



# **Gordon Food Service Market Updates for March 1, 2019**

## **Dairy | Cheese**

The CME Block and Barrel Market has been retracting from lows not seen in quite some time. Speculators feel the market has moved back towards a more stable range. Supply is still above demand, but with the colder weather in the Midwest there should be a mild dip in the milk production for January.

### **Last week:**

Block- Up

Barrel-Up

### **This Week:**

Block- Up

Barrel-Down

## **Dairy | Eggs**

Retail demand fair. Supplies of extra large available, large fully adequate. Mediums now well balanced. Market mixed.

**Last week:**

Large - No Change

Medium - No Change

Small - No Change

**This Week:**

Large - No Change

Medium - Up

Small - No Change

## **Dairy | Butter**

Butter production continues to be active and inventories continue to grow; expectations are for butter pricing to stay relatively stagnant on the spot market over the next few weeks prior to the butter inventory is reset with current levels and previous inventory is wiped out.

**Last week:**

Butter - Down

**This Week:**

Butter - Up

## **Grocery & Bakery | Wheat**

Flour prices remain low with little likely to happen until we get into the spring

growing season. Prices are 10% below last February.

## **Grocery & Bakery | Soybean Oil**

Soybean oil prices are back to the middle of the USDA's \$0.285-\$0.315/lb range. The market is waiting to see how China trade talks develop.

## **Grocery & Bakery | Sugar**

Beet sugar prices are steady; cane supplies are a little more available.

## **Meat | Beef**

Beef production through the first 7 weeks of 2019 has been running close to last year. Cold, wet feedlot conditions should continue to limit supply allowing beef prices to stay strong.

Ground Beef:

Dairy cow slaughter has been running 5-8% higher since mid-2018 as losses drive milk producers out of business. Most cow meat end up in ground beef keeping prices below last year.

Ribs:

Boneless rib prices are responding to better retail demand. Prices are back in an uptrend.

Briskets:

Prices have flattened out. Spot and forward prices are about equal which could indicate packers expect a sideways trend.

Rounds:

Inside prices are lower, flats and eyes are still strong. Forward sales are being made

at discounts suggesting prices will head lower soon.

Strips:

After three weeks of forward sales near \$6.00/lb cash prices are moving up to the same level. The spring uptrend may be underway.

Tenders:

Tender prices are trading higher as we move closer to Easter and Mothers Day.

Thin Meats:

Prices for most thin meats have stalled; inside skirts are discounted.

## **Meat | Pork**

Production keeps cranking at 5% above last year and pork prices are slipping. With exports stifled by tariffs, sharply lower prices are required to keep pork moving.

Butts:

Butt prices are low enough to fully offset the 20% retaliatory tariff imposed by Mexico, but exports are slow to develop. Prices remain under pressure.

Hams:

After adjusting for Mexico's tariff, ham prices are still at 5-year lows. Mexico's economy has slowed down which may be shrinking imports.

Bacon/Bellies:

Belly prices are retreating during this period of slow demand.

Ribs:

The usual price uptrend has been snuffed out by heavy supplies; prices are falling.

Loins:

Prices are near 10-year lows. Boneless loin prices competing with jumbo chicken

breast for retail interest.

## **Poultry | Chicken**

Deli demand for whole chickens has improved; prices are at least steady.

Breast and Tenders:

Jumbo breast meat prices have leveled out; prices are steady at 30-year lows. Medium and select breast meat are well cleared. Tenderloin prices have stopped going up with availability increasing.

Wings:

Wing prices are still trending lower, but sales volumes are picking up. Prices often trend lower until college basketball's March Madness demand creates support.

Dark Meat:

Leg and thigh meat production has increased with the introduction of more automated deboning. Some extra production is moving into freezers and discounting is starting.

## **Poultry | Turkey**

Lower turkey production levels are supporting prices for both whole turkeys and bone-in breasts.

## **Seafood | Finfish**

Cod, Alaskan 1x:

Supply remains tight and costs are firm as we head into Lent . The Alaskan cod quota has been reduced by 18,000 tons and with reductions in quota on other white fish species as well. Poor environmental conditions, lack of incoming recruitment are

just two of the reasons for the lowered quota. The end result will be increased costs on cod overall.

#### Cod, Atlantic 1x:

The 1x frozen Atl. cod loins are firm on cost and could increase further. Recent adverse weather and reduced quota have resulted in limited catches for the fishermen at this time. The smaller 4 oz size has been the most affected as the current harvest has yielded larger fish and therefore larger loins. We hope to minimize any out of stocks on this item but it could be hit or miss. Expect this trend to continue at least through Lent and possibly through June.

