Gordon Food Service Market Updates

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 387,000 t. 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 185,000 t to 158,000 t as well. Currently Limson has plenty of supply in the 8/16 oz size.

Cod, Atlantic 1x:

For Russian and Norwegian Cod **Per Undercurrent News:** The International Council for exploration of the Sea (ICES) has recommended that the cod catches in the Berents Seas are set at 885,600 MT in 2021. ICES advised the cod quota in the Beren's Sea for 2021 be set at a level 28% higher than the level that was advised last June for 2020 of 689,672 MT. Currently we expect the price level to remain stable for the balance of the year. There is not a lot of inventory overseas as they are facing strong demand in Europe, especially from the retail market and the fish & chips segment in the UK which is unusually busy currently. Fish & Chips in the UK are mostly bought from Take Aways currently, this seems to be the Out of Home meal of choice currently while the Brits are not travelling abroad and reluctant to dine in other types of restaurants or pubs. The bottom line is that Frozen at Sea fillets have not changed much in price. Demand is still very good and there is not much excess of product. Regardless of the current strong market expect prices to remain stable at this point given the global uncertainties and challenges. The 1x frozen Atl. cod loins from Canada are now being offered from the new 2020 season. Costs have been confirmed to be close to the same as last season. Canadian Cod is harvested in three general areas in northeast Canada that impact our supply. 2J 3KL (Northeast Coast). 2020 total removals were recently announced at 12,350 mt - same
level as in 2019. However only 10,000mt was caught in 2019 which effectively means the fishermen have access to an additional 2,350mt in 2020. 3Ps (Southcoast). 2020 TAC was cut 55% from 2019. Limson's processor left 1,350mt of Canadian* fish in the water last year so the effective cut is more like 30% for Canada.* the cod quota in this area is shared between Canada (84.4%) and France (15.6%). 4RS 3Pn (West Coast) 2020 TAC is 1,000mt - same level as 2019.

Cod, Atlantic 2x:

Pricing has started to rise as orders for the holidays are being placed which is causing packers to negotiating for raw material. Inventory levels remain healthy.

Cod, Pacific 2x:

Pricing has started to rise as orders for the holidays are being placed which is causing packers to negotiating for raw material. Have seen some shipping delays on open orders due to pandemic restrictions.

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 mt in 2019. Note fillet prices for larger sizes are expected to increase as supply on these sizes are more limited. As the B season resumed at the end of June, first reports are that the fish are smaller only producing 2-4 oz sized fillets. The hope is as they grow out at best to the 900 gram size, this will increase the availability of the 4/6 oz fillets. For now Limson has product and does not expect any interruption in supply. Recently in Undercurrent News: Lower production of PBO comes as some sources feel prices might come under pressure this fall due to high levels of double frozen blocks in China and the EU. The dive in FS demand due to COVID 19 has created high inv levels, meaning the gap for single frozen fillets is widening from that of the double frozen. Time will tell if this gap closes as we progress into late fall.

Pollock, Pacific 2x:

Inventory will remain strong through the Summer and into the fall. Will see pricing soften through the summer months until packers overseas begin to receive holiday/lent orders. 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:

**Per Undercurrent News:** For haddock ICES is advising the TAC be lifted 8% for 2021 to 232,537 MT relative to the advise of 215,000 MT for 2020. Norway and Russia followed Ices advise for it's 2020 quota setting it at 215,000 MT. Plants overseas are currently looking to negotiate on prices as they look to get product moving.

Domestic Lake Fish:

As we progressed through the summer season the landings of perch had been minimal at best. Originally there was concern that this market could crash with no demand but to date the fishing is so poor on this species they cannot catch enough to make a difference. Costs remain elevated and taking walleye with perch purchases is still an issue when they are available for sale. For now walleye is still available but costs have increased slightly on the smaller sizes and overall due to excessively warm temperatures on the lake and more limited summer harvests. The availability of smelt is limited due to an overall shortage of the product, however, just this week we have been able to find a limited amount of battered. The season for smelt was supposed to have been underway but to date the fish are so small they cannot be eviscerated for sale and any offerings have been limited. Overall the volume is not significant enough to supply current demand. We are hoping to be able to obtain more product if possible but at the moment the outlook on supply is bleak. Prime fishing was missed for white perch due to the virus causing there to be a shortage of the product. White perch is not expected to be available until late summer when fishing picks back up. New season whitefish is available with some softening on cost.

