



Gordon Food Service Market Updates for July 19, 2019

Dairy | Cheese

The CME Block and Barrel had a retraction in price over a past few days, which speculators feel this may be showing a possible ceiling of the markets. Currently the we dont see a strong bearish market in our near future, but they feel the bulls will be received with restraint if they try to move the market to higher levels.

Last week:

Block- Down

Barrel- Down

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 -No change

Small -No change

This Week:

Large -Down

Medium -No change

Small -Down

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

After trading higher due to hot/dry weather in Europe wheat prices have settled

back to where they were in mid-May. Corn prices continue to provide a floor.

Grocery & Bakery | Soybean Oil

Soybean oil prices are trading slightly 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

2019's sugar beet crop is off to a good start with some price softness seen. Processors still have a big part of next year output available for booking.

Meat | Beef

Cattle harvest has been running a little ahead of last year, but lighter cattle weights have left beef production steady/slightly lower than 2018. Excellent profits have prompted packers to run hard, which is pulling cattle from feedlots as soon as they are ready. One outcome of early marketings has been a reduced percentage of cattle grading Choice grade. This is why Choice beef prices are 4% above 2018 while Select prices are 3% lower.

Ground Beef:

Cow slaughter - the source of lean meat used in ground beef - was running 6-9% higher last summer due to dry pasture (50% of all beef cows were on pasture affected by drought) and depressed milk prices (20% lower than current). Today 90% of pasture is in good-excellent condition and milk production is profitable. Cow slaughter has been running only 2% higher recently taking pressure off ground beef prices. We are getting some post July 4th weakness, but discounting is not expected to be anything like last summer.

Ribs:

Packers were able to get a big forward of ribs sold leaving relatively light quantities

for spot sales. Prices are steady for choice; slightly lower for select.

Briskets:

Here again packers were able to sell considerable quantities forward; cash prices are starting to level out.

Rounds:

Prices seem to have found a level which is keeping product moving; most sales are at steady money.

Strips:

Prices are well below last year and it looks like retailers have noticed. Forward bookings of short loins (T-Bone/Porterhouse) and strips have picked up which could signal a steadier price scenario.

Tenders:

Choice tender prices adjusted lower last week, but fewer cattle grading Choice has limited supply and is keeping the premium to Select grade wider than usual.

Thin Meats:

Thin meat prices remain high, but are acting a little "toppy". We could see a gradual adjustment lower.

Meat | Pork

Pork prices are firming as hog weights start to slip. Hot weather causes hogs to rest more and feed less, limiting weight gains. This often reduces mid-summer production by 6-8% from springtime levels. 2019's seasonal reduction was delayed this year by unusually cool June weather. Now that summer heat is here supply is starting to shrink.

Butts:

While it is probably too early to start a Labor Day price rally, shrinking supplies are providing some support to butt prices.

Hams:

Ham prices got close to 2018 levels last week and, with the 20% tariff ending, Mexican buyers were back in a big way. Now that supply is shrinking, prices are gaining strength.

Bacon/Bellies:

Retail and foodservice features are getting started just as belly supplies shrink seasonally; prices are headed north.

Ribs:

Once prices got cheap, club stores and retailers booked heavy for grilling features. Back ribs and St. Louis ribs were the first to firm up and with supply drying up commodity spareribs should not be too far behind.

Loins:

Bone-in and boneless loin prices are now only a dime apart. Grilling demand for bone-in chops and backribs (from which boneless loins are the "byproduct") have boosted demand for those items while cheap chicken breast is setting a low competitive bar for boneless loin prices. Shrinking supplies are likely to benefit bone-in chop prices much more than boneless.

Poultry | Chicken

Chicken output has averaged 6% larger in the last 6 weeks -- 2% heavier weights and 3.7% more slaughter. Whole chicken prices are 25% below July 2018.

Breast and Tenders:

Chicken breast is abundant and prices are in full retreat. Jumbo breast looks cheap until you consider that 2018's lows were 15% below today's level. Medium breast and tenders are also subject to discounting.

Wings:

Medium wings are still in good shape with premiums paid. Jumbo prices are steady, small wings are discounted.

Dark Meat:

With prices near all-time highs, leg quarter exports slowed. Leg meat prices are steady but thigh meat, which is trading at a 15% premium to leg meat, is a little pushy with discounting noted.

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:

Costs have firmed up on all offerings and are expected to remain through the end of the year. Limson has supply on all sizes.

Cod, Pacific 2x:

Costs have firmed up on all offerings and are expected to remain through the end of

the year. Limson has supply on all sizes.

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. Current supply is adequate for solid demand.

Pollock, Pacific 2x:

Current supply is adequate for demand with cost firming up for the remainder of the year.

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:

Tilapia costs are firm on product out of China. Demand is up year over year but do

not see an issue with current supply.

Seafood | Shrimp

Imported Black Tiger:

Large sizes are short in the market and have seen a decline in overall Tiger sales.

Imported White:

The larger size shrimp (4/6, 6/8, 8/12, 13/15, 16/20, and 21/25) are short in the market and are seeing the price firm until the next harvest in the fall. The phosphate free line has seen an increase in business and has been harder to keep stable inventory levels.

Latin White:

Domestic White & Brown:

Market is down nearly 50% in harvest this year compared to last which has increased domestic pricing.

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:

New season Brazil tails have arrived this week but with a firmer undertone compared to 2018 supply. The hope is that once Brazil gets in full production and the Bahamas, and other regions start to harvest that costs will adjust. Until imports bulk up on supply, costs will be firm.

Seafood | Crab

Snow Crab:

Following up on Canadian Snow Crab. The 2019 Canadian snow crab season is nearly finished now. Most of the major fishing areas have already stopped at this point. The remaining 5% of the Canadian quota that has not been caught yet will trickle into the plants over the next month or so. We have seen consistent demand from all segments compared to last year. Overall size breakdowns appear to be slightly smaller than last year. We certainly saw less 10+ oz and 12+ oz produced in Canada. As a result, we have a historically large price gap between 5-8 oz and 8-10 oz this year, which is likely to persist. Large volumes of 5-8 oz clusters were purchased in May by retail and Japanese buyers, followed by some large foodservice contracts. This put a firm bottom in the market and it has been pushing higher as plants have been trying to fill commitments and keep up with demand. However, the snow crab biomass in Alaska has been growing and indications are there will be a large quota increase announced this fall. This should be good news for buyers that have struggled with shrinking supplies and higher prices over the last few years. The new Alaskan snow crab will likely begin to arrive in Seattle in February 2020.

King Crab:

Imports of King Crab out of Russia are starting to arrive to the states on a more consistent basis. First reports indicate that the smaller sized crab 14/17 on up will be short with the 20-24 almost non-existent at this time. For these sizes prices are firm and are expected to remain so for the next 6-8 weeks. For now the 9/12 size is a good bargain as costs are expected to level out in August. Little to no supply is available out of Alaska at this time.

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 U 12 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: