



FARMER'S REPORT

MARKET TRENDS | 12.21.2018

US.
FOODS®

PRODUCE

KEY

- ↑ - Anticipating an up market
- - Anticipating a steady market
- ↓ - Anticipating a down market

VEGETABLES

POTATOES



- **Russets:** The market on russets is steady this week. Norkotahs out of Washington/Oregon are steady; Norkotahs and Burbanks out of Idaho are steady also. 6 oz. minimum size out of Idaho is steady on Norkotahs and down on Burbanks.
- **Reds:** The red potato market is mixed this week. Product out of Minnesota is steady, while product out of Wisconsin is down.
- **Yellows:** The markets out of both Florida and California are steady. Quality is good, with moderate supply and demand.

CABBAGE ↓



Round Green: The cabbage market is down, with decent volume expected out of Mexico this week. Demand is fluctuating.

LEAF LETTUCE



- ↓ **Green Leaf:** Product out of Imperial and Oxnard California and Arizona is down this week, but this market continues to be very high. Supply is moderate, with lighter demand than in previous weeks.
- ↓ **Romaine:** Romaine is down, with moderate supplies and very light demand. Quality is good.

ICEBERG LETTUCE ↓



Iceberg prices have dropped significantly this week. Product out of Yuma and California is down, with improved supplies and lighter demand than in previous weeks. The market continues to be high, although it is expected to continue to drop.

GARLIC →



No changes in the California garlic market, with good supplies and quality.

ONIONS ↑



The jumbo yellow onion market is mixed this week. Product out of Washington/Oregon is steady. Product out of Idaho is up. Good supplies, demand, and sizing are being reported out of both growing regions.

CILANTRO →



The cilantro market is mixed this week, depending on growing region and size. Product out of Oxnard is flat on 30's and on 60's. Product out of Imperial/Coachella Valley California and Arizona is down on 30's and up on 60's. Product out of Texas is up on 60's. There are moderate supplies and demand out of all growing regions. Quality will vary by growing region.

CUCUMBERS ↓



Cucumbers prices have begun to fall this week. Supply from Honduras has increased in the East region, allowing the price to drop. The West is also seeing an increase in supply, allowing their prices to drop. Now that most of the old crop is off the market, quality looks to be good.



CELERY ↓

Product out of Oxnard and Santa Maria is down this week, but the market continues to be high. Supplies are very light, with moderate demand.

SQUASH AND ZUCCHINI



↓ **Yellow Squash:** Yellow squash prices have begun to drop this week. Supply is improving, and demand is low. Quality has also begun to improve in both growing regions.



↓ **Zucchini:** Zucchini prices are following the squash prices. Supply has improved, allowing the price to drop this week. Quality has begun to improve after a couple of rough weeks.



GREEN BEANS ↑

The green bean market is mixed this week. Machine-picked product out of Florida is up, with good demand, lighter supplies, and a wide range in quality. Imported haricot verts are up, with moderate supplies and demand. Hand-picked product out of Mexico is down, with moderate supply and demand.



BELL PEPPERS

↓ **Green:** Green bell peppers are steady to down this week. Florida prices look to be steady for the most part, while Mexico is showing prices down this week. Product out of Florida remains light but is slowly improving. In the West, California has finished putting all the pressure on Mexico. Mexico is putting out good supply, which is allowing the slight price drop.

→ **Red:** Red bell peppers continue to be steady in price this week. As the green bell markets improve, farmers go back to picking the red peppers on a normal routine. Quality is still good, even with the recent cooler weather.

TOMATOES



↓ **Rounds:** Round tomatoes are flat to down this week. Mexico is reporting flat prices, as supply remains stable. Florida is slightly down this week, as new harvests have increased supply. Quality is mixed between fair to good, which could draw a price difference.

→ **Cherry:** Cherry tomato prices continue to be mixed this week. The East is reporting a slight drop in price, while the West is steady to up, due to lack of supply. Quality is trending between fair to good for the week.

↓ **Grape:** Grape tomato prices continue to drop in price. Both the East and West are showing increased supplies, allowing the price to drop. Current demand is between low to moderate, which is giving farmers time to catch up on supplies. Price changes will vary from bulk to pints.

