

URNER BARRY'S Reporter

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the newsmagazine for the food industry professional



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Meat and poultry exports slow in 2015

In the last issue of *Umer Barry's Reporter*, we looked at the strong import figures for the beef and pork markets that were driven by some larger macro factors. It is now time to turn our attention to exports. It would be easy to say that the fallout from virus-induced trade bans and stronger currency headwinds affected exports in the opposite fashion of product coming into this country. While those facts are certainly true, it will also underscore the fact that the supply growth on certain protein sectors in the United States was not able to penetrate some of the overseas markets where demand was greatest (chart 1, page 71).

In the beef sector, production goals continued to battle tight supplies amid

"...the main thing is that market penetration into the large demand countries must return to pre-2015 levels..."

the start of herd expansion after years of drought. Record cattle weights helped alleviate some of the lower slaughters but it couldn't keep production from being near record low. This contributed to record high prices the first half of the year and to the current outperforming year to date. Beef export volume for the first eight months of

the year declined slightly over 11 percent while values moved over five percent lower. These higher prices helped limit the dollar losses compared to the amount of product shipped out. Korea is the only market out of the top five that saw increases in product and value shipped there from the United States (chart 2, page 71).

The pork industry looked like it may have done better than anticipated in recovering from PEDv, evidenced by the expansion in pork production this year. However, it may have come at an inopportune time as there was less opportunity to sell product abroad given the headwinds. This led to cutout values at their lowest level since 2009. Pork

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RECORD AMOUNTS OF MEAT IN OUR FREEZERS

U.S. pork, chicken supplies to remain large in '16

Predictions for U.S. slaughter-ready hog and broiler supplies in 2016 are mostly up slightly from 2015, which should provide retailers and consumers with reasonably priced pork and chicken products throughout the year.

The pork industry overcame devastating losses for some producers in 2013 and



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2014 from the porcine epidemic diarrhea virus (PEDv) and came back with larger output in 2015. Slaughter for the year through late October was up more than 8% from a year ago.

The chicken industry largely avoided a scare this year presented by the outbreaks

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PUBLISHER
Paul Brown Jr.

SENIOR EDITOR
Russ Whitman

MANAGING EDITOR
Joe Muldowney

CONTRIBUTORS
Matthew Abbott
Sandra Bailey
Russell Barton
Jamie Chadwick
Julie Gallagher
Jim Kenny
Brian Moscogiuri
Gary Morrison
Jake Muldowney
James Patterson
Michael Ramsingh
Angel Rubio
Adam Sharkey
Bill Smith
Curt Thacker
Terence Wells
Nicole West

COPY EDITORS
Jamie Chadwick
Linda Lindner

ART DIRECTOR
Glenn F. Juszczak

PRODUCTION MANAGER
Chris Ashley

ASSOCIATE DESIGNER
Maria Morales

ADVERTISING
Liz Cuozzo
Janice Schreiber
Terence Wells

SUBSCRIPTION INFORMATION - 800-932-0617



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Tel. 732-240-5330 • Fax 732-341-0891
www.urnerbarrys.com • mail@urnerbarrys.com

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USDA's "COOL"-er method to food labeling

2015 was the first full year that food suppliers to U.S. retailers were able to participate in a voluntary program sponsored by the USDA to achieve Country of Origin of Labeling (COOL) certification.

The voluntary Country of Origin Labeling Supplier Certification (CSC) Program was initiated by the USDA's COOL division to help walk food suppliers through the steps required to get COOL approval.

COOL labeling was first passed into law in the 2002 and 2008 versions of the U.S. Farm Bill and it requires retailers to notify their customers about the country

of origin of "covered commodities." These include: muscle cuts and ground beef (including veal), lamb, pork, chicken, goat, and wild and farm-raised fish and shellfish, among other goods.

The law had been mandatory for wild and farm-raised fish and shellfish since 2005. It became mandatory for all other covered commodities in 2009. In 2013, the law was amended to require muscle cuts of meat derived from animals slaughtered in the U.S. to list the country in which production steps occurred.

Since COOL forces retailers to disclose the origin of these products to their customers, it, in turn, compels retailers to turn



to their suppliers to demand proof of where they are sourcing their food.

According to Sam Jones-Ellard with the USDA, the CSC program is a guide to help retail suppliers

meet COOL criteria and get their products legally on store shelves.

"Firms are selected to participate in this program based on their current business process and retail relationships as they pertain to COOL-covered commodities," said Jones-Ellard. "This certificate shows companies as having system-wide COOL compliance protocols, which aims to save time and resources by reducing the number of traceback desk audit activities for a 3-year period."

In its first full year of existence the CSC program certified: Associated Wholesale Grocers (AWG), Pinnacle Foods, and Beaver Street Fisheries against the COOL standard.

Moving ahead the USDA is hopeful to see more firms get COOL approved through the CSC program.

"There are no magic numbers," Jones-Ellard said, "but the COOL division has intentions to expand to more supply chain firms. The program has been well received and we are looking forward to working with various types of suppliers." **UB**

Article contributed by Michael Ramsingh
mramsingh@urnerbarry.com



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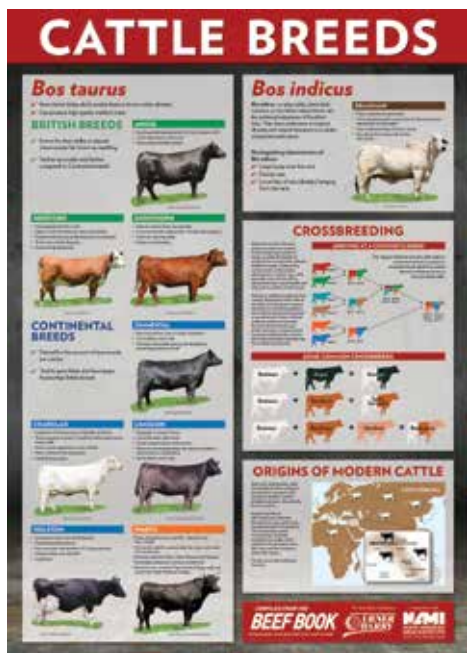
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**"THE COOL
DIVISION HAS
INTENTIONS TO
EXPAND TO MORE
SUPPLY CHAIN
FIRMS..."**

All-new sites & products for 2016

Urner Barry traces its roots back to a publishing company founded in the 1850s and devoted to the timely delivery of market information for those trading in the harbors and marketplaces of New York. In the more than a century since, the company has continued to focus on the delivery of timely and accurate information, and this has led to the launch of a variety of services over the years. The Urner Barry suite of services is used every day by professionals looking to understand their marketplace.

Urner Barry has created another tool for beef professionals, which we hope to launch this holiday season. The brand new Cattle Breeds poster contains information compiled from Urner Barry's and NAMI's *The Beef Book*. This informative poster displays common cattle crossbreeds and contains information on how to arrive at a



Urner Barry's New Cattle Breeds Poster

composite breed. It also includes colorful images of British and Continental breeds. Additionally, a graphical illustration of the origins of modern cattle as well as information on distinct characteristics of each individual type of cattle, such as common advantages of each breed and typical color. It's a great investment and a necessity for anyone in the cattle industry.

In order to improve access to these invaluable subscriptions and industry references, Urner Barry has overhauled its main home page and also its online shop this fall to offer customers an e-commerce platform worthy of the premiere market intelligence products available to the center-of-the-plate protein industry.

Visitors to shop.urnerbarry.com will notice a freshened-up front page with easy-to-navigate, protein-specific menus that bring Urner Barry's variety of services directly to the intended red meat, poultry, egg or seafood customer. Our home page provides easy access for many of our subscribers to access their reports and also to learn about upcoming changes and events. Drop down menus on the shop are organized to feature all of the major market news and intelligence services available to Urner Barry customers. Books, wall charts, email market reports, news and, of course, Urner Barry's premiere online platform,

In order to make it simple to move between the various UB sites, subscribers will notice a new toolbar has been added. Now, users can navigate through all Urner Barry offerings with just one click. You will be kept updated on all the offerings, events and much more using this toolbar. Additionally, a sales representative is also available at your fingertips when you request live help on the toolbar.

