

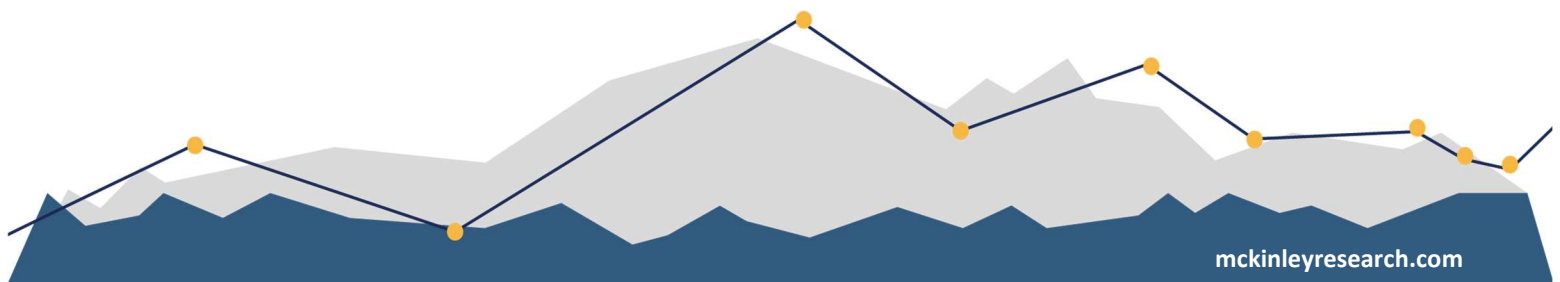


2020 COVID-19 Impacts Processor Survey

PREPARED FOR:

Alaska Seafood Marketing Institute

April 2021





McKINLEY RESEARCH
GROUP, LLC

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McKinley Research Group, LLC

Formerly McDowell Group

3800 Centerpoint Drive, Suite 1100

Anchorage, AK 99503

9360 Glacier Highway, Suite 201

Juneau, AK 99801



McKINLEY RESEARCH
GROUP, LLC

Formerly McDowell Group

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Executive Summary

In March 2021, McKinley Research Group conducted an online survey on behalf of the Alaska Seafood Marketing Institute (ASMI) to measure the pandemic's impact on Alaska's seafood processing industry. The Alaska seafood processing industry produced seafood with a first wholesale value of \$4.7 billion in 2019 (the most recent year of data available), and the sector includes 157 shore-based processors, 44 catcher-processors and 36 floating processors plus other participants. Peak employment in Alaska's seafood processing industry was 15,900 in 2020.

This is the first study focused solely on measuring the scale and breadth of the pandemic's effects on the state's commercial seafood industry. A total of 14 processors representing 37 Alaska-based processing facilities responded to the online survey and two other processors reported their COVID-related costs directly to the research team. As the sample was not randomly selected, results may not be representative of the Alaska processing industry as a whole.

Key findings included:

- Nearly all processors reported that they incurred significant costs due to mitigating the spread of COVID-19 in 2020. Reported costs varied significantly depending on processor size and type, averaging \$2.9 million. The estimated cost of COVID-19 mitigation for the Alaska seafood processing industry was approximately \$70 million in 2020.
- More than half of processors reported that they anticipate significantly higher pandemic-related costs in 2021, with an average expected increase for all processors of 40% over 2020 costs. The project team estimates that COVID mitigation costs incurred by Alaska seafood processors in 2021 are likely to exceed \$100 million.
- While two-thirds of processors reported that their company received COVID-19 relief payments, on average they reported that payments covered approximately 24% of their 2020 mitigation costs, with a range from 15 to 30%.
- Half of processors who participated in the survey reported that they decreased their workforce in 2020 due to COVID-19, while one in five processors increased their workforce. Processors reported an average decrease of 22% in 2020.

Introduction and Methodology

In March 2021, McKinley Research Group conducted an online survey on behalf of the Alaska Seafood Marketing Institute (ASMI) to measure the pandemic's economic impacts on Alaska's seafood processing industry. This is the first study measuring the pandemic's effects on the state's commercial seafood industry. The Alaska seafood processing industry produced seafood with a first wholesale value of \$4.7 billion in 2019 (the most recent year of data available), and the sector includes 157 shore-based processors, 44 catcher-processors and 36 floating processors plus other participants. Peak employment in the seafood processing industry was 15,900 in 2020.

Survey responses were solicited via a variety of methods including a press release resulting in multiple news articles, an email campaign conducted by ASMI, and direct solicitations via email and phone by the project team. A total of 14 processors responded to the online survey and two other processors reported their COVID-related costs directly to the project team. As the sample was not randomly selected, results may not be representative of the Alaska processing industry as a whole.

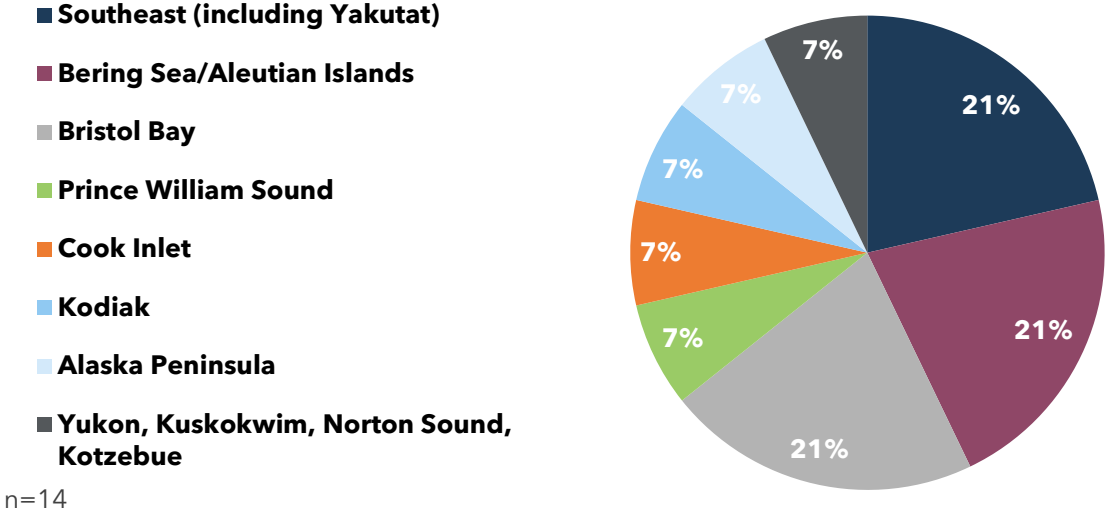
For the key questions regarding total COVID mitigation costs in 2020 and 2021, a combination of industry data and research-based assumptions were used to extrapolate results to the overall seafood processing industry.

The survey instrument is included as Appendix A.

Processor Respondent Characteristics

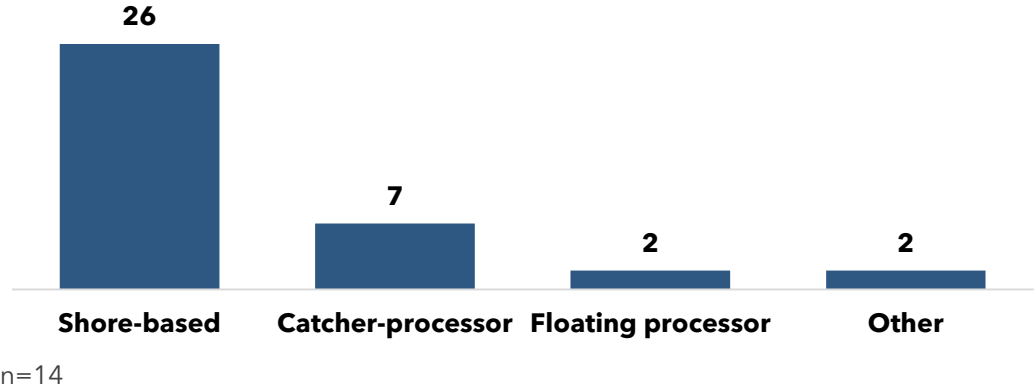
Processors who participated in this survey operate facilities across the state of Alaska. One in five processors operate plants in Southeast, Bering Sea/Aleutian Islands, or Bristol Bay, with other representation from processors across Prince William Sound, Cook Inlet, Kodiak, Alaska Peninsula and Yukon, Kuskokwim, Norton Sound and Kotzebue.

Figure 1. In which regions of Alaska do you operate?



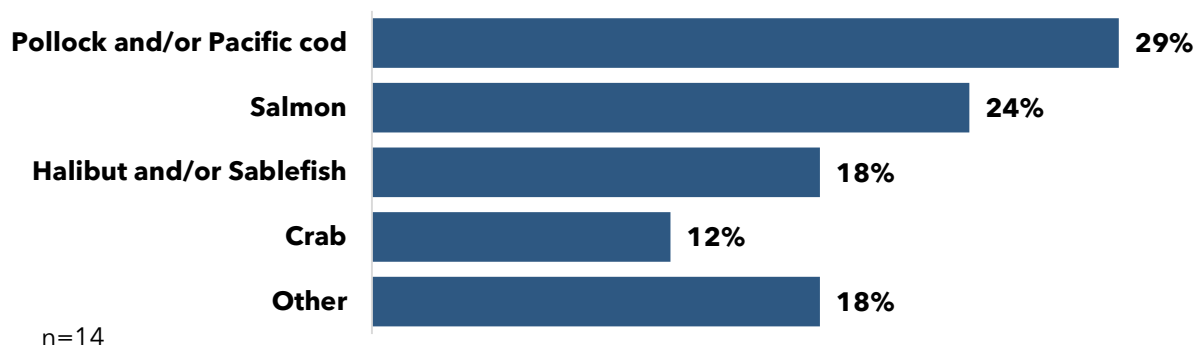
Respondents operated a total of 37 Alaska processing facilities, including shore-based, catcher-processors, and floating processors.

Figure 2. How many of each of the following types of seafood processing facilities do you operate in Alaska?



Species processed by processors who participated in the survey include pollock and Pacific cod, salmon, halibut and sablefish, crab and other species.

Figure 3. What species do you process at your Alaska facilities?



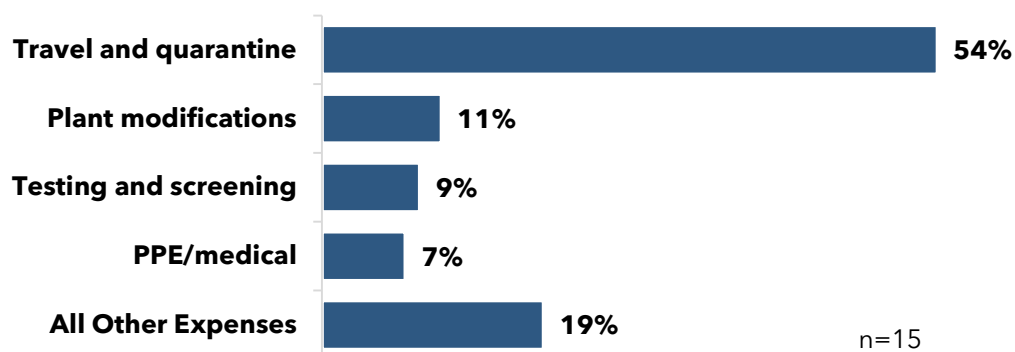
Costs Incurred Due to COVID-19

Nearly all processors reported that they incurred significant costs mitigating the spread of COVID-19 in 2020. Processors implemented various health measures to protect their workers and the communities in which they operate. Some hired medical providers and other staff to provide care and ensure precautions were in place at their facilities, including providing safe transportation, implementing quarantines, and setting up testing sites, and providing regular screenings at facilities. One processor reported that they acquired additional transport vehicles and created partnerships with State and private laboratories for testing.