Euro Lake Fish & Zander:

Limson is covered on all sizes at this time but there are reports of less inventory available overseas on the smaller 20-zander as we progress into the fall and this will come up short. Costs are stable for now but if supply issues persist expect the smaller fish to rise on cost to ensure continued supply. Euro perch has increased recently due to the demand and lack of domestic perch for 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 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 to get us until the next season resumes out of S America in the fall. Costs remain stable for an active demand in Food Service as of late. 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. **Per Urner Barry:**

Total frozen imports per season (Oct 2019-June 2020) registered 30 million pounds, a 42.9% increase compared to the same time frame for the previous season and is already 15% higher than the total recorded for the 2018-2019 season. It is important to note that the 2018-2019 season produced record low volumes. In fact, total production per season for 2018-2019 registered 26 million pounds, 18.75% less than the previous record low 2016-2017 season. Q2 (Apr-June) total frozen imports registered 24.6 million pounds, a 49.4% increase over Q1 which recorded 16.4 million pounds. Peru and Ecuador remain the two top producing countries of frozen mahi. YTD Imports per season from Peru (Oct 2019-June 2020) registered 13.2 million pounds, 3.6 million occurring in Q2, a 19.6% increase over Q2 2019. Peruvian imports peaked in March, outpacing their 10-year average by 33%. In addition, Q2 imports from Peru outpaced their 10-year average by 31%.

Frozen Tuna, Swordfish:

As of late costs have remained stable with a slight uptick on demand overall. Limson has plenty of supply on all offerings from steak to saku to swordfish all in IVP packaging for retail sales as well. Vietnam The catch is slowing down, and prices have crept up 20 to 30 per pound since last month. Prices may continue to firm up until the catch is back on in, usually, late January/early February. Steak and Loin inventories seem to be tight. Saku, Poke and Ground Tuna (sushi items) availability is fairly abundant. Indonesia Raw material is low. Prices in Indonesia are also firming up 15 to 25 per pound. There might be some relief going into November.

**Per Urner Barry:**

Total Q2 frozen tuna fillet imports from all countries totaled 16.3 million pounds, a 31.9% decline compared to this time last year. YTD total imports registered 38 million pounds; a 14.7%
decrease compared to YTD 2019; however, they are trending 42% higher than their 10-year average of 26.7 million pounds. It must be noted that 2019 marked a record year for total frozen tuna imports, registering 90 million pounds. The two largest suppliers of frozen tuna in Q2 continued to be Indonesia and Vietnam, representing 46% and 30% of the frozen market share, respectively. Q2 imports from Indonesia registered 7.6 million pounds, a 21.8% decline compared to Q2 2019. YTD imports registered 17.3 million pounds, a 9.2% decline YoY. Q2 imports for Vietnam registered 5.1 million pounds, a 43.5% decline compared to Q2 2019 and YTD imports are 27% lower YoY. As countries-initiated lockdowns to curb the spread of COVID-19, it has impacted fishing efforts, increased freighter costs, and disrupted distribution channels. Total fresh imports for Q2 registered 5.8 million pounds; a 42% decline compared to Q2 2019 and are down 29.6% YTD. Panama was the top producer of fresh tuna imports in Q2 with 2.2 million pounds; a 100% increase over Q2 2019 and is trending 208% higher than their 10-year average YTD, Panama exported 3.3 million pounds.

Swai:

Vietnam feels they have the Corona virus completely under control. Since May, global markets showed some recovery signals as countries started to re-open and loosen their social distancing status. Although there is a concern of the 2nd wave of COVID-19 this fall. Raw material remains at the bottom level since February. As farmers reduced farming volume early this year due to the uncertainties caused by COVID-19. Pangasius supply is expected to be short in Q4 this year and once this happens RM price most likely will face upward pressure.

Tilapia:

Generally prices have remained stable most of the year so far. However raw material pricing/cost was also stable up until about May. Now for the past few months you have seen an increased competition for raw material. The reasons for this are due to high demand for many months at retail. Where they prefer 2-5 oz or 3-5 oz traditionally over the larger sizes. Larger sizes tending to be preferred by restaurants. Focus by some customers and plants on producing 4 oz and below due to the tariff exclusion. This means that plants are having to pay an ever-increasing premium to secure enough raw material from the farms to meet orders. Farmers do not make much profit on smaller sizes. So they prefer to wait until the fish grow bigger before harvest. Now packers and customers need the farmers to harvest sooner to get more smaller sizes. Farmers must be incentivized to do that. Packers
are competing for the farm supply. At the same time that would of course mean there is less available of the larger sizes if farmers are having to harvest sooner. Overall import volume reports from January through June saw a 25% increase over 2019 with February being high, March very low and then April, May & June back up. This was mainly driven by the retail demand for frozen seafood. Food service demand is starting to slowly pick up, though how fast has varied by region of the country, where in the re-opening phases. Due to the overall demand in retail and pick up in food service you will see prices start to rise until demand stabilizes.

**Seafood | Shrimp**

India and Indonesia have both struggled with the availability of workers and raw material along with 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 comefall 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-onas we have seen an uptick in retail and delayed shipments from overseas. Experts expect to see a drop in overall production output out of India by 30% for 2020. Ecuador has been one of the most impacted countries because of COVID. In 2019 China accounted for 61% of all Ecuador's shrimp exports. With the current complications between Ecuador and China Ecuador is faced with finding other outlets to move inventory with EU and the US being the highest probability. With India and Indonesia facing potential shortages Ecuador may be able to provide the solution on certain products.

Imported Black Tiger:
Production out of Indonesia has been slow and steady without any major shutdowns. 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 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.

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 each other out in a race to fill their existing orders.

Latin White:

Prices have firmed due to limited supply,

Domestic White & Brown:

The spring season started mid April to early May but was delayed due to the COVID-19 impact. Boats are being delayed as overall demand is down and cold storage is filling up. Retail continues to spike on 16/20 and 21/25 which has driven up pricing on those sizes across the market. Texas and Louisiana were just hit with a hurricane which has caused shipping delays. Packers are awaiting to evaluate the damage after the storm which may cause additional delays. The May/June production of small peeled was the lowest it has been in over 30 years, primarily due to lack of shrimping effort. The next opportunity for small peeled will be this fall with whites. Texas waters have opened up for shrimping (Mid July). The big boats that have been working off-shore La and AL have begun to come in with a mix of large white headless, brown headless, and large head-on for peeling (that would yield 31/35-61/70 peeled). Boat prices have steadily risen over the last several weeks on all raw material due to current inventory shortages, and demand from retail and the
gradual opening of foodservice exceeding current supply and production. This is expected to last through August and into September.

Domestic PUD:

At the moment peeled production is very light on all sizes, and no inventories seem to exist on 110/130 and smaller. The larger boats have really just gotten back to work after the storms, and barring any additional tropical disturbances they should be out for at least 30 days meaning early November. The boats are currently catching 21/25-41/50 head-on, which yields 36/40-70/90 peeled. As cold fronts begin to move down from the north the shrimp get smaller, and we typically see more production of 110/130-150/200 puds from mid Nov through mid Dec.

Domestic Rock & Pink:

Domestic rock production typically starts on the Atlantic coast of Florida toward the end of July. At the moment there is no concentrated effort on rock, only small incidental catches of a few rock shrimp along with brown shrimp. It takes a long time right now to accumulate enough rock raw material to process. Targeted Domestic rock production typically runs from Late July through December. Mexican rock production in the southern gulf starts later in the year (typically November) and runs through the following spring. At the moment there is really no existing inventory of shell on or P&D rock. It will be late September before we see some availability.

**Seafood | Lobster**

**Per Urner Barry:** Lobster imports into the United States through the first six months of 2020 are 14 percent below the prior year. So far total imports stand at 51.7 million pounds compared to 60.2 million last year; that's a 8.5 million pound shortfall created almost entirely by a decline in shipments of live lobster and lobster products from Canada. Second quarter imports of warm water lobster tails, historically the annual low point, totaled a mere 561 thousand pounds, a 32.9 percent decline from Q2 2019. Individually, shipments from the Bahamas (-40.5%), Honduras (-46.3%) and Nicaragua (-64.3%) were lower, while Brazil (+288.6%) shipped more. Year-to-date, shipments are 2.3% ahead of Jan-Jun 2019. Imports of North American lobster products from Canada were 16.1 percent lower in the
quarter, and 14.3 percent YTD. Imports of cold-water lobster tails from other countries declined 48.3 percent in Q2 and 14.6 percent YTD. Shipments from all major producing countries were lower in the quarter. Other imports declined 86.8 percent in the second quarter and 49.2 percent YTD. Our quotations for Brazil origin lobster tails were reinstated in late July following their removal about two months earlier. This is a typical measure we take as we wait for the new season to develop. The market opened at levels that are roughly 20-25 percent below prior levels; a direct result of market conditions created by the COVID-19 pandemic. The market for Caribbean origin tails remains unquoted as we await meaningful trade to develop.

North Atlantic:

For N Atl Lobsters the suppliers are having a hard time knowing what will happen due to Covid. To date the Maine catch has been marginal but there are still the fall season and time to make up any lack of supply. The tail business has been strong for the small tails, 4 and 4/5 tails because the retailers have been very active. Currently there are limited amounts of the larger sizes until fishing resumes in late fall in the 6/7, 8/10 and up range. Most expect the plants to be cautious in what they pack. If orders are not there they will limit what they process to mitigate losses. Meat costs have been steady but there is some expectation that costs could soften after the labor day holiday...but that remains to be seen due to demand. The lack of lobster being caught in Maine has international implications as the evolution of C-19 saw frozen meat/tail inventory prices collapse in Q-1/20 and Q-2/20 was a transitional learning period for all involved. It was the middle of Q-3/20, when the lack of raw material became an issue and we saw venture capital take a position and arbitrarily raise the raw mat price by a buck a pound in what could be viewed as attempting to either set or perhaps corner the market. This flexing of financial muscle has stimulated pricing which could rise to winter 2020 levels pre Covid. Social distancing in the plants has made production of labor intensive products such as leg meat an issue and as a result the lack of L for CKL has limited the volume of this staple blend. The supply/demand commodity nature of lobster pricing has lent further credence to firming prices as witnessed by the live market. Depending on the source the landings in Maine may be off as much as 40%-60% YOY and last year was not even close to the big numbers posted over the past 15 years. There are many that hope that the recent New Moon tides and the passage of Hurricane Teddy may have stirred up the bottom and stimulated landings, it remains to be seen. It is not unusual for hard shell lobster prices to firm moving into the fall months. However,
this year, NE hard shell select market prices have increased 50% since early August. By all accounts, stored hard shell inventory throughout the industry is low. Uncertain market conditions related to COVID-19 lockdowns and restrictions have compelled market participants to be cautious with their holdings. Typically, strong demand for the Chinese Fall Festival (Oct. 1) fuels buying interest in larger sized selects. Because pounded inventory is so much lower than a normal year, even a reduced demand is exceeding supply. A recent slow-down in the Maine catch has resulted in firming prices for firm shell product. NE firm shell halves prices are trading 15% higher than the 5-year average and are in line with 2019 prices. Typically, firm shell product makes its way into the processing sector. At these higher levels, processors have pulled back. Frozen inventories, due to limited processing during the Canadian spring season, is reported to be tight...

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 on all sizes. Note a significantly softer cost than last fall / winter as the market adjusts to the new normal. Reports indicate the plants are social distancing to maintain production and that Brazil and Belize are not having any issues getting product processed. This year they seem to mirroring the N Atl Market to capture their share of the market based on cost. However... there has been increased demand in the retail sector that has driven movement. As travel, cruises etc have been limited and the big parks remain closed or limited, many have chosen to use their disposable income on what in other years has been pricy product.

**Seafood | Crab**

Snow Crab:

Seafood Source has reported that frozen seafood sales jumped 42 percent, and volume climbed 34 percent, for the week ending 23 August compared to the same week last year. (IRI and 210 Analytics) U.S. imports of Canadian snow crab in July were up 31% to 17.391mm lbs. compared to July, 2019. At the same time average import value increased 14% in July. This increase in value indicates major repeat orders and future support even as the price went up. It's a fact that historically the U.S. receives about 80% of its total snow crab imports from Canada in May-July. Total U.S. imports from Canada for the three month period in 2020 were 10mm
lbs. higher than 2019. Product has been limited since mid summer especially on large size Opilio. Snow crab prices have risen $1.00/lb on 8oz Canadian over the last month and 4% on 10 up with limited availability. Canadian snow crab prices with the exception of 5/8oz are now over 20% compared to the same period in 2019. In general all sizes are short and costs continue to climb.