COMTELL, are all easily accessed directly from the shop's main page.

Customers can find full descriptions of each item or service complete with crisp images of the products on the updated shop. Billing options for Urner Barry's subscriber-based services are also provided to help customers find the best deal for their business. Shoppers needing time before they buy are encouraged to save future purchases using the quick access shopping cart tool. The cart comes complete with easy checkout options for new and existing account holders. And for shoppers or new users who may be stumped by some of Urner Barry's offerings, you can move right up to the toolbar and find a sales representative who can answer your questions.

For more information about any of the Urner Barry websites, you can speak to an account manager through the live chat, accessible on <http://www.urnerbarry.com>, or you can call (800) 932-0617. **UB**

Article contributed by
Adam Sharkey | asharkey@urnerbarry.com
Michael Ramsingh | mramsingh@urnerbarry.com
Russell Barton | rbarton@urnerbarry.com
Matthew Abbott | mabbott@urnerbarry.com



McDonald's launches all day breakfast

On Tuesday, October 6th, 2015, breakfast changed forever. Well, at least for patrons of McDonald's. That date marked the launch of the iconic fast food chain's national, All Day Breakfast rollout, which allowed customers to pick up a portion of the company's breakfast menu 24 hours a day.

Following nearly two full years of sluggish sales, the company's efforts to reposition the brand and realign with consumer trends seem to be paying off, with breakfast at the forefront. Showing U.S. growth for the first time since 2013, CEO Steve Easterbrook pointed in part to strong breakfast sales as one of the keys to their better than expected earnings in the 3rd quarter of 2015. The company's report didn't put emphasis on how well All Day Breakfast had performed to that point, since it was just weeks after rollout. However, preliminary tests were strong enough for them to launch it at all 14,000



of the company's restaurant units after just five months of testing. Industry sources suggest the initial sales push created a surge in orders of up to 40 percent, but those levels quickly retreated following initial marketing buzz.

All Day Breakfast hasn't been sunny side up for everyone though. Several franchisees of the company have expressed displeasure. Some have seen a shift away from higher ring items to cheaper breakfast sandwiches, while others argue that it created chaos in the kitchen and slowed deliverability, which is paramount to the fast food chain's success.

Still, consumers are pushing for healthier menu options and have been demanding longer breakfast hours for years, as the company highlighted in their marketing campaigns. Even though breakfast sandwich rings might be lower than hamburgers or other sandwiches, egg-based breakfasts are still generally higher margin items. With wholesale large dozen prices in the Midwest averaging more than \$1.71 in October, egg cost per sandwich remained below \$0.20. Not bad for the core protein on an item retailing around \$2.50 a unit.

The competition continues to take note. It was only about a year and a half ago that the company launched its Egg White Delight sandwich, sparking what became

known as "Breakfast Wars" amongst national QSR chains as they rushed to add similar offerings to their menus. "They are doing breakfast all day, but we've been doing, all-menu, all-day, forever; so this was not a big deal to us," Sonic CEO Cliff Hudson told CNBC in an interview. Taco Bell has taken the fast food giant head on in the past few years and responded to All Day Breakfast with their "Steal Breakfast" Campaign. The spot aired during the World Series and allowed customers to "steal" a breakfast sandwich free of charge on November 5th. White Castle started promoting their entire breakfast menu all day just weeks prior to McDonald's launch. There were even some individual Burger King locations that were offering breakfast all day to compete with McDonald's stores nearby.

