



Gordon Food Service Market Updates for May 22, 2020

Dairy | Cheese

Dairy | Eggs

Even as stay at home orders are lifted an overwhelming portion of the population is choosing to still prepare their own meals at home, given lift to a still strong retail market in a time when a seasonal drop off is usually expected. Also as we've called out each week food service demand continues to increase. Large egg pricing has fallen 70% off the initial COVID-19 price jump, but still remains 60% above last year's price. Overall market seems to be in a good supply/demand equilibrium as of late.

Small - Flat

Medium - Flat Large - Down

Dairy | Butter

Over the past week butter markets have jumped almost 30%, \$1.24 in early May to

\$1.50 last week and up over \$1.60 per pound halfway through this week. Butter manufacturers who were willing to trade cream at a discount are now holding onto inventory for themselves. Causing supply of available cream suppliers to tighten in the short term. With so much unknown for how things will look 1/3/6 months from now it's too early to proclaim we won't see another dip in pricing, but currently demand is remaining high.

Butter - Increase

Dairy | Cheese

Cheese markets and production have a night/day feel this week when compared to just last week. The COVID-19 lows we have been experiencing the past few weeks have rebounded from the \$1.00 per pound lows to \$1.50 - \$1.60 last week and well on their way to \$1.80 - \$1.90 this week. Production lines that were down last week are now running six days per week. Milk is still plentiful and so producers will gladly ramp up production to hope for pent up orders as restaurants start to reopen.

Block - Increase

Barrel - Increase

Meat | Pork

The hog harvest continues to increase, last week totaled 2 mil hogs. This week the forecast is for the harvest to reach 2.1 mil hogs. At the low point of the pandemic the industry harvested 1.4 mil hogs. A major processor indicated today's conversion rate is 44% vs pre-covid level of 80%. Products that are converted are Bnls butts, Bnls loins and injected or marinated items. Due to plant closures during the holiday week and the reduce harvest prices should hold steady with the potential for prices to decline the first week of June as supply and demand stabilize.

Meat | Beef

Cargills Schuyler, NE plant started production this week after being shuttered for two weeks. With almost all large beef plants now up and running we are expecting to see slaughter numbers for this week around the 540K head range. This will put us at around 85% capacity compared to same time period last year and up around 20% higher than just three weeks prior. The 15% still missing from capacity will come back slowly as more workers return to the job and as plants adapt to new safety guidelines to help prevent the spread of sickness. With more labor available, some plants will start back production on labor intensive and further trimmed items in the weeks ahead. The increase in production and slowing in demand, due to high prices, we should start to see easing in prices across the board. Look for lower pricing on end cuts, sirloins, and grinds. Middle meats will most likely come off some, but expect some flattening in the market around these cuts as retail will demand for summer features and food service will start to demand as more restaurants begin to open.

Poultry | Chicken

The volatility in the market has quieted down this week as we head into the long Holiday weekend. The major issue in the poultry plants continues to be around labor shortages. Employees are still fearful to return to plants and choose to remain at home. Many are able to stay home and receive Government assistance, so they are taking advantage of this. The unknown attendance is keeping many of the processors from being able to further process all of the birds in the plants which has put a shortness and allocation on deboned items as well as split wings. It is sounding like this labor challenge is not something that is going to be solved any time soon and will continue for the balance of the year. We did see the Jumbo Breast market come off some this week, but still way above historic levels. The medium and select breast market are leveling off, but the medium market has hit a 52 week high. As we start to see the reduction in the egg placements hit that will only put a further strain on the supply and is expected to see the markets continue to climb. Another factor that is coming into play is the states that are starting to open up restaurants will bring back some Foodservice demand, but the demand is very unknown at this time. The dark meat continue to remain steady being supported by retail demand. Wings of every size continue to be sought after. The push to take out continues and wings are an item that has been doing very well in

this space. As more operators get into the take out space this demand for wings is only going to get heavier.

Breast and Tenders:

The Jumbo Breast Meat market has come off some this week and is now at \$1.41 and the select and medium markets are leveling off. The select market at \$2.41 and medium market hitting a 52 week high of \$1.60/lb. There have been some frozen inventory that has turned up, but be prepared to pay a premium in most cases. Line run Breast Tenders have started to level off and are now trading at \$1.20/lb. The demand for tenders remains strong.

Wings:

The wing market remains tight and all sizes of wings are continue to climb. Jumbo whole wings are leveling off this week and at \$1.58/lb with medium at \$1.80/lb and small at new 52 week high of \$1.91/lb. As Foodservice demand returns with restaurants opening in more and more states expect to see additional demand on an item that is already in short supply.

