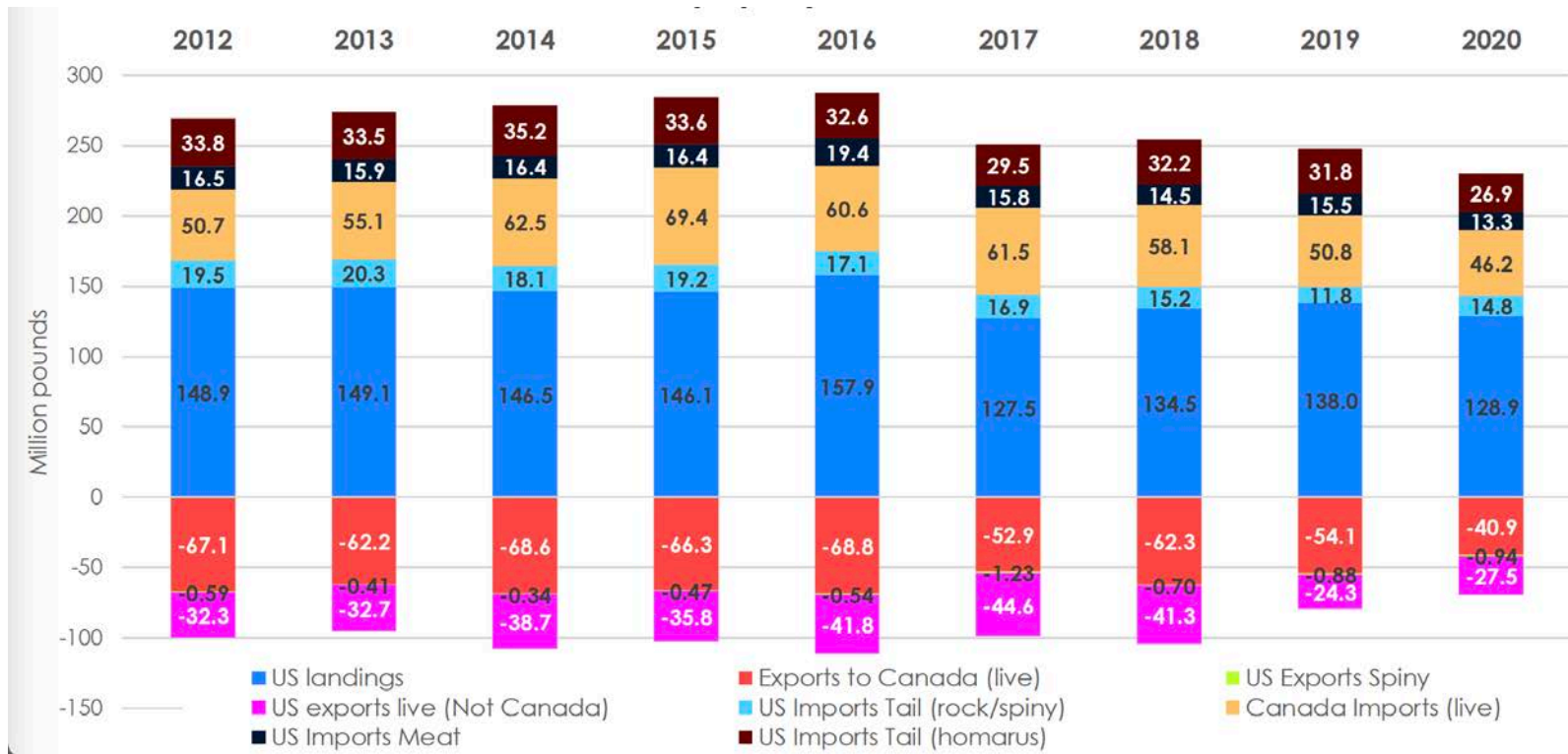
Lobster

- Both live and frozen lobster pricing has recovered from shock of pandemic.
- Lobster pricing is currently driven by shortages
- 2020 supply lower in US and Canada
- Bad weather limited fishing days at beginning of LFA 34 season
- Foodservice customers not in a good position to accept price increases
- Lobster demand at retail for frozen helped maintain pricing
- All markets likely to see higher demand in 2021



2020 Prices supported by lower landings

US Supply of Lobster



Source: Urner Barry and GSMC



Live lobster pricing

UB Lobster, American Hard, 1 1/4 lbs. Quarters, FOB New England

Monday, January 1, 2018 - Monday, February 15, 2021



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— 2018 (Low) — 2019 (Low) — 2020 (Low) — 2021 (Low)

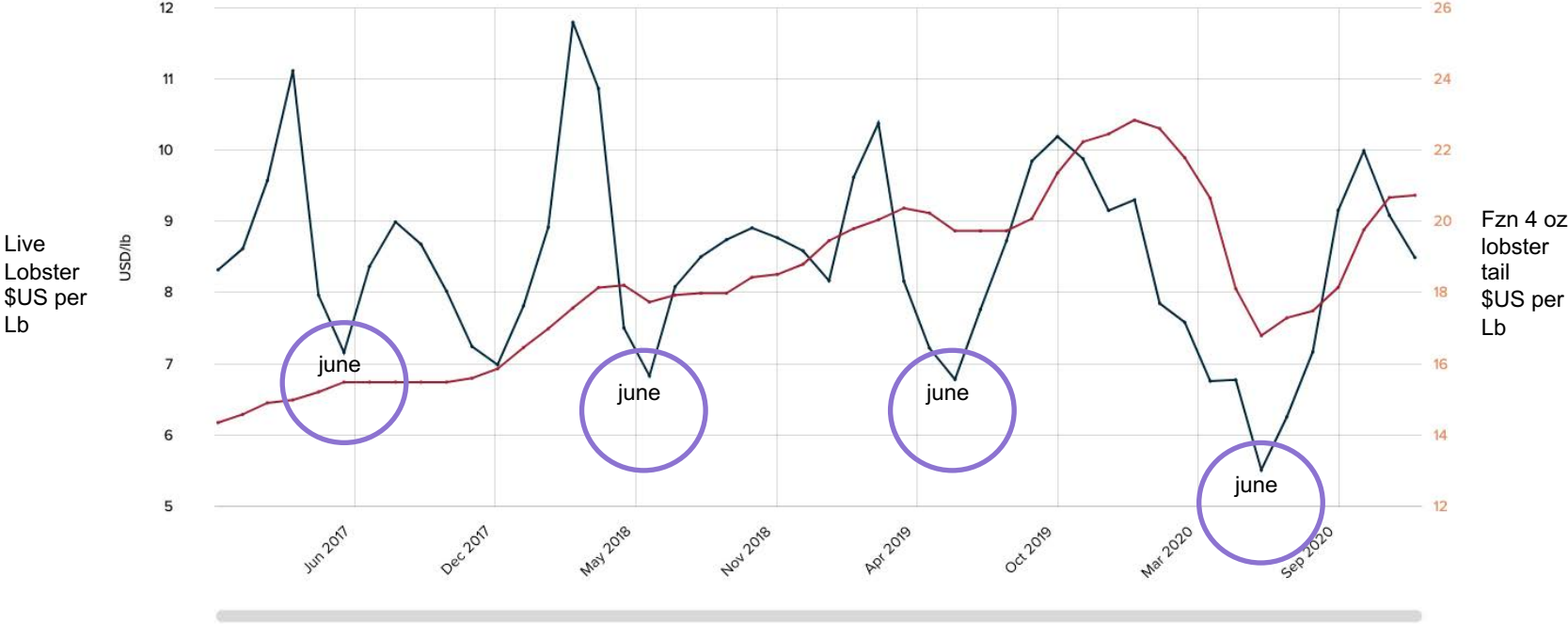
Source: Urner Barry



Price of live lobster compared to fzn lobster tail

UB Lobster, American Hard, x 1/2's lbs. Halves, FOB New England Vs 4 oz fzn lobster tail

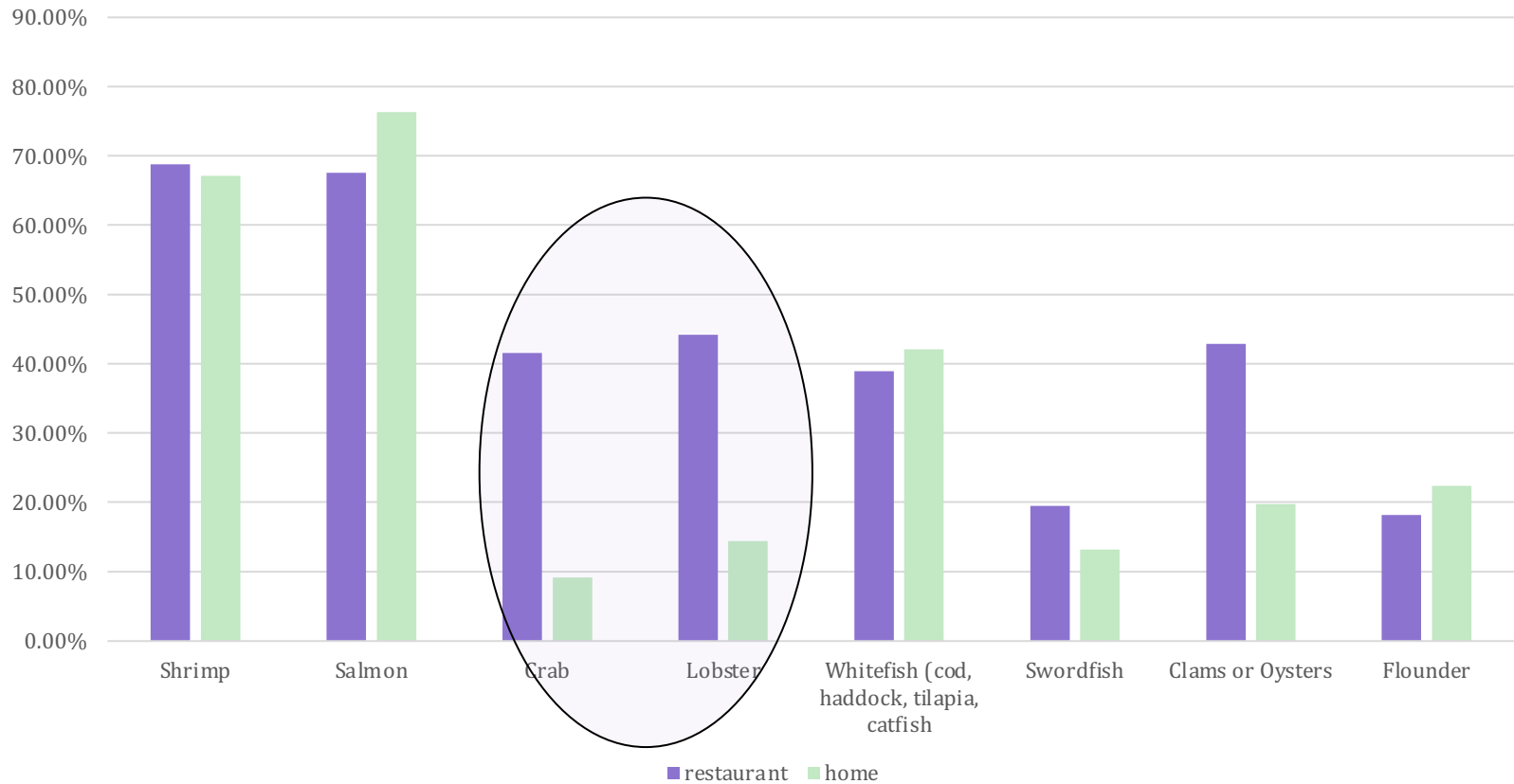
Sunday, January 1, 2017 - Tuesday, December 1, 2020



— UB Lobster, AM Hard, FOB NE, x 1/2's lbs. Halves (Low)
 — UB Lobster Tails, American, 4 oz (Low)



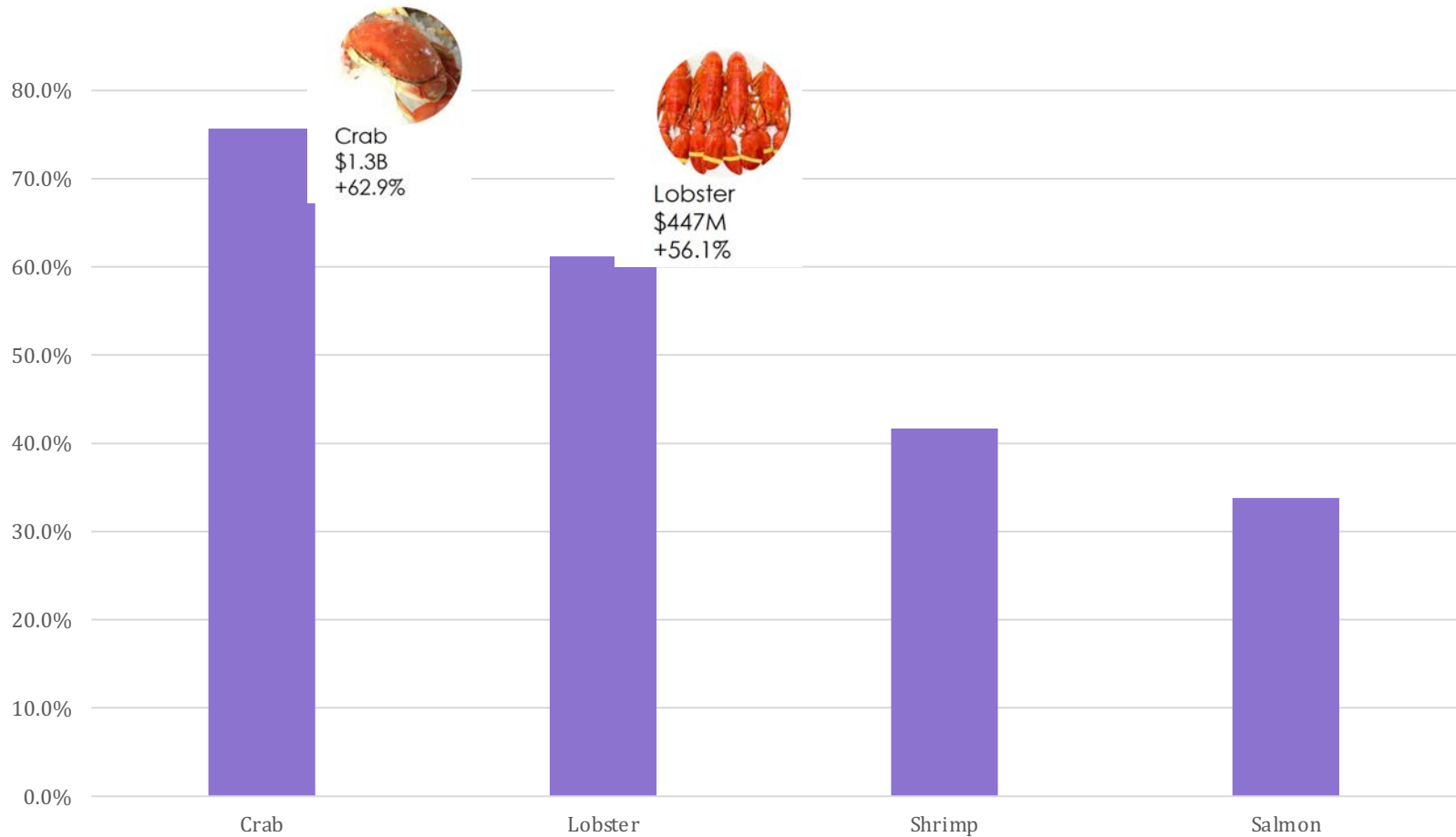
Lobster and Crab Mostly eaten in restaurants



Data from informal survey of changes in seafood consumption by SeafoodNews

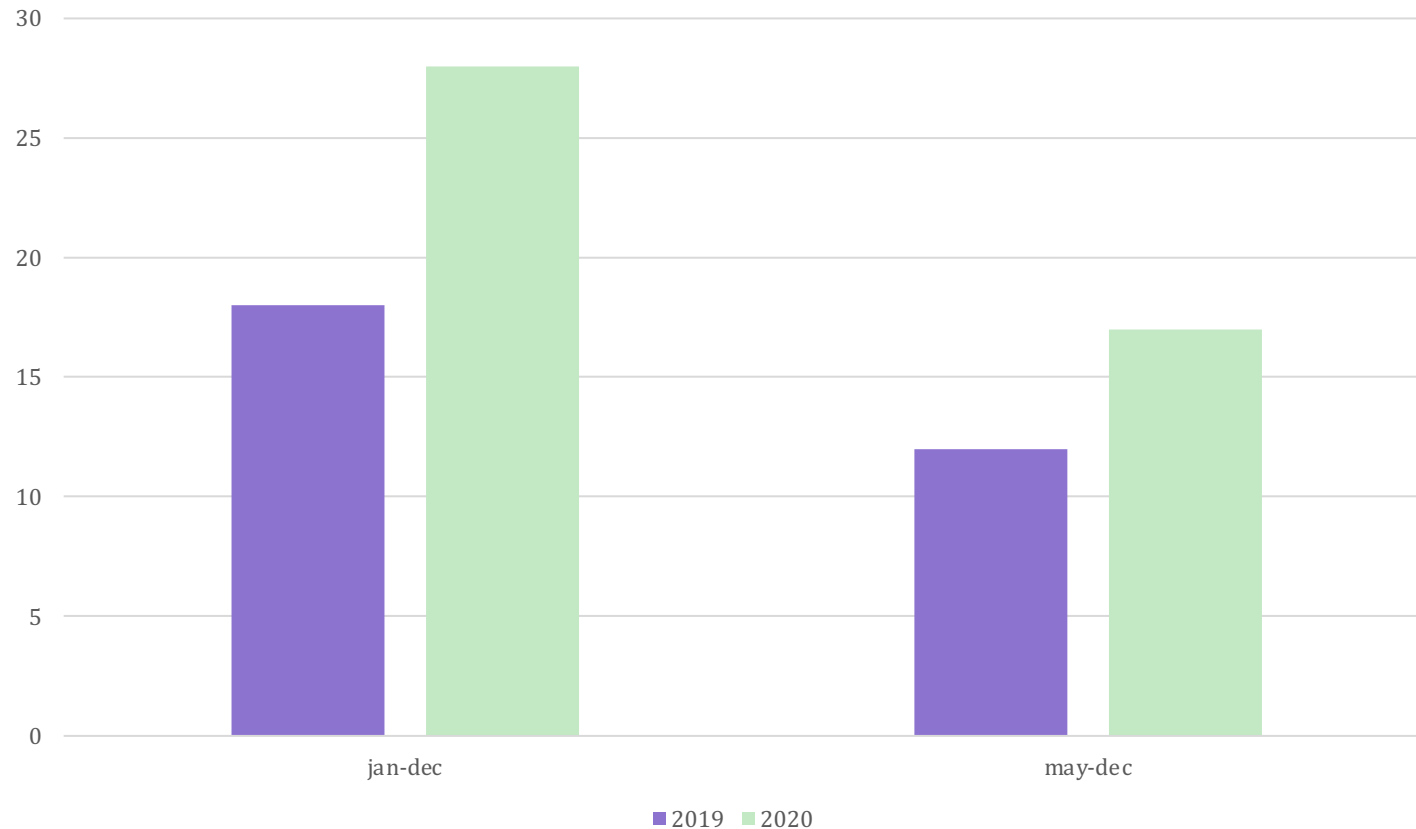


But crab and lobster had biggest retail sales gains during pandemic



Retail promotions on frozen tails up 65%

Winn-Dixie Lobster Tail promotions in Florida up 65%



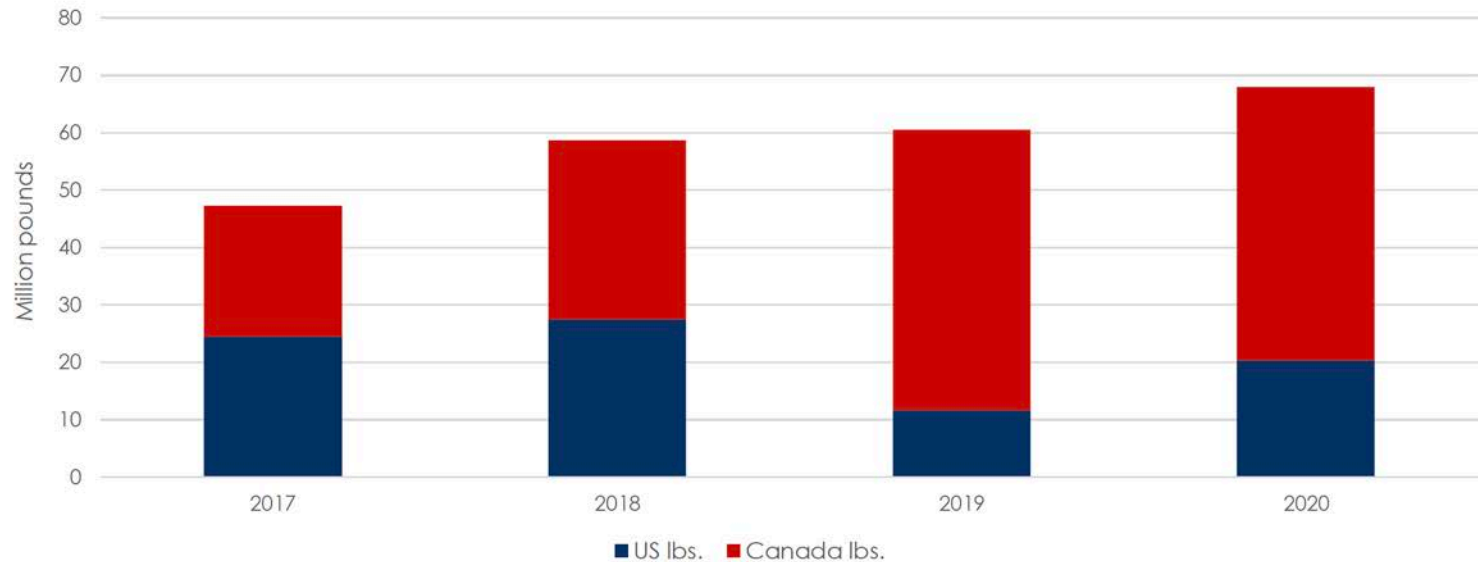
Pandemic impacted live lobster buying

- Fear of lack of markets led to low prices in Spring
- Heavy demand at retail seafood led to more sales, especially on crab and lobster
- Frozen lobster saw increased interest from foodservice that improved over the summer, supporting traditional buying by processors
- Heavy local tourism along the East Coast supported outdoor dining for lobster