↓ **Romas:** Roma tomatoes continue to fall in price this week. Both regions are reporting a fast price drop, as the harvest bounced back faster than expected. Florida supply is tight due to planted acreage, but they are using the abundance of Mexico product to keep the pipeline filled this time.

CARROTS →



The jumbo carrot market is mixed this week. Product out of California is steady, while product out of Mexico is up. There is moderate supply and demand out of both growing regions. There continues to be a wide range in quality coming out of Mexico.

PRODUCE



GREEN ONIONS →

The green onion market is mixed this week. Product out of Mexico is up on medium sizes, with moderate supply and demand. Quality will vary out of Mexico. Product out of South Carolina is steady, with lighter supplies and moderate demand.



CAULIFLOWER ↓

The cauliflower market is down out of California and Arizona this week, with moderate supply and lighter demand. Quality is looking good this week.



ASPARAGUS ↑

The asparagus market is up this week. Product out of Mexico is up, with lighter supplies and demand. Product out of Peru is up also, with moderate supplies and a wide range in quality.



BROCCOLI ↓

The broccoli market is down this week, with much better supplies than in previous weeks.



MUSHROOMS →

Mushrooms are showing good supplies and quality this week.



EGGPLANT →

Eggplant prices are steady this week. Supply is also steady for now. Quality is good, barring any weather-related issues.

TROPICAL



PINEAPPLES ↑

Pineapple prices are up for the week, mainly on larger sizes. Supplies are tight on larger-sized pineapples, as sizing trends lean towards 7/8. Quality is good for now.



BANANAS →

Banana supplies continue to be flat this week. Banana supplies look to be steady for the rest of the year, barring any crazy weather issues. Quality is trending up after some previous rougher weeks.



AVOCADOS ↓

The avocado market is down again this week. Supplies continue to be strong out of Mexico, with old and new fruit crossing the border. There is good supply on #2 fruit for now. Barring any potential labor issues, supplies should remain steady for the rest of the year.

MELONS



CANTALOUPE AND HONEYDEWS ↓

The offshore import season is off to a slow start. Industry-wide, import melons will see a considerable drop in volume for the next two weeks, but should rebound to projected levels in January. Prices will continue to be higher than normal over the next few weeks, but the prices are down slightly from last week.

HANGING FRUIT



APPLES & PEARS

→ Apples: All varieties are steady except for Red Delicious, which is up this week. Supply and demand is moderate, and quality is good.

→ Pears: The pear market remains stable. Green and red D'Anjou and Bosc are available. The small end of pears remains tight, while 90 ct. and larger remain constant.

BERRIES



STRAWBERRIES ↑

Product out of Florida and California is up again this week, as supply is very light with strong demand. Supplies are not expected to get better until into the new year.



GRAPES ↑

The grape market is mixed this week, depending on the growing region, variety, and size. Red Seedless and Autumn King from Kern District and San Joaquin Valley California are up on L-XL and steady on Med.-Large. Crimson Seedless are steady on L-XL and Med.-Large. Red Globes from Peru are up on Jumbo and XL. The domestic season is winding down, as Peruvian product comes to the States. Quality will vary by growing region.

CITRUS



LEMONS →

Lemon prices continue to be flat to down for this week. Choice sizes look to be taking a price drop on a couple of sizes. Supply remains steady out of all three growing regions in California. The majority of product is coming out of District 3 for the time being. Quality is between fair to good for the week.



ORANGES →

Navel production is fully ramped up. Sizes are peaking in 72/88/113 range. Cara Caras are off to a good start, with good availability on 88's. Choice is in tight supply for Cara Caras. Blood orange harvest is picking up as well. Size range is peaking around 88/113/72 counts. Quality of all three is strong right now.



LIMES ↓

Lime prices are down again this week. Supplies remain good out of Mexico, which is allowing the price drop. Quality remains fair due to the weather in Mexico.



BEEF

Live cattle traded last week between \$118-119/cwt., which was steady money to the previous week's trade. This week's asking prices for market-ready cattle were established at \$121-122/cwt., bringing scattered bids from the packers at \$114-115/cwt., with no interest from the cattle owners this time. Analysts are calling for a steady to barely steady market this week, as the packers' needs will definitely be less over the next two holiday-shortened weeks; however, increased futures contracts this week have feeders a bit more optimistic on impending trades of live cattle.

Last week's harvest came in at 654K head, down 13K from the previous week; and of that, 532K were of the steer/heifer variety.

USDA grading for the week ending December 7 came in strong, with 82.3% of all the steers and heifers grading Choice or higher, while Select slipped slightly at 14.8%, and Ungraded reported in at 2.8%. Prime once again set an all-time high at 11.03% nationally.

GRINDS

GROUND BEEF 81/19: Ground beef reported up swiftly again last week. We do continue to project forward increases well into January, as increased seasonal demand is in place.

GROUND CHUCK: Ground chuck too reported a healthy increase as well last week; and here, too, we look for the ground chuck market to follow the same trends as the regular ground beef market, with positive increases ahead.

ROUNDS

PEELED KNUCKLES: All grades reported a modest increase again this week. So far for the week, we are seeing the same trend, with modest increases. Market projections out front are that the beef knuckles will continue to appreciate in price, as the industry moves to roasting items.

INSIDE ROUNDS: All grades of inside rounds saw modest gains last week; and here, too, like the rest of the round cuts, they are posting positive numbers this week. As the holiday season is soon to be a thing of the past, and winter sets in throughout the Northern states, these should continue to gain value, as retail features turn to items designed for roasting.

BOTTOM ROUND FLATS: All grades of bottom round flats rebounded last week, after showing discounting due to lack of demand. Same as the insides and knuckles, we expect to see a firming market going forward.

EYES OF ROUND: All grades of eyes of round reported a moderate increase for a second week in a row. The market will move higher, as demand with the retail sector is in place for retail ads for their roasting items.

LOINS

STRIPS: Choice strips traded at steady money last week. However, we believe the fall lows are in and behind us now, and prices should continue to move higher, with modest increases already reported so far this week. Select product was up modestly last week, and appears to be doing the same so far this week.

TOP BUTTS: All grades of top sirloins moved modestly higher last week; and here, too, they are following the same pattern this week as well. We do project that we will continue to see the sirloins move higher, as demand is in place from retail and further processors.

TENDERLOINS: Choice and Select graded tenders continue to fall in price, as seasonal demand is coming to a conclusion. The ungraded tenders continued to show a moderate increase simply from the lack of availability. We look for this pattern to continue into the new year, as we have seen it happen in past years.

RIBS

RIBEYES: Choice graded light ribs reported a significant decline, while the rest of the graded product came off just modestly. Like the tenderloins, the ungraded product continued to recognize moderate gains; and here, too, like the entire ungraded line, it is simply a lack of available cattle with historically high grading taking place each week. Currently Choice ribs are in a free-fall, with Select heavies declining as well.

CHUCKS

CHUCK ROLLS: All grades of chucks took modest increases last week, and continue to follow this pattern so far this week. The market is now positioned to move higher, as winter demand for roasting is in place, and we do project higher cost well into January.

TERES MAJOR MUSCLE: We saw Choice and Ungraded Teres Majors report lower, with moderate to significant declines, while the Select Teres Majors reported up significantly. We see similar moves taking place this week, but not to the extremes we saw last week.

BRISKETS: Choice briskets saw a slight increase last week, while the Select grade traded flat, and both grades currently look to be following this same pattern this week as well.

THIN MEATS

BALL TIPS: All grades of ball tips report moderate gains last week on good volume, and continue to show strength so far this week.

FLAP MEAT: All grades of flap meat reported up, with sizeable cost increases. We do expect a continued rebound in costs as we go further into the holiday timeframe, with lower production levels.

FLANK: All grades of flank steaks increased just slightly last week, and continue to gain modestly this week as well. This could be a continuing pattern as we move into the winter months.

SKIRT STEAK: Skirt steak saw a moderate increase, in spite of declining export sales and lower volume last week domestically. They are anticipated to see increased value as we move into the winter months, and exports will play a big part in that.





PORK

The USDA estimated hog harvest came in slightly over 2.6 MM head last week, about 2% higher than the previous week, and 1% higher than one year ago. This week's harvest numbers are projected to come in just over 2.6MM head, about even with last week and 5% above one year ago, as packers work to get ahead of next week's holiday schedule. On a seasonal basis, hog harvests are expected to increase for a few more weeks; however, live hog prices have not quite dipped to levels that are incentivizing packers to maximize capacity.

The quarterly USDA Hog and Pigs Report, which was due out Thursday, December 20, will provide an indication of the size and status of the US hog herd. The previous report, from Q3 of 2018, indicated record hog supplies for Q4 of 2018. This report is expected to show record hog supplies and pork production are projected through Q3 of 2019.

On the demand side, retailers are expected to feature pork items during December and January, and export demand continues to show improvement. This may provide some support for pork prices for the balance of 2018 and early 2019. Keep in mind that holiday weeks often result in increased price volatility, as packers work to balance supply and demand.

African Swine Fever Monitor: ASF outbreaks continue to increase, with over 80 cases reported, and a confirmed 633,000 hogs destroyed. The disease continues to spread throughout China; and with upcoming holidays, particularly the Lunar New Year in February, pork consumption is expected to be seasonally high. It is still unknown how global trade may be affected, but China is working on covering their needs by aligning with pork suppliers in the EU, Denmark, and Brazil.

LOINS

The loin complex started to firm last week, as bone-in and boneless loin prices showed modest gains. Both bone-in and boneless loin prices are higher early week, and retail interest in the loin complex has picked up. Retailers are expected to feature loin cuts as a value item during December and into mid-January. Prices are expected to trade steady to slightly higher for both cuts.

TENDERS

Tenderloin prices traded lower last week, pressured by ample supplies and lack of demand. Prices are slightly lower early week; however, retailers are expected to feature product during January, and this will support higher prices in January.

BUTTS

Pork butt prices held steady last week, as supplies met current demand levels. Price are higher in early-week trade, as seasonal, export and out-front demand support higher prices. Export and out-front negotiations on pork butts are picking up, so any weakness in this market is expected to be limited. Prices are expected to be well-supported through mid-January. Also, with the concerns around African Swine Fever in Asia, the risk of volatility in the butt market will increase.

RIBS

Sparerib prices continue their gradual move higher. From a seasonal perspective, sparerib prices reached their annual lows, and are expected to trade steady to slightly higher through December. Expect prices to start building upward momentum early to mid-January, then continue moving higher through March.

BELLIES/BACON

Belly prices continued their move higher last week, supported by retail bacon features and processors putting additional bellies into the freezer for use during the summer season. Prices are higher in early-week trade; however, two short production weeks due to the holidays may prompt packers to discount fresh bellies for quick shipment. In addition, export sets in response to African Swine Fever in Asia are speculated to be consuming some additional belly supply. On a seasonal basis, the belly prices begin their gradual move higher during January; however, price projections for early 2019 indicate steady to slightly higher prices during January, with additional gains through mid-February.

HAMS

Ham prices traded slightly higher last week, as last-minute holiday demand supported the spot market. Prices turned lower late last week, and are on the decline in early-week trade, as the 2018 holiday ham season comes to an end. Ham prices are expected to continue trading lower through December/early January, and then hold in a sideways pattern until mid-February, when Easter demand kicks in. If export buyers step in the market, ham prices could find some support at current levels.

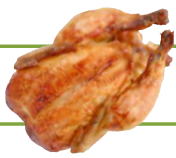
TRIMMINGS

Last week's trimming prices held fairly steady on the lean trim and traded lower on the fat trim. As the year comes to a close and packers run their holiday schedules, trimming prices are expected to remain volatile through mid-January, as packers work to get rid of fresh loads. As production moves back to regular weekly schedules, then trimming prices will begin their gradual climb higher.

PICNICS

The picnic complex continued its move higher last week. Processors and export channels are pulling hard on these items, and the retail channel is creating additional demand around the bone-in variety. Steam is expected to run out, as January and February are seasonal low points for the picnic primal.





TURKEY

BONELESS, SKINLESS TURKEY BREASTS

Boneless, skinless turkey breasts were down this week. In the near term, we should expect this market to trend flat to downward, as seasonal demand decreases.



CHICKEN

Jumbo and medium wings were flat this week, with focus continuing to be on building inventories for the Super Bowl. However, small wings were up this week, with rumblings that processors have increased demand due to upcoming wing promotions. Jumbo tenders and boneless breast were up this week also, with increased further processor demand, as downside risk to the markets is minimal. The select/small boneless breast and tender markets remain short of supply, and well-supported by the ongoing lack of supply and the YTD headcount deficit in the small bird arena.

Export demand on items such as boneless breast and leg quarters are at better-than-normal levels. Thigh and leg meat demand is showing an increase, which could move the market slightly upward. Domestic sales of leg quarters are showing signs of slowing, as retail focus changes due to the holiday season. Whole birds/WOG demand has increased, and we should expect a flat to upward trend for the near term.

BROILER-TYPE EGGS SET IN THE UNITED STATES DOWN 1%

Hatcheries in the United States weekly program set 225 million eggs in incubators during the week ending December 15, 2018, down 1% from a year ago. Average hatchability for chicks hatched during the week in the United States was 82%. Average hatchability is calculated by dividing chicks hatched during the week by eggs set three weeks earlier.

Note: Starting in 2018, the 19-State totals have been discontinued.

BROILER-TYPE CHICKS PLACED IN THE UNITED STATES UP SLIGHTLY

Broiler growers in the United States weekly program placed 183 million chicks for meat production during the week ending December 15, 2018, up slightly from a year ago. Cumulative placements from the weeks ending January 6, 2018 through December 15, 2018 for the United States were 9.09 billion, up 1% from the same period a year earlier.

Note: Starting in 2018, the 19-State totals have been discontinued.

WHOLE FROZEN TURKEYS

Whole turkeys were flat this week. Near-term, we expect the market to remain steady to downward, now that seasonal demand is coming to an end.

WHOLE CHICKEN & CUT-UP PARTS

Small bird demand continues to be strong, and supply is still tight. We can expect this trend to continue through 2018 and into 2019. The demand for whole chicken supports the expectation of increased pricing in the near term.

BONELESS, SKINLESS BREASTS & CHICKEN TENDERLOINS

The select/small boneless breast market was flat this week. This market continues to be supported by the YTD headcount deficit in the small bird category. We can expect the select/small market to trend flat to upward in the near term. The jumbo and medium boneless breast market was up this week. With very little downside risk to these markets, we are seeing increased demand from further processors looking to build inventories. In the near term, we can expect this market to trend flat to upward also. With more jumbo production pounds to arrive in 2019, we expect that historical seasonal increases will be somewhat muted.

The select/small tenderloin market was flat this week. However, with renewed interest from further processors in the small poultry category, we expect this market may trend flat to upward in the near term. The jumbo tenderloin market was up this week. Shortened production weeks and increased further processor demand have put this market in short supply. This situation is expected to be short-lived. We can expect this market to trend flat to upward in the near term, too.

WINGS

The small wing market was up this week. Recently, product has been placed at normal trading levels and supported by the YTD headcount deficit in the category. Here, too, we are seeing increased interest from retail promotions and further processors. We should expect this market to trend flat to upward in the near term. The jumbo wing market was flat this week, with processors trying to move spot pricing upward for the near term. Late-week offerings show product being absorbed quickly at higher price points. We can expect this market to trend flat in the near term.

BONELESS, SKINLESS THIGHS

The boneless, skinless thigh market was flat this week, and we can expect this market to trend flat to upward in the near term. As seasonal and export demand ramp up, labor shortages will come heavily into play.



COMMODITY OIL

SOY, CANOLA & PALM OIL

The soybean complex experienced a dose of “buy the rumor, sell the fact” trade, as the Chinese were finally back in the market for U.S. soybeans. The trade is coming to grips with the fact that even if China books up to 10 million metric tons of U.S. soybeans, our domestic ending stocks for 2018/2019 would still fall between 800 and 900 million bushels. In addition, Brazil will be coming on line with another record soybean crop in just a few weeks.

Last Tuesday’s USDA December supply/demand report showed no changes on the domestic balance sheets in the soybean complex. World soybean stocks were estimated at 115.3 million metric tons, up from 112.1 million MMT last month, and higher than the average trade estimate of 112.8 MMT. The report was deemed slightly bearish for the market, but for now, China news continues to dominate the trade. January’s USDA reports (released on Jan 11) will carry much more weight.

The White House temporarily delayed additional payments from a \$12 billion aid package for U.S. producers hurt by the U.S./China trade war. Agriculture Secretary Sonny Perdue is meeting with the OMB to try to get the payments pushed through, despite recent Chinese purchases.

SOY:

- The January soybean oil futures made a new high, briefly taking out the short-term resistance level at \$.2900 as we ran through some long-standing buy stop orders. The move lacked conviction, however, as there was little in the way of follow-through buying, and the open interest declined – confirming that the rally was primarily short covering. For now, we remain range-bound, with the longer-term support coming in at the gap area between \$.2812 and \$.2853 established at the beginning of December.

- Macro factors affecting the soybean oil market included continued stabilization in the crude oil market above \$50 per barrel—which has since dropped off, offset by a new high in the U.S. dollar index on Friday. The USD has dropped again since last week, so the two are offsetting each other.
- In a blow to the biodiesel industry, the \$1 per gallon blender’s credit has been removed from the final version of the year-end tax package. It would now have to pass as a stand-alone bill, that likely won’t be considered for quite some time, if revived.

CANOLA

- Statistics Canada estimated this year’s canola crop at 20.343 million metric tons. The number was below the average trade estimate of 20.791 MMT, and down from 21.3 MMT last year. Canola seed futures are still down \$30 per ton from their summer highs.

PALM OIL

- Palm oil prices stabilized, despite the continuing struggle with massive global inventories. It would appear that most of the bearish news has been priced into the market near current levels, as the seasonal production cycle has now turned lower. We are keeping a close eye on El Nino development (now at 90% odds), as it is usually detrimental to palm production.

US EXPORTS

- Weekly soybean oil export sales for 2018/2019 were reported at 5,900 tons. The number came in below the lower end of the range of trade expectations between 10,000 and 25,000 tons. The number was disappointing, but year-to-date totals are still on pace to meet the current USDA estimate for 2018/2019.



DAIRY

MILK & CREAM

Milk production was seen as steady to increasing throughout the country this past week, as the seasonal increases continue. Much of the holiday-related cream production has been wrapped up, pointing towards less demand and lower prices in upcoming weeks.

CHEESE

It appears the recent lows could end up being the seasonal lows we have been waiting for, as the forward curve has remained well-supported. The seasonal increase in milk supplies throughout the U.S. is keeping cheese manufacturers running at elevated levels, despite the large amount of inventories already on the market. This is likely to keep prices from rallying too far; but the pick-up in demand for pizza and holiday packaged cheese is helping tighten up the market some. We are still waiting to hear when the steel and cheese tariffs between the U.S. and Mexico will be dissolved.

BUTTER

Butter output is active, as cream supplies are becoming more available for churning, and are able to meet immediate demand. Butter inventories are shrinking along with seasonal patterns; however, we are seeing some plant managers start to build stock for the upcoming spring holiday demand push in early 2019.

SHELL EGGS

Demand has been in line with seasonal norms, but not at the very strong levels of last year. This, in tandem with continued strong production, has the market in limbo. Promotional activity has been confined to more local markets, as national campaigns are not as prevalent. Cooler weather, attractive prices and the seasonal pick-up in baking has helped support domestic demand; but even with the incremental consumption, inventories are still sitting at comfortable levels.



SEAFOOD

SHRIMP, DOMESTIC

(WHITES AND BROWNS): Fishing continues; however, we do expect to see shortages on larger sizes. It is looking like as we enter the winter months and Q1 of 2019, we could see some prices begin to firm.

DOMESTIC PUDS: The market is firming as inventory tightens. This should provide a good amount of smaller shrimp.

SHRIMP, IMPORTED

(BLACK TIGERS AND WHITES): Production of black tigers is still not at the level of the 80's and 90's, but we are seeing product in the country, and some discounting to price due to lack of movement.

Farmed Asian and Latin American white shrimp are unstable with a lack of movement.

(MEXICAN BROWNS AND WHITES): Last trips are finishing up. There is a concern on browns. Large size shrimp are in very tight supply.

CATFISH

DOMESTIC: Inventory of frozen fillets is in very good shape, as well as fish in the ponds. Supply is good going into the season with the exception of 5-7 oz. portions.

IMPORTED: We are seeing stable pricing on imported catfish. 3-5 oz. fillets are tight, but there is plenty of supply of larger fillets.

SALMON

ATLANTIC FARMED SALMON: We are now seeing the growth of fish in Chile becoming too large for small size portions. This could have a direct impact on 4 oz. portions through the end of the year. Reports are now starting to come out that we could see record high prices in 2019. In the short term, fresh sides out of Europe are firming as we enter the holidays. Fresh whole fish have really firmed behind strong demand coming out of China.

MAHI-MAHI

Pricing continues to trend lower, as inventory levels are in very good shape.

SCALLOPS

SEA: Pricing has turned upward, as is the norm for this time of the year. They have caught about 75% of the quota for the year. We continue to see higher pricing on all three processed sizes.

BAY: Pricing is on the rise due to tariffs. Overall demand is steady.

TILAPIA

Inventory domestically is starting to catch up to the impact of tariffs, as many packers are now having to pass those increases along. Demand continues to be strong, as tilapia is a lower cost option to other species such as cod, haddock, flounder and Pangasius, all of which continue to move up.

PANGASIUUS

Pricing remains firm. Inventory is starting to shift to where 3-5's have dried up with inventory, and the shift to more inventory on 5-7 and 7-9 has happened. There could be some slight price relief.

WHITEFISH COMPLEX

COD: We expect the overall market to remain very firm, with short inventory and high prices. Q1 of 2019 will bring firmer prices, due to low supply on raw material in addition to the tariffs. Quota cuts will put additional pressure on supply and pricing.

POLLOCK: The fishery for Pacific pollock has produced only smaller fish, just 2-4 oz. fillets. This could cause an inventory issue for frozen loins if they don't start catching larger fish. Larger fillets of 4-6 and 6-8 oz. are very tight.

HADDOCK: Pricing on skin-on fillets and skinless loins is starting to see increases. Q1 of 2019 will bring much higher prices, due to low supply on raw material in addition to the tariffs. Quota cuts will put additional pressure on supply and pricing.

FLOUNDER: Inventory domestically is starting to catch up to the impact of tariffs, as many packers are now having to pass those increases along.

TUNA, YELLOWFIN

(FROZEN STEAKS & LOINS): Tuna pricing is starting to firm up, and we anticipate increases in Q1 2019.

SWORDFISH

Swordfish pricing is very stable. Inventory levels are in very good shape.

KING CRAB

(RED & GOLDEN): Product is very short in the marketplace across all sizes, as the quota was cut again. Gold king crab to this point had been the best alternative, but pricing there is now starting to firm up as we arrive at the holiday season.

CRABMEAT

(BLUE & RED, PASTEURIZED): Demand is slowing on the larger sizes, and as a result we are seeing a slight decrease in price. Small pick inventory is firm.

Red swimming crab pricing will be moving up for next week. Inventory is becoming nonexistent, and we expect to see this continue for the rest of the year.

Mexico blue crab season is in full production, and pricing is starting to weaken, as production is very good.

SNOW CRAB

ALASKAN: All vendors are currently off the market. There will be a 50% increase in the quota in 2019. The outlook for the future also looks good, as the biomass for younger crab looks very positive.

CANADIAN: Inventory on 5-8 clusters seems to be plentiful. Pricing is very unstable. However larger sizes, 10-up and 12-up clusters are tight in supply.

LOBSTER

NORTH AMERICAN LOBSTER: Overall the catch in the North Atlantic is a bust. We are seeing very little production, and we expect to see shortages during the holiday season.

