



Gordon Food Service Market Updates for May 10, 2019

Grocery & Bakery | Wheat

Winter wheat is in good shape across most of the Northern Hemisphere and U.S. wheat stocks continue to build. Prices have been pressured to very low levels creating upside risk if problems develop during the 2019 growing season.

Grocery & Bakery | Soybean Oil

Prices have dropped to new lows and are near the breakeven value with petroleum-based diesel. Soybean stocks are building so we need low prices to stimulate consumption.

Grocery & Bakery | Sugar

We are experiencing some planting delays in Minnesota. Domestic usage has been declining leaving us with more inventory from last years crop, so there is still a supply cushion that is holding prices steady.

Meat | Beef

Increased cattle availability last week prompted packers to run the biggest beef production week of 2019. The resulting output has pushed most beef prices lower this week.

Ground Beef:

Ground beef prices are steady/weaker as we wait for grilling season weather to arrive.

Ribs:

Fewer rib features + more production = declining prices.

Briskets:

We are seeing strong forward sales for upcoming grilling features; prices are steady.

Rounds:

Packers continue to discount all varieties of rounds to stimulate sales.

Strips:

Strip loin prices dropped back a little as production kicked up. With about two weeks left to buy for Memorial Day features, prices may have topped out.

Tenders:

Prices really didn't go anywhere in the past 30 days and now they are steady/weak.

Thin Meats:

Ball-tip prices are benefiting from value-priced grill features. Flank and strip meat are steady/weak due to bigger output.

Meat | Pork

The "China is going to buy all our pork" rally is over with futures pricing dropping by the day. Summer prices are at a more normal premium to current prices, which takes away the incentive to buy ahead. Cash prices are steady for now, but some pork items are relatively expensive for this time of year.

Butts:

Butt prices have climbed above where they normally trade this time of year; we are starting to see some discounting.

Hams:

Export and domestic interest has perked up keeping ham prices steady.

Bacon/Bellies:

Belly prices are showing signs of bottoming out this week.

Ribs:

Rib prices may have crested as we get closer to the end of Memorial Day buying.

Loins:

Bone-in and boneless loin prices are adjusting lower as features wind down.

Poultry | Chicken

Whole and cut-up chicken demand is good with retail features adding support. Prices are steady.

Breast and Tenders:

Jumbo breast meat is widely available as new capacity comes onstream; prices are weak. Medium and small breast meat are balanced. Tenders prices are steady as processing demand stays good.

Wings:

Jumbo wing demand is not keeping up with increasing supplies; prices are weak.

Medium and small wings are balanced.

Dark Meat:

Export demand for leg quarters is good. Leg meat prices are firm, thigh meat is steady.

Poultry | Turkey

Forward sales of whole turkeys are made at modest premiums.

Seafood | Finfish

Cod, Alaskan 1x:

Alaskan cod had a firm undertone for most of Lent and costs remain at this level. Currently there is plenty of supply

Cod, Atlantic 1x:

The 1x frozen Atl. cod loins have come up short for the season out of Canada. Adverse weather and reduced quotas have resulted in limited catches for the fishermen at the end of the season. Canada does not resume until June. 1x frozen Iceland product of the same weight variance and spec will be a good option on supply moving forward.

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. The smaller 2/4 have been easier to come by where the 4/6 in shatters or IQF remains shorter until the B season this summer. Costs have firmed

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 through Lent. At the end of March the Lake Erie Committee (LEC), set a total allowable catch (TAC) for 2019 of 8.552 million pounds of yellow perch and 8.531 million walleye. Yellow perch are allocated in pounds and walleye are allocated by number of fish. This TAC represents a decrease for yellow perch from 10.498 million pounds of fish over last year, (about a 20% decrease overall) and an increase in walleye from 7.109 million fish (about a 20% increase overall). As a result perch prices have risen quickly and product has been short especially on the smaller Mi sizes. Note the new season formally resumes in May but expect perch on all sizes to be short for the balance of the year. Walleye has started to see softening on costs with the increase in quota. When the season resumes in May we expect some continued reductions, for now walleye is available on all sizes. Whitefish currently has ample supply with the new season resuming in June. Smelt for both battered and dressed has started to tighten slightly on supply so expect costs to firm as well. The Canadian blue gill continues to be a struggle as catches and supply have come up short. What is being offered will need to remain on allocation. The next best option is the same species but produced out of China. Supply is available but another increase will follow as all imports now out of China are impacted by the 10% tariff.