China remains a wild card: total purchases of all types may have increased even as Canadian live shipments did not

Greater China Lobster imports includes China, Hong Kong, and Vietnam



A healthy Chinese market can lead to strong prices in 2021, especially if landings falter



Current situation

- Live prices are at seasonal highs based on weak supply
- If retail demand continues processors will buy strongly in the spring if they have labor
- US lobster is now more competitive both in China and Europe
- High prices create a risk situation where retailers could curtail their promotion
- Innovation in lobster is needed to maintain sales at higher prices



Snow crab

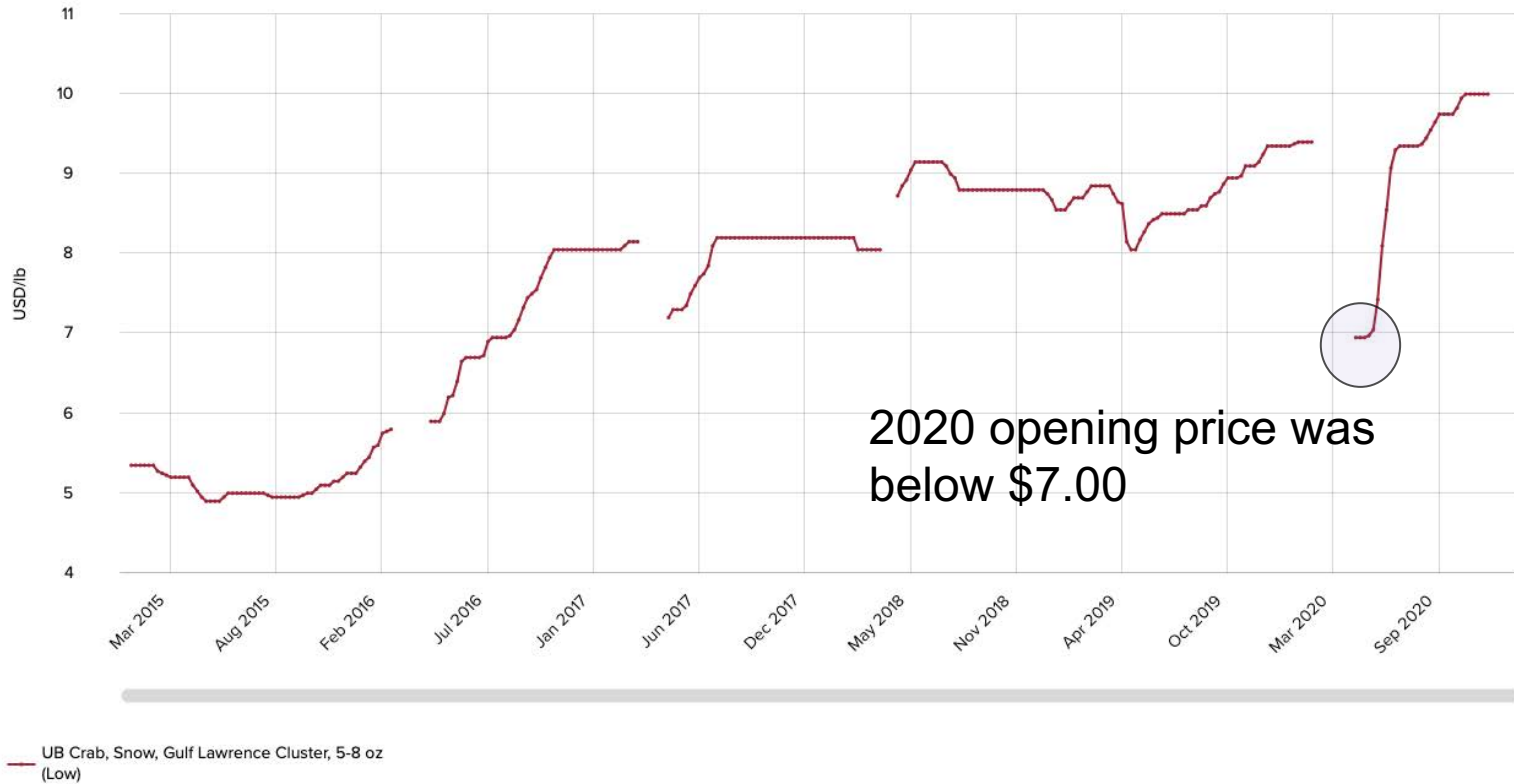
- US on track for highest volume of snow crab in ten years
- Russian Snow Crab adding significantly to market
- Pricing this year has been wildly successful, first generating strong demand, then not being able to fill it all.



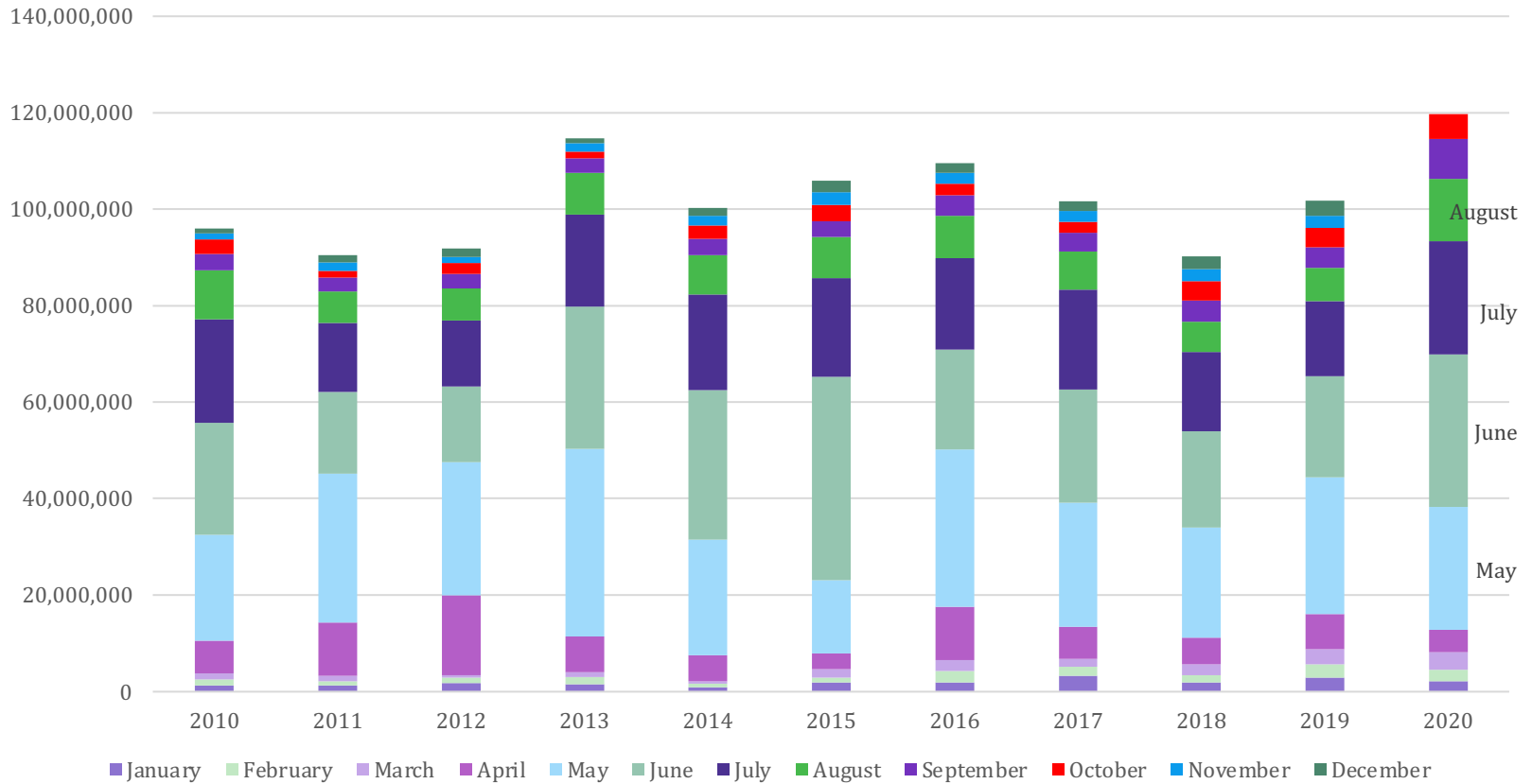
Snow crab pricing has performed better than any other seafood commodity