As we've seen in the past, when McDonald's promotes a breakfast item, it seems to lift sales for their competitors in the space as well. Not only that, but it also plants the seed for consumers to think about breakfast in a new way. Eggs were already gaining momentum as a healthy, all day protein option, but these types of national ads help to cement that idea and bring them to the forefront for consumers when eating out or at home. **UB**

Article contributed by Brian A. Moscogiuri
brianm@urnerbarry.com

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National marine sanctuaries



David Ball, Minerals Management Service, surveys German U-boat, U-701.

Photo credit: Steve Sellers

When you think of a national park, Yellowstone or Grand Canyon likely come to mind. However, you may be surprised to know that a network of underwater sanctuaries exist. The Office of National Marine Sanctuaries serves as the trustee for a network of 14 underwater parks encompassing more than 170,000 square miles of marine and Great Lakes waters from Washington State to the Florida Keys; and from Lake Huron to American Samoa. The network includes a system of 13 national marine sanctuaries and Papahānaumokuākea (pah-pah-HAH-noh-moh-koo-aah-kay-ah) Marine National Monument.

As part of the 1972 Marine Protection, Research and Sanctuaries Act, the Secretary of the Department of Commerce is authorized to designate a U.S. National Marine Sanctuary; a federally designated area within United States waters that protects areas of the marine environment with special conservation, recreational, ecological, historical, cultural, archeological, scientific, educational, or aesthetic qualities. The program is a division of the National Oceanic and Atmospheric Administration (NOAA). The U.S. Congress can also designate national marine sanctuaries, and the President of the United States can also use the authority of the Antiquities Act to establish marine national monuments to be managed as part of the National Marine Sanctuary System.

Important to understand in the context of protein production, more specifically seafood production, is that designation does not automatically prohibit fishing, though it is possible to do so depending on the designation document and National Marine Sanctuaries Program (NMSP) actions. Sanctuary managers rely on a variety of mechanisms to understand and protect the sanctuary's living and historical resources.

The National Marine Sanctuaries Act, along with site-specific

legislation and regulations, provides the legal framework outlining the activities that are allowed or prohibited. The sanctuaries implement a permit system to regulate and oversee potentially harmful activities. This framework may be enhanced by the adoption of state and other federal laws and regulations. Only a certain number of permits are issued every year.

For example, current regulations restricting fishing in Stellwagen Bank were not issued by the NMSP, but rather by NOAA Fisheries and the New England Fishery Management Council, which have jurisdiction in federal waters off the New England coast. Utilizing collaborative research approaches and working with industry partners, Stellwagen Bank National Marine Sanctuary found a way to ensure Boston could maintain commercial ship traffic without wiping out the critically endangered North Atlantic right whales. Information on where whales frequent was used to adjust shipping lanes near Boston.

NOAA's Office of National Marine Sanctuaries is committed to building a stronger, more resilient future for America's communities, ecosystems and economy. The National Marine Sanctuaries Foundation (NMSF) supports critical research, monitoring, and restoration efforts within the national marine sanctuaries to expand the understanding of ocean wildlife and habitats—and the threats affecting them. **UB**

Article contributed by Jim Kenny
jkenny@urnerbarry.com



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Dolphins swimming ahead of NOAA Shearwater as seen from bow. Photo credit: Robert Schwemmer

The growing organic retail sector

It is no doubt the popularity and availability of organic choices at the grocery store have increased exponentially in the past few years. Largely driven by consumer trends, the organic sector has seen an explosion of participation from the greater food industry. The prevalence of organic features at retail is somewhat limited, however, and is largely dependent on store and regional location.

On any given week, organic features for meat are highlighted at a fraction of the volume of non-organic meat in most store circulars. According to research presented by the Hartman Group, the most frequently purchased organic products are vegetables, especially for shoppers buying organic for the first time. One reason for this is simple economics—the price spread between organic produce and non-organic produce may not be quite as noticeable.

It's no surprise that organic meat and poultry typically command a premium over their non-organic counterparts. Not only do typical supply/demand principles dictate higher prices on organics, the management required to meet the strict organic criteria and standards set forth by the USDA increases overall input and production costs. For example, looking



at one store's circular we observe organic shell steaks cost 67%, or \$4/lb., more than the conventional shell steak feature price. Organic chicken thighs or drumsticks are priced roughly 25% higher.