Reported costs varied significantly depending on processor size, averaging \$2.9 million. Based on survey responses and other industry data, the estimated cost of COVID-19 mitigation for the Alaska seafood processing industry was approximately \$70 million in 2020.

Travel and quarantine costs including security, hotel and food were by far the largest costs incurred by processors in 2020, representing 54% of the total. Plant modifications or COVID-19 testing and screening each represented about 10%, respectively, and personal protective equipment (PPE), medical supplies or related services represented 7% of total costs. Processors reported that other expenses were incurred for planning, logistics, and high turnover of the workforce.

Figure 4. Percentage of total mitigation costs by expense type



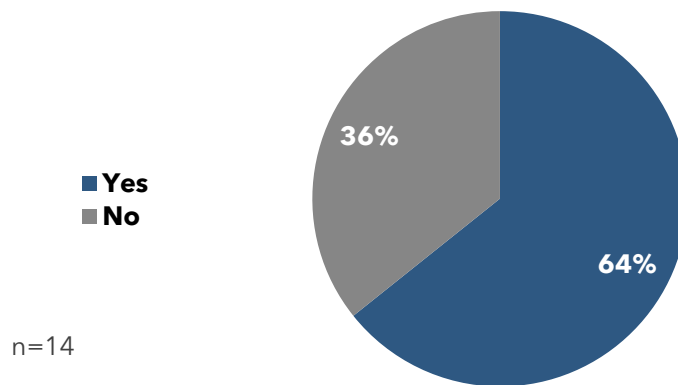
Expected COVID-19 Mitigation Costs in 2021

More than half of processors (60%) reported that they anticipate significantly higher pandemic-related costs in 2021, with an average expected increase for all processors of 40% over 2020 costs. The project team estimates that COVID mitigation costs incurred by Alaska seafood processors in 2021 are likely to exceed \$100 million.

COVID-19 Relief Payments

Processors were asked whether they received COVID-19 relief payments, excluding Paycheck Protection Program (PPP) payments which covered wages, and whether these relief payments covered the losses they incurred mitigating the pandemic's spread. While two-thirds of processors reported that their company received COVID-19 relief payments, on average they reported that payments covered approximately 24% of their 2020 mitigation costs, with a range from 15 to 30%.

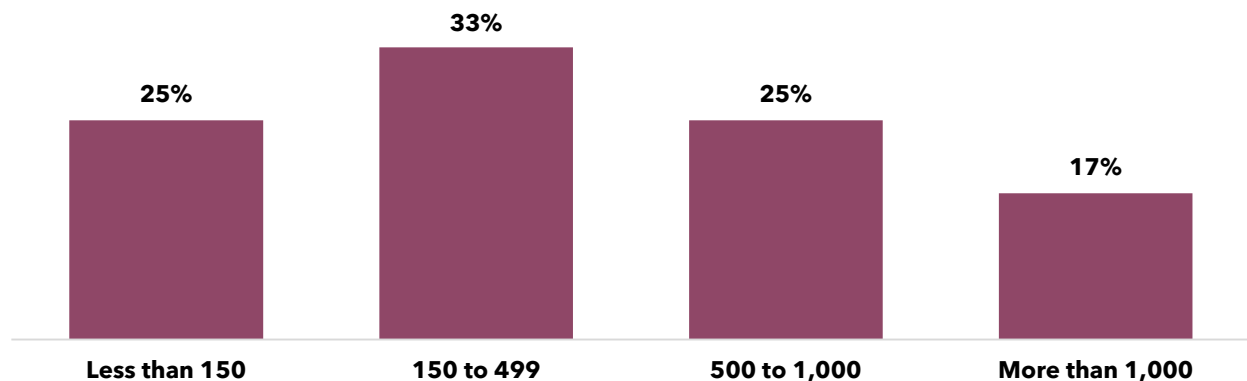
Figure 5. Did your operation receive any COVID-19 relief payments (excluding PPP)?