UB Crab, Snow, Cluster, Gulf Lawrence, 5-8 oz., Ex-Warehouse EC

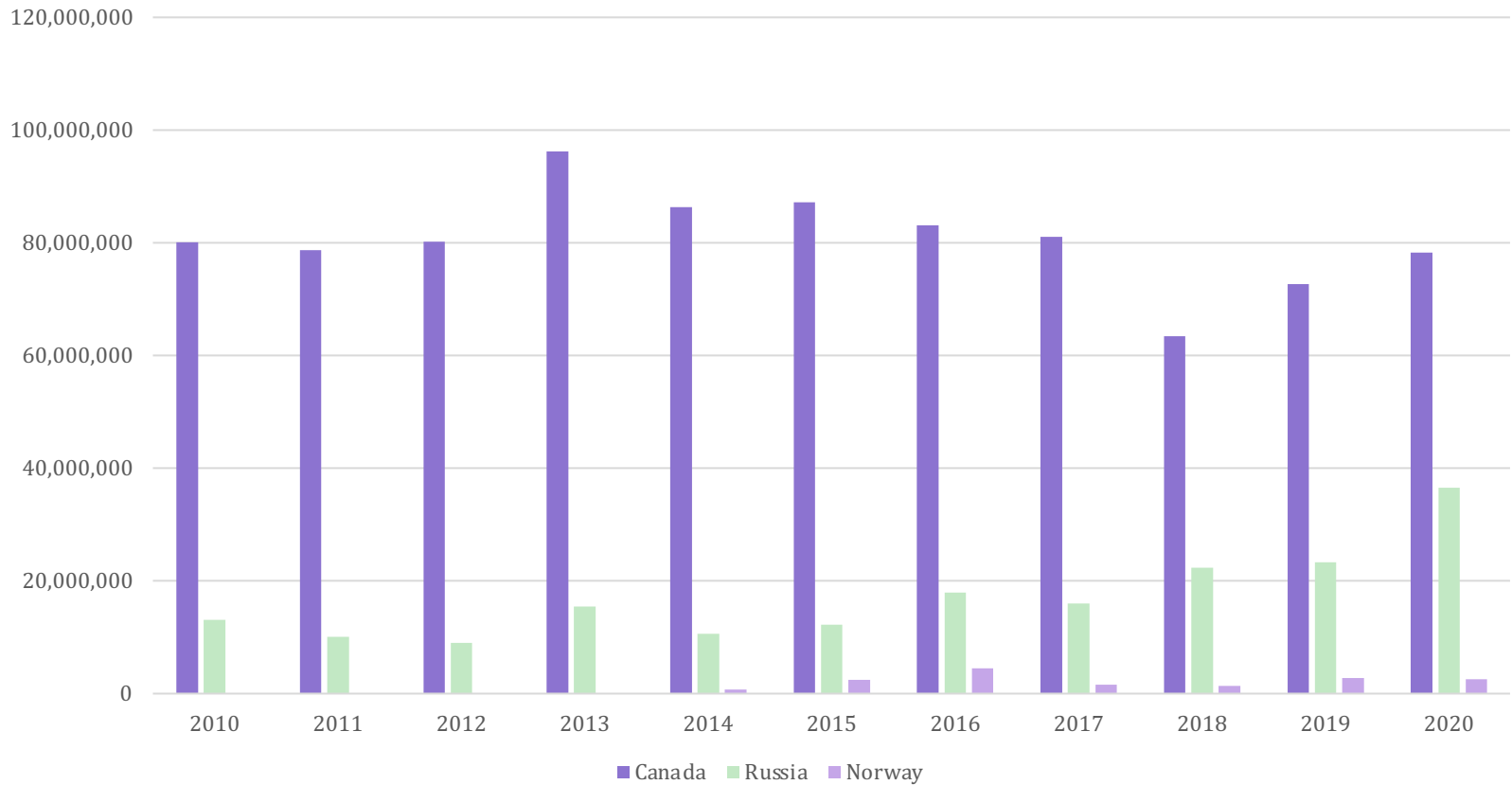
Monday, January 5, 2015 - Monday, November 30, 2020



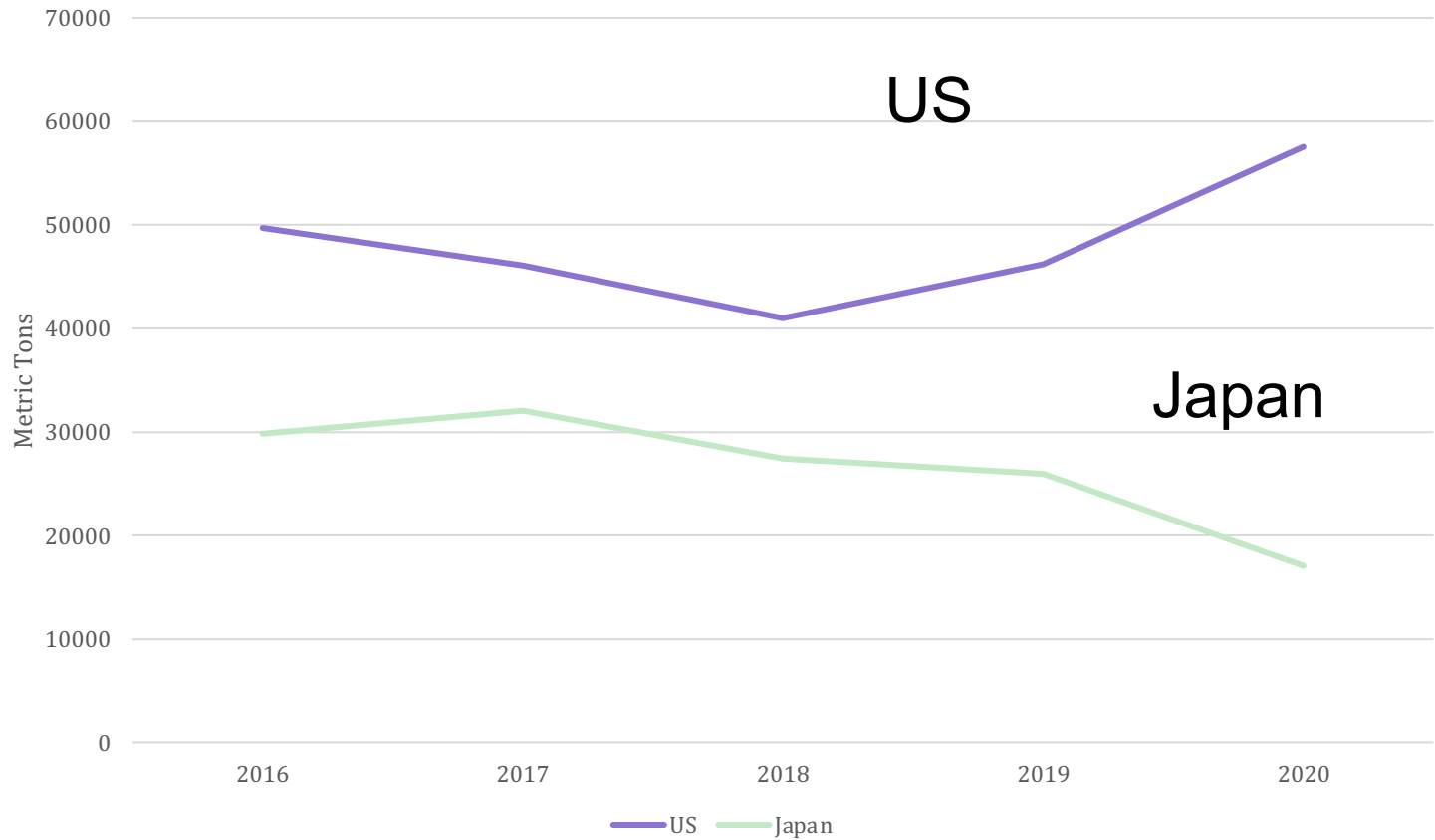
2020 US Snow crab imports highest in ten years; October set record for month



Russia and Norway now account for 33% of snow crab imports



US Increasing market share of global snow crab



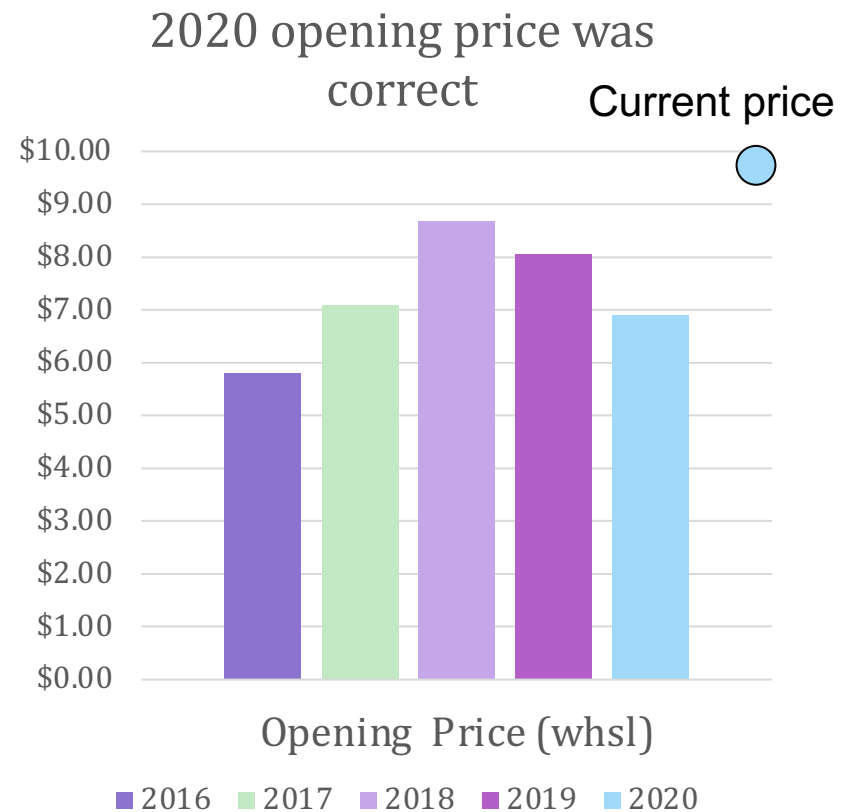
Japanese demand has shifted to raw snow crab



- Boiled crab legs for processing used in sushi have largely been priced out of the market
- Perhaps 70-80% of that market has disappeared at current price levels

What is driving this demand: 63% increase at retail

- Snow crab fit retail like a glove: frozen, ready to eat, exciting
- Consumers who like snow crab had money to spend
- Big risk at beginning of season, but once demand proved viable, orders flooded in and price took off



Where does that leave Snow Crab for 2021

- US market is under-supplied with snow crab. Current lack of inventory and high prices drawing record Russian imports.
- Alaska will see increase to 13,500 tons of sections for 2021 (19% of US supply), but some will be exported
- Japan has demand for raw frozen
- Last spring there was a battle between holders of high-priced Russian inventory and those selling new season product at low prices.
- This year there is no inventory so opening prices likely to be higher than past few years
- Price must meet retailers' expectations



