



# **Gordon Food Service Market Updates for February 14, 2020**

## **Dairy | Cheese**

The CME saw the bears return this week to being the Block market more in line with the current environment. Speculators are looking to see how much farther down the market will go, but feel the ceiling it hit last week could continue to be a strong resistance.

### **Last week:**

Block- Down

Barrel- Down

### **This Week:**

Block- Down

Barrel-Up

## **Dairy | Eggs**

Retail demand mixed. Supplies of large tight to short. Market firm

**Last week:**

Large -Up

Medium -Down

Small- No Change

**This Week:**

Large -Down

Medium -Down

Small -Down

## **Dairy | Butter**

Cream supplies for butter making is readily available at low prices despite the jump in last weeks spot pricing; butter production is ongoing, helping to clear large volumes of cream. In general, the butter market is in a bearish state as the current supply outpaces immediate needs from buyers. Bulk butter inventories are steadily increasing as most butter processors prepare for the upcoming baking season needs.

**Last week:**

Butter -Up

**This Week:**

Butter -Down

## **Grocery & Bakery | Wheat**

Spring wheat (pizza flour) prices are 5-10% below last year as North American inventories build. Smaller supplies have pushed pasta flour prices 15-20% above

last year.

## **Grocery & Bakery | Soybean Oil**

Soybean oil prices dropped almost 15% in January on expectations for bigger world supplies; prices have since stabilized and may trend up in February.

## **Grocery & Bakery | Sugar**

Beet and cane sugar prices remain firm as processors have little uncommitted sugar to offer. The market will adjust if imports of Mexican sugar accelerate.

## **Meat | Beef**

Lower cattle prices prompted packers to bump output 5% above last year. The extra supply is pushing beef prices lower and may trigger packers to throttle back by late month.

Ground Beef:

Ground beef prices are still at the high end of where they usually trade this time of year. The normal seasonal price trend is lower.

Ribs:

Rib prices are trending sideways due to larger supply.

Briskets:

Briskets are not seeing any price strength as we approach St Patrick's Day; extra supply is weighing on prices.

Rounds:

Inside round features have been supportive so far; prices for other round cuts are slipping.

Strips:

Forward sales of strips and short loins have not been exceptional, but they have been strong enough to support a gradual price uptrend.

Tenders:

With Valentines Day behind us tenderloin prices could drift lower.

Thin Meats:

Beef slaughter has picked up, which is boosting supplies of thin meats. The usual seasonal price uptrend has stalled.

## **Meat | Pork**

Pork output continues to run 7% higher exerting pressure on pork prices. Chinese pork imports have temporarily stopped leaving a glut of pork to move domestically; prices are making new lows.

Butts:

Butt prices are nosediving towards new 5-year lows; hard to know where the bottom is.

Hams:

Ham prices are also in a free-fall but are still above previous lows.

Bacon/Bellies:

Belly prices continue falling and, with large frozen inventories already in place, it might take additional discounts to attract buying for freezer inventories.

Ribs:

Spare and back rib prices seemed immune from the pork price meltdown initially,

but prices are now easing.

Loins:

Bone-in loins are now trending lower; boneless loins are already near 5-year lows.

## **Poultry | Chicken**

New capacity has added 7% more chicken output -- almost all of it is large birds destined for deboning. Whole chicken is backing up; prices are declining.

Breast and Tenders:

With production of jumbo breast meat at record levels, prices are at all-time lows with few signs that things will improve soon. Medium and small-sized breast meat are steady. Tender prices are stalled at the lowest level since 2011.

Wings:

Jumbo wing prices are slipping as we wait for basketball's March madness demand to kick in. Medium and small wing prices are steady.

Dark Meat:

Euphoria about a Chinese export bonanza have given way coronavirus depression. Leg quarter, thigh meat and leg meat prices are trending lower.

## **Poultry | Turkey**

Whole turkey prices are at least steady with some premiums noted for future delivery dates. Bone-in breast prices are mostly steady.

## **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 advice 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 . 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 remains 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 did not produce the fish as was hoped for. So to date we are struggling to get small amounts of fish weekly. This will continue through the spring and possibly into next year's season as well. Walleye costs saw some softening at the end of 2020 but a few items have started to increase on cost as of late. 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. To date the Whitefish season has not materialized as expected. High winds and poor weather overall have hampered fishermen's efforts and supply suddenly come up short after the fall fishery especially on the 6/8 and 8/10 oz sizes. 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 for Lent and beyond. 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 tariffs.

## Euro Lake Fish & Zander:

Zander and pike perch are a better valued option compared to the domestic walleye at this time. Costs on this species have been increased slightly as of late but there is 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 and are expected to remain at this level through the spring at least until fishing resumes and supply becomes more readily available.

## Mahi Mahi:

The Mahi Mahi season out of S America resumed in October / Nov with the prominent sizes being the 4oz. As of today supply for GFS has been secured on all sizes and costs will adjust to new season values once the orders are in house.

## Frozen Tuna, Swordfish :

Vietnam - Peak season is starting now in Vietnam, but it is also typhoon season. Weather conditions in late December caused boats to stay at port resulting in poor landings. There will also be less than normal production in January and February due to the Holiday, Chinese New Year. Prices are stable, but possible shortages could occur in the market especially for the bi-cut products. Indonesia- There are regular Tuna landings now throughout all of Indonesia. There is still a glut in the market on Saku Tuna Blocks which affects production on other product forms. Swordfish landings in Vietnam are limited and there are no offers on Swordfish from Ecuador yet due to the mahi season being in full effect.

Swai:

Swai prices peaked in November of 2018 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 through older product before it expires.

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 stable pricing on Tigers, however demand has been moving over to White shrimp, Winter harvest for Tigers out of Indonesia is finishing up and seeing good supply on larger shrimp while the smaller sizes are tighter causing delayed shipments and an increase in pricing.

Imported White:

Production / harvesting started up in November and is now coming to an end for the Winter harvest. Inventory levels overall remain strong while pricing has firmed some as the Winter harvest did not produce to expectations on all sizes.

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%. Nova Scotia offered minimal relief as well and due to lack of supply on tails costs have risen sharply in a short period of time. Meat is also very short 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 is expected to be tight through the spring as well. 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 started to uptick at the end of the year. Costs typically increase month over month until the season resumes come spring. 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.

## Seafood | Salmon

### Norwegian Salmon:

Current prices in Norway have continued to stay very high after the holidays. The usual plant closing, reduced harvesting and increased demand is the normal cause of the price increase. The last few weeks have also been impacted by unusually bad weather limiting harvesting in many areas in Norway. During 1H a large quantity of fish were lost during algae bloom and some areas had to harvest heavy because

sea lice. As for 2H there is hope to see good supply, especially if water temperatures follow usual patterns.

Chilean Salmon:

There will be good volume this year on Chilean salmon, however, there is concern due to sea lice which was already at record levels when heading into the summer season. Stronger government regulations are being implemented and will lead to higher production cost. Also, with the focus on new farming areas there are higher logistical costs.