



Gordon Food Service Market Updates for September 17, 2021

Dairy | Eggs

Large -Down

Medium - Down

Small - Down

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

Dairy | Butter

Butter- Up

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 - Up

Block - Up

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 | Frying Oil

Stats Canada released their updated canola oil production estimates this week, indicating the drought conditions in Western Canada have really taken a toll on the rapeseed crop. Last year's crop yielded about 19 million tonnes of oil. This year is projected to be closer to 12.7 million tonnes, a 26% reduction. Canola oil prices surged this year amid a tight supply situation and based on the new crop estimates it doesn't appear to support seeing price relief in 2022.

Grocery & Bakery | Sugar

Stocks-to-use ratios were reduced for both 2021 and 2022 slightly, down to 13.2% and 13.5% respectively, which is historically right where the industry likes to see this statistic. Despite this, prices are relatively firm mainly due to the large book of forward contracts which have been placed. Supply chain challenges and volatile demand has led to an increase in customers wanting to secure their total sugar

needs well in advance. Spot market purchases are well above these contracted levels, meaning the pricing structure will stay in place well into 2022.

Grocery & Bakery | Flour

The perceived crop failure in Canada and the far northern U.S. is putting production estimates for total wheat at the lowest level since 2002. World stocks from the eight largest exporting nations are also reporting production levels at the lowest levels since 2008. These statistics are priced into the current markets and the next move will likely come once the North American harvest is completed. High prices may lead to more wheat acreage planted in 2022, but until that time comes the market will likely hang out around the current range.

Meat | Pork

This week's harvest is forecast to be higher than last week at 2.4 million head, cooler weather through out the country has aided in hogs weights which are on average up 2.3 lbs per animal.

Bone in butt prices are declining as demand wanes. Boneless pork butt prices continue to sell at a larger premium than we have seen in the past as labor issues have slowed boning lines. Boneless loin prices continue to decline. October is traditionally pork month at retail, it is likely that prices will increase in the next 1-2 weeks as October starts.

Spare rib prices came off days prior to the holiday, but saw an increase at the end of last week. St Louis and back rib prices are stable as demand seems to have shifted to tailgates .

Belly prices continue to fall, prices are likely to form a base with the expectations of moving higher in a few weeks.

Meat | Beef

Harvest numbers are slightly higher than previous year's numbers as smaller cattle have dropped the production pounders per head slightly. Choice grading is starting to slip and currently running a bit below previous years percentage. Prime has continued to drop percentage-wise making it even more difficult to come by. Expect to see the choice/select spread to increase as we move closer to September. Logistical issues with both container ships and port warehouses have slowed the processing of imports and exports. Late August and into September should show good numbers of exports as ports and warehouses work on catching up on the backlog of orders.

The choice cutout has started to move higher, up \$0.50 bouncing off the dip we had in mid-July. Demand is picking up again as prices became more realistic. Most middle meat items have started to trend higher as retail took interest and took positions in late July. Ribeyes are higher, expect to see these prices for the next few weeks with retailers booking for deep chill programs to support the holidays. Striploin and short loins have captured some retail attention and should keep support under these cuts through most of September. Briskets have been booked up by retail on forward bookings to help cover Labor Day ads with a cheap BBQ beef option, prices have shot back up. End cuts are steady to higher, holding well above historical prices for this time of year. Thinmeats and labor-intensive items are steady to slightly higher across the category as labor is an issue across all beef packers and specialty cutters. Grinds have started moving already, retail has already stepped in on ground beef packages for the upcoming holiday.

Seafood | Imported Seafood - High Level Summary

Overall-all imported seafood categories are being heavily affected by shortages of shipping containers, warehouse delays, domestic trucking/driver shortages and processing plant delays due to Covid outbreaks in other countries around the world. Countries with outbreaks are using quarantine methods restricting workers to barracks and closing plants to help control the spread of the virus causing a collapse of production stability. Newest shutdowns are in Indonesia and Vietnam. In

late August the largest port in China was closed due to a worker testing positive. These ports are now open at a restricted level and are back logged. This will have an eventual impact on imported cod, pollock, haddock and other fin fish from China processing plants.

Cod, 2x Pacific and Atlantic:

2x Frozen products from Asia are short due to Covid restrictions in the supply chain. Expect price increases and supply disruptions. Limson Trading has booked with the processor our needs into 2022. Delays will be experienced with shipping.

Cod is extremely short for a number of reasons.

1. The main cold storage in China is still barely open due to Covid restrictions. One packer reported they have over 30 containers of raw materials there that they cant even access!
2. The freight changes every day on shipping.
3. Raw materials are short due to vessels not being allowed into port in China.
4. Bookings on containers are being bumped off vessels every day by other high ticket items buying away the container.