Coldwater shrimp affected by market factors beyond pandemic

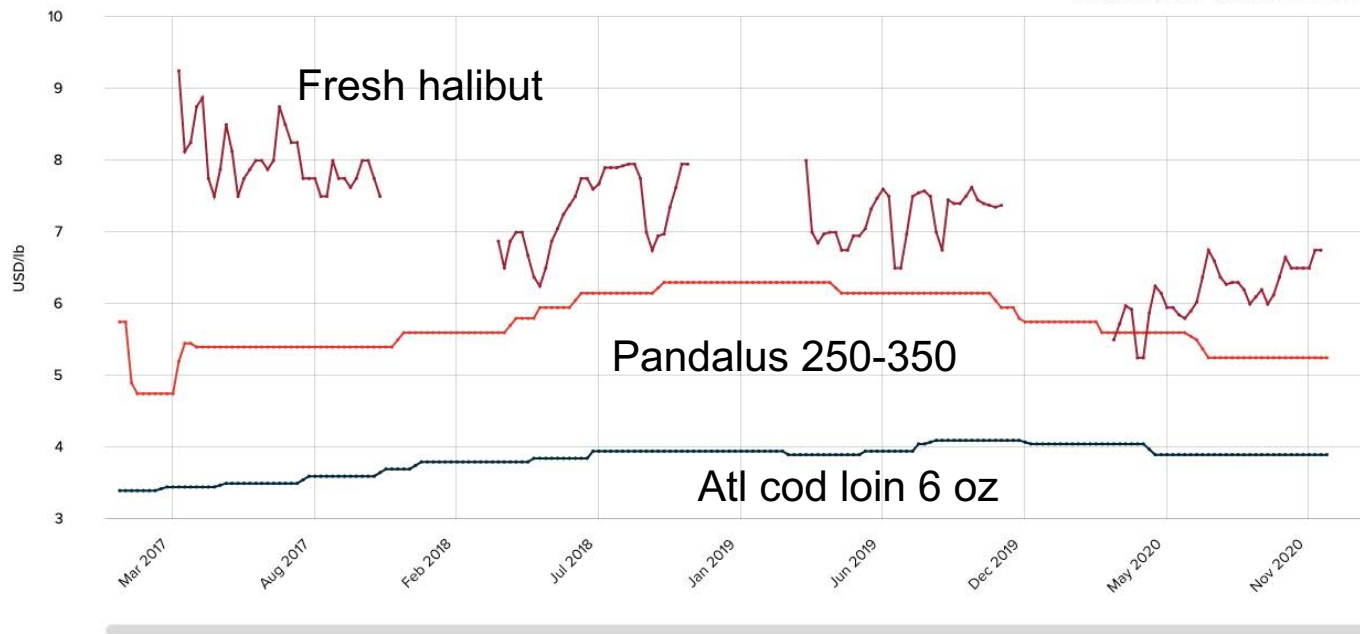
- Cooked and peeled market was weak before pandemic.
- Increases in production weakening pricing
- China's cutbacks resulting in more industrial shrimp
- UK buying similar volumes, but at lower prices
- Pandemic impacts from foodservice have hit coldwater shrimp, but retail demand for cooked shrimp is a benefit.



Frozen seafood has been more stable in terms of price

UB Shrimp, Pandalus Borealis, Imported, 250-350 Count

Monday, January 2, 2017 - Monday, November 30, 2020



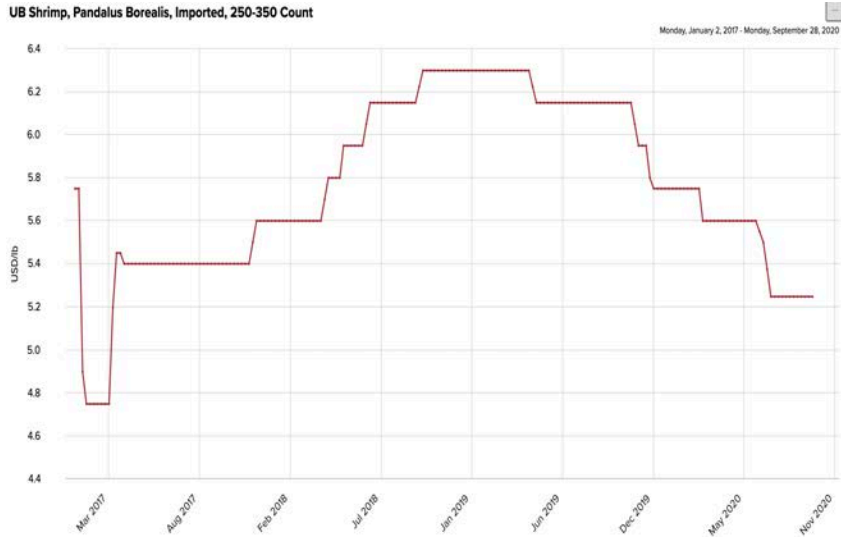
- UB Shrimp, Pandalus Borealis, Imp, 250-350 (Low)
- UB Cod, Sknls/Bnls, Loins, Double Fz, Atlantic 6 oz (Low)
- UB Halibut, Whl Fr, FOB Seattle, 10-20 lb (Low)



Volume and unit price of Canadian Pandalus Exports Declining



US prices down also



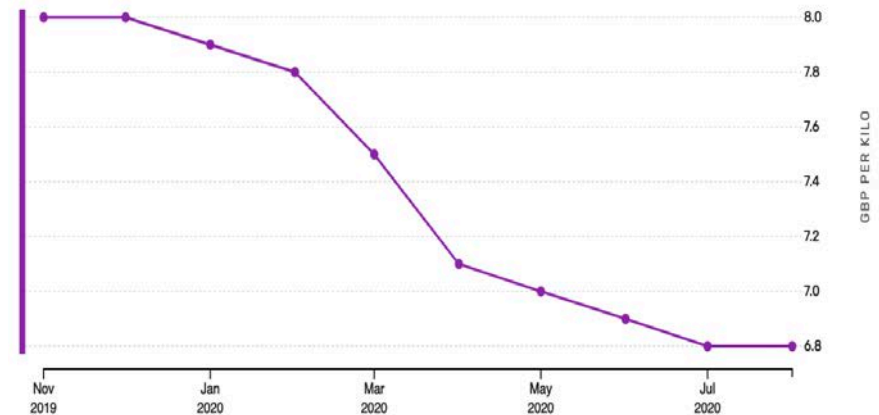
- West Coast shore prices average \$0.52 per lb
- Canadian summer prices were \$CA 1.08 landed at plant



Coldwater shrimp hit by lack of foodservice sales

- UK and US prices all hit by lack of foodservice sales.
- Continuation of trend of lower prices that predates pandemic

Iceland double fzn to UK

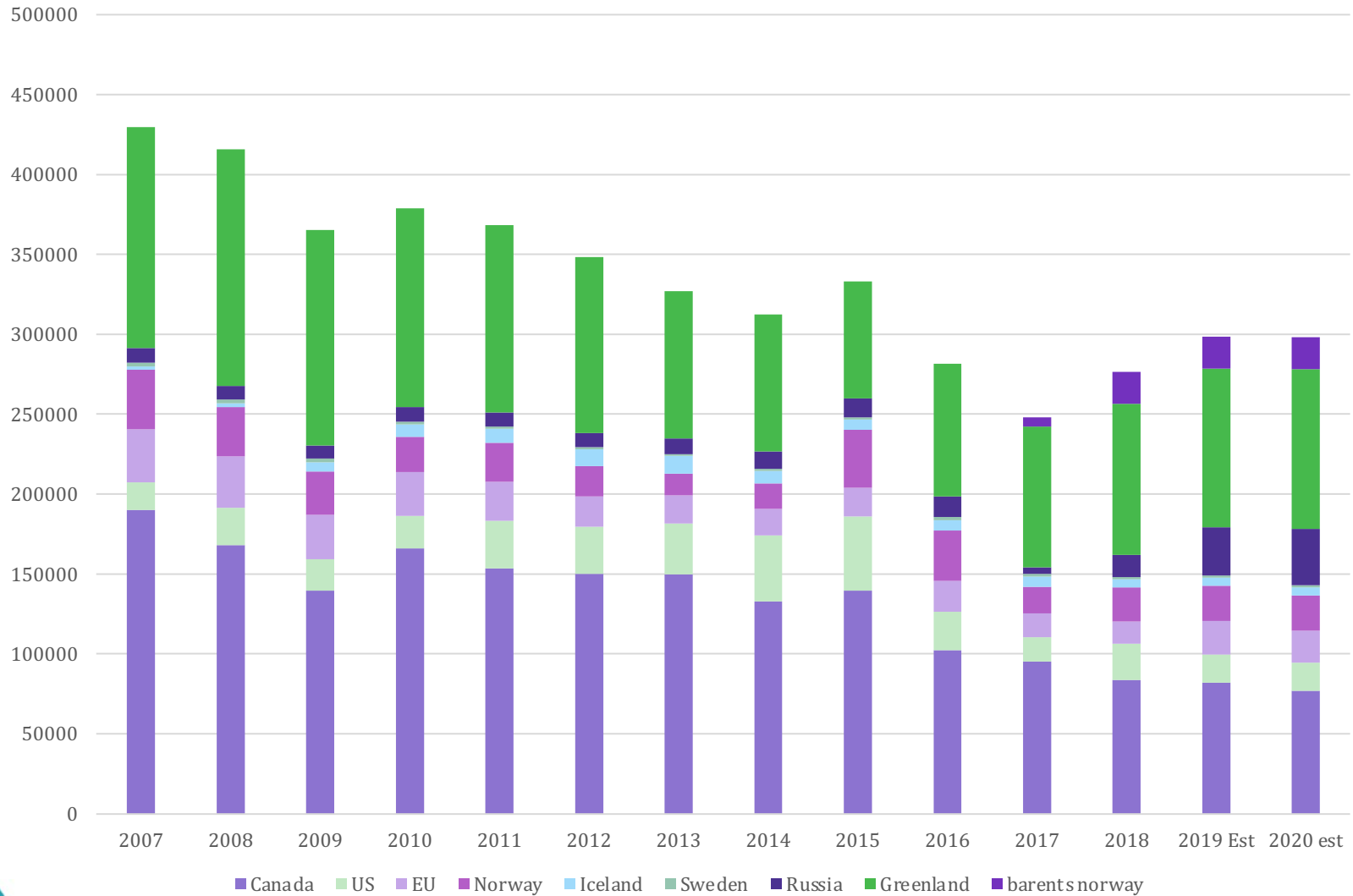


Global Pandalus production is stabilizing after several years of growth

- Barents Sea Stock still expanding; but capacity for harvest is limited; no inshore capability
 - Russian harvest will increase, but is mostly going to their domestic market as cooked shell-on
- In Canada inshore shrimp may come down a little more, while offshore should be stable
- Greenland is expected to be stable
- West Coast is forecast to be similar to last year