#### 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:

The overall Pollock quota has remained fairly stable. Reduction in quota out of the Gulf of Alaska has been offset by increases out of the Eastern Bering Sea for the most part. However it has also been noted that there are limited holdover inventories for the start of 2019 that could push up costs pre-lent. For now costs are stable.

#### 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:

Supply of Yellow Lake Perch, Walleye, Whitefish and Smelt has been plentiful on all sizes and is expected to remain so through Lent. Costs have softened some as of late on the larger walleye sizes and perch, just in time for Lent. Canadian bluegill continues to be a problem as the resource has experienced limited catches and is awaiting the start of the new season after the first of the year. The sub for this item is the Chinese offering of bluegill. This is the same species as the Canadian just grown out in Asia and is a great option to the current.

Euro Lake Fish & Zander:

Supply is good and costs have softened some but are expected to remain stable for Lent. This is a more cost effective substitute for the higher priced domestic lake fish items where applicable. Currently there is stock on all sizes of pike perch and European perch for Lent.

Mahi Mahi:

Mahi Mahi costs have continued to soften as the season has resumed out of Peru and Ecuador down to 2013 and 2014 levels. Reports indicate there is left over product from the 2018 season both domestically and over seas, leaving the market in flux. Current harvests now have yielded larger fish in the 6 and 8 oz portion levels where there has been limited production of the 4 oz size at this time. This could flip as they move closer to the closure of the fishery and in more southern fishing areas specifically out of Peru. Expect the market to be unstable at least through the spring where we can gauge if the excess inventories have been flushed out of the market.

Frozen Tuna, Swordfish :

**VIETNAM** Is going into the Chinese New Year. So, for the month of January production will be cut in half, with it totally closing down for 2 weeks. Because of the production slow down, raw material prices will be high. In March they will resume to full production and prices will be reviewed at that time for late spring arrivals. **INDONESIA** There are only a few regions in Indonesia landing raw material and those are minimal. With the lack of raw material, prices are firm and high from this region. Their season will start in late March/early April. Prices may find relief at that time, depending on the strength of those landings. **Thailand** Landings are very minimal. . For Swordfish, in **Ecuador** all the boats have been fishing for

Mahi, so there has been virtually no production. They will retool for Sword in March/April. Pricing will be reviewed at that time. In **Asia (Vietnam & Indonesia)** European demand continues to be much higher than usual, putting pressure on supply and pricing. Landings are tied directly to Tuna, so the notes above also apply to Sword. **Thailand** Only processing frozen on-board product at this time. As a general rule, all of it is untreated. Landings are low. Prices are high and creeping up. Overall Limson has supply on all sizes with stable costs at this time and for Lent

Swai:

Reports of more consistent swai supply from producing countries.

Tilapia:

The tariff war has increased costs of product by 10% . The potential for another 15% increase has now been delayed until the beginning of March by the Trump administration.

## **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:

Landings were initially reported to be down 30-40% in early December. It is assumed a 2 million lb + shortfall of meat, as well as 4 million lb + shortfall of tails is expected. Most sizes from the processors are on allocations with limited to no inventory on sizes larger than 5-6oz. Some indications that landings have improved, but the damage had been done when the shore price reached extreme highs before the holidays and many processors closed for the winter. Spring season starts in early May, but initially a lot of this goes to live or whole lobster production in order to avoid a bottle neck from tail and meat production. Realistically look at improved availability in early June. For now prices are high with limited supply on 6/7 oz tails. Meat has bottomed out and is expected to firm on cost soon.

Warm Water:

Supply has been short on warm water tails after a late start to the season this summer. Poor catches, increased demand out of Asia and retailers taking a stronger position on the market have resulted in a firm undertone. This trend continued through the holidays and is expected to remain firm until new season supplies start to arrive in July. The WW tails in the 6 and 8 oz sizes might be a viable option to the lack of larger N Atl tails but costs are a trade off as both species report a firm market and overall lack of supply.

## **Seafood | Crab**

### **Snow Crab:**

The global shortage of snow crab continued 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 in zone 3L. This will outweigh any increase out of Alaska and in the end, snow crab is still expected to be short and at its lowest level since 2011. As of late the 8-10 and 10 ups have bounced back up in cost due to limited supply. 5/8 have remained stable as the best cost option on snow crab at the moment. Many predict another high priced market for 2019 but movement will depend on what the market will bear and if buyers move to other more cost efficient species.

### **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 firm. 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. Note however due to the lack of overall supply for reds the costs of golds are starting to increase as well.

### 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 is expected to start to soften as we enter into the spring season in time for harvest. Strong demand has impacted cost on some of the larger sizes currently but that will change over time as well. Supply is good on all sizes.

### Chinese Flounder and Ocean Perch:

10% tariff duty has been applied. The possible added 15% has now been pushed back to the beginning of March when the Trump administration will decide on a final ruling.