Employment Impacts

Processors who participated in the survey ranged in peak employment from less than 150 to more than 1,000 employees in 2019.

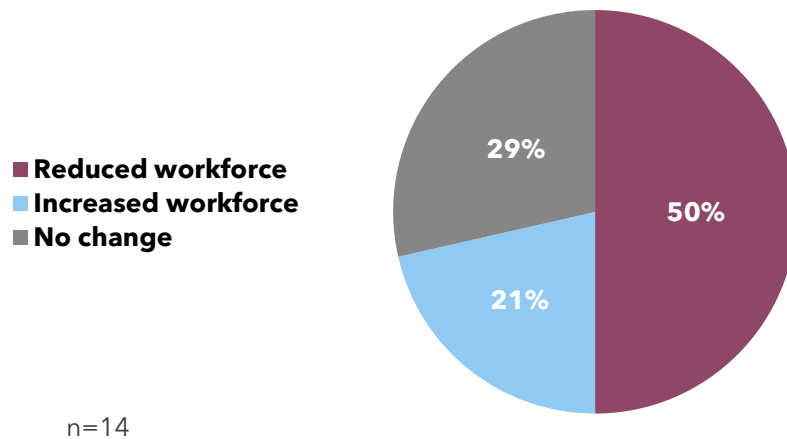
Figure 6. What was your peak Alaska employment in 2019, across all processing facilities?



n=12

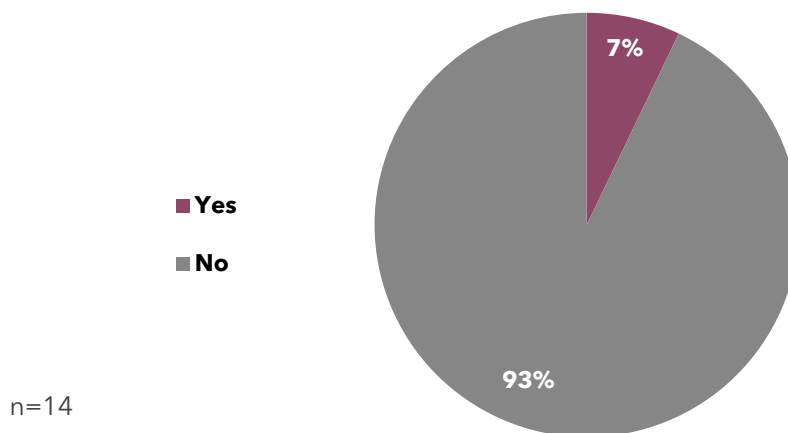
Half of processors who participated in the survey reported that they decreased their workforce in 2020 due to COVID-19, while one in five processors increased their workforce. Processors reported an average decrease of 12% in 2020 peak employment. One processor reported that they did not intentionally reduce their workforce but were unable to recruit to full capacity in 2020 due to the pandemic.

Figure 7: Did you reduce or increase your Alaska workforce in 2020 due to COVID-19, or was there no change?



Seven percent of processors who participated in the survey reported they had facilities shut down due to COVID-19 in 2020.

Figure 8. Did any of your Alaska facilities shut down for any period of time in 2020 due to COVID-19?



Production Changes in Response to COVID-19

Half of processors made changes in product mix form in 2020 due to COVID-19 impacts. Processors who made changes in product form were also asked whether those changes had an impact on the value of their production. Forty-three percent said that product value decreased due to changes in product form, while an equal number said there was no change and 14% indicated that value increased as a result.

Figure 9: Has your company made changes in product form mix due to COVID-19 impacts?