Cod, Atlantic 1x:

North Atlantic 1x product from Russian fishing vessels is working to regain availability with raw material arriving into the US hampered only by shipping and port delays. We have seen prices on the rise. This is mostly due to limited production workers, container shortages, and clogs at the ports into the USA.

Pollock, Pacific 1x:

The current catch is yielding extremely small fish. The finished fillet sizes are below the typical 2-4 ounce size. IQF will be the primary production since it is less labor intensive than the 1x Shatterpack. Labor challenges due to Covid continue to effect Alaska. The current catch has only been 20% of the previous years. Look to the GFS IQF items as options for customers using shatter pack. IQF is tight but available. The "B" Season has been terrible so Limson Trading is looking for supplemental suppliers. The Next fishing season starts in November.

Pollock, Pacific 2x:

We have seen delays on pollock being shipped as raw material on the larges sizes has become tight which has caused pricing to rise by 10%-15% since last year. Raw material will remainshort due to Covid port and production issues.

Haddock:

Supply challenges with limited availability. The 10-12z size is not available at all at this time. Reaching out to source locally but none to be found in 10-12z. Working on 6 months coverage.

Domestic Lake Fish:

General Lake fish comment - recent fishing is poor due to storms and warm weather. Fall Fishing should be better as weather cools down.

Yellow Lake Perch: Michigan Sizes are available, but costs are crazy. Ohio sizes pretty non existent. Michigan Splits very small amounts available but Butterfly most abundant in Perch category. Overall category is still short.

Walleye: 8-10z and larger are short with more expected as the water temps cool into fall. The fish when water is warm move deeper into areas that commercial boats are not allowed to fish. Customers who are flexible on the size will have ample availability.

Whitefish: Larger size Whitefish, 8-10 and bigger are short but should improve over fall water temps drop.

Euro Lake Fish & Zander:

Struggle to source with most of the supply coming from Poland and Kazakhstan

which are dealing with Covid restrictions and overfishing issues. Limson is working with other suppliers to source more. Sizes 20-40 and 40-60 are still a challenge.

Mahi Mahi:

Similar to tuna, Mahi is extremely short and the US GFS sales is double the typical forecast. Costs are elevated over 2019/20 and expect these levels to increase just to secure supply as the cost for the raw material has risen sharply. We are trying to supplement - but we are very picky with quality. Usage increased significantly this year. Mahi-pre booked import orders are delayed due to lack of containers, shipping and ports causing shortages. Limson has 3-4 more containers coming. Costs rising.

Frozen Tuna, Swordfish :

Really hard to come by with poor fishing in Vietnam at about 40% of last years catch at this time. Situation is getting worse, not better. This item is an example of the container delays, decreased fishing boats, & decreased production workers that we have been seeing from many overseas commodities due to the pandemic. The US supply chain has attempted to start back up to full speed, while other countries are still feeling the impact much more than we are. We will see impact from the pandemic until at least 2022 from what our partners are telling us. For this particular commodity, our partners at Sea-Delight gave us the below breakdown:

The countries catching and producing Tuna are all second and third world countries which are very slow in getting access to vaccinations. Because of that, they are still in full COVID mode, meaning:

When the boats come back from fishing, the fishermen have to quarantine for 2 weeks, meaning: Few fishermen want to go out at all because of the added danger of Covid and having to quarantine. Very few workers want to come in to work to process the fish that is brought in due to danger of Covid.

With no raw material being caught, processing plants being idled our suppliers are not able to take or confirm the orders we place with them for set shipping dates. They are also not able to confirm or guarantee pricing.

Swai:

Vietnam is experiencing it highest outbreak of Covid with the Delta variant so far. The government has closed manufacturing, ports and locked down cities to control

the virus. This is having a major impact on supply and will also push prices to higher levels. Demand continues to stay at all time highs and many suppliers do not have product causing customers to look for inventory. Do not be afraid to price accordingly. Limson has booked inventory coming in and targeting to receive more from other importers in the US to fill in to meet the high demand. Swai-booked out ahead is taking longer to get to the US due to Vietnam's issues. Note, Swai is USDA inspected which is causing a delay of 3-5 weeks with the backlog and slow down with Government inspections.

Tilapia:

Tilapia frozen fillets are also going up in price to market due to logistical issues, freight, costs, tariffs and a strong U.S. demand.

Seafood | Shrimp

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. 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. Vietnam has been able to help take the pressure off some but is also starting to see raw material shortages on certain sizes.

Imported White:

IMPORTED WHITE SHRIMP: Usage is at record levels. Continued shortages but India is starting to rebound after their struggles with Covid shutting down their country. Limson is looking at other countries (Indonesia, Vietnam and Ecuador) for supplementing but each country has issues with Covid restrictions. Container delays continue providing a lot of challenges. Pricing continues to rise weekly as demand shows no sign of slowing. Larger sizes 8-12 nonexistent. Limson is sourcing product from other importers to supplement into GFS DC's. Please be aware you will witness other brands in the GFS item slots.

Latin White:

Prices have firmed due to limited supply with in the market.

Domestic White & Brown:

We are seeing some supply of Gulf product being available, mostly with 26/30 and smaller. This is due to unsettled users in the Gulf states. Larger white production for headless has stalled with supplies available but limited. Expect pricing to stay stable while demand stays consistent.

Domestic PUD:

For right now these pack outs will be hit and miss. Producers are reporting higher pricing, as the demand is higher and product is getting bid up at the docks.

Domestic Rock & Pink:

Rock-No production, no boats targeting, no existing inventory. We may see a couple of small pack outs from the incidental catch in the spring, but the real season starts in July. Last year was poor for rock; hopefully this year will be the opposite. We encourage the use of 70/90 PINK P&D 10/5 Key Treasure as a good alternative. Very good eating, cheaper, more consistent supply. Key West Pink HDLS: production just ok, and prices sky-high: (.75-1.50 over gulf browns).*

Seafood | Lobster

North Atlantic:

North Atlantic inventories continue to improve slightly but the Maine harvest has stalled and there were 60 boats pulled out of the water recently due to storms. Limson Trading has inventory of all the typical sizes. Inventories will be tight and prices remain at all time highs for tails and meat. Tails 3-4z and 4-5z are available. We are receiving small amounts of 5-6z sizes and there is some trickling in the large 6-7z, and 8-10z but these remain limited. Lobster meats are available but the high cost has stabilized demand. Expect pricing to stay elevated and there still remains the potential for shortages later in the year.

Warm Water:

Limson has a significant amount of warm water Lobster on-order but arrivals are

slow. Product arriving from Brazil. There is inventory available but there may be small gaps in supply by size as the containers arrive with new harvest.

South African:

Starting to arrive with small gaps in supply based on shipping delays.

Seafood | Crab

Snow Crab:

Pricing remains extremely high for SNOW CRAB: Supply is matching demand is rated moderate in comparison to prior years. There is availability of 5/8, 8-ups and a few suppliers have 10-ups at higher pricing. Limson Trading is currently stocked with 5/8, 8 ups and 10 ups. Alaskan season outlook is not good and Alaska has sustainability issues currently with the Biomass. Processors have to wait till Canadian season opens in April 2022 before the markets stabilizes. Limson Trading was able to secure an additional two loads of 5-8's from Canadian but available inventories are tight.

King Crab:

US crab sales in 2021 continue on a year over year growth of over 60%. For now the product remains very short and costs are firm. 20-24's are difficult to find, larger sizes and available and we have some supply.

Seafood | Scallops

The domestic quota is 70% caught. Supply of all-natural U10s has been constrained since last season and continues to demand record high premiums week after week. Prices are on the rise with monthly offering and no long term purchase contracts available with processors. Landings of these larger sizes are being harvested, however, the volumes are not yet adequate enough fill freezers. We may start to see shorts on U-15, U-12 along with the U-10's.

Sea Scallops - 20% fewer landings. A decrease in overall supply mainly 20-30 sizes. Overall scallop supply is low.

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.

Squid:

Limson has secured inventory from other importers to fill in due to higher sales. Demand continues to be very strong. Good Supply in the market right now. Squid-Booked ahead for next year hopefully will arrive on time. Many suppliers are out of stock and with the higher cost of shipping from overseas expect to see prices climb.

Seafood | Salmon

Limson and our Norwegian / Chilean suppliers have secured supplies of raw material to meet our needs into 2022. There may be some supply gaps due to shipping containers but the raw material is secured. This along with the elevated cost of feed and freight have the pricing up to a new 5 year average high. US salmon sales have exceeded usage well above pre-pandemic levels in the early part of 2021. Note; Worker shortages are due to migrant workers not being allowed into EU production countries due to Covid restrictions.

Norwegian Salmon:

Salmon from Norway in the Gordon Choice brand is the best option for customers currently. Supply is available and even though prices are elevated it is a value in comparison to other proteins on the menu!

Chilean Salmon:

Limson Trading and our Chilean suppliers have secured contracted raw material to supply our needs into 2022. There may be some supply gaps due to shipping containers but the raw material is secured. Prices will remain elevated.

Sea Bass:

Short in supply!