



Gordon Food Service Market Updates for July 31, 2020

Dairy | Eggs

Large - Flat

Medium - Slightly Lower

Small - Flat

Retail demand mixed. Supplies of extra large and large well balanced and held confidently. Market steady to full steady.

Dairy | Butter

Cream inventories are continuing to tighten as ice cream production starts to compete for raw material and hits it's production stride. Retail sales show signs of decline, but overall are still healthy. With restaurants reopening food service distributors are still coming back to the buying table, but orders are still below expectations.

Butter: Lower

Dairy | Cheese

Barrel - Lower

Block - Lower

Cheese stocks have tightened significantly, especially for fresh made products. Combination of retail orders, food service buyers, & the new government purchases that have been secured by companies. As all this demand is increasing milk demand is falling, both for seasonal and imposed restrictions reasons. The big question isn't if the cheese market will settle just when.

Grocery & Bakery | Soybean Oil

Total June soybean shipments from Brazil to China were up an astonishing 100% from June 2019. Meanwhile, export shipments from the US to China were down 50% from June 2019. This demonstrates that even despite the commitment China has made to import US ag products, they will most likely continue to secure product from other, more competitive countries of origin. That being said, the export pace out of Brazil will likely lead to supplies running out sooner than normal. This bodes well for the prospect of seeing improved exports to China later in the year. In the near term, we may see weakness in the market prices heading into the harvest. Budget buyers may have already covered their needs through the balance of the year. Distributors will be looking to buy the dips as they come up.

Grocery & Bakery | Flour

Projections for the new Russian crop were improved upon news of better weather than anticipated. Continued ample global supplies and another strong Russian crop will keep a lid on US prices. Winter wheat harvests have wound down and weather has improved in the major spring wheat areas. Futures have declined and appear to be heading toward our 12-month low. Protein premiums are firm as producers are slow to sell at the lower trade. Testing our annual low should present a good buy

opportunity.

Grocery & Bakery | Sugar

Beet and cane sugar offerings for the 20-21 campaign are at discounts to current price levels. This comes without much of a surprise as we saw two major supply disruptions with the 2020 crop that led to a surge in prices. Early harvesting will begin in two or three weeks so we will have our first glimpses of yields by the end of August. The weather in the Red River valley has been wet so dryer conditions are likely needed to bring up the sugar content in the beets. Many processors and distributors are waiting until closer to harvest before making future commitments, citing unknown demand due to Covid-19 as a major reason to sit on the sideline. Early indications are prices dropping around 10% heading into 2021.

Meat | Pork

Harvest numbers are 2.5 million hogs, consistent with the last 6-8 weeks and 9% higher than last year. Retail sales volume is supportive to the market, large production, labor deficiencies, limited foodservice demand make for an unsettled market. Ham prices ran up and current prices are limiting sales, look for a price reversal. Butts and loins have found support from retail. Spare ribs are declining but look to go higher into Labor Day. Back ribs are firm. Boneless butt production is limited and fill in product is possible.

Meat | Beef

Cattle production is down slightly for the week due to plant mechanical issues. We are expecting to see a harvest number for the week down approximately 1-2% from previous year. However, weights are up a few pounds per head so not much of a change in actual pounds of beef production. The following weeks should put us back on par with year ago harvest numbers. Cattle are showing some strength as we look out into fourth quarter. The monthly Cattle on Feed report indicate cattle weights

are less than expected. In addition, placements onto feed have been lower the past few months to help counter the excess inventories. Demand at retail continues to be strong. Further retail ads should start to break on beef over the next month as we get closer to Labor Day. Briskets have traded lower as packers have looked for homes and had to drop below \$2.00/lb to get a few packages moved this week. Look for ad placements on briskets throughout August. ribeye have cleaned up out front so expect steady to slightly higher pricing over the next month. End cuts remain steady along with grinds. Striploins and tenderloins will require a bit of attention over the next few weeks to get the pricing to stabilize. Expect thin meats to move higher.

Poultry | Chicken

The number of birds processed increased again last week from the previous week. We continue to get back to numbers that are very close to the Pre-Covid production. The weights on the birds are coming down and we did see more of an increase in the smaller birds than we did the jumbo birds. This increase in the lighter weight birds along with soft Foodservice demand helps explain some of the changes we are seeing on the market this week. We continued to see strength in the Jumbo breast market as well as the Jumbo wing market. The small wings that were sitting at all time highs have come off again this week along with the select breast market. The tenders have remained strong and all indications are they will remain that way. The dark meat side remains soft with exports down and there is not much change expected their in the short term.

