



Gordon Food Service Market Updates for December 7, 2018

Dairy | Cheese

The CME Block and Barrel Markets continue to be bearish in the current environment. Speculators point out an abundance of stock of cheese being stored even with a strong demand. The current dairy herd has been strong in numbers, we are currently watching the cull numbers to see if this strength will have some weakening.

Last week:

Block- Down

Barrel-Down

This Week:

Block- Down

Barrel-Up

Dairy | Eggs

Retail demand fair to good. Supplies adequate to available. Market mixed & adjusting.

Last week:

Large - Down

Medium - Down

Small - Down

This Week:

Large - Down

Medium - Down

Small - No Change

Dairy | Butter

Butter production is starting to slow for the holiday season now that most if not all orders have been filled and inventory is ready to go; inventories continue to be high when comparing to last year and expectation is to go in to the New Year with elevated levels. Pricing is softening and expectations are that they will remain soft through the remainder of the year.

Last week:

Butter - Down

This Week:

Butter - Up

Grocery & Bakery | Wheat

Prices have leveled out for now as a lack of "news" leaves prices flat at relatively

cheap levels.

Grocery & Bakery | Soybean Oil

Soybean oil prices are at the low end of the USDA's \$0.28-\$0.32/lb range. There is plenty of vegetable oil available worldwide.

Grocery & Bakery | Sugar

Now that most processors have forward sold a significant part of their output, they have tightened up the lower end of their offers. Cane remains at a 2-3% premium to beet sugar.

Meat | Beef

Cattle prices are higher as winter storms slow weight gains in feedlots. As holiday buying winds up packers will try to support prices by throttling back production.

Ground Beef:

Ground beef prices dropped following slow sales during Thanksgiving week. Prices could remain low until holiday production schedules tighten supply in late December.

Ribs:

Ribeye prices have topped out and will likely trade sharply lower once fill-in buying wraps up next week.

Briskets:

Holiday sales of BBQ brisket sandwiches are keeping product moving and prices well supported.

Rounds:

Retailers are actively booking rounds for post-holiday features. Prices may remain soft until after Christmas.

Strips:

Strip prices may have bottomed for now and could work a little higher around the holiday production slowdowns.

Tenders:

Tender prices appear to have peaked with just a few more days of fill-in buying before prices adjust lower.

Thin Meats:

Prices for most thin meats are weaker as we enter a slow demand time of the year. Prices could recover as production shrinks late this month.

Meat | Pork

Pork production is running at record levels with new processing capacity on stream and 3% more hogs available. Prices remain low.

Butts:

Butt prices are below previous 2018 lows. Extra production should move into freezer programs or exports,

Hams:

Ham prices have are also at 2018 lows, another good candidate for freezer programs.

Bacon/Bellies:

Belly prices have leveled out for now, but there is still downside risk until January..

Ribs:

Rib prices are below where they were last year. Demand for freezer programs is

good.

Loins:

Loin prices are at a 5-year low as packers struggle to keep product moving. We often see prices increase as we move into the winter months.

Poultry | Chicken

Small chicken output is down 5-10% as processors shift to larger birds. Whole and cut-up chicken is balanced.

Breast and Tenders:

Most breast meat items are steady with the usual level of discounting. Food service demand for tenders used in boneless wings is good and prices are at least steady.

Wings:

Wing prices are slipping again as jumbo supplies get harder to place.

Dark Meat:

Export demand for leg quarters has improved at lower prices. Thighs and leg meat are well-cleared as holiday restaurant spending picks up.

Poultry | Turkey

Whole turkey movement has been good for hens; less than expected for toms. Processors are holding prices steady.

Seafood | Finfish

Cod, Alaskan 1x:

Supply remains tight and costs are firm as we head into the end of the year. The Alaskan cod quota has been reduced by 18,000 tons and with reductions in quota on

other white fish species as well the end result will be increased costs on cod overall.

Cod, Atlantic 1x:

The 1x frozen Atl. cod loins are firm and could increase further. Current adverse weather and reduced quota have limited the availability of product. The smaller 4 oz size has been the most effected as the current harvest has yielded larger fish and loins. Expect this trend to continue at least through Lent.

Cod, Atlantic 2x:

2019 Total Allowable Catch is announced at 6.5% lower than 2018. Prices will remain firm.

Cod, Pacific 2x:

Due to lower catch announced from Atlantic cod. Pacific cod raw material price remains high.

Pollock, Atlantic 1x:

Costs on 1x fz Pollock are currently stable with adequate supply as we prep for Lent.

Pollock, Pacific 2x:

Firming of pricing as expectation of drop in pollock biomass. Starting to see substitution demand from cod and haddock users.

Haddock:

15% decrease of Total Allowable Catch announced for haddock. Price is still cheaper than cod. Expectation of cod substitution to continue.

Domestic Lake Fish:

To date there is 2.4 Million pounds of walleye quota left in Lake Erie and the expectation is that all will be caught before the fall fishery wraps up. For perch the estimate is 1.4 million pounds still in the lake and it is doubtful all will be caught. As a result many expect the perch quota to be reduced overall come Spring 2019. Costs will firm slightly as we approach the end of the season and supply will be adequate into May. For whitefish the fall season has closed and the catch has yielded larger fish for the bulk of the inventory, hence larger fillets. Expect costs to firm slightly and

level off for the winter until fishing resumes in June of next year.

Euro Lake Fish & Zander:

Supply is good and costs have been stable. We expect this to maintain itself into the Spring and through Lent. This is a more cost effective substitute for the higher priced domestic lake fish items where applicable.

Mahi Mahi:

Mahi Mahi costs have continued to soften as the season has resumed out of Peru. Reports indicate there is left over product from the 2018 season both domestically and over seas. To date the harvest has yielded predominately small fish (65-70% in this size) of the 4 oz portion size. Currently supply is adequate on all sizes.

Frozen Tuna, Swordfish :

As we move into the end of the year there is minimal harvest of tuna out of most regions. In January Viet Nam catches typically improve and fish becomes more readily available for spring arrivals. For now costs are stable and supply is adequate for a relatively active demand. Costs have firmed on Swordfish from Indonesia, with high demand from the European market and stricter regulations overseas. Demand remains strong from both retail and food service customers

Swai:

Reports of more consistent swai supply from producing countries.

Tilapia:

Tariff war will increase cost by 10% and potentially an additional 15% January 1, 2019.

Seafood | Shrimp

Imported Black Tiger:

Black Tiger shrimp prices are stable and supply is good on small and middle sizes. There are shortages of large sizes due to limited production (2-4 through 13-15) and

heavy demand.

Imported White:

White shrimp supply is somewhat sporadic with shipments being late due to heavy demand overseas. Market values are good and offer great opportunities to menu shrimp this summer. Expect supply to be better as we roll into the late summer months as production catches up.

Latin White:

Latin White shrimp are firm with replacement prices firming. Supply is good for the time being.

Domestic White & Brown:

Domestic Brown shrimp are steady in price as we roll into the new season for Texas. Larger sizes of white and brown headless shrimp should begin to land over the next few months.

Domestic PUD:

Domestic PUD production has slowed on smaller shrimp. While boats begin to target larger whites and browns where available, we should see better production in larger and middle size peeled shrimp.

Domestic Rock & Pink:

Rock & Pink shrimp are both in good supply.

Seafood | Lobster

North Atlantic:

Lobster tail costs have firmed as the landings from Maine were not stellar this season and demand has been strong. Expect this trend to continue. The fall Nova Scotia season is on the cusp of beginning but there is no way to determine catches at this time as it can be weather dependent. Note this fishery typically yields larger lobster and tails, with minimal catches of the smaller 3/4 and 4/5 oz sizes. Meat has been softening over time and has started to level off. Supply is currently adequate on

all sizes of tails and offerings of meat.

Warm Water:

Supply has been short on warm water tails with inventory just starting to ramp up slightly after a late start to the season. Poor catches, increased demand out of Asia and retailers taking a stronger position on the market have resulted in a firm undertone. This trend continues as we start to enter the holiday season.

Seafood | Crab

Snow Crab:

The global shortage of snow crab will continue through the fall. Alaska did announce their recent findings on their biomass survey of the Bering sea and the results are favorable for more quota for this region come this winter. The survey showed a 60 percent boost in market sized males and nearly the same for females. However ..many are predicting a larger reduction in the snow crab quota out of Newfoundland come spring. This will outweigh any increase out of Alaska and in the end snow crab is still expected to be short. To date prices have leveled off on Canadian crab on the larger 8 and 10 up products with limited offerings. However the 5/8 size has continued to soften slightly as processors and brokers look at moving off the balance of their inventory.

King Crab:

This market has remained unchanged in regard to supply. All king crab sizes remain tight, especially on 14/17 ct, 16/20 ct and 20/+ ct. These three sizes have seen the biggest issue with availability and as a result costs are firming. They are still fishing for Russian crab but this will wrap up soon as most is moving through the Asian market causing some delays on containers. We do not expect any relief on supply for months, possibly even through summer 2019 as the recent announcement out of Alaska was not positive. For red king crab at the eastern portion of the Bering Sea more commonly called Bristol Bay, numbers of mature males dropped more than 40 percent from last year and mature females were down 54 percent. Buyers need to consider gold king crab as a viable option for the 2019 season.

Red Swimming Crab:

A new 10% tariff on all seafood items should go into effect in August. The market is still uncertain however, between high market prices, and limited supply, cost might go up. This coupled with the void in the market on red swimming crab only strengthens this possibility. We are still expected to start receiving shipments on red crab in October. The main crab harvest is October-December.

Blue Swimming Crab:

Prices are still high with great inventory. There has been a slight decrease in pricing from Indonesia while Philippines and India move up to be more in line with Indo. For the next 60-90 days prices will stay level to a possible dip however, Q4 is expected to pick back up. With the red swimming still high with limited supply, this too drives the price up. Overall prices will come down a bit.

Seafood | Scallops

The scallop market as of late has taken some significant increases. Strong demand has impacted cost and these are expected to remain elevated at least until after the first of the year especially on the larger sizes (U-10, U-12 and 10-20 ct sizes). With 75 % of the quota caught they are hoping the weather will cooperate and the balance will be landed. For now expect firming prices and adequate supply.

Chinese Flounder and Ocean Perch:

10% tariff duty has been applied. An additional 15% may be applied January 1, 2019.