

# Gordon Food Service Market Updates

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## Seafood | Finfish

### Cod, Alaskan 1x:

The supply of the big stocks of wild whitefish are set to remain stable for 2020, lifting by less than 1% according to the forecast from the Ground fish Forum in October 2019. For Pacific cod the forum forecast has the total supply at 365,000 t in 2020 down from 387,000t. Note the Gulf of Alaska is completely closed in Federal waters for this season but the Bering Sea and the Aleutian Islands are still active fisheries . Overall this has driven a decline in Canadian and US landings from 185,000t to 158,000t as well.

### Cod, Atlantic 1x:

The 1x frozen Atl.cod loins from Canada are now available with plenty of supply. Costs remain elevated over last year but are still a good value compared to other Countries of Origin for both quality and cost . Last year the Exploration of the Sea advised the cod quota in the Barents Sea for 2020 to be set at a level 2% higher than its advised level for 2019 of 674,678 t. At 689,672 t, in 2020 advice comes in at 5% lower than the total allowable catch for 2019 set by the Norwegians and Russians of 725,000 t. In general the total supply of A cod is forecast to rise slightly from 1.131 m tons in 2019 to 1.132 m t . For Now Limson has supply of Russian fillets and of the Canadian 4 and 5 oz loins.

### Cod, Atlantic 2x:

Pricing has begun to soften as demand has dropped off on orders overseas. As orders begin to pick up you will see a rise in cost come fall. Inventory levels remain healthy.

### Cod, Pacific 2x:

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healthy.

#### Pollock, Atlantic 1x:

The overall Pollock supply for 2020 is expected to remain relatively stable. The forecast at the ground fish forum for the US supply of Alaskan pollock for 2020 is 1.528 million metric tons, down from 1.552 m t in 2019. Note fillet prices for larger sizes are expected to increase as supply on these sizes is more limited. Per the SeafoodSource publication... The largest fishery by volume in the U.S., the Alaska pollock fishery, is also facing its own set of disruptions, though it has fared better than some as the industry's "A" season managed to avoid overwhelming disruptions. They have been able to harvest their catch and prices have held up well.

#### Pollock, Pacific 2x:

Inventory will remain strong through Summer and into fall. Will see pricing soften through the summer as orders overseas have dried up causing plants to slow and raw material prices to fall. Wild Pollock will increase in demand as a high-protein variant. The anticipated increase in demand has many suppliers looking to become vertically integrated to reduce costs, and gain more control over the supply chain.

#### Haddock:

The tariff for haddock was rescinded in Dec as petitioned by several members of the National Fisheries Institute. Last fall there was a lack of product being imported in case the tariff was to be increased resulting in a shortage on raw material in Asia. Raw material is now available but is now faced with a severe lack of demand. For haddock out of Norway and Russia the TAC (Total Allowable Catch) for 2020 is up 25% from 2019.

#### Domestic Lake Fish:

Note both the walleye and yellow perch seasons resumed in May. Currently the processors have placed restrictions on the quota for the boats for walleye as they cannot afford to freeze fish in hope there is demand, and this is a risk they are unwilling to take. As they continue to process fresh this is done minimally based on demand as the plants are currently operating at 25% due to the restrictions of the virus. At this rate for walleye, even though there was a 20% increase in the overall quota for the season there is doubt that will be caught by the fall. Perch season began on the 15th of May and as last year the processors are selling perch if you

take walleye as well. With an estimated 18% reduction in perch quota prices are high. The issues, do you assume high cost perch to cover you for the season and take the risk of this market collapsing if there is no demand? In addition the fishery was unable to fish the spring season prior to spawning and that will also cause an added 25% loss of this fishery as well. The availability of smelt is limited due to an overall shortage of the product. The season for smelt does not start until the end of June so that is when prime fishing will happen. We are hoping to be able to obtain more product during that time however have heard there is potential the product will continue to be short. Costs are very high for perch and as of late there is a discussion about a moratorium for perch in the fall. Walleye costs have started to decline as they are the most plentiful fish out of lake Erie at this time.

#### Euro Lake Fish & Zander:

The European supply on zander, pike perch and euro perch has been more than adequate to date with no interruptions in supply. Limson is covered on all sizes at this time. Costs are expected to remain stable for now as demand has been adequate for reduced Food Service sales. For late summer, fall orders we did expect a softening on cost purely due to the current exchange but that was short lived as of late with the dollar adjusting recently and increasing cost of goods. Note this is a lower cost option to the domestic product and eats comparatively.

#### Mahi Mahi:

Mahi Mahi has been secured from the 2019 fall season and Limson has supply on all sizes. Costs remain stable for limited demand in Food Service. The S American season does not resume until October. To date there has been minimal supply out of Asia due to the virus. Note we have 4, 6 and 8 oz portions that are vacuum packed and can be a great option for retail applications if sold as eaches. We also have 1-4 oz pieces that are currently sold as a cheap option for taco applications and such and are currently at a reduced cost.

#### Frozen Tuna, Swordfish :

As of late costs have remained stable with little demand. Limson has plenty of supply on all sizes and offerings from steak to saku to swordfish all in IVP packaging for retail sales as well.

#### Swai:

In Vietnam the government has started to ease social distancing in a few cities. The suppliers team is back to work full time and has returned to offices but with caution. Small businesses are allowed to reopen and if the situation maintains as it is, Vietnam might get back to normal mid May. Raw material (RM) pricing is believed to be at the bottom in the past few weeks and farmers have been losing money at this current price. Some reduced farming quantity or switch to farm a different species, which will lead to RM shortage later this year. On top of that, farmers were reluctant to start new crops due to high level of uncertainty in global demand since the beginning of the pandemic. Therefore, shortage will most likely occur in Q3 and Q4 this year and might even last until next year if farmers' mentality does not change. Right now, farmers refuse to drop RM pricing further as they are waiting for China's recovery from COVID-19. In fact, demand from China showed minor sign of recovery this month. We forecast its demand will be back to its normal level around June. Once it happens, RM price most likely will face upward pressure.

Tilapia:

Tilapia, once a big mover for the foodservice sector has seen diminished sales over the last year where imports have decreased. This commodity was included in the tariff war but many think Tilapia in general has gotten some bad press over the last few years based on the public perception. Some experts at the Global Seafood Conference cite a potential turnaround not only how the fish is perceived but due to the recent signing of "Phase One" of the treaty to resolve the trade war, we may see demand for tilapia turnaround. As such, global production of tilapia is estimated to increase from 6.5 million MT in 2019 to 6.8 million MT this year. The increase in supply should continue to keep prices flat and put this item back on the menu of many foodservice establishments.

## **Seafood | Shrimp**

Pond stocking in India / Indonesia has and is happening but at a reduction (40-50%) due to the COVID-19 pandemic and recent storms in parts of India. They are having hard time getting Brood Stock as international flights are very limited right now. In the short term you may see some good pricing in the market as people are trying to move off old or excess inventory. This will have a larger impact come late summer into fall as this will limit the inventory availability which would cause

increased pricing. Current shortages in the market are easy peel, cooked shrimp and smaller sizes on raw PD and PD tail-on as we have seen an uptick in retail and delayed shipments from overseas.

#### Imported Black Tiger:

Production out of Indonesia has been slow and steady without any shut downs. The packers are backed up with excessive orders (for over 6 months in most cases) and most buyers have experienced extensive shipment delays causing current shrimp shortages in the US. Raw material prices there are escalating even at much higher pace than in India and packers are taking major losses as order dates are back from January and February 2020. Packers are also handicapped and are not in position to take any new orders until they put some dent in their existing order book. Indonesia will continue to struggle through late 2020 when their season starts in Dec. However, they are expected to continue shipping at a steady pace, but at lower volume levels than normal.

#### Imported White:

We will see a rising market through summer and into fall as shortages continue to develop with the uptick in demand for both retail and food service. Normal harvesting has been disrupted as farmers panic harvested in March and April. Many farmers have reseeded but at 40-50% due to limited raw material. The next harvest is expected in September with a limited crop availability. Presently there is raw material available, but the cost is escalating as packers are bidding out on each other in a race to fill their existing orders as their margins are shrinking day by day.

#### Latin White:

Prices have firmed due to limited supply,

#### Domestic White & Brown:

The spring season starts mid April to early May but has been delayed due to the COVID-19 impact. Boats are being delayed as overall demand is down and cold storage is filling up. You may see some good deals on pricing prior to the market opening up as people will be looking to move inventory out of cold storage. Retail continues to spike on 16/20 and 21/25 which has driven up pricing on those sizes

across the market.

Domestic PUD:

Smaller PUDs are now very tight in the market and driving up prices until the current season brings in new landings. We have seen a delay on production as only 25-30% of boats have gone out in recent weeks.

Domestic Rock & Pink:

Rock shrimp production in both the US and Mexico was a bust this past year. Virtually no inventory and very high prices. Domestic rock season starts again July/Aug.

## **Seafood | Lobster**

North Atlantic:

The lobster market has been heavily impacted by COVID-19. Most items (tails and meat) are heavy in Food Service so demand has dropped off significantly. As a result, prices have been reduced as of late but with minimal demand it has had limited effect. To date, the bigger issue is the restrictions at the plant level where foreign workers were banned entry into the region and the work force in general is older and not as efficient. That and the reduced production due to COVID restrictions has limited the amount of lobsters being processed into tails at the moment. As of late, the majority of lobster has been sold as whole cooked and or whole raw worldwide as the lower boat price has made this a great offering for retailers. Costs have declined recently as there was a back log for processing at the plant levels. Per UB The market finds itself in a curious spot; demand for tails is robust and processors are unable to meet full needs, but the market remains weak. The limit on labor is hampering the ability to process, thereby pushing the cost of raw material lower. Meanwhile, meat demand is still limited, and that market continues to erode, but the lack of leg production is narrowing the spread between CK and CKL products. Now we await the start of the Maine season in July / Aug.

