



Gordon Food Service Market Updates for March 15, 2019

Dairy | Cheese

The CME Block and Barrel markets have shown restraint on the upward side. Speculators feel this will continue in the short term as we approach the spring flush.

Last week:

Block- Down

Barrel-Up

This Week:

Block- Down

Barrel-Down

Dairy | Eggs

Retail demand fair. Supplies adequate to fully adequate. Market about steady to steady.

Last week:

Large - Down

Medium - No Change

Small - No Change

This Week:

Large - No Change

Medium - No Change

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 - Up

This Week:

Butter - Down

Grocery & Bakery | Wheat

Flour prices have dropped below most expectations; we may not get price strength until we get into the spring growing season. Prices are 15% below last March.

Grocery & Bakery | Soybean Oil

Soybean oil prices are back to the lower third of the USDA's \$0.285-\$0.315/lb range. Production is outstripping demand despite record biofuel usage.

Grocery & Bakery | Sugar

Refined sugar prices are steady; raw sugar prices are firming up.

Meat | Beef

Beef production has been close to last year as cold, wet feedlot conditions slow weight gain. Beef prices are trending higher into Easter.

Ground Beef:

Ground beef prices have jumped above where they were last year and above forward sales prices. We may be topping out for the near term.

Ribs:

Boneless rib prices are trending higher into Easter.

Briskets:

Prices are a little stronger as corned beef processing for St. Patrick's Day peaks.

Rounds:

Round cuts prices are steady as widespread retail features keep supply well cleared. Beef roast features may wind down soon, allowing round prices to ease.

Strips:

The traditional March price uptrend is underway.

Tenders:

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

Thin Meats:

Prices for most thin meats trending higher; supplies are tight.

Meat | Pork

Production remains large but demand should improve as we get past Lent. After falling almost 20% since mid-December, lean hog prices are leveling out.

Butts:

Butt prices are finally showing signs of bottoming at 25% below last year. It is hard to think they can stay this low for very long.

Hams:

Ham prices have recovered to where they peaked in January. It is important to remember that the processing window for Easter hams closes by early April.

Bacon/Bellies:

When belly prices hit \$1/lb. retail booking for features kicked in. Prices are now trending higher.

Ribs:

For anyone who didn't get their ribs booked last fall the latest price break is giving them a second chance. Prices seem to be bottoming out.

Loins:

Prices are near 10-year lows. Boneless loin prices are cheaper than chicken breast, which should trigger retail featuring after Lent.

Poultry | Chicken

Deli demand for whole chickens has strengthened cleaning up supplies. Prices are trending higher.

Breast and Tenders:

Jumbo breast meat prices are trending higher in response to strong retail feature pulls. Medium and select breast meat are well cleared with prices advancing. Tenderloin prices getting traction as boneless wing demand for March Madness gets cranked up.

Wings:

Wing prices are edging higher as we build for college basketball's March Madness demand.

Dark Meat:

Leg and thigh meat demand is building; prices are firm.

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 quotas 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. 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 walleye especially the smaller sizes. There is an expectation that the quota on walleye will be increased this spring, and many expect the yellow perch quota to decrease. Note the formal announcement is not publicized until the Lake Erie Committee convenes to discuss the biomass results on the lake and the

state of the fishery. This typically comes out at the end of March. However...as a result of the anticipated cuts... replacement perch costs have increased over the last two weeks. Limson is already discussing opportunities on product post Lent and will advise the direction after the quota announcements. Canadian bluegill continues to be a problem as the resource has experienced limited catches. This still persists at this time. The Chinese offering on bluegill is a great substitute for the Canadian option. This is the same species as the Canadian just grown and processed out of Asia.

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.

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