



Gordon Food Service Market Updates for July 12, 2019

Dairy | Cheese

The CME Block and Barrel markets have continued an upward trend and are being supportive by the amount of volume being traded. Speculators feel this will continue in the short term, but supply is still available out in the market.

Last week:

Block- Up

Barrel-Up

This Week:

Block- Down

Barrel- Down

Dairy | Eggs

Retail demand fair to at times fairly good. Supplies generally available. Market soft

and adjusting.

Last week:

Large -Down

Medium -Down

Small -Down

This Week:

Large -Down

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 -Down

This Week:

Butter -Down

Grocery & Bakery | Wheat

After trading higher due to hot/dry weather in Europe and the former Soviet Union wheat areas, wheat prices have settled back to where they were in mid-May. Harvest is underway and so far yield and quality have been good.

Grocery & Bakery | Soybean Oil

Soybean oil prices are trading higher than they were in May as the market evaluates the impact of late planting on the size of the soybean crop.

Grocery & Bakery | Sugar

Most of the sugar beet crop is planted and prices have leveled off. Processors still have a big part of next year output available for booking.

Meat | Beef

Cattle prices leveled out at the same price levels as last year. Beef prices are higher than 2018, however, due to higher packer margins. Beef prices could work a little lower as packer margins decline.

Ground Beef:

Discounting is become more widespread on both ground beef and trim. In last few years ground beef prices have dropped by at least \$0.40/lb into late July; but this year will be characterized by somewhat smaller supply which could moderate the decline.

Ribs:

Spot rib prices have been slipping but are still 8-10% above forward sales. Packers are getting a lot sold forward, which helps them avoid discounting negotiated spot prices.

Briskets:

We are seeing forward bookings pick up now that prices have adjusted lower. Things could level out for a while.

Rounds:

Prices continue to slip, but are still somewhat higher than 2018. Given that production and exports are running about even with last year, it would not be surprising to see prices slide a little lower.

Strips:

Using forward sales as a proxy for retail feature activity, retail promotions are off almost 50% from last year. Prices are below 2018 levels and continue to trend lower.

Tenders:

Choice tender prices usually adjust down toward Select grade tender prices this month. The choice premium was \$1.35/lb in early July, so there is plenty of room for them to go down.

Thin Meats:

Thin meat prices are higher than last year, especially ball tips. Prices could drift lower for most items.

Meat | Pork

Pork prices are now down 16% from where they were last year -- consistent with production running 8% higher over the last six weeks. Until production subsides or exports pick up prices will remain on the defensive.

Butts:

Despite big output butt prices are just below 2018 levels as export demand remains good.

Hams:

Ham prices are still above 2018 levels. Mexican buyers, who ran ham prices up in May as they bought extra product as protection against another Trump-initiated tariff exchange, stopped buying in June to work off extra inventories. They are starting to come back into the market now.

Bacon/Bellies:

Belly prices continue to slip versus the usual summer uptrend. Prices may not recover until after we get through current overproduction.

Ribs:

The vast majority of ribs are sold domestically, so when production is up 8% it is almost certain to weigh on prices. Sparerib prices did recover a little for July 4th, but they are likely to remain below 2018 levels until pork production slows.

Loins:

Bone-in and boneless loin prices are now below last years levels. Boneless loins are still relatively high versus super-cheap chicken breast, so there may be a little more downside.

Poultry | Chicken

Chicken production is up over 2%, which is a little more than needed in the competitive retail market. Whole bird prices are a little soft.

Breast and Tenders:

In a very crowded protein market with all sort of retail feature options chicken breast is neglected. Retail pulls have not been strong enough to clear production and discounting is becoming more common. Tenders prices are steady so far on good pulls by further processors.

Wings:

Wing supply/demand is back in balance as holiday travel lifts food service pulls; prices are steady.

Dark Meat:

Export and domestic demand for leg quarters is good; prices have increased 20% in the last 30 days. Thigh meat and leg meat prices are steady/firm.

Poultry | Turkey

Whole turkeys prices are gradually trending higher.

Seafood | Finfish

Cod, Alaskan 1x:

Alaskan cod remains firm in cost with adequate supply as we await the start of the B season.

Cod, Atlantic 1x:

The 1x frozen Atl.cod loins came up short for the season this winter, however we were able to supplement with Icelandic product of the same spec and quality to cover demand. The new season for CAN has started but to date we are awaiting our first orders. Note costs have firmed over last season on all offerings and are expected to remain elevated at least through the end of the year. For now Limson has supply on all sizes.