Breast and Tenders:

The Jumbo Breast Meat market saw another week of increases this week and is currently at \$1.16/lb. The demand for further processing along with the increase in birds coming in lighter weights helped drive this up. The select and medium markets came off a little more this week as well. The select market is currently at \$2.24 which is a \$.12/lb drop and medium market is trading at \$1.61/lb which is just a \$.01/lb drop again this week. Line run Breast Tenders have seen another week of increase and are currently at \$1.55/lb, so up \$.09/lb from last week.

Wings:

The market for wings remains strong and it appears they will remain in a solid position. Jumbo whole wings have taken a \$.05/lb increase and are now at \$1.70/lb and medium have climbed \$.01/lb to \$1.97/lb while the small wings came off \$.10/lb and are at \$2.07/lb. The expectation for wings is to remain in tight. If we continue to see the bird weights drop we should see some additional supply on the smaller wings, but I would not expect any major drops in cost. The factor that could come into play is the Foodservice demand, so we will need to continue to watch that in the weeks ahead.

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. Currently Limson has plenty of supply in the 8/16 oz size.

Cod, Atlantic 1x:

For Russian and Norwegian Cod **Per Undercurrent News:** The International Council for exploration of the Sea (ICES) has recommended that the cod catches in the Berents Seas are set at 885,600 MT in 2021. ICES advised the cod quota in the Beren's Sea for 2021 be set at a level 28% higher than the level that was advised last June for 2020 of 689, 672, MT. Currently we expect the price level to remain stable for the balance of the year. There is not a lot of inventory overseas as they are facing strong demand in Europe, especially from the retail market and the fish & chips segment in the UK which is unusually busy currently. Fish & Chips in the UK are mostly bought from Take Aways currently, this seems to be the Out of Home meal of choice currently while the Brits are not travelling abroad and reluctant to dine in other types of restaurants or pubs. The bottom line is that Frozen at Sea fillets have not changed much in price. Demand is still very good and there is not much excess of product. Regardless of the current strong market expect prices to remain stable at this point given the global uncertainties and challenges. The 1x

frozen Atl.cod loins from Canada are now being offered from the new 2020 season. Costs have been confirmed to be close to the same as last season. Canadian Cod is harvested in three general areas in northeast Canada that impact our supply. 2J 3KL (Northeast Coast). 2020 total removals were recently announced at 12,350mt - same level as in 2019. However only 10,000mt was caught in 2019 which effectively means the fishermen have access to an additional 2,350mt in 2020. 3Ps (South coast). 2020 TAC was cut 55% from 2019. Limson's processor left 1,350mt of Canadian* fish in the water last year so the effective cut is more like 30% for Canada.* the cod quota in this area is shared between Canada (84.4%) and France (15.6%). 4RS 3Pn (West Coast) 2020 TAC is 1,000mt - same level as 2019.

Cod, Atlantic 2x:

Pricing has started to rise as orders for the holidays are being placed which is causing packers to negotiating for raw material. 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 are more limited. As the B season resumed at the end of June, first reports are that the fish are smaller only producing 2-4 oz sized fillets. The hope is as they grow out at best to the 900 gram size, this will increase the availability of the 4/6 oz fillets. For now Limson has product and does not expect any interruption in supply.

Pollock, Pacific 2x:

Inventory will remain strong through the Summer and into the fall. Will see pricing soften through the summer months until packers overseas begin to receive holiday / lent orders. 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:

Per Undercurrent News: For haddock ICES is advising the TAC be lifted 8% for 2021 to 232,537 MT relative to the advise of 215,000 MT for 2020. Norway and Russia followed Ices advise for it's 2020 quota setting it at 215,000MT. Plants overseas are currently looking to negotiate on prices as they look to get product moving.

Domestic Lake Fish:

As we progress through the summer season the landings of perch have been minimal at best. Originally there was concern that this market could crash with no demand but to date the fishing is so poor on this species they cannot catch enough to make a difference. Costs remain elevated and taking walleye with perch purchases is still an issue when they are available for sale. For now walleye is still available but costs have increased slightly on the smaller sizes and overall due to excessively warm temperatures on the lake and more limited summer harvests. The availability of smelt is limited due to an overall shortage of the product, however just this week we have been able to find a limited amount of battered. The season for smelt was supposed to have been underway but to date the fish are so small they cannot be eviscerated for sales and any offerings have been limited. Overall the volume is not significant enough to supply current demand. We are hoping to be able to obtain more product if possible but at the moment the outlook on supply is bleak. Prime fishing was missed for white perch due to the virus causing there to be a shortage of the product. White perch is not expected to be available until late summer when fishing picks back up. New season whitefish is just becoming available with some softening on cost.

Euro Lake Fish & Zander:

The European supply on euro lake fish has been more than adequate to date with no interruptions in supply. Limon is covered on all sizes at this time. Costs are expected to remain stable for now on zander / pike perch but due to recent demand and lack of domestic perch the euro perch is starting to increase in cost due to increased demand for Food Service sales. For late summer, fall orders we did expect a softening on cost purely due to the current exchange but that was short lived as of late with the dollar adjusting recently and increasing cost of goods. Note this is a lower cost option to the domestic product and eats comparatively. President Trump has also announced added tariffs out of the EU on certain key items. Euro Lake fish

has not been added to the list at this time and is currently exempt.

Mahi Mahi:

Mahi Mahi has been secured from the 2019 fall season and Limson has supply on all sizes to get us until the next season resumes out of S America. . Costs remain stable for limited demand in Food Service. To date there has been minimal supply out of Asia due to the virus. 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.

Frozen Tuna, Swordfish :

As of late costs have remained stable with a slight uptick on demand. Limson has plenty of supply on all sizes and offerings from steak to saku to swordfish all in IVP packaging for retail sales as well. Vietnam 50/60% of the fleet has gone out to sea but the rest are staying in port because prices are low compared to last season. If the fishermen continue to stay in port and there is a slow start to the season , the raw material could get short as we move into February. Indonesia - The main tuna season is currently underway for this region. However, since Food Service is not purchasing any Saku from the loins, all are currently being sold as steaks limiting any anticipated price drops. SWORDFISH Asia - Sword is a bycatch of Tuna. Since few boats are going out for Tuna, raw material for Sword is very tight so prices remain the same. Ecuador - COVID-19 is an issue here so catches are limited.

Swai:

Vietnam feels they have the Corona virus completely under control as they have not have any new infected cases in the past 100 days. Therefore, our pangasius supply chain fortunately is not disrupted throughout this unprecedented period. Since May, global markets showed some recovery signals as countries started to re-open and loosen their social distancing status. Although there is a concern of the 2nd wave of COVID-19 this fall. Raw material remains at the bottom level since February. As farmers reduced farming volume early this year due to the uncertainties caused by COVID-19. Pangasius supply is expected to be short in Q4 this year and once this happens RM price most likely will face upward pressure.

Tilapia:

Generally prices have remained stable most of the year so far. However raw material pricing/cost was also stable up until about May. Now for the past few

months you have seen an increased competition for raw material. The reasons for this are due to high demand for many months at retail. Where they prefer 2-5 oz or 3-5 oz traditionally over the larger sizes. Larger sizes tending to be preferred by restaurants. Focus by some customers and plants on producing 4 oz and below due to the tariff exclusion. This means that plants are having to pay an ever-increasing premium to secure enough raw material from the farms to meet orders. Farmers do not make much profit on smaller sizes. So they prefer to wait until the fish grow bigger before harvest. Now packers and customers need the farmers to harvest sooner to get more smaller sizes. Farmers must be incentivized to do that. Packers are competing for the farm supply. At the same time that would of course mean there's less available of the larger sizes if farmers are having to harvest sooner. Overall import volume reports from January through June saw a 25% increase over 2019 with February being high, March very low and then April, May & June back up. This was mainly driven by the retail demand for frozen seafood. Food service demand is starting to slowly pick up, though how fast has varied by region of the country, where in the re-opening phases. Due to the overall demand in retail and pick up in food service you will see prices start to rise until demand stabilizes.

Seafood | Shrimp

India and Indonesia have both struggled with the availability of workers and raw material along with getting Brood Stock as international flights are very limited right now. 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 will have a larger impact come fall as this will limit the inventory availability which would cause increased pricing. Current shortages in the market are easy peel, cooked shrimp and smaller sizes on raw PD and PD tail-onas we have seen an uptick in retail and delayed shipments from overseas. Experts expect to see a drop in overall production output out of India by 30% for 2020. Ecuador has been one of the most impacted countries because of COVID. In 2019 China accounted for 61% of all Ecuador's shrimp exports. With the current complications between Ecuador and China Ecuador is faced with finding other outlets to move inventory with EU and the US being the highest probability. With India and Indonesia facing potential shortages Ecuador may be able to provide the solution on certain products.

Imported Black Tiger:

Production out of Indonesia has been slow and steady without any major shut downs. The packers are backed up with excessive orders (for over 6 months in most cases) and most buyers have experienced extensive shipment delays causing current shrimp shortages in the US. Raw material prices there are escalating at much higher pace than in India and packers are taking major losses as order dates are back from January and February 2020. Packers are also handicapped and are not in position to take any new orders until they put some dent in their existing order book. Indonesia will continue to struggle through late 2020 when their season starts in Dec. However, they are expected to continue shipping at a steady pace.

Imported White:

We will see a rising market through summer and into fall as shortages continue to develop with the uptick in demand for both retail and food service. Normal harvesting has been disrupted as farmers panic harvested in March and April. Many farmers have reseeded but at 40-50% due to limited raw material. The next harvest is expected in September with a limited crop availability. Presently there is raw material available, but the cost is escalating as packers are bidding each other out in a race to fill their existing orders.

Latin White:

Prices have firmed due to limited supply,

Domestic White & Brown:

The spring season started mid April to early May but was delayed due to the COVID-19 impact. Boats are being delayed as overall demand is down and cold storage is filling up. Retail continues to spike on 16/20 and 21/25 which has driven up pricing on those sizes across the market. Louisiana inshore is still closed to protect juvenile white shrimp. The May/June production of small peeled was the lowest it has been in over 30 years, primarily due to lack of shrimping effort. The next opportunity for small peeled will be this fall with whites. Texas waters have opened up for shrimping (Mid July). The big boats that have been working off-shore La and AL have begun to come in with a mix of large white headless, brown headless, and large head-on for peeling (that would yield 31/35-61/70 peeled). Boat prices have steadily risen over the last several weeks on all raw material due to current inventory shortages, and demand from retail and the gradual opening of foodservice exceeding current supply and production. This is expected to last through August.

Domestic PUD:

Smaller PUDs (110-200ct) have become unavailable in the market which is driving up prices until the current season brings in new landings. We have seen a delay on production as only 35-40% of boats have gone out in recent weeks. We should see more availability come August as the fishing in Texas waters open up for shrimping mid July. This will put increased pressure on the East Coast to get more boats in the water.

Domestic Rock & Pink:

Domestic rock production typically starts on the Atlantic coast of Florida toward the end of July. At the moment there is no concentrated effort on rock, only small incidental catches of a few rock shrimp along with brown shrimp. It takes a long time right now to accumulate enough rock raw material to process. Targeted Domestic rock production typically runs from Late July through December. Mexican rock production in the southern gulf starts later in the year (typically November) and runs through the following spring. At the moment there is really no existing inventory of shell on or P&D rock. It will be August before we see some availability.

Seafood | Lobster

North Atlantic:

The lobster market has been heavily impacted by COVID-19. Most items (tails and meat) in the past were heavy in Food Service so demand had dropped off significantly in this sector. The spring lobster fishery has now come to a close out of Canada. The fishermen were also noted to limit the catch being brought to the wharf due to the lower production capacity in the plants this year due to Covid-19 restrictions. With very active demand from retail since the start of the season, prices have started to strengthen just recently as we now enter the Maine season. There has been some increase in soft shell lobsters but the big "if" at the moment is where pricing will land as they ramp up harvest for end of July and August. All that is being produced currently is being sold, as retail has been far and above FS sales this year.

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 on all sizes as the new season arrivals are just being quoted in the states. Note a significantly softer cost than last fall / winter. Reports indicate the plants are social distancing to maintain production and that Brazil and Belize are not having any issues getting product processed. This year they seem to be mirroring the N Atl Market to capture their share of the market based on cost. However... there has been increased demand in the retail sector that has driven movement. As travel, cruises etc have been limited and the big parks remain closed or limited, many have chosen to use their disposable income on what in other years has been a pricy product. Enhanced unemployment, PPP dollars etc has made this market extremely active and is making up for losses in Food Service sales.

Seafood | Crab

Snow Crab:

The snow crab fishery season has drawn to a close out of the Gulf leaving at best 10% of the quota in the water, with prices still increasing almost daily. We have seen record prices across the board and the end is nowhere in sight as the availability of crab will begin to decline. What has made this season more difficult to comprehend is the majority of end-users - foodservice - have for the most part been a non-factor when it comes to purchases and with re-openings just beginning, it will take some time for them to get their bearings. This has left the retail sector as the bulwark

when it comes to selling crab, not only equal to what they have done in the past but to compensate for foodservice as well. Suppliers are having difficulty maintaining any sort of inventory with product flying out the doors as soon as it arrives. Pricing does not appear to be a deterrent as costs have risen sharply and for the larger sizes specifically have continued to climb. As for Newfoundland/Labrador they are technically done for the season with only a trickling of crab being brought to the plants. As expected the entire quota for this fishery as well as Nova Scotia will be harvested. The only problem with this fishery is not the catch but the processing end due to COVID-19 which is creating the supply issue from Canada to Boston.

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 starting to tighten some on the larger size king crab as these sizes are limited as of late and increasing in cost. Some processors indicate costs will be firmer still through the summer. Brown 16-20 King crab has also come up very short and there is limited to no supply currently on the market

Red Swimming Crab:

Blue Swimming Crab:

Seafood | Scallops

Overall the scallops quota was cut about 15-18% versus last year (approximately 50 million pounds this year versus 59 million pounds caught last year). Landings are 30% lower this year on larger count scallops versus this time last year (10/20 and larger). Landings of 20/30 scallops are averaging mostly 28/33 (and smaller) count. While food service demand is lower this year, very high retail demand has caused boat prices to firm. 2021 Fishing quota is expected to be lower than 2020 which will increase the boat price.

Chinese Flounder and Ocean Perch:

China production plants are still running at reduced volume (70%) as there is still a lack of demand around the world because of the Covid-19 impact. Pricing will most likely remain soft into the fall until suppliers have placed orders for the Holidays / Lent. Once this happens we may face an upward pressure on pricing.

Seafood | Salmon

Norwegian Salmon:

The Norwegian Salmon industry has been operating during the pandemic, and although volume is down the pricing affected the large fish (6+ Kg) the most as this was for Asian markets. The food service industry has been heavily impacted as we know, but retail business picked up a lot of this volume and as such kept harvesting and production moving. We are not sure how all the producers will be handling the summer, but plan on them shutting down plants for maintenance and limit harvesting as usual during vacation (July-August) period. With a mild winter, less harvesting this later winter and early spring we would think that we will see more volume pushed towards late summer and/or fall which normally will lead to pressure on prices, and more than the usual fall pressure. Note recently there has been some disease issues for three big salmon producers in Norway where to mitigate further losses they have harvested out an abundance of smaller fish. This in conjunction with summer vacations at the plants, less demand overall and the exchange factor, have led to a brief blip on costs at lower levels overseas. But the biggest question remains the exchange rate into the fall, and we think we will see a strengthening of the NOK versus the USD but cannot be 100 % certain as a lot can happen in an election year.

Chilean Salmon:

As supply has become more available 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 had diminished some, the picture is not all gloomy, as the retail sector has been booming and has taken up some of the slack. As of this week there has been a spike of COVID cases being reported out of Puerto Montt, Chile which is a large hub for salmon processing. Some large processors however also have plants on the Island of Chiloe and that area has been heavily controlled for some time in order to

keep infection rates at a minimum. Note however even with the issues being reported government officials do not feel that this will affect production as they have been monitoring this closely at the plant level for some time and this industry is considered to be essential. Even with potential shutdowns the industry is still exhibiting an oversupply situation but caution on costs softening more as of late. Many disagree on costs at the moment and are unclear of the impact the US market will have on supply as we tend to vary state by state. For now prices are stable until further notice.