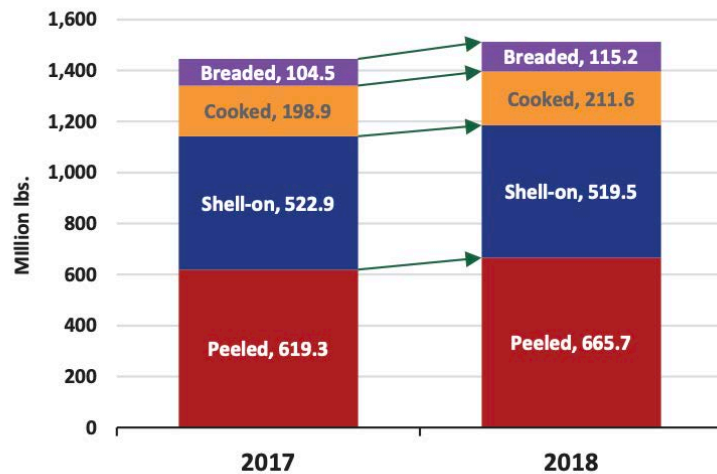


Global Pandalus Production



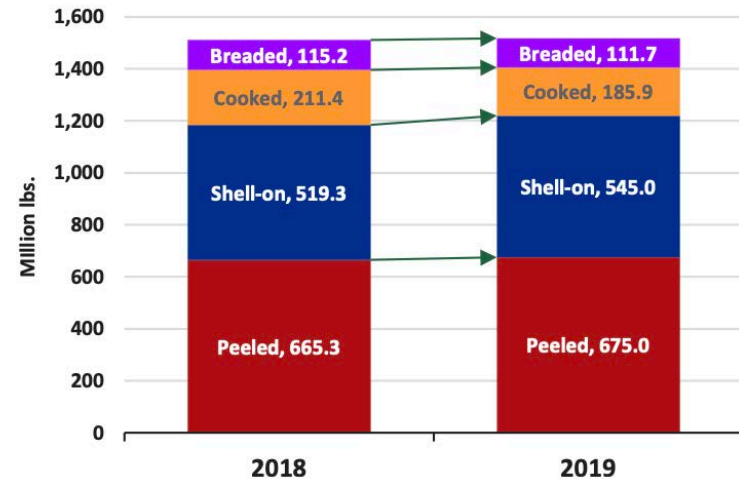
US Shrimp Market : per capita consumption up 28% since 2013 to 4.6 lbs

YTD Shrimp Imports by Type Breakdown



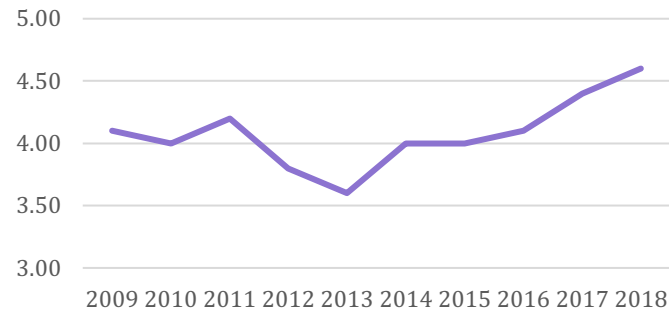
Source: U.S. Census, Urner Barry, USDOC

YTD Shrimp Imports by Type Breakdown

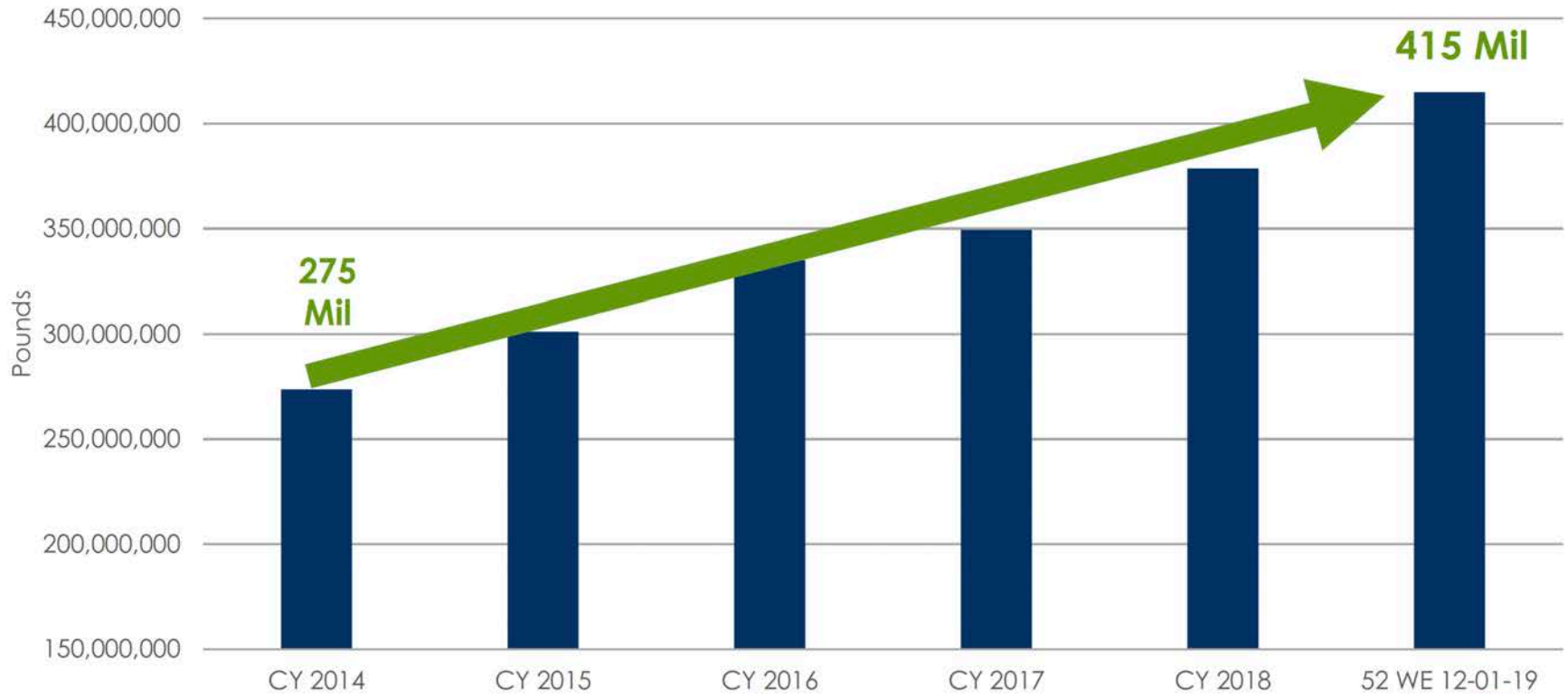


Source: U.S. Census, Urner Barry, USDOC

shrimp consumption up 28%



Shrimp Sales Volume at Retail



NATIONAL
FISHERIES
INSTITUTE



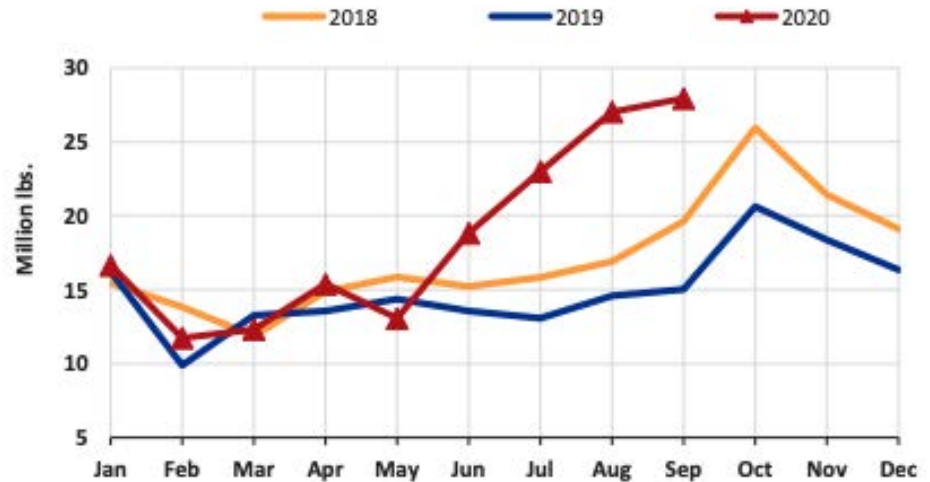
Covid impacts

- US importing record volumes of shrimp
- Retail promotions have declined, prices have declined as well
- Cooked shrimp has seen greatest increase in imports, driven by retail demand

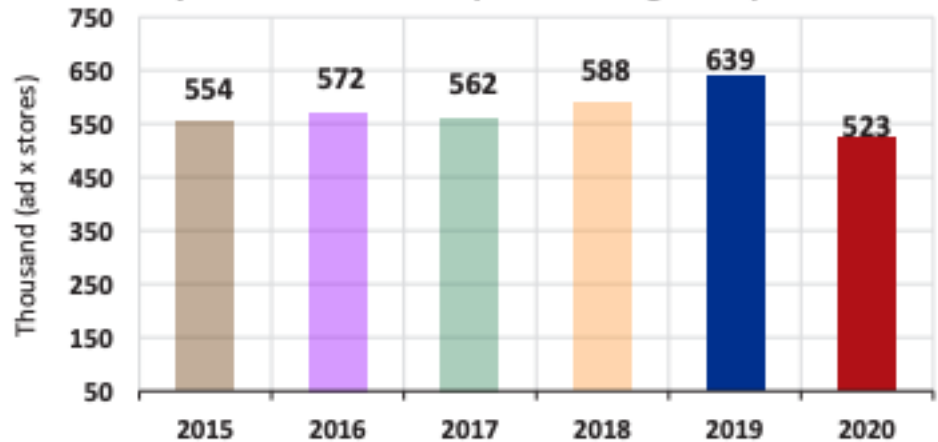
Canada exports to US down 19%

Sep-19	%Chg Lst Yr	YTD 2020	YTD 2019	%Chg Ytd
330	-3.5%	1,144	1,414	-19.1%

Warmwater Cooked Shrimp Cyclical Imports

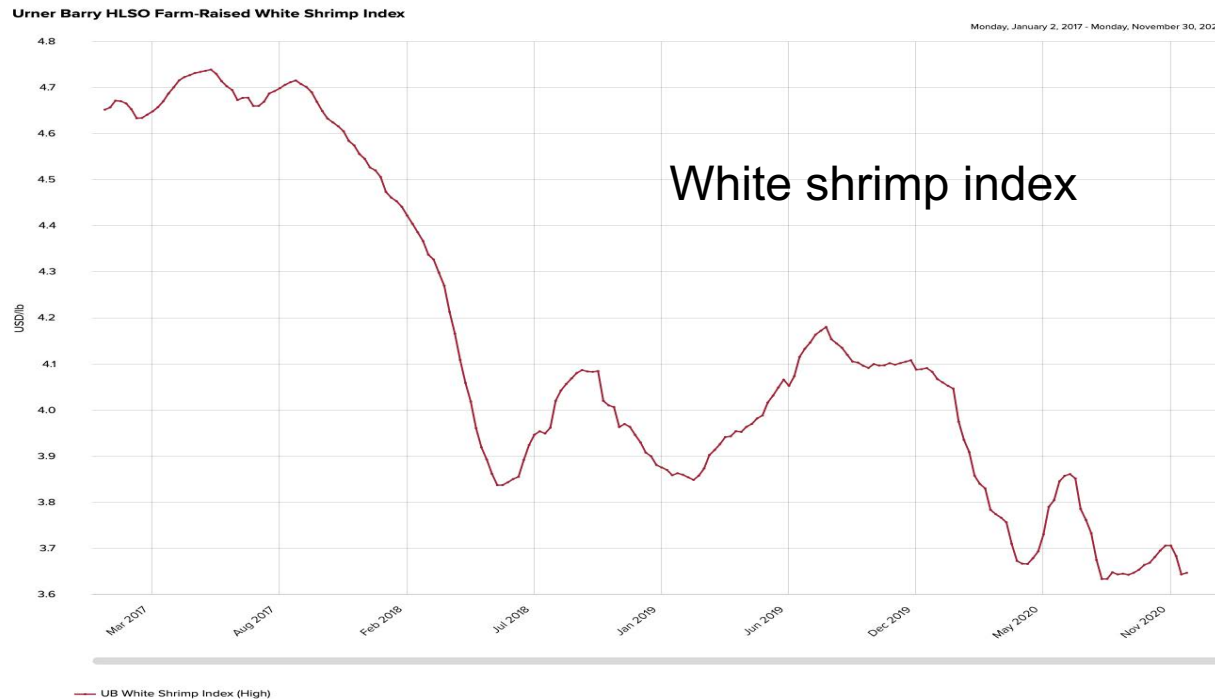


Shrimp Retail Ads Total (YTD through Oct)



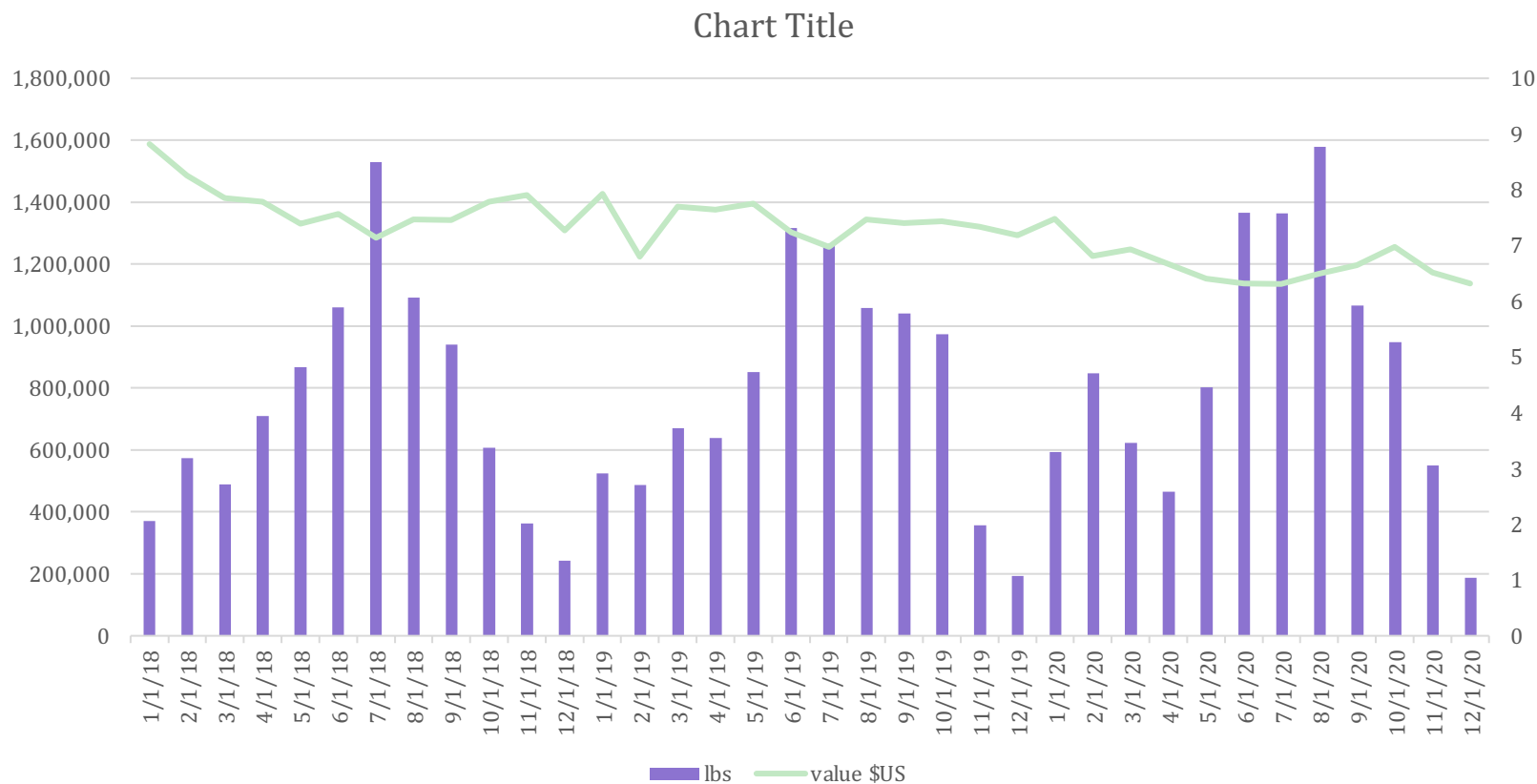
After 3 years of favorable price and supply, supermarket promotion of warm water shrimp is less effective

- US has record imports and high inventories
- Prices are declining
- Little expectation of supply changes in 2021



Atlantic Halibut has been a success story

11% increase in volume in 2020 with a 1% decrease in value

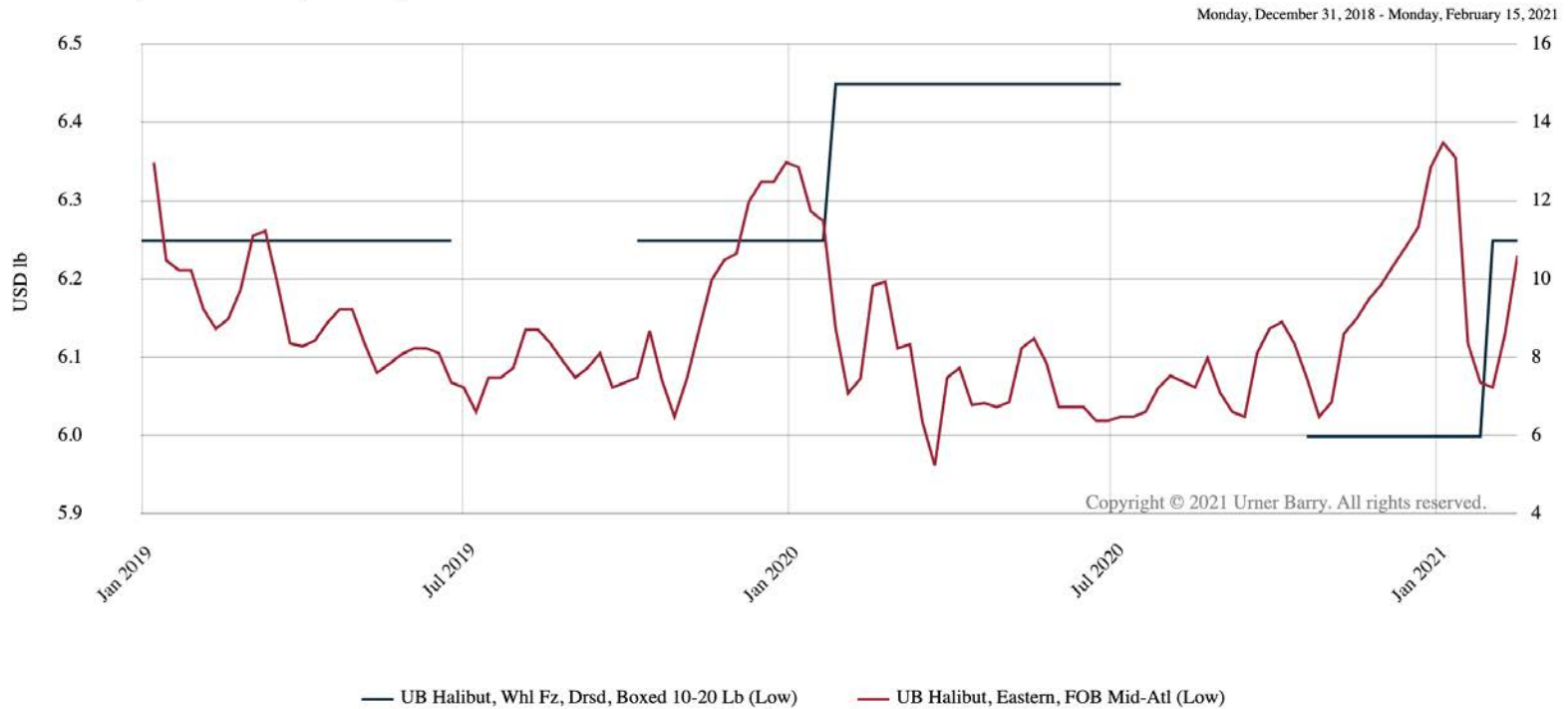


US import and price data fresh Atl halibut

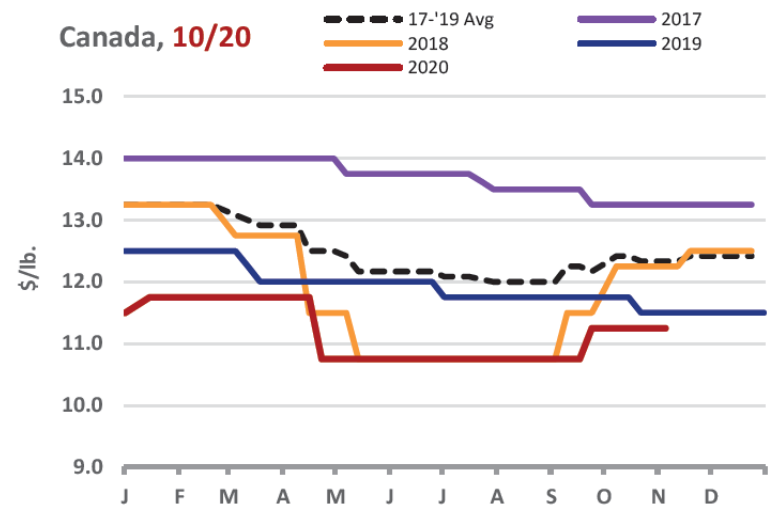
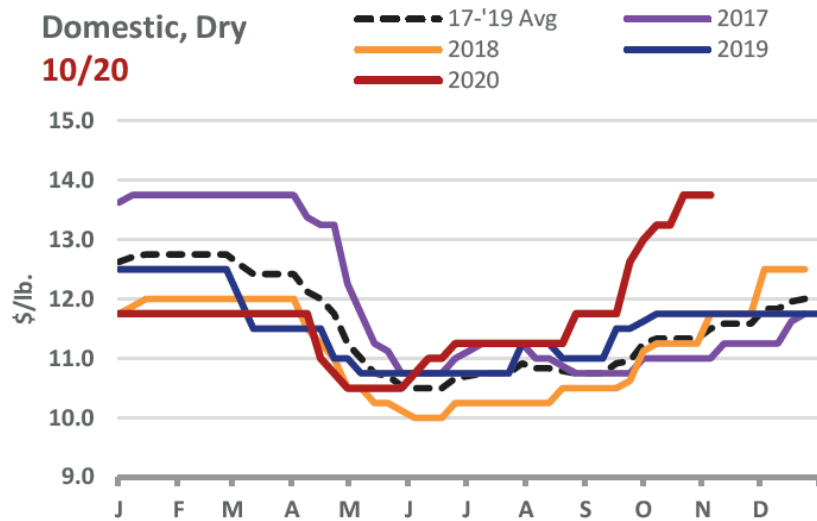


Fresh halibut prices declined more than frozen, but have recovered

UB Halibut, Whole Frozen, Dressed, Boxed 10-20 Pound FOB Seattle



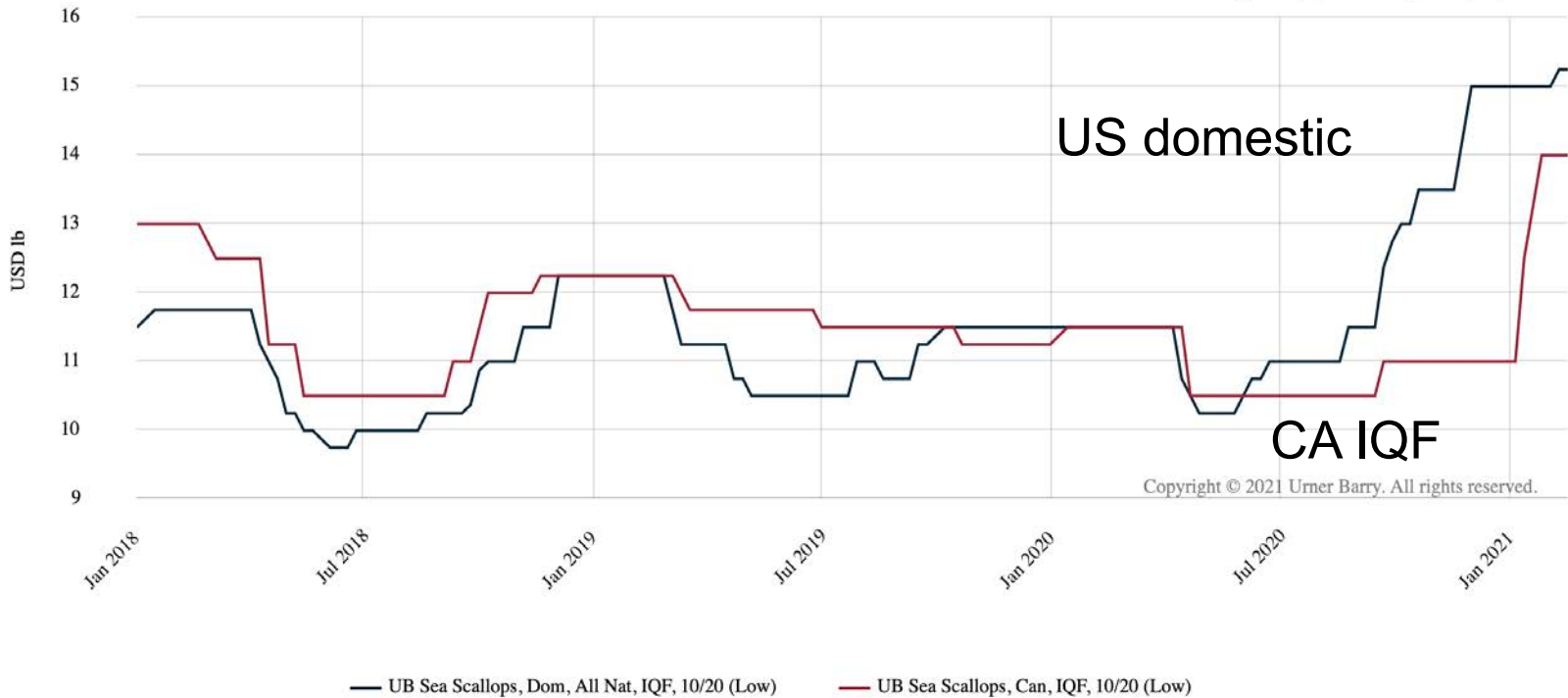
Scallops also weakened over the summer with lack of foodservice



With lower supply, less scallops from china, and retail demand prices have recovered

UB Sea Scallops, Domestic, All Natural, IQF, 10/20 Count

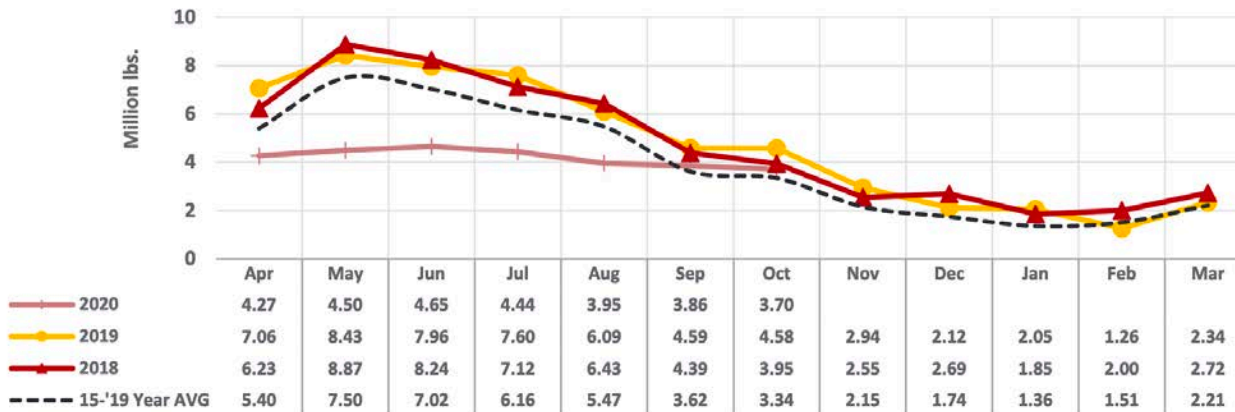
Monday, January 1, 2018 - Monday, February 15, 2021



Fresh scallop supply lower

- CA fresh imports to US down 30% to 4.6 million lbs.

Seasonal Behavior, Monthly Domestic Landings by Fishing Year

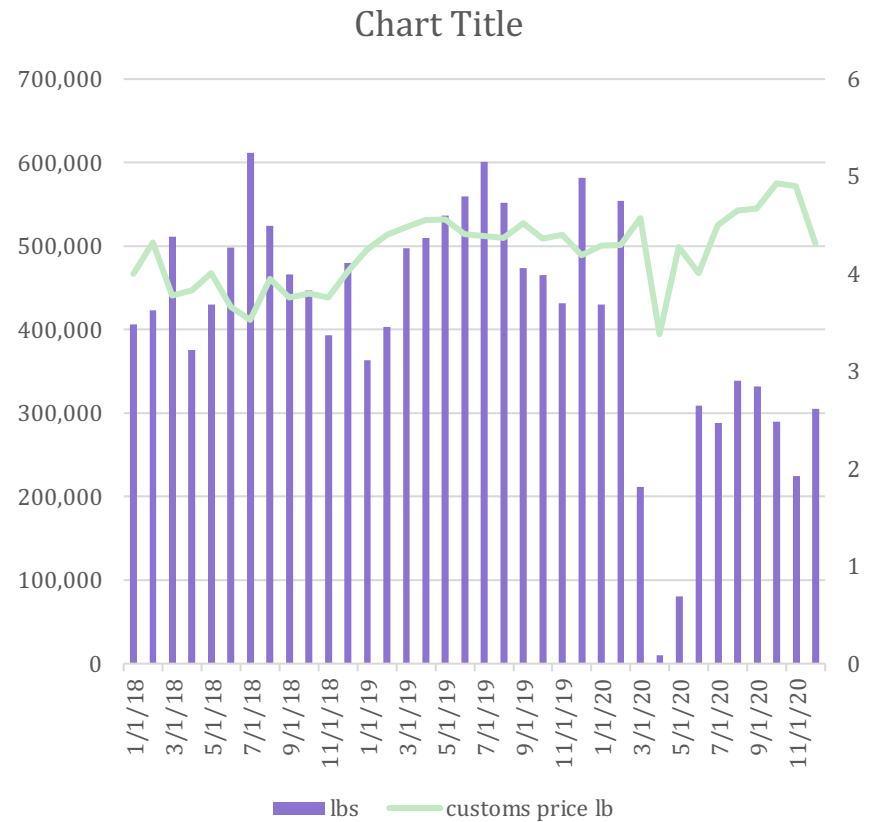


US landings projected to be 10% lower overall



Oyster pricing is not changed, but volume has collapsed

- Farmed oyster volume to the US is down 44%



Summary

- Major changes in seafood consumption likely to endure for several years
- Many species increased in price and volume
- But high prices make overall situation unstable
- Consumers may trade-off spending when restaurants reopen
- Export markets will potentially be disrupted if vaccine rollout is stalled



Time for Questions

- Please put questions in chat and they will be presented.

