

REMA FOODS IMPORT MARKET FLASH

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TRADE/POLITICS

During her first visit to China, the head of US FDA, Commissioner Margaret Hamburg said China is improving its oversight of its exporters. FDA has set up offices in three Chinese cities and is cooperating in training and joint inspections, among other areas.

A bill was recently introduced in the Senate aimed to “increase domestic employment” by cracking down on the evasion of antidumping and countervailing duty orders.

As China did during the Olympic Games, the Guangzhou province is set to implement a traffic control program in two phases to reduce traffic congestion & air pollution during the Asian Games. All Pearl River Delta cities are to cooperate with this initiative. The first phase will take place in October 2010. The second phase is to follow sometime in early November 2010. The relative governmental departments will take multiple measures to restrict vehicles on the road during this time.

CURRENCY UPDATE

After hitting a high in June of about 1.20 dollars per euro, the dollar has weakened to its current level of 1.28 per euro. While off from the peak, the dollar is still much stronger than this time a year ago. A graph of the dollar vs euro over the past year can be found at: <http://foodimportgroup.blogspot.com/> (graph is inverted to show the overall value of the dollar). In Thailand, the dollar is falling against the baht, pushing up the cost of Thai exports – especially on expensive items like crabmeat. The dollar was trading at 34 baht/dollar a year ago. It fell to 32.50 a few months ago, and dropped to 30.86 recently – almost a 10% drop over just the past year

TUNA

Though still a few weeks away from the lifting of the fishing ban, skipjack prices are reportedly coming down to a more normal level of \$1250/MT from the peak price of \$1750/MT in June. The weaker market is a direct result of low demand – packers are afraid to buy raw material at high prices, preferring to process from stock or shut their plants. Importers are not buying at the higher prices because the selling prices of canned tuna in the US never reached anything close to \$1750/MT equivalent, and have been consistently trading below the cost of the raw material. This high fish cost in June was reportedly due to a combination of lower catches, increasing fuel cost and a strong demand. Historically, prices tend to go up after the yearly Tuna Conference, which occurs this week in Bangkok (the direct result of the fishermen having “coffee” together and commiserating about the low cost of fish). However, this year is quite difficult to predict. The fishing ban will be lifted at the end of September and some packers are predicting a big catch coming in October. On the other hand, the market is fairly empty and demand may strengthen. Tongol is virtually nonexistent. Albacore prices are up slightly at \$2760/MT.

PINEAPPLE

The last season was a bad one: the estimated available supply, as reported by the Thai Food processors' Association, was the lowest in the past five years. Thailand's winter season starts soon. Opening raw material prices are still high at 6.2 to 7.0 baht/kg and it is still uncertain how this crop will unfold due to the various weather disturbances in the Far East. Indonesia is finishing Ramadan; a clear picture will not be available until the plants re-open in October. In the meantime, packers are anxious to buy since most are significantly behind in their shipments, and field prices are expected to remain high at least until they catch up.

MUSHROOMS

The 2009/2010 season was a disaster and pricing rose nearly 50% compared to the prior year. New crop 2010/2011 pricing will not be available until October/November.

Reports are that China has some carryover on brine pack, but nothing on fresh pack. They are expecting that renewed buying activity from Russia may push prices upward again but hopefully a good crop will bring pricing down to more normal levels. India is shipping consistently - mainly following China's lead.

MANDARINS

It is still about three months away from the new season but early reports from China claim that this upcoming crop might be short due to the extreme weather conditions during the flowering season. This seems to be prevalent in the various growing areas – Hubei, Hunan and Zhejiang. Last year's crop was short as harvesting ended early January. There's virtually no carry-over inventory going into the new season, as many packers never even completely fulfilled their prior contracts due to lack of fruit. Spain, on the other hand, is predicting a good season, better than last year. The weather has been optimal for mandarin growing. Harvest is expected to start in September.

PEPPERS

Excessively hot weather in Turkey has prompted the pepper season to begin two weeks earlier than usual. It is not clear what effect this will have on the plants but farmers fear that premature pepper plants will die earlier than usual. Spain has reported a normal crop but the duty free status of Turkey and South America makes it difficult for Spanish peppers to compete, despite the weaker Euro.

OLIVES

Spain reports typical spring weather and a good flower season. However, the high summer temperatures may have prompted some trees to "abort" some fruits. It is predicted that the quantity of manzanillas may be slightly less than last year and price might increase due to low carry over from last season; queens should remain stable or come down a bit; hojiblancas – also stable as long as olive oil prices do not increase.

OLIVE OIL

A recent University of California/Davis study has resulted in a class-action lawsuit filed in California claiming some olive oil sold there does not meet the high standards of the "extra virgin" classification of the IOC/USDA standards. The plaintiffs include famous chefs, famous restaurants and home cooking enthusiasts. The defendants named in the

lawsuit include 10 major olive oil brands, including Bertolli, Filippo Berio, Carapelli, Star, Colavita, Mezzetta, Pompeian, Rachael Ray, Mazolla and Safeway Select. The lawsuit also names 10 retailers and supermarkets, including Bristol Farms, Gelson's Markets, Vons/Pavilions, Ralphs, Stater Brothers, Albertson's Market, Target, Wal-mart, Kmart and Nob Hill Foods.

TOMATOES

Italy: the northern region experienced storms in August, prompting some factories to close for a few days. Last year, during the same time period, the harvest was already 40-45% underway while this year it is only about 30% done. The weather for the balance of the season will be key in determining the final outcome. In the southern region, the weather conditions have been favorable and the harvest seems to be coming in as expected.

Turkey: Crop is predicted to be 30-40% less than last year due to the heavy rains and disease that reportedly affected some tomato plantations. Sundried tomato prices are already 30-35% higher than last year.

China: Overall production of tomato paste may be lower due to the bad weather and the reduction of acreage as farmers switch to more profitable crops.

PEACHES

China's peach raw material costs are up 35% this year. This significant increase has prompted most packers to stop their canning operations for fear the market can't absorb the higher pricing. In Greece, while initial estimates were promising, the early production was hampered by a trucking strike that forced packers to stop production for lack of fuel to power their plants - cutting output by one million cases. In addition, as peach production is very capital intensive; both countries are being hampered by more stringent bank lending policies.

ARTICHOKES

The market remains tight. The harvest in Peru started several weeks late as cold weather delayed the season. Most packers are predicting the total crop will be similar to last year but the harvest will be concentrated during the months of September and October. Some fear that due to the timing/concentration issue, some raw material may not be absorbed by the canneries. Spain is virtually sold out and the new crop will not start until November/December. China and Egypt are both sold out.

PASTEURIZED CRABMEAT (refrigerated)

US market is showing strong demand, especially for larger piece sizes, and Urner Barry pricing is on the rise accordingly. Landings overseas are normal, but factories are impacted most strongly by the currency issue: the US dollar has fallen vs the Thai baht by almost 10% over the past year, with a strong escalation over the past few months.

SHRIMP (frozen)

July shrimp imports were up 6.6% leaving YTD imports off only 1.4%. Thailand imports continued steady with a 5% increase month over month. Indonesian imports were up 20% reversing their downward trend but total YTD still remains down over 20%. Ecuador

imports were up sharply at 36% for the month. Vietnamese imports were down over 23% for July, Indian imports were up 9.5% but both countries are still down YTD contributing to the tight supply of black tigers.