Warm Water:

The WW tail market as for the N Atl market has decreased in demand for the Food Service sector. To date we have supply as the new season arrivals have not been noted yet. We expect first arrivals in July if the country can resume production due to virus related issues as Brazil has been heavily impacted by the virus. Costs have softened at this time with plenty of supply

## **Seafood | Crab**

### **Snow Crab:**

The news regarding Canadian snow crab has not gotten any better; in fact it got worse. The DFO continues to monitor right whale sightings in the Gulf and as soon as one is seen, the grid is temporarily closed. However, if there are continuous sightings in the same area, the grid is closed for the entire season or until November 20. What makes this situation so volatile? For one, the TAC for the Gulf was down this year from last. Second, as of June 1, the DFO has already closed nearly 3,000 square kilometers for fishing for the remainder of the season. More importantly, a significant portion of the large sized crabs come from this region, reducing the amount of 8/+ 's and larger that are available. This has placed the burden of catching large crabs squarely on the backs of Newfoundland/Labrador, which has its own set of problems. However, word out of this area indicates that the predominant size is 5/8 's, with fewer of the large crab being caught. Currently, we are facing a shortage of product, regardless of the fishery, putting upward pressure on prices. Should we continue to see more grids closed in the Gulf or crab out of Newfoundland/Labrador remaining tight due to processing and transportation issues, we can expect a surge in pricing and possibly another shortage as we experienced last season.

### **King Crab:**

Currently the seafood sector reports that king crab is selling well in retail with very minimal sales in Food Service as expected. Right now the market is starting to tighten some on the larger size king crab as these sizes are limited as of late and increasing in cost. Some processors indicate costs will be firmer still through the summer.

### **Red Swimming Crab:**

Blue Swimming Crab:

## Seafood | Scallops

Due to COVID 19 and the fact that the Food Services sector has been greatly challenged many expect there could be a significant downturn on cost as the boats get fully underway but as of late this train of thought is uncertain for the dry products. The quota has changed drastically with reduction of closed areas and the reduction of NEast closed area fishing as well. In general: 17-20% reduction in total catch = forecast is about 10 million # less than 2019. Nantucket deep south = forecast is 6.2 million lbs which is currently shucking meat counts of 40/50s and smaller so this may see a full effort from the boats depending on price or many may decide not to fish due to the increased work, days at sea as this takes a lot more effort for 1lb of scallops, puts added pressure on the guys on the boats, and takes double the time. Boats will fish but its another 6 million lbs that WILL NOT BE 10/20s and bigger reducing total availability of these larger sizes. Less trips, less money for 40/50s , more southern/mid-Atlantic scallops ( that have reduced quality in summer, and possible parasites in south areas) will potentially see many boats spread their fishing out and lower the landings in summer that can drive the auction lower. In general movement has been minimal. In general ; Quality scallops from northern mid, open areas and the Northeast limited fishing areas have been in high demand and have higher boat price average than the southern areas due to quality and size mix. All larger scallops are short and will stay firm for year and more than likely thru 2021 due to fishing area rotation and stock size. Retail / Club demand is up 30-40% which is putting pressure on buyers to take positions now as there will not be enough to fill demand later in year and prices will more than likely firm. Quota is cut 20% on paper but, fishing is spreading out, small 20-30=40/50s will also be another 15-20% of catch further reducing the prime demand sizes

Chinese Flounder and Ocean Perch:

With China getting back up and running we are now seeing production plants arerunning at around 60%. The problem that China is now facing is the lack of Demand due to the COVID-19 impact around the world. We were able to pull our orders ahead for Lent which provided a healthy inventory to get us into the Spring / Early Summer. Pricing could soften as we see the markets begin to open and new product arrives in the market.

## **Seafood | Salmon**

Norwegian Salmon:

The Norwegian Salmon industry has been operating during the pandemic, and although volume is down the pricing affected the large fish (6+ Kg) the most as this was for Asian markets. This has just reversed again and large fish are now more expensive than smaller sizes (3-6 Kg). The food service industry has been heavily impacted as we know, but retail business picked up a lot of this volume and as such kept harvesting and production moving. We are notsure how all the producers will be handling the summer, but plan on them shutting down plants for maintenance and limit harvesting as usual during vacation (July-August) period. This will of course push up prices a bit during this time, although prices have increased over the last few weeks and are at very higherlevels all ready. May is also the month with 1,000 holidays in Norway. With a mild winter, less harvesting this later winter and early spring wewould think that we will see more volume pushed towards late summer and/or fall which normally will lead to pressure on prices, and more than the usual fall pressure. The big farmers might try to pace the volume as they usually do not want to release everything in a short timespan as that will lead to total market crash. But the biggest question is exchange rate, and wethink we will see a strengthening of the NOK versus the USD. The Norwegian Bank has been buying up the NOK and larger investment companies have noticedas well and think the NOK is undervalued. For now costs remain stable with adequate supply

Chilean Salmon:

As supply has become more available a massive drop in foodservice demand as the COVID-19 pandemic widens, has prompted mass closings of bars and restaurants and caused US salmon prices to fall, not rise. While US foodservice demand for

salmon has dropped, the picture is not all gloomy, as the retail sector has been booming and has taken up some of the slack. Note for fresh however with Latam airlines declaring bankruptcy there is limited cargo space capacity for export shipments.