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Evaluating the Impacts of COVID 19 on the East Coast Shellfish Aquaculture Industry

The shellfish aquaculture industry is highly diverse and has lots of interlocking elements. There are approximately 1200 farms on the East Coast that collectively harvest \$170 million in sustainably cultured oysters, clams and mussels. About 80% of these farms have less than six employees and most are working in rural coastal communities. Our farmers depend on a vast network of shellfish dealers, truckers, restaurants (and to a lesser extent fish mongers and supermarkets) to deliver our product to end consumers. We are heavily reliant on hatcheries to produce seed, as well as pathologists to inspect seed shipments going from state to state, equipment distributors, boat builders and outboard repair shops to keep us going.

The full impact of the pandemic on these businesses will largely depend on the duration of the mandates for social distancing and restaurant closures. There is a huge difference between a 30-day shutdown and a three- to six-month shutdown. Once a certain level of infected individuals recover, it is assumed that health professionals should be able to relax the social distancing measures because a measure of herd immunity will have been achieved. We don't yet have the data to predict how long that will take.

Every aspect of our work has been turned upside down. The market for shellfish has evaporated overnight. We estimate that 90% of oysters and maybe 70% of clams are eaten in restaurants because most consumers can't shuck. Our sales have stopped.

Dealers with product on their shelves are asking where to dump it. Restaurants are closed so they are disposing of perishable products unless they can retain some measure of takeout service. Most states allow shellfish farmers to return product to the harvest area where it came from, but sometimes the cost of returning products doesn't justify the shipping cost.

Growers have shut down harvest. Some are trying to maintain some measure of sales with online shipping or farm stand pickups, but this is a mere trickle. Growers should not lose their inventory, but they will have significant challenges with cash flow. They will still need to tend their crops (or they will get fouled and suffocate) so there is still a cost of growing and they will still face huge bills for seed this spring, but there won't be any revenue until restaurants reopen. Many of their customers are going through serious hard times, and many dealers and restaurants may not weather this challenge, so growers can expect more defaults and late payments on invoices.

There is some concern that state health departments may be forced to cut back on harvest area water sampling and will then be forced to close those areas to harvest. Since sales are reduced to a trickle, this may not be such a bad thing for the growers, unless state regulators say that we are not allowed to go out and continue to tend our crops which would cause catastrophic mortalities due to fouling and suffocation.

Some states may institute shelter-in-place regulations. If we cannot keep our hatcheries and nurseries going with daily maintenance then this will have huge impacts on production for years to come. It is critical that we be allowed to keep these essential facilities open.

Since interstate shipments of seed require inspections by qualified pathologists, there is some concern that pathology labs at universities will no longer be able to perform these services. This would restrict growers' access to seed this spring. Any impacts on seed availability would severely impact production one to two years hence.

For those downstream members of our industry (truckers, processors, dealers, restaurants and caterers) the closures of restaurants will prove to be a serious challenge. While growers have a temporary cash flow challenge, these firms have rents to pay and their loss of revenue will be an existential threat to their survival. If there are significant bankruptcies then we will see a loss of customers that could last well beyond the end of the shutdown, and growers will never get paid for any of the receivables in the pipeline.

Gear and equipment distributors are also seeing farms delay or cancel purchases. Growers are delaying purchases of cages, boats, outboards, boxes, ice machines and all of the ancillary equipment we need to do our work. Gear suppliers are telling me they are expecting an 80% reduction in sales during their busiest season. They are going to be faced with significant cash-flow challenges as they are often committed to long-term contracts and bulk orders.

Then there are all the workers who will be laid off (farm workers, truck drivers, dealers and food service staff). Many won't have access to health benefits that came with their jobs. Growers will trim their workforce because they don't need to harvest. Some truckers, dealers and restaurants will probably close up shop until the restaurants can re-open.

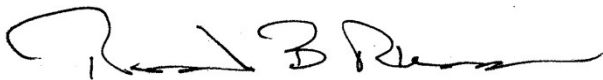
What can government agencies do to lessen the impacts? Low interest loans would be a big help. I understand that the SBA loan program is flawed and the paperwork is challenging. Penalties for defaults on these SBA loans are draconian. Moreover, most firms are reluctant to take on additional debt in these uncertain times.

Federally backed credit guarantees might be a tool that would allow some of these firms to get conventional bank loans and lines of credit (unless banks' access to credit also freezes up). Unemployment insurance for our displaced workers will be vital.

We must be allowed to keep our hatcheries and farms going. Our animals require regular tending and any measures that restrict our ability to access our farms and hatcheries would be catastrophic with impacts that could cripple us for years.

Finally, much depends on the duration of the social-distancing measures. If this is a two- or three-month challenge then most growers will weather the storm and things should get back to normal rather quickly (assuming we can still tend our farms, we keep our hatcheries running and we can still get pathology tests for seed imports). If this challenge goes on for longer, then all bets are off.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert B. Rheault', written in a cursive style.

Robert B. Rheault, Ph.D.
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