Cod, Atlantic 2x:

Cod, Pacific 2x:

Pollock, Atlantic 1x:

New B season Pollock is being processed at this time as we await the first of many shipments out of Alaska. For now expect costs to remain firm for most of the season. Currently supply is adequate for solid demand.

Pollock, Pacific 2x:

Haddock:

Haddock costs are firm on product out of Russia, Iceland and Canada. Note the fishing quota is also down by 25% compared to last year at 15,000 MT for 2019 out of Canada. Currently fishing is good in CAN so they do expect to catch the quota. Overall supply has been adequate but at firm costs for all COO's

Domestic Lake Fish:

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 but specifically the Mi splits. For now product is hand to mouth on this size as we progress through the summer. Expect perch to remain short until next year and the start of the 2020 season overall, with a potential for another quota cut at that time. Walleye has experienced softening on costs with the increase in quota. Supply is plentiful at this time 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 is minimal but firm on cost. 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 tariff.

Euro Lake Fish & Zander:

Supply is ample and costs have softened over time as a better value option compared to the CAN perch and walleye.

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 have increased slightly. Note the fishing season for 2018-2019 is over and will not reopen until October in S America. The next available resource is Taiwan and that season has been underway since May at slightly firmer costs. Currently we have adequate supply for steady demand on all sizes with some added opportunity to move the 2-4 oz size.

Frozen Tuna, Swordfish :

Vietnam : The new regulation about health certificates required for all imported

frozen raw material has impacted on prices of local fresh raw material, seeing more demand and higher price level since it became effective. Demand (June) was strong because of Ramadan holidays in Indonesia, where plants are just going back to work after several days out. **Indonesia** : Several importers increased their sourcing in Indonesia on the previous months because of new Vietnam regulation, this impacted on product availability & prices. There are also more strict regulations from the local government towards their MSC certification. This will have a positive impact on the long term sustainability, but has also increased some prices. May & June production decreased because of Ramadhan holidays. They'll go into their peak season soon, so product availability should improve on the incoming months.

Swai:

Due to sales being slow for the bulk of 2019, there is now an overabundance of supply in the US. As a result costs have softened and general sales have been flat.

Tilapia:

Seafood | Shrimp

Imported Black Tiger:

Imported White:

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Latin White:

Domestic White & Brown:

Domestic PUD:

Domestic Rock & Pink:

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 . As a result costs remained firm through the spring and have continued to do so going into the summer on tails . We do not expect much relief on

availability or cost until the Maine season resumes the latter part of July, IF catches are strong. To date poor weather had resulted in poor landings. Large sizes in the 6/7 and 8/10 oz range are very short with very few cases being offered to keep up with demand and firm costs. Meat costs are more stable and are a better lobster option as they softened earlier this season but as of late have taken a slight uptick.

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. As we await first arrivals most costs have increased over costs from the start of last season. Until imports bulk up supply, costs will be firm.

Seafood | Crab

Snow Crab:

The 2019 snow crab season had a late start this spring. Due to this, costs started out firm compared to last year as the cupboards were bare. Over time the expectation was that approx 70 % of the catch was going to be 5/8 and at best 20 % 8 ups and the balance between 5-10 % was going to be 10 ups. As a result, once the season fully got under way and more and more zones opened there was a rush of product to be processed and the plants struggled getting this accomplished which impacted cost and availability of quality product. Initially the 5/8 size was a significant value to the larger sizes by as much as \$2.00 per pound so many backed away from the larger sizes and traded down to the 5/8. This resulted in added pressure for the availability of that size causing an increase in cost and lack of immediate supply. Note all sizes did bottom out temporarily and have since rebounded for the summer season on cost. There are also reports that Alaska's offering will be plentiful in supply come this fall when they announce the quota. They predominantly harvest the 5/8 oz size, with limited offering on the larger sizes. Limson currently has supply on all sizes.

King Crab:

This market has remained unchanged in regard to supply. Limson currently has inventory on all sizes as costs over time have started to soften as we move through the summer.

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

For domestic scallops, the expectation was that costs would soften this summer, however the demand as of late has dictated an increase on the 10-20 and 20-30 items as there was a lot of trading at the auction as they entered the holiday weekend. Heavy fresh buys at this time also increased demand. The U10- and U12 actually softened as they pulled a good portion of these out of the Georges 1, Channel and other regions. There is still a significant amount of the quota left to be caught, so will need to see how July plays out and impacts the rest of the summer.

Chinese Flounder and Ocean Perch: