



Gordon Food Service Market Updates for February 26, 2021

Dairy | Eggs

Large - No change

Medium - No change

Small - No change

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

Dairy | Butter

Butter-Higher

Cream inventories are continuing to tighten as ice cream production starts to compete for raw material and hits its 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.

Dairy | Cheese

Barrel -Lower

Block -Higher

The CME Block market responded to the government's release of another billion dollars in the USDA Box program. Speculators feel this will have an effect on the markets for the short term but will not be sustainable for the long term.

Grocery & Bakery | Soybean Oil

The tight ending stocks for soybeans projected later in the year has speculators betting there will be a slow down in crushing, further rallying soy oil prices. Evidenced by the large net long managed money positions, there is a lot of money pumped into the market. While most indicators point toward this market being oversold, this market has continued to show strength. Optimism at a macro-level as vaccinations continue to roll out is keeping most markets elevated. Prices should be flat-to-higher for the next 30 days. During this window the harvests will begin in South America and the U.S. will begin reporting the planting intentions for the new crop. Both of these will trigger the direction of prices as we head into the summer.

Meat | Pork

The harvest this week is working back to normal levels 2.6 million hogs after last week's storm reduced harvest numbers.

The price for pork butts increased again this, up 5-8 cents this week. Loin and sparerib prices are steady.

Belly prices continue to increase, based on the use of fresh and higher demand. Manufacturers are relying on fresh product for current production. Increased demand with more at home meals and January's cold storage report indicating 2 percent more bellies in the freezer and 56 percent fewer bellies than last year are boosting prices.

Worth keeping an eye on are reports that PEDv and PRRS, are limiting hog producers output. Some industry sources suspect that pork production in 2021 may be less than 2020, noting that pandemic-induced sow liquidation last year coupled with pressure from higher feed costs and diseases may curb supplies in the months ahead. In contrast, the USDA projects record pork production in 2021 at 28.7 billion pounds, up 1.4% from 2020 on expectations of a larger pig crop and increases in growth and number of pigs per litter.

Meat | Beef

Weather-related issues both with producers and consumers have the boxed beef market in an interesting position. Harvest was down 100K last week from the average weekly runs all due to weather-related issues. The excess market-ready cattle will need to be pushed to production over the next few weeks increasing supply during a time when we historically experience reduced demand before the spring grilling season. We have yet to see the market react due to short boxed beef, but it will come soon and probably be a good portion of March as prices are too high for this time of year and increased supply will push prices lower. Middle meats have performed well on retail ads, however, high prices will put pressure on ad placements at retail and foodservice will follow. Look for opportunities on middle meats over the next few weeks. Grinds took a big dive after Super Bowl but are now up again due to short supply caused by last week's weather events. Expect to see some softness until later into March. End cuts should come off some over the next few weeks and stay lower through most of the spring. Expect lower levels as we move into March. Thin meats and briskets should see good demand and higher prices as we move into March. There are still many large customers shopping

brisket packages for the spring business.

Poultry | Chicken

The current week has been much more stable compared to the previous week that was plagued by many weather related disruptions. When looking back at production numbers last week it is no surprise that we had so many challenges. The production numbers were at just under 96 million head processed, which is down from 164 million head the week before. We also saw just under 60% of the birds coming in the lighter weight ranges, so total weight available was even further reduced. As we started up this week there was discussion of plants running six days to catch up on the birds and keep the weights from further increasing. That will help get things back a little closer to normal. The jumbo breast meat market was in good shape with product available to those looking and only experience a small increase in cost. The medium market and the select breast remained flat once again this week. This we have not seen for many weeks now. The jumbo wing market continues to remain tight with not signs of any softening. Tenders have also remained flat this week. One ongoing issue that just does not seem to go away is plants continuing to struggle with labor. Many feel that as long as the government is going to extend unemployment benefits we will continue to deal with the labor challenge. The export market continues to keep the dark meat complex well supported.

Breast and Tenders:

The Jumbo Breast Meat market found a little strength this week, but as the week progressed there was no issue finding product available. Some even claimed to be able to buy in back of the market. The market took a slight increase of \$.03/lb this week to \$.1.45/lb. The select and medium markets remained unchanged as the select market remained at \$2.23/lb and medium market at \$1.68/lb. We continue to see this in balance even with the disruptions to production. Line run Breast Tenders also remained unchanged at \$1.83/lb.

Wings:

Wings finally had a week where they did not climb to new record highs, but remained flat for the week. The jumbo whole wings and medium whole wings remained at \$2.56/lb. The small wings also remained flat at the record high

of \$2.65/lb.