



Gordon Food Service Market Updates for September 27, 2019

Dairy | Cheese

The Bulls still have the rains at the CME Block and Barrel Markets. Reports have shown low inventory levels on Cheddar which is traded on the floor. Speculators feel the ceiling is very close and pretty soon the bears are going to return and push the market down.

Last week:

Block- Up

Barrel- Up

This Week:

Block- Down

Barrel- Down

Dairy | Eggs

The national flock size is down. This is for the most part due to summer flock rotation. Retail demand has also increased.

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 -Down

This Week:

Butter -Down

Grocery & Bakery | Wheat

With plenty of wheat available, prices are trading just above their feed value versus corn. Corn prices have leveled out as the market waits to see how China trade

negotiations end up.

Grocery & Bakery | Soybean Oil

Soybean oil prices traded to the high end of a 28-29 cents-per-pound range. Higher petroleum prices following the Saudi oilfield attack lifted biodiesel values, but there is still plenty of edible oil worldwide.

Grocery & Bakery | Sugar

2019's beet sugar crop is only 11% harvested and processors are aggressively chasing new crop beet supply. Tight refined sugar supplies in the Northeast have firmed prices.

Meat | Beef

Beef prices have dropped to more normal levels following the Labor Day runup. Prices are still 7% higher than 2018 which could be a little high for the current level of beef production.

Ground Beef:

Prices are trending lower but remain well above where they were last September. Limited supply of imported lean beef may keep prices above 2018's October low.

Ribs:

Rib prices are trending higher along the same path they followed last year. Seasonal peaks could come by early November.

Briskets:

Packers jumped their forward pricing signaling they are happy with their sold position on briskets. Prices are pushing up towards summer highs.

Rounds:

Cash prices are still at a premium to forward prices, suggesting we could a little more discounting.

Strips:

Cash strip prices continue to adjust down and are now about equal to forward pricing levels. With ribeye prices rising, strips could level out.

Tenders:

Tender prices have started their seasonal uptrend right on schedule.

Thin Meats:

With thin meat prices below 2018 levels, we could see prices start to level out.

Meat | Pork

Pork production is record large and exports have not grown fast enough, so far, to keep pace. There is too much product available which is depressing hog and pork prices.

Butts:

Butts prices adjusted lower and are now at levels which should attract export interest.

Hams:

Ham prices have stopped going down and seem to have found balance despite record pork output.

Bacon/Bellies:

Belly prices set new lows for 2019 as packers struggle to place extra production. Low prices should attract another round of features.

Ribs:

Spare and back rib prices are under 2018 levels. Given the risk of increasing China pork demand, retailers have started booking for freezer programs.

Loins:

Bone-in and boneless loin prices are weak due to large output.

Poultry | Chicken

Chicken output remains high which is keeping pressure on prices. Whole birds prices have improved, however, as rotisserie chicken demand increases seasonally.

Breast and Tenders:

Jumbo chicken breast is oversupplied forcing processors to choose between freezing or selling at discounts. Medium breast meat and tenders are more balanced with the majority of transactions at steady prices.

Wings:

Wing prices are steady with strong food service demand noted.

Dark Meat:

Demand for all dark meat has slowed. Leg and thigh meat prices are mostly steady so far.

Poultry | Turkey

Whole turkeys and bone-in breasts are both moving well. Processors are asking up-money for limited inventories.

Seafood | Finfish

Cod, Alaskan 1x:

Alaskan cod remains firm cost with adequate supply.

Cod, Atlantic 1x:

The 1x frozen Atl.cod loins came up short for the season this winter, however the new season for CAN is now underway so expect costs to soften some compared to the Icelandic and then level out for the balance of the year.

Cod, Atlantic 2x:

2X Frozen Cod remains firm cost with adequate supply.

Cod, Pacific 2x:

2X Frozen Cod remains firm cost with adequate supply.

Pollock, Atlantic 1x:

New B season Pollock is now in our inventory There is ample supply for stable costs. Note Lenten needs have already been secured for 2020

Pollock, Pacific 2x:

Pollock raw material is short, prices will increase as we head into year end and beginning of 2020. Will also see tariffs increase in 2020.

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:

Yellow Lake perch on all sizes is under pressure at this time with limited to no supply. Most sizes are hand to mouth and will be allocated out based on inventory. This problem is expected to persist through the winter as well, with the potential for another quota cut come spring 2020. Walleye has experienced softer costs with the increase in quota for the majority of the summer. Supply is plentiful at this time on

all sizes Whitefish currently has ample supply with the new season that resumed in June. Smelt for both battered and dressed has tightened on supply as costs firm. This resource in general is under stress and some are not sure if this will be a viable offering in the future. 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:

Zander and pike perch are better valued options compared to the domestic walleye at this time. Costs on this species have been stable with adequate supply. Euro perch however is starting to feel the pressure from the lack of domestic yellow lake perch. Supply is short and costs on the 20-40 and the 40-60g euro perch have firmed up recently and are expected to remain at this level through the fall at least until fishing resumes and supply becomes more readily available.

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 increased slightly. Note the fishing season for 2018-2019 is over and will not reopen until October in S America. Taiwan product started out at a slightly higher cost but has softened some as there appears to be more supply available overseas. Currently we have adequate inventory for a steady demand on all sizes with added opportunity to move the 2-4 oz size at a competitive cost of goods.

Frozen Tuna, Swordfish :

AHI TUNA: Vietnam - Peak season in Vietnam ended in August. Demand is stable for this time of year and prices are stable as well. No changes expected through Vietnam's secondary season which starts in December. The market seems to be heavy on Saku inventory, presenting opportunities for Saku programs. **Indonesia** Indo season has ended as well. Indo does have a small secondary season in October/November which could help the market. **SWORD** - The Swordfish season in **Ecuador** is ended in August. Prices are stable due to weak demand for Swordfish both in the U.S. and Europe. In Asia, Swordfish is generally a by-catch of Tuna. So

there is limited availability from both **Vietnam** and **Indonesia**.

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. There are a deed opportunitiesto move load quantities if needed.

Tilapia:

Tilapia remains firmin cost with adequate supply.

Seafood | Shrimp

The seafood industry reports seeing pressure on inventory and higher pricing. The Large-sizes 26-30 count and larger are under a lot of pressure due to seasonal demand and lower raw material availability.

Imported Black Tiger:

The seafood industry reports seeing pressure on inventory and higher pricing on black tigers. Large-sizes 26-30 count and larger are under a lot of pressure due to seasonal demand and lower raw material availability.

Imported White:

The seafood industry reports seeing pressure on inventory and higher pricing on vannamei (white) shrimp. Large-sizes 26-30 count and larger are under a lot of pressure due to seasonal demand and lower raw material availability.

Latin White:

Domestic White & Brown:

The current catch is producing larger shrimp in the 16/20, 21/25 and 26/30 range. This goes along with the reports that all the fresh water coming out of the Mississippi has pushed the smaller shrimp out into the Gulf of Mexico. Smaller shrimp will have a lot of pressure on availability and price. The brown season is now open. Inventory on larger sizes is starting to improve which has brought some price relief.

Domestic PUD:

Smaller PUDs are becoming tight and driving up prices, as they have been pushed into the Gulf of Mexico with the influx of water coming out of the Mississippi River.

Domestic Rock & Pink:

Inventory and pricing are stable.

Seafood | Lobster

North Atlantic:

To date poor weather and a late summer with cooler temperatures have resulted in very poor landings out of Maine and this issue persists where tails are reported to be down as much as 20-30%. Costs have firmed up overall and are expected to go higher to the end of the year. There is hope that there might be some relief when Nova Scotia comes on board at the end of November but that remains to be seen. Meat is also very short at this time with limited offerings overall for CK, CK broken, CKL and leg body meat too. Since the bulk of meat products are produced in the spring Canadian season, inventory might be tight for the balance of the year and maybe through the winter unless there is some added production this fall / winter. Costs have firmed as well and are expected to remain elevated .

Warm Water:

As expected...with Dorian busting through the Bahamas the WW tail market has taken a major hit. It is estimated that 95% of fishermen in the Northern Bahamas lost their boats. Those that remain currently are not fishing but have dedicated themselves to rescue efforts and the process of picking up the pieces. There is little processing out of the Bahamas now in the southern regions as they rely on the

more lucrative catches from the north. Note that per Urner Barry, they state that Market Share by country on imports has the Bahamas listed as 37% for Lobster items. Other reports state that the Bahamas will lose 30-40% in revenue overall for the fishing industry. Obviously this has impacted the market on cost. We expect to get our needs for the year from other regions but the cost cannot be confirmed or guaranteed at this time. For now it remains firm.

Seafood | Crab

Snow Crab:

The 2019 Canadian snow crab season has finally wrapped up in all regions. We have seen consistent demand from all segments compared to last year and overall size breakdowns appear to be slightly smaller as well. 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:

The king crab market is tightening up and rather quickly. To date there has been limited supply out of Russia as most is being sold into Asia whole. As a result there is added competition for the raw material and costs are increasing. For Alaska it appears that the supply will be as limited as the 2018 season on reds when the season resumes this fall. Smaller sizes are under more pressure at this time with larger sizes being a better value. Overall Gold King crab is a cheaper option to the current red supply. Even this has been slow coming down from Alaska at this time with only 14% of the quota harvested to date. It is strongly recommended to cover needs through the holidays at a minimum on both species.

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

Scallop costs have leveled off some for the summer as costs were low in June on the smaller 10-20 and 20-30 but spiked back up for the holiday in July with August seeing another drop in price for these sizes. To date there is no expectation of shortages going into the fall and winter. Typically as the bulk of the season and fishing declines in the fall costs stabilize and start to increase for the winter months.

Chinese Flounder and Ocean Perch: