

Rema Foods Market

Flash

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Currency

The dollar fell dramatically over the last few months as budget deadlines loomed over US spending and tax policy. Recent comments by the European Central Bank expressing concern with the strength of the euro seem to have halted that currency's continued strengthening. Meanwhile, the US dollar has weakened against many currencies including the Thai baht, and Chinese yuan, pushing up the costs of imports. Talk in international markets is of a looming "currency war"

as countries look to devalue their currency to spur their exports. This unfortunately is a zero sum game, as the New York Times points out, "just by playing, you lose." The reason is that even for those countries that can devalue, too much is at stake in this game. Instead, we are more likely to get what Goldman Sachs in a recently released research report called a "global exchange rate mechanism, but in a new, non-cooperative variant."

USD vs. EURO



USD vs. CNY



USD vs. THB



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Trade/Politics

January 31, 2013 was the final day for companies to re-register under the Food Safety Modernization Act (FSMA). In addition, FDA recently issued two new proposed rules pertaining to the FSMA; one dealing with food safety plan requirements; the other with fresh produce.

The east gulf port strike has been averted with a tentative six year agreement between the U.S. Maritime Alliance and the International Longshoremen's Association. Separately, the clerical workers at the Ports of Los Angeles and Long Beach have rejected the tentative contract agreed upon on December 4, 2012 during the West Coast port strike negotiations. At this time there is no indication of further negotiations or actions and no final statements have been made.

Tuna

Last year, after fishermen failed to enforce a last minute addition of an extra month (October) to the three month FAD fishing ban, skipjack pricing fell with improved catches and weak demand. Raw material reached a short-lived low of 1950-2000/mton towards the end of the year, but quickly started rising again after a typhoon in the Philippines took the lives of several hundred fishermen. Latest reports are 2150-2250/mton and firming. For 2013, it has reportedly been agreed by all parties that the FAD fishing ban period will be four months, July-October. Yellowfin generally tracks skipjack, but the skipjack/yellowfin price premium has narrowed because yellowfin is running at a higher percentage of the overall catch. Tongol is currently scarce and in the "off season" for a few more months. Albacore raw material has come down to about 2,800/mton as low cost but low quality Atlantic white meat tuna raw material has come into the market. This is creating a price spread between low and high quality albacore because most customers paying the premium for albacore want a quality product.

Mushrooms

Several global issues have caused mushroom prices to rise in the 4th quarter of 2012. India and China have become non-factors in the mushroom market due to recent FDA pesticide issues and prohibitive antidumping duties. It is predicted that India will remain out of the market for the foreseeable future. Chinese packers are hoping to ship in the coming months but they have not successfully done so yet. This has caused American importers to turn to Europe to ensure a secure mushroom supply. With hopes of building strong and long-lasting business in the US market, European packers are absorbing some of the euro currency swings.



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Peaches and Fruit Cocktail

Harsh weather conditions throughout California have greatly affected the supply of the domestic peach crop for 2013. This led customers to increase their usage for imported peaches, which combined with the weak dollar, drove the price up drastically. China and Greece had average crop seasons in 2012 so they cannot make up for the entire shortfall in domestic production. The situation is similar with fruit cocktail and other deciduous fruits.

Mandarins

As in the past few years, it's been an interesting season in China, with the usual wild price swings as packers try to assess the markets. Two years ago, prices rose uncontrollably mid-year after much of the crop was already sold and many Chinese packers defaulted setting a precedent for poor integrity in their markets. Last year, the situation was reversed, and prices fell significantly towards the end of the year. This year has seen movement both up and down, with the markets settling at pricing lower than last year. Chinese New Year fell on February 10 this year (Year of the Snake), marking the end of the pack year.

Tropical Fruit

Tropical Fruit remains short as some key ingredients suffered severe crop damage late last year. After facing a shortage last year of red papaya, packers are now dealing with a shortage of guava.

Maraschino Cherries

Michigan's 2012 crop was considered the worst in almost century as inclement weather in the months prior to the start of the season hurt farmers. Overseas, crops have been stable, but increases in raw material costs and corn sweetener have pushed up pricing.

Pineapple

The supply of pineapple is relatively steady. The main concern in Thailand is labor costs, which have risen over 30% since last year. In the Philippines, rebels from the New People's Army stormed the Del Monte pineapple plantation, killing one and injuring three. Over 100 communist rebels disguised as soldiers stormed residential and recreational parts of the plantation and set farm equipment and buildings ablaze on 19 February, according to the Associated Press.

Olives

Prices are up for the 2012/13 olive crop year. Total production was 19% lower than last five years average.

PRODUCTION	MANZANILLA	QUEEN	HOJIBLANCA
AVERAGE 2007-2011	179.034	37.142	228.274
2011	153.750	28.600	249.590
2012	130.520	31.970	199.620
2012 vs average	-27%	-14%	-12%
Raw Material cost increase 2012 vs 2011	+17%	+29%	+3%

Small fruit sizing has made the situation even worse than the figures above depict. With queen olives for example, it is expected that the quantity of usable olives will be 30% less than last season, which will lead to a dramatic increase in price.

The weak volume and strong pricing was caused by:

- Cold, dry weather in 2012, especially in the growing areas of southern Spain.
- Weather conditions pushed the crop back two weeks and decreased average fruit size.
- Later on in the season heavy rains ended the crop earlier.
- Low carryover from last year.
- High olive oil demand and price.
- Increases in the cost of packing materials, tins, glass jars, and cardboard.
- Poor financial position of many Spanish olive companies, and the Spanish economy/banking system as a whole.

In the USA, California had a poor crop, falling short by 16.8% from their original August forecast. Carryover from the very large crop of 2010 is now mostly gone and California packers are raising prices accordingly.



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Olive Oil

The poor olive crop and weak dollar have drastically driven up olive oil prices. While carryover this year was significantly more than last year, the overall production will fall extremely short of expectations (650,000 mtons vs 1,614,000 mtons). Much of the future direction on prices will depend on the initial April/May bloom report for the next season. Below is a comparison of the carryover and production statistics of this year versus past years.

Five year average carryover: 400 thousand mtons

This year's beginning carryover: 472

Last year's beginning carryover: 692

Five year average production: 1350 thousand mtons

This year's production: 1,614

This year's production: 650

Artichokes

Good news in the world of artichokes: Initial indications predict a good season in Spain, where pricing is now more competitive than in Peru. This holds true even when factoring in the duty and the strong euro.

Peppers

The pepper markets, including pepperoncini, roasted red peppers, and nacho slice jalapeno, have remained relatively stable. Some shortages however have developed with jalapenos, which won't be alleviated until the new crop this summer.

Balsamic Vinegar

A poor grape crop has significantly increased the cost of grape must, the main component in balsamic vinegar, by as much as 40-50%. Finished product balsamic costs are up 15-20%.

Tomatoes

This year's first World Processing Tomato Council (WPTC) forecasts have just been issued. Overall 2013 production is forecasting to run ahead of 2012 but behind 2011. Global tomato production in 2011 was 37,634 thousand mtons. For 2012 it dropped to 33,360. For 2013, the initial forecast is 35,774.

For California alone, the corresponding figures are (2011/2012/2013): 11,067, 11,460, and 11,790. For Italy alone, the figures are 4,950, 4,500, and 4,600.

In the United States, the former head of US tomato company SK Foods has been sentenced to six years in jail for his leading role in a price-fixing and bribing scheme. Before the scandal, SK was the second largest tomato processor in California.

Basmati Rice

The USDA has been aggressively testing and rejecting rice arrivals for pesticides and most shippers are now unable to ship to the US. While the pesticide is generally allowed worldwide, a tolerance level was never set in the US specific to rice (similar to the issue on canned mushrooms). Rice exporters consider the action to be a trade restriction on the part of the US government. Beyond testing costs that run \$1000-\$3000 per container, a significant reduction of acreage dedicated to basmati rice in India was pushing prices up even before the US government action forced the rice off the market.