



Gordon Food Service Market Updates for October 18, 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- Down

Barrel- Up

This Week:

Block- Up

Barrel- Up

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 -No Change

Medium -Up

Small -No Change

This Week:

Large -Up

Medium -Up

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 -Up

Grocery & Bakery | Wheat

Spring wheat (pizza flour) and durum wheat (pasta flour) have inched higher over concerns about damage to the last 10% of the U.S. harvest and Canada's ongoing

harvest. Rain and snow have caused sprout damage, vomitoxin and lodging (matted-down plants) to standing crops. There is speculation that part of the 2019 harvest may remain unharvested/unusable.

Grocery & Bakery | Soybean Oil

The USDA reduced estimates of soybean current inventory and 2019 production. As a result soybean oil prices are 5% so far this month.

Grocery & Bakery | Sugar

Beet processors raised offer prices on the small percentage of production they haven't forward sold. Cane sugar processors were holding their bids at a small premium to beet sugar in the East. Beet harvest was behind normal as rains delay progress in the Midwest; cane progress is starting at a normal pace.

Meat | Beef

Beef production has been running 2% lower since the late August Tyson plant fire. The percentage of cattle grading choice has been running about 4% lower which, when combined with smaller production, translates into 6% less choice beef than in 2018. This goes a long way in explaining why choice beef prices are 5% higher.

Ground Beef:

Prices are down 30% from summer peaks during a timeframe when we usually make fall lows. While we may not be at the absolute bottom, history suggests upside risk increases as we get to the end of the month.

Ribs:

Choice rib prices are trending higher along the same path they followed last year. A larger-than-normal percentage of select grade cattle is causing a 40% discount for select-grade ribs.

Briskets:

Packers have lowered forward pricing but are keeping cash prices high.

Rounds:

Cash prices are still at a small premium to forward prices. Packers are keeping spot supplies well-cleared so they can keep cash and formula prices high.

Strips:

Cash strip prices continue to adjust down as packers try to attract more retail interest. Select strips are discounted 30% below choice.

Tenders:

Choice tender prices are on a vertical trajectory as we approach the Christmas holiday period. Select tenders are at a 16% discount to choice grade.

Thin Meats:

This is the time of year when thin meats prices start to bottom out. As we move into the winter months slaughter numbers start to decline which typically offers support to prices.

Meat | Pork

Pork production is record large and exports have not grown fast enough, so far, to keep pace. This has kept a lid on many pork prices.

Butts:

Butts prices are now at levels attracting export interest; prices could firm if buying picks up.

Hams:

Large production has become a problem once again as Mexico slows their buying; prices are on the defensive.

Bacon/Bellies:

Belly prices rallied 50% since mid-September but are starting to feel "toppy" as retail features wind down.

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 loin prices got cheap enough to attract retail interest; prices are rebounding. Boneless loin prices remain featureless.

Poultry | Chicken

Chicken output has been running 5% higher than last year. Strong rotisserie chicken sales have kept whole chicken prices steady so far.

Breast and Tenders:

Jumbo and medium chicken breast are oversupplied forcing processors to choose between freezing or selling at discounts. Jumbo and medium breast meat prices are record low for this time of year; small-sized breast meat and tenders are still above historical averages.

Wings:

All sizes of wings are showing up at discounts with prices trending lower. Given that prices are 12-36% higher than last year, prices have more room to adjust.

Dark Meat:

Demand for all dark meat has slowed. Leg quarters are heading for the freezer, creating more incentive to expand leg/thigh meat production.

Poultry | Turkey

Whole turkeys and bone-in breasts inventories are both pretty clean. Frozen turkey prices are 18% higher than last year so we will have to see where Thanksgiving feature prices end up.

Seafood | Finfish

Cod, Alaskan 1x:

Alaskan cod remains firm on cost with adequate supply. No major changes

Cod, Atlantic 1x:

The 1x frozen Atl.cod loins from Canada are now available with plenty of supply. We recommend that you start to plan accordingly for Lent. Costs remain elevated over last year but are still a good value compared to other Countries of Origin for both quality and cost.

Cod, Atlantic 2x:

2X Frozen Cod remains firm on cost with adequate supply.

Cod, Pacific 2x:

2X Frozen Cod remains firm on 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. The fall fishery is just getting underway and some reports indicate fisherman will fish for more perch if they are present before converting the nets for walleye. There is still a large amount of the quota left on perch, but the bigger issue is if they exist to be caught. 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 the prime sizes while the 2/4 and 14 ups (outliers) have been harder to come by. The fall fishery should bring all walleye back in stock. Whitefish currently has ample supply as we await the fall fishery for this species as well. **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. As of this week we (Limson) have run out of the dressed option and only have supply of the battered. With increased pressure on this item we will be unsure if the inventory will make it to next summer. Please plan accordingly as we try and explore other species and or COO's for possible supply.** 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. At this time this resource has not been impacted by the new Trump tariffs assessed on the EU.

Mahi Mahi:

The Mahi Mahi season out of S America has resumed but first reports indicate that Peru is off to a slow start. There have been no formal offers to date but they should be coming in the next few weeks out of both Ecuador and Peru. We then will have a better idea of where the pricing levels will be defined for the new season. For now we have supply at a steady cost.

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 added opportunities to move load quantities if needed.

Tilapia:

Tilapia remains firm in 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 at least 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. 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 Bahama's 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:

This week the Department of Fish and Game and the National Marine Fisheries Service (NMFS) announced the catch limits for the Bering Sea snow crab of 34,019 million pounds for the 2019/20 season. This is a 24% increase over last year. As this fishery opens on October 15th, we do not expect to see this supply until after the first of the year at least. Reports also indicate that the predominant size is expected to be the 5/8. For now all offerings and sizes remain tight and costs have increased even after the quota announcement. Supply is short overall and costs are firming.

King Crab:

As for snow crab, the quota was also announced for the red king crab out of Alaska

as well. Bristol Bay has a reduced catch and a total harvest of just under 3.8 million pounds. This is a drop of a half of a million pounds over last year for a resource that was already under pressure. Costs overall on red king have been firm and are increasing towards the holidays. The Gold season is underway but offerings on some of the key smaller sizes have been short as a good portion of the quota is still left to be caught. In general costs are firm and supply has been guarded.

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 started to uptick some as we are entering the fall fishery. To date a good portion of the quota has been caught but varies by area, and typically costs start to rise through the winter months as fishing can be impacted by weather etc. To date there is no expectation of shortages going into the fall and winter.

Chinese Flounder and Ocean Perch: