



Gordon Food Service Market Updates for November 29, 2019

Dairy | Cheese

The CME Block and Barrel markets have seen some untraditional moves in recent weeks. Speculators feel this is not due specifically to a demand element or supply element but a combination of both. Current run-up we have seen is a combination of holiday buying and no extra product available to be taken to the market that fits the specific spec, but there is plenty of cheese to fill orders. Traders feel there is a light at the end of the tunnel, but the length of the tunnel is still being defined.

Last week:

Block- Down

Barrel- Down

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 -Up

Medium -No change

Small- No Change

This Week:

Large -No Change

Medium -Down

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

Despite weekly ups and downs spring wheat (pizza flour) prices have been trending down since summer and currently are below last year. Smaller North American supplies have pushed pasta prices above last year.

Grocery & Bakery | Soybean Oil

Soybean harvest is wrapping up with soybean oil prices slipping as processors ramp up output.

Grocery & Bakery | Sugar

Two large beet processors declared "Force Majeure" stating they will be unable to fulfill existing sales contracts as freezing weather ended the Minnesota/North Dakota Red River Valley beet harvest prematurely. As much as 25% of the Red River beet crop will be left in the ground to rot. The USDA lowered its U.S. beet production estimate by 9% as a result. Midwest beet prices are unquoted as processors will need all of their output to partially fulfill existing orders; West Coast beet and cane sugar prices have jumped to 14-18% above last year.

Meat | Beef

Big Chinese beef imports from New Zealand, Australia and South America are pushing world beef prices higher. As imported beef gets more expensive prices for U.S. ground beef and end meat cuts are rising.

Ground Beef:

Ground beef prices pushed to the highest November levels since 2014, but have since adjusted lower as attention shifts to Thanksgiving items. Higher imported beef costs will support ground beef prices, however, and prices may head higher again

as holiday shoppers frequent QSR restaurants.

Ribs:

Choice rib prices appear to have topped out, but should remain high until closer to Christmas. Select rib prices are still increasing as the discount to choice spurs demand.

Briskets:

Brisket prices have been mostly sideways for the last 6 weeks, but there is a seasonal tendency for them to inch higher in December.

Rounds:

Clods and round cuts have been cheaper to use in ground beef formulas than imported beef. This is keeping prices elevated at the highest levels for the month since 2014.

Strips:

Strip prices are muddling along at seasonal lows.

Tenders:

Tender prices have topped out and are headed lower.

Thin Meats:

This is the time of year when thin meats prices start to trend higher. Most prices are about where they were last year.

Meat | Pork

Pork output surges along 5% above last year's record, but prices are higher -- a sure sign that this extra pork production is going offshore.

Butts:

Boneless butt prices have been firm on increased exports to South Korea and other Asian destinations. Bone-in butts are lower as tight plant labor limits how many are

converted to boneless.

Hams:

Ham prices hit 5-year highs as processing for Thanksgiving wrapped up. Prices have plenty of room to adjust lower from here.

Bacon/Bellies:

Belly prices peaked mid-November and are adjusting lower as Thanksgiving bacon features are completed.

Ribs:

Spare and back rib prices are trending higher as buyers become more concerned about tighter supply this summer.

Loins:

Boneless loin prices are mostly sideways as they compete with chicken breast at retail. Bone-in loin prices are sliding lower as limited boning labor forces packers to sell more loins as bone-ins.

Poultry | Chicken

The announcement that poultry trade with China would resume has created seller confidence in price negotiations. Processors are asking for steady/higher prices on most items.

Breast and Tenders:

Jumbo and medium chicken breast prices are higher as sellers take a more confident approach to negotiations. Retail and QSR promotions have helped the demand side and processors are less reluctant to freeze product for future sale (to China?).

Wings:

Prices for all three sizes of wings have leveled out at prices at least 6% above 2018 levels. Processors seem to be getting enough business to keep supplies moving.

Dark Meat:

Frozen leg quarter prices are higher due to export interest; leg and thigh meat prices are steady.

Poultry | Turkey

Wholesale whole turkey prices have peaked at the highest level in almost three years. We will be watching post-holiday booking prices to gauge how good Thanksgiving clearance was.

Seafood | Finfish

Cod, Alaskan 1x:

The supply of the big stocks of wild whitefish are set to remain stable for 2020, lifting by less than 1% according to the forecast from the Groundfish Forum. For Pacific cod the forum forecast has the total supply at 365,000 t in 2020 down from 387,000t. This has driven a decline in Canadian and US landings from 185,000t to 158,000t. For now costs are stable with good supply for the 2020 Lenten season.

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. In general the total supply of A cod is forecast to rise slightly from 1.131 m tons in 2019 to 1.132 m t. In June ICES (Exploration of the Sea) advised the cod quota in the Berents Sea for 2020 to be set at a level 2% higher than it's advised level for 2019 of 674,678 t. At 689,672 t, in 2020 advise comes in at 5% lower than the total allowable catch for 2019 set by the Norwegians and Russians of 725,000 t.

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 . Note Lenten needs have already been secured for 2020. Supply has been tight overall . The forecast at the forum for the US supply of Alaskan pollock for 2020 is 1.528 million metric tons, down from 1.552 m t in 2019. Undercurrent News recently reported the science on pollock points to possible cuts in the next couple of years.

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 or with hold offerings so they can divvy up the catch. 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 buy with firming costs. The fall fishery should bring all walleye back in stock. To date the Whitefish

season has not materialized as expected. High winds and poor weather overall have hampered fishermen's efforts and supply has suddenly come up short for the fall fishery. As the Native American fishing season wraps up this week for certain regions we are hopeful to gain added supply. For now costs are stable but expect them to firm. 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. Limson has now run out of the dressed option and only has 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 unless this changes in November when Trump meets again with the Chinese Govt.

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 and what has come out of the water thus far is of the smaller 4 oz size. First offers appear to mimic last year's costs to date. As more product becomes available and Ecuador has production we expect to 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's 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:

Swai prices peaked in November of last year, but have since dropped quite dramatically by about 40 percent, resulting in losses for farmers and producers. There is ample product available in the market today as many importers are trying to push product before year end. Prices will begin to firm after the new year.

Tilapia:

Farmgate prices for Chinese tilapia have been relatively steady so far this year. Supply will remain adequate for the remainder of the year.

Seafood | Shrimp

Pond stocking in India / Indonesia during the main farming season of May-Aug has been much lower this year, suggesting a continuation of supply shortage for the rest of the year. Heavy rainfall in July affected aquaculture belts. Indian industry sources indicate a 30-40 percent production drop in 2019 compared with 2018.

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:

During the season's first harvest in April-June, vannamei production declined considerably in Asia as low price persisted in the international market. Farmers have reduced pond density, delayed seeding and even delayed harvests. This cause

a lot of pressure due to seasonal demand and lower rawmaterial availability on larger size shrimp.

Latin White:

Prices have firmed due to limited supply.

Domestic White & Brown:

The current catch is coming up short on the large-size shrimp which is putting a lot of pressure on availability and price.

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 if not beyond. 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 . 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 and are expected to remain elevated . Lobster meat is sitting at 52-week highs, recently crossing 2017 levels, and only sitting below prices during the record-high 2016.

Warm Water:

The WW tail market continues to be firm. Costs have been increasing since the hurricane in the Bahamas. With elevated costs on N Atlantic's the WW tails although high on cost, are still a better value in comparison. We expect to be able to meet all of the WW tails needs from other countries but the unknown is at what price level this might be.

Seafood | Crab

Snow Crab:

The market out of Canada for snow crab has been firm since the end of August on all sizes. For most of the season, larger snow crab, in particular, was seeing thinning supplies, but market participants report that all sizes are moving quickly and supplies are growing tighter. New season crab out of Canada will not be around until the end of April, beginning of May 2020. Alaska just announced a 24 percent quota increase for snow crab. However, product will not reach the lower 48 until sometime into the new year where the 5/8 size is expected to be the prominent offering. 5-8s also are at a 52-week high on cost out of both Newfoundland and the Gulf and 10-up crab is at an all-time high. Imports of Russian snow crab through August are down 7.6 percent; thus adding to a lack of available snow crab in the current U.S. market. For now supply is short overall and costs are firming.

King Crab:

Both Russian red and golden king crab is seeing upward pricing pressure on all sizes, in particular on reds on the larger count sizes. This pricing pressure is coming about even with imports out of Russia, specifically on red and blue king crab, which are higher year-to-date (YTD). Red king crab out of Russia is up 13.5 percent through August and Blue king crab (which is typically sold in the U.S. as a red king crab equivalent) is up 144.6 percent out of Russia. Imports of golden king crab out of Russia are actually down 12.5 percent. However, Alaska's Western Aleutian Islands Golden king crab fishery has a quota of almost 2.6 million pounds, with roughly 1.6 million pounds harvested so far, the need and demand for king crab in the U.S. had some assistance. 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 approx 70% 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. Preliminary review of the 2020/2021 scallop biomass shows good juvenile population with total quota amounts expected to be similar to this year's expected 60m pound range.

Chinese Flounder and Ocean Perch:

Ocean Perch raw material was coming up short delaying shipments and firming up costs.