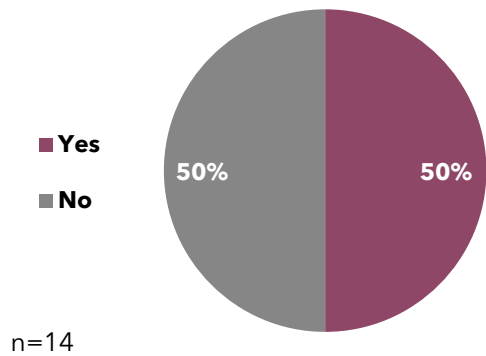
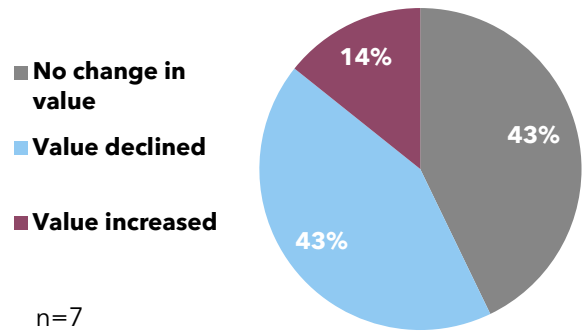


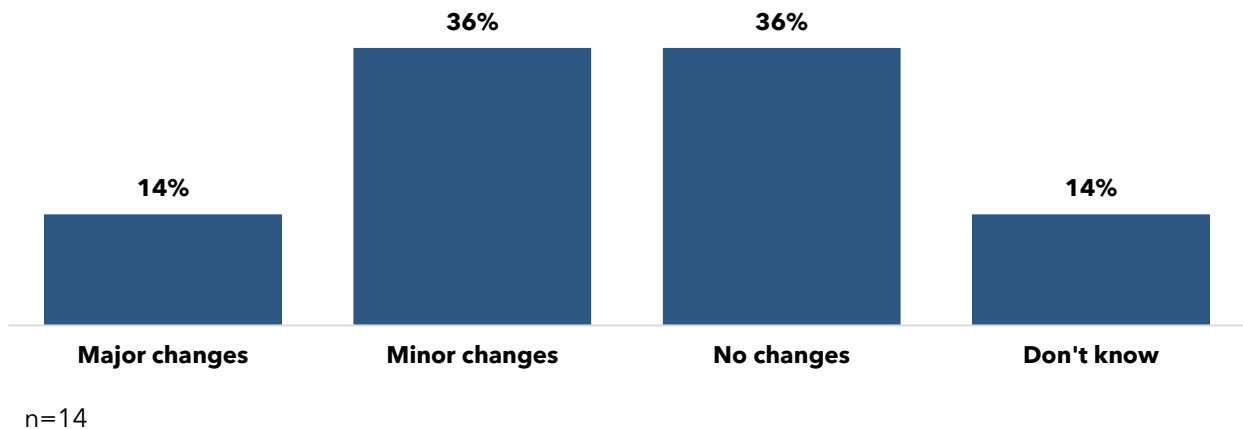
Figure 10. What impact did changes in product form have on the value of your production?

(Base: those that reported a change in product form)



While about one-third of processors said they anticipated no changes to product form mix in 2021, 14% anticipate major changes, and another third said they expect some minor changes.

Figure 11. Do you anticipate major changes, minor changes, or no changes to product form mix in 2021 due to COVID-19?



Open-ended Comments

Respondents were given the option to provide open-ended comments on how the pandemic is expected to impact their 2021 season. One processor reported that closed campuses have hurt employee morale and recruitment for 2021, while another said that regulations limiting third-party access for consulting and other services to facilities was an issue for their operations. Another processor plans to extend their typical processing season in 2021 due to a plant closure, which caused them to have a late start to their season.

On the positive side, one processor expressed optimism about rebounding demand and anticipates increased production in 2021 compared to 2020.

Appendix A: Survey Instrument

While the survey was conducted via an online website, the survey instrument followed the format below.

ASMI 2020 COVID-19 Processor Survey

1. Name of your company: _____

2. How many of each of the following types of seafood processing facilities do you operate in Alaska?

1. Shore-based # _____
2. Catcher-processor # _____
3. Floating processor # _____
4. Other _____ # _____

3. In which regions of Alaska do you operate? (Check all that apply)

1. Southeast (including Yakutat)
2. Prince William Sound
3. Cook Inlet
4. Kodiak
5. Alaska Peninsula
6. Bering Sea/Aleutian Islands
7. Yukon, Kuskokwim, Norton Sound, Kotzebue
8. Bristol Bay
9. Other _____

4. What species do you process at your Alaska facilities? (Check all that apply)

1. Salmon
2. Pollock and/or Pacific cod
3. Halibut and/or Sablefish
4. Crab
5. Other species _____

5. For each of the following categories, were extra COVID-19 related costs incurred by your Alaska operations in 2020? In other words, costs above and beyond those you would have normally incurred.

	No additional costs	Additional costs	Don't know	Not applicable
a. COVID-19 testing and screening	1	2	3	4
b. Travel and quarantine (charter flights, hotel, food, security, etc.)	1	2	3	4
c. Plant modifications related to COVID-19	1	2	3	4
d. PPE/medical supplies, or related services	1	2	3	4
e. All other expenses	1	2	3	4
Total, all expenses	1	2	3	4

5a. For each of the following categories, please estimate the COVID-19 related additional costs incurred by your Alaska operations in 2020. Include only costs above and beyond those you would have normally incurred. Your best estimate is fine.

	Additional costs
a. COVID-19 testing and screening	\$
b. Travel and quarantine (charter flights, hotel, food, security, etc.)	\$
c. Plant modifications related to COVID-19	\$
d. PPE/medical supplies, or related services	\$
e. All other expenses	\$
Total, all expenses	\$

6. What was your peak Alaska employment in 2019, across all processing facilities?

1 Don't know

7. Did you reduce or increase your Alaska workforce in 2020 due to COVID-19, or was there no change?

1. Reduced workforce
2. Increased workforce (skip to Q7b)
3. No change (skip to Q8)
4. Don't know (skip to Q8)

7a. Can you estimate how many fewer peak season Alaska staff you hired in 2020 due to COVID-19?

_____ (skip to Q8) (1) Don't know (skip to Q8)

7b. Can you estimate how many additional peak season Alaska staff were hired in 2020 due to the pandemic?

_____ (1) Don't know

8. Has your company made changes in product form mix due to COVID-19 impacts?

1. Yes
2. No (skip to Q9)
3. Don't know (skip to Q9)

8a. What impact did changes in product form have on the value of your production?

1. Value increased
2. Value declined (skip to Q8c)

3. No change in value (skip to Q9)

4. Don't know (skip to Q9)

8b. How much of an impact did changes in product form have on the value of your production? Your best estimate is fine.

% increase _____ (skip to Q9) (1) Don't know (skip to Q9)

8c. How much of an impact did these changes in product form have on the value of your production? Your best estimate is fine.

% decline _____ (1) Don't know

9. Did any of your Alaska facilities shut down for any period of time in 2020 due to COVID-19?

1. Yes

2. No (skip to Q10)

3. Don't know (skip to Q10)

9a. Considering all your Alaska facilities, how many days were you shut down due to COVID-19?

_____ days (1) Don't know

10. Did your operation receive any COVID-19 relief payments (excluding PPP)?

1. Yes

2. No (skip to Q11)

3. Don't know (skip to Q11)

10a. What percentage of your additional mitigation costs related to the pandemic were covered by COVID-19 relief payments (excluding PPP)?

% _____ (1) Don't know

11. Do you have any other comments about how the pandemic impacted your operations in 2020?

12. Based on what you know now, can you estimate your anticipated COVID-19 mitigation costs in 2021, considering all your Alaska facilities? Your best estimate is fine.

\$ _____ (1) Don't know

13. Based on what you know now, can you estimate your peak employment 2021, considering all your Alaska facilities? Your best estimate is fine.

_____ (1) Don't know

14. Do you anticipate major changes, minor changes, or no changes to product form mix in 2021 due to COVID-19?

1. Major changes
2. Minor changes
3. No changes
4. Don't know

15. Do you have any other comments about how the pandemic may impact your operations in 2021?

Thank you for participating in this survey.