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 Ground fish Forum in October 2019. For Pacific cod the forum forecast has the total supply at 365,000 t in 2020 down from 387,000t. Note the Gulf of Alaska is completely closed in Federal waters for this season but the Bering Sea and the Aleutian Islands are still active fisheries. Overall this has driven a decline in Canadian and US landings from 185,000t to 158,000t as well.

Cod, Atlantic 1x:

The 1x frozen Atl. cod loins from Canada are now available with plenty of supply. Costs remain elevated over last year but are still a good value compared to other Countries of Origin for both quality and cost. In June ICES (Exploration of the Sea) advised the cod quota in the Barents Sea for 2020 to be set at a level 2%

higher than its 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. 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. For Now Limson has supply of Russian fillets.

Cod, Atlantic 2x:

Pricing has begun to soften as demand has dropped off on orders overseas. As orders begin to pick up you will see a rise in cost come fall. Inventory levels remain healthy.

Cod, Pacific 2x:

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Pollock, Atlantic 1x:

The overall Pollock supply for 2020 is expected to remain relatively stable. The forecast at the ground fish forum for the US supply of Alaskan pollock for 2020 is 1.528 million metric tons, down from 1.552 m t in 2019. Note fillet prices for larger sizes are expected to increase as supply on these sizes is more limited. Per the SeafoodSource publication... The largest fishery by volume in the U.S., the Alaska pollock fishery, is also facing its own set of disruptions, though it has fared better than some as the industry's "A" season managed to avoid overwhelming disruptions. They have been able to harvest their catch and prices have held up well.

Pollock, Pacific 2x:

Inventory will remain strong through Summer and into fall. Will see pricing soften through the summer as orders overseas have dried up causing plants to slow and raw material prices to fall. Wild Pollock will increase in demand as a high-protein variant. The anticipated increase in demand has many suppliers looking to become vertically integrated to reduce costs, and gain more control over the supply chain.

Haddock:

The tariff for haddock was rescinded in Dec as petitioned by several members of the National Fisheries Institute. Last fall there was a lack of product being imported in

case the tariff was to be increased resulting in a shortage on raw material in Asia. Raw material is now available but is now faced with a severe lack of demand. For haddock out of Norway and Russia the TAC (Total Allowable Catch) for 2020 is up 25% from 2019.

Domestic Lake Fish:

As the opening of the walleye season resumed May 1st this fishery is still uncertain as to how to begin. Currently the processors have placed restrictions on the quota for the boats as they cannot afford to freeze fish in hope there is demand, and this is a risk they are unwilling to take. For now all that is being processed is fresh and this is done minimally based on demand as the plants are currently operating at 25% due to the restrictions of the virus. At this rate, even though there was a 20 % increase in the overall quota for the season there is doubt that will be caught by the fall. The perch season begins on the 15th of May and as last year the processors are selling perch if you take walleye as well. With an estimated 18% reduction in perch quota we expect the perch price to start out high. The issue is, do you assume high cost perch to cover you for the season and take the risk of this market collapsing if there is no demand? In addition the fishery was unable to fish the spring season prior to spawning and that will also cause an added 25% loss of this fishery as well. The availability of smelt is limited due to an overall shortage of the product. The season for smelt does not start until the end of June so that is when prime fishing will happen. We are hoping to be able to obtain more product during that time however have heard there is potential the product will continue to be short.

Euro Lake Fish & Zander:

The European supply on zander ,pike perch and euro perch has been more than adequate to date with no interruptions in supply . Limson is covered on all sizes at this time. Costs are expected to remain stable for now as demand has been non existent for Food Service sales. For late summer, fall orders we do expect a softening on cost purely due to the current exchange. Note this is a lower cost option to the domestic product and eats comparatively.

Mahi Mahi:

Mahi Mahi has been secured from the 2019 fall season and Limson has supply on all sizes. Costs remain stable for limited demand in Food Service. The S American season does not resume until October and to date are unsure of any supply out of

Asia due to the virus, as typically their season resumes in the spring and is weather dependant. Note we have 4, 6 and 8 oz portions that are vacuum packed and can be a great option for retail applications if sold as eaches. We also have 1-4 oz pieces that are currently sold as a cheap option for taco, applications and such.

Frozen Tuna, Swordfish :

Vietnam - The Country is locked down because of COVID-19, and may open later in May. Currently some raw material is available, but prices are down because demand has plummeted. **Indonesia** - The Country is locked down tighter than even Vietnam because of COVID-19. Ramadan is April May 23. Normally Indonesia only closes for 15 days, but with prices so low and employees so skittish to go back to work, it looks like they'll be closed all of Ramadan. **SWORDFISH** Sword is a bycatch of Tuna in Asia, so reflects the same story as Tuna. For now Limson has plenty of supply available in individually vacuum packed portions. This is a great option for retail movement where they can be sold as eaches.

Swai:

In Vietnam the government has started to ease social distancing in a few cities. The suppliers team is back to work full time and has returned to offices but with caution. Small businesses are allowed to reopen and if the situation maintains as it is, Vietnam might get back to normal mid May. Raw material (RM) pricing is believed to be at the bottom in the past few weeks and farmers have been losing money at this current price. Some reduced farming quantity or switch to farm a different species, which will lead to RM shortage later this year. On top of that, farmers were reluctant to start new crops due to high level of uncertainty in global demand since the beginning of the pandemic. Therefore, shortage will most likely occur in Q3 and Q4 this year and might even last until next year if farmers' mentality does not change. Right now, farmers refuse to drop RM pricing further as they are waiting for China's recovery from COVID-19. In fact, demand from China showed minor sign of recovery this month. We forecast its demand will be back to its normal level around June. Once it happens, RM price most likely will face upward pressure.

Tilapia:

Tilapia, once a big mover for the foodservice sector has seen diminished sales over the last year where imports have decreased. This commodity was included in the tariff war but many think Tilapia in general has gotten some bad press over the last

few years based on the public perception. Some experts at the Global Seafood Conference cite a potential turnaround not only how the fish is perceived but due to the recent signing of "Phase One" of the treaty to resolve the trade war, we may see demand for tilapia turnaround. As such, global production of tilapia is estimated to increase from 6.5 million MT in 2019 to 6.8 million MT this year. The increase in supply should continue to keep prices flat and put this item back on the menu of many foodservice establishments.

Seafood | Shrimp

Pond stocking in India / Indonesia has happen but at a reduction(40-50%) due to the COVID-19 pandemic. Farmers are harvesting early and not seeding again until they see what happens on the world market with demand. In the short term you may see some good pricing in the market as people are trying to move off old or excess inventory. This may have a larger impact come late summer into fall if farmers do not seed as this will limit the inventory availability which would cause increased pricing.

Imported Black Tiger:

Indonesia has extended its lock down until end of May, and although the factories have an exemption from this they face a shortage on raw and material and work force. This has caused orders delays, along with increase lead times as containers are not as readily available. Currently Tigers have a good supply on larger shrimp (will soften pricing) while the smaller sizes are tighter causing pricing to firm.

Imported White:

Will likely see a rising market through summer and into fall as shortages will develop as demand begins to pick back up for overseas orders. Normal harvesting has been disrupted as farmers panic harvested in March and April. Many farmers are waiting to reseed until the market stabilizes which will cause a delay on when new product will be available.

Latin White:

Prices have firmed due to limited supply.

Domestic White & Brown:

The spring season starts mid April to early May but may be delayed due to the COVID-19 impact. Boats are being delayed as overall demand is down and cold storage is filling up. You may see some good deals on pricing prior to the market opening up as people will be looking to move inventory out of cold storage.

Domestic PUD:

Smaller PUDs are tight in the market and driving up prices until we see what the new season (Starting Mid April to Early May) will bring

Domestic Rock & Pink:

Rock shrimp production in both the US and Mexico was a bust this past year. Virtually no inventory and very high prices. Domestic rock season starts again July/Aug.

Seafood | Lobster

North Atlantic:

The lobster market has been heavily impacted by COVID-19. Most items (tails and meat) are heavy in Food Service so demand has dropped off significantly. As a result prices have been reduced as of late but with minimal demand it has had zero affect. To date the season has been delayed but is expected to resume later this spring. The bigger issue might be the labor available to start production in the plants. For now we are in a wait and see pattern for this market.

Warm Water:

The WW tail market as for the N Atl market has decreased in demand for the Food Service sector. To date we have supply as the new season will not resume until June, with first arrivals expected in July...if the Caribbean countries can resume production as well by that time frame. Costs have softened at this time with plenty of supply

Seafood | Crab

Snow Crab:

In Canada, the country's Department of Fisheries and Oceans (DFO) [has released its new total allowable catch limits](#) for the snow crab fishing areas off the coast of the Newfoundland and Labrador province, granting an overall 10% increase to 29,551t in 2020, compared to the 26,894t permitted in 2019. Note the provincial government has backed the processors proposed min price of \$2.90 CAD but recently relented due to serious rebuttal from the Fishermen and have now increased that cost to \$3.50 CAD. In the gulf as of May 20th there have been 12 more grids closed because of right whales. This has now caused some panic price increases this week as the concern is if the entire gulf will be shut down before the quota has been caught. Regardless, initial costs for the 2020 season are at a significant reduction compared to 2019 on the 5/8 which is the most prevalent size where volumes of 8 and 10 ups are extremely short. As catches continue out of Newfi the crab seems to be getting smaller so expect the price spread to grow between 5/8 and 8 ups if this issue persists. Even though Newfi is off to a good start, the crab that is coming in is sold as soon as it is processed. Many processors are behind on orders as the demand for retail needs has been astronomical compared to other years with the absence of food service sales. As a good portion of crab is sold to FS many processors are scared to hold inventory as the expectation for FS to recover and restaurants to open (at limited capacity) is a guess at this time and the dollar value to risk does not make sense. That and the closure of buffets and casino business has caused a severe lack of demand. One processor noted that in the past they typically move 20 loads per week that movement has now doubled. We have also been told that Japan is paying the costs presented as they have some concern of being able to procure all of their needs as well. So with approx 40% of the gulf already caught, Japan already having a presence in Newfoundland, more gulf closures and at best less than 2 months left in the season all bets are off on the continued availability of product and a competitive cost.

King Crab:

Currently the seafood sector reports that king crab is selling well in retail with very minimal sales in Food Service as expected. Right now the market is stable and larger

size king crab remains somewhat limited and tight. Costs have leveled off on current inventory. Some processors indicate costs will firm by the summer.

Red Swimming Crab:

Blue Swimming Crab:

Seafood | Scallops

Due to COVID 19 and the fact that the Food Service sector has been greatly challenged many expect there could be a significant downturn on cost as the boats get fully underway. The quota has changed drastically with reduction of closed areas and the reduction of NEast closed area fishing as well. In general: 17-20% reduction in total catch = forecast is about 10 million # less than 2019. Nantucket deep south = forecast is 6.2 million lbs which is currently shucking meat counts of 40/50s and smaller so this may see a full effort from the boats depending on price or many may decide not to fish due to the increased work, days at sea as this takes a lot more effort for 1lb of scallops, puts added pressure on the guys on the boats, and takes double the time. Boats will fish but its another 6 million lbs that WILL NOT BE 10/20s and bigger reducing total availability of these larger sizes. Less trips, less money for 40/50s , more southern/mid-Atlantic scallops (that have reduced quality in summer, and possible parasites in south areas) will potentially see many boats spread their fishing out and lower the landings in summer that can drive the auction lower. In general movement has been minimal

Chinese Flounder and Ocean Perch:

With China getting back up and running we are now seeing production plants are running at around 60%. The problem that China is now facing is the lack of Demand due to the COVID-19 impact around the world. We were able to pull our orders ahead for Lent which provided a healthy inventory to get us into the Spring / Early Summer. Pricing could soften as we see the markets begin to open and new product arrives in the market.

Seafood | Salmon

Norwegian Salmon:

A Mild winter in Norway has given good growth and should provide steady volume throughout the year with estimated peak harvesting volume in Sep/Oct/Nov. The volume to Asia has been increasing again after slow growth during Covid-19, and although the volume to Europe is still behind it is expected to increase as restrictions decrease (restaurants have started opening). The volume to US is still behind, but this is largely because there is limited air cargo space for fresh Head-On-Gutted. Estimate increase in cargo capacity in 2H. The Price to farmers has been very stable at around NOK 50/Kg (or slightly below) for the 3-6 Kg sizes, and the larger sizes have actually been cheaper (unusual, as they are preferred by fresh customers in Asia). Prices are well below last years prices at the same time. With increased volume in late summer/early fall we should see further downward pressure on prices to farmer, but the big question will be exchange rate. The USD is currently strong against the NOK, but it is very likely we will see the NOK strengthening against USD when challenges with Covid-19 ease come fall. So although lower raw material cost is expected in the fall, this can be somewhat offset by a stronger NOK, but it will all depend on how much change we see from exchange rate. So prices in 2020 will be at a lower cost than 2019 and there are clearly good buying opportunities, but the forecast for 2021 does predict increased prices from 2020 levels as demand will again match or out-pace supply. Another question here in the US is also what will happen with other protein supply (meat/poultry) as we are seeing shortages already with demand far outstripping supply. How long will this last? Will customer be looking for other sources of protein (seafood) as a result of this? What will this do to demand on seafood? Only time will tell. As a final note for Norwegian salmon all portions 4,6 and 8 and E trim fillets are vacuum packed and can be sold as eaches for retail customers.

Chilean Salmon:

Travel restrictions imposed by the Chilean government have impeded the country's capacity to export salmon to the United States for fresh. Internally Chile also announced the ban of transport trucks for farmed salmon on the Island of Chiloé as there was concern over the spread of the virus via truckers. But even as supply tightens, a massive drop in foodservice demand as the COVID-19 pandemic widens, has prompted mass closings of bars and restaurants and caused US salmon prices to fall, not rise. While US foodservice demand for salmon has dropped, the picture is not all gloomy, as the retail sector has been booming and has taken up some of the slack.