LOBSTER TAILS WARM WATER: Supply on warm water tails is in a decent place. Due to high demand, pricing is firming. We now have MSC product in our Harbor Banks® brand.

LOBSTER MEAT: We are seeing some poor quality meat on the market. Markets are still uncertain. Buyer beware on something that seems "too good to be true."

US TRADE WAR WITH CHINA UPDATE

- President Donald Trump announced early this year he would impose tariffs on imports to shrink the trade deficit.
- Three rounds of tariffs on Chinese products have been implemented so far:
 1. March 23, ~\$3 billion of products: imported steel (25%) and aluminum (10%).
 2. The next round of ~\$50 billion in products from China – mostly machinery and parts – was put on in two stages:
 - July 6, ~\$34 billion of imported products (25%).
 - August 23, ~\$16 billion (also 25%).
 3. September 24, an additional ~\$200 billion in products from China (10%).
- The administration plans to increase the tariffs to 25% on January 1, 2019 if no agreement is met.
- President Trump announced on December 2 that these additional tariffs will be delayed 90 days, in order to give the two countries a chance to come to an agreement on trade.
- China has retaliated against the US tariffs, initially matching the first \$50 billion, and now an additional \$60 billion against the latest round (\$200 billion).
- These have also been put on hold for 90 days.
- With China's retaliation, President Trump announced the possibility of tariffs on an additional \$267 billion of imported products from China.
- Price increases on affected products are industry-wide, and vendors will see the impacts of these tariffs on raw materials at different stages, depending on multiple factors.
- There are no changes to any implemented price changes at this time. All increases for 2019 have been delayed.
- As vendors increase their prices due to tariffs, we pass them on to customers. Below is the up-to-date list of products experiencing price increases by category.

Products with Price Increases Through 11/15/18

Tariff Group	USF Product Group Impacted	PIM Categories Impacted
Metals - Iron, Steel, Aluminum	Disposables	Foil Bags, Foil Carryout Containers, Foil Roll, Trays and Pans, Foil Wraps and Sheets, Basket Liners
Metals - Iron, Steel, Aluminum	CES	Heavy Equipment, Smallwares
Metals - Iron, Steel, Aluminum	Grocery	Beverage
Metals - Iron, Steel, Aluminum	Grocery	PC Savory Condiments
Metals - Iron, Steel, Aluminum	Canned Goods	Canned Tomatoes, Dry Pack Beans, EB Canned Fruit, Ketchup, Shelf-Stable Entrées, Canned Pasta, Oil, Dessert Toppings, Cocoa
Metals - Iron, Steel, Aluminum	Value Added Shelf-Stable	Sauces, Shelf-Stable: Gelatin, Pudding & Pie Filling, Shelf-Stable
Metals - Iron, Steel, Aluminum	Canned Goods	Canned Fruit and Veg., Pudding & Custard, Cheese, Sauces, Beans
Straws and Stirrers	Disposables	Straws, Drinking, Plastic/PLA - Straws, Stirrer, Plastic/PLA
Metals - Iron, Steel, Aluminum	Value Added Shelf-Stable	EB Gelatin, Pudding & Pie Filling, Shelf-Stable & EB Sauces, Shelf-Stable
Plastics	Disposables	Bags, Food Storage (PE) and (PP), Bags T-Shirt, Buckets, Can Liners, Cups, Dust Pans, Food Containers, Lids, Pastry Bags, Urinal Deodorizer
Paper	Disposables	Bags, Cups, Drinking Straws, Facial Tissue, Food Containers, Lids, Napkins, Paper Towels, Pizza Boxes & Circles, Toilet Seat Covers, Toilet Tissue
Fibers / Molded Fiber	Disposables	100% Cotton Fabrics, Cups & Bowls, Food Containers, Plates, Platters, Lids
Gloves	Disposables	Latex, Nitrile, PE, Vinyl/Synthetic
Frozen Seafood	Finfish & Shellfish	Catfish, Flounder, Haddock, Tilapia, Pasteurized Crabmeat, Scallops, Squid, Crawfish
Canned Fruit	Canned Fruit & Veg.	Mandarins, Nuts, Other Fruits & Veg.