Euro Lake Fish & Zander:

Supply is ample and costs softened over time but are leveling off as we go into the

summer months.

Mahi Mahi:

Mahi Mahi costs for this season softened close to 2013 and 2014 levels earlier in the year but as we moved through Lent and as the S American season has wrapped up costs started to firm. The season for Peru will not reopen until October. The next available resource is Taiwan and that season should resume shortly. Currently supply is adequate for a strong demand.

Frozen Tuna, Swordfish :

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

Swai:

Raw material source is currently more than packers demand to the farmers. China is slowly buying as they still have inventory from purchases placed prior to Chinese New Year. The U.S buyers remain quiet as there is significant inventories being held in U.S. freezers at much higher costs than current replacement prices. Production should increase in May and June so chances are prices could soften further but we will have to see if China and the EU steps in and becomes more active.

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:

Indonesian Black Tiger raw material is stable with low quantity. Farmers raised the prices on the larger sizes as main landings are 16/20 thru 26/30. India's prices are cheaper but the Indo packers will not lower price to compete with India. Current U.S inventories are more than adequate for dull demand.

Imported White:

INDIA WHITE SHRIMP Raw material arrivals continue to be slow with firm pricing at least for now until farmers start the new harvest of 2019. Packers have tried to lower the raw material prices to the farmers with no success. Main request for pricing overseas from USA buyer is medium to larger sizes of PTO and EZP which is most likely earmarked for the retail sector. There were no large volume deals made during SENA 2019 as most buyers wait on the sidelines for next harvest. The current market is stable with discounts noted on smaller peeled shrimp. Demand has been steady for 21/25 Headless, shell on Asian Vanamei whites and 16/20 thru 26/30 EZP shrimp. INDONESIA WHITE SHRIMP Raw material is stable with major landing sizes in 31/40 ct. More quantity of bigger sizes become available each week on 26/30 and up. Price of raw material has remained stable as packers are waiting for the next crop in May which will shift down to 41/50-51/60 sizes. U.S. inquiries are slow as many importers have good stock available and only buy on a need be basis. There have been some requests on the larger sizes (13/15-26/30) but packers main focus is on smaller sizes as they have heavy stock with May harvest around the corner. Indonesia packers are more aggressive than India on certain items and accept counters where the gap between offer and acceptance is not too far apart.

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 out of Nova Scotia. It was assumed a 2 million lb + shortfall of meat, as well as 4 million lb + shortfall of tails. Most sizes from the processors are on allocations with limited to no inventory on sizes larger than 5-6oz. Some indications were that landings 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 to no supply on 6/7 oz tails. Meat bottomed out this winter but costs have rebounded and started to firm again as supply on both tails and meat is scarce at this time

Warm Water:

Supply has been short on warm water tails after a late start to the season last 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. What did come out of Alaska was mostly of the 5/8 oz size and the bulk was presold or of very limited supply. First indications out of Canada are that the volume will remain stable and at best 1-2 % above last season. Quota cuts out of Newfoundland are being offset by increases in other regions. They expect predominantly the 5/8 oz size with limited offers in the 8 up and 10 up sizes. The market is volatile as the season started this month with USA buyers waiting to see what pricing is going to look like. The Ice Pack on the fishing grounds is quickly going away and delayed openings in all fishing zones is not expected. Northern Gulfs (Zone 17, 16) quota is 15% with Zone 17 opened on March 27th, and Zone 16 opened on April 9th. Nova Scotia's quota is 7% and opened April 1st. Southern Gulfs (Zone 12) quota is ~35% (Awaiting final quota) and opening mid/end of April. Newfoundland's quota is 7% (not as much of a reduction as some thought) and opened the week of April 8th.

Only Newfoundland/Labrador and Nova Scotia will be MSC certified this season.

Please note that it is anticipated that the Japanese will buy less Canadian Snow Crab this year due to increased purchases out of Alaska and therefore more product could be available to the USA. For now it is more of a wait and see approach to see where the market and supply will land. In general 5/8 is the better value to the firm prices and limited offerings on the 8 and 10 ups where many processors are limiting the offers on the larger crab to move the 5/8.

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. Th. We do not expect any relief on supply for months, possibly even through summer 2019 as the 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 softening on most sizes as the season resumed in April. A water level of new season costs has yet to be determined. As the catches continue we expect more availability of supply of 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.