King Crab:

As we move into fall we find some of the most important king crab fisheries. The Russian Far East, Barents Sea, and then the Alaska Red king crab seasons. Russia will be harvesting over 26,000 M/t and supplying the Asia live market as well as the processed markets in Japan, Asia, and the U.S. The Alaska quota has not yet been set, but will be small in comparison and sell to premium foodservice and retail outlets in Asia and the U.S. With the closure or curtailment of most food service operations and online ordering, seafood marketers this year have been challenged to find other ways to move the product. Not many carryout restaurants serve king crab or snow crab so retail is the market of choice. The level of support at retail supermarkets and club stores for king crab and snow crab has been remarkable. Product flew through the system and we found that 69,268,393 lbs of Canadian snow crab alone was imported during the three month period of May through July! King crab volumes of course are much lower but also gained significant support from retail. Note the Alaskan Gold Crab season is underway but have not seen offers or product in the lower 48 to date. For now costs on all sizes (Reds and Golds) have been firm and are expected to remain so through the holiday season.

Red Swimming Crab:
Blue Swimming Crab:

**Seafood | Scallops**

Overall the scallops quota was cut about 15-18% versus last year (approximately 50 million pounds this year versus 59 million pounds caught last year). Landings are 30% lower this year on larger count scallops versus this time last year (10/20 and larger). Landings of 20/30 scallops are averaging mostly 28/33 (and smaller) count. While food service demand is lower this year, very high retail demand has caused boat prices to firm. 2021 Fishing quota is expected to be lower than 2020 which will increase the boat price.
Chinese Flounder and Ocean Perch:

China production plants are still running at reduced volume (70%) as there is still a lack of demand around the world because of the Covid-19 impact. Pricing will most likely remain soft into the fall until suppliers have placed orders for the Holidays / Lent. Once this happen we may face an upward pressure on pricing.

**Seafood | Salmon**

Imports of frozen Atlantic fillets decreased when compared to the previous month 9.2 percent. However, on a YTD basis, imports are 26.8 percent higher. Imports from Chile decreased slightly 0.1 percent from the previous month but remains 23.8 percent higher on a YTD basis. Imports from Norway decreased 4.9 percent compared to the previous month but continues to see an 18.9 percent increase on a YTD basis. We must mention that we assume this HS code includes frozen portions. The frozen fillet and portion markets out of Chile were stable again this month. Pricing levels for both frozen fillets and portions are below the three-year averages. The market is unsettled; both higher and lower offers are noted; some discounting of aged product is also noted. In the market to this point, many participants reported a greater desire to see the fish sell fresh rather than go into the frozen market, again we will see how this begins to change over the next several weeks. Retail activity throughout the month of September followed closely to the 3 and 5 year averages for the number of buying opportunities. When taking a look at the average retail price, we notice that since about mid-August, pricing has tracked well below both the 3-and-5-year averages; each week overall average pricing trending lower. From a YTD perspective, the number of promotions are down 4.6 percent and the average price is 5 percent.

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. 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. With a mild winter, less harvesting in early spring we would 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.
Prices are supposed to move up a bit based on FishPool, but we are not sure this will be the case as there is a large number of fish still in the water. Sea lice is becoming a bigger issue with warmer water and faster growth, so that could mean more small fish being harvested which again can affect future harvesting this fall. But the biggest question remains the exchange rate into the fall as the USD is getting weaker and weaker. Note per Undercurrent News: Norwegiansalmon spot prices are likely to be volatile from week to week over the next month or so as harvest volumes are expected to rise year over year. Many expect the harvest profile for 2021 to be similar to 2020 with little growth the first half of the year with more fish during the second half. However supply growth next year is supposed to be negative for Chile during the second half of the year. Smolt released for harvest during the latter part of 2021 is down 26% y o y with only two more months left in the release period.

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 had diminished some, the picture is not all gloomy, as the retail sector has been booming and has taken up some of the slack. Note however even with the issues being reported government officials do not feel that this will affect production in Chile as they have been monitoring this closely at the plant level for some time and this industry is considered to be essential. Last week we reported that the truck drivers in Chile were going on strike due to violence in the Southern regions. That was short lived as it ended Sept 2nd. As this mostly impacted the fresh market by stopping trucks from getting to Santiago for air freight, there is still some question where the market will level off after the holiday as many producers are not selling at the levels UB is currently reporting for fresh and are awaiting a new normal. If the strike would have been longer, an increase in cost would have been a more sustainable response for frozen, however being so short the frozen market has not been impacted much as the biomass was not even affected.