According to the USDA's national retail report, the price spread between a half gallon of organic and conventional milk is \$1.55 at the time of this writing.

A Consumer Reports study in the spring of 2015 suggested that organic foods were, on average, 47% more expensive overall. The spread between organic and non-organic proteins appeared even larger in most cases.

The USDA's organic survey was released in September, and showed organic sales in the

U.S. are up 72% since 2008. In addition, 39% of producers expressed intent to increase organic production over the next five years. California leads the nation with \$2.2 billion in organic sales. In second place is Washington with \$515 million, and Pennsylvania comes in third with \$313 million.

The survey also ranked the top organic commodities by sales figures, with the top spot going to milk with \$1.08 billion in sales. Organic eggs took home \$420 million, while organic broiler chickens brought in \$372 million.

The majority of organic agricultural products sold last year were initially sold locally, according to the USDA's report, as 80% of products were sold less than 500 miles from the farm, and 46% sold within 100 miles. In addition, 63% of organic farms in the U.S. reported selling products to wholesale markets.

While some grocery chains have demonstrated a more profound commitment towards organics, the ratio of organic to conventional features is still quite wide in the grand scheme of things. Though the organic retail complex is expanding, in the current economic environment, a greater portion of consumers still seem to favor competitively-priced protein options, as evidenced in circulars and grocers' willingness, or ability, to feature. **UB**

Article contributed by Jamie Chadwick
jchadwick@urnerbarry.com





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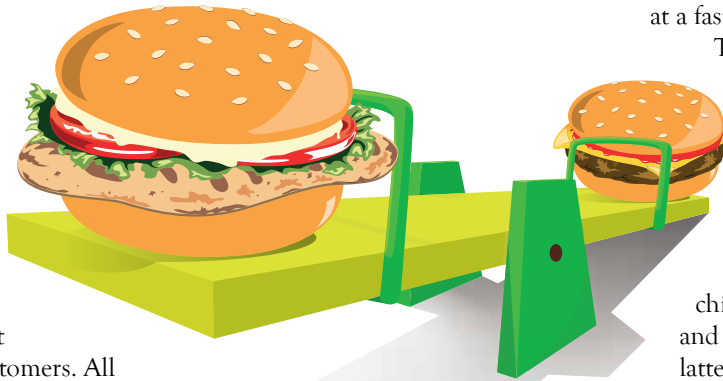
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Burgers hammer chicken sandwiches in sales

American consumers really love their burgers as consumption in the United States was recently pegged at nearly 50 billion a year. To capitalize on this trend, foodservice operations that specialize in burgers have increased in number over the last five years. Additionally, the "build your own concept" and gourmet burgers have resonated with customers. All that said, with beef consumption down, it begs the question: have consumers shifted towards other protein sandwiches or is the beef burger still going strong?

The answer for this lies in the interpretation of data. According to The NPD Group, there were 9.0 billion servings of burgers ordered at U.S. restaurants and foodservice outlets in 2014, an increase of 3 percent from 2013. The grilled chicken sandwich, on the other hand, experienced a decline of 9 percent, a loss of 129 million



servings. Breaded chicken sandwiches, however, have seen an average of 3 percent growth over the last four years, and in the year ending July 2014, 2.4 billion breaded chicken sandwiches were ordered at U.S. restaurants and commercial foodservice outlets. If you are keeping track at home, the burger's main competition is gaining traction.

If you look at the mix of menu items, there are more chicken offerings growing

at a faster rate than burger offerings.

Technomic, a global information company, reported the total number of chicken sandwich items climbed 3.4 percent to 8,118 while burger offerings increased 1.3 percent to 7,182 during this year's second quarter. The high cost of beef relative to chicken amid smaller supplies of cattle, and the consumer perception of the latter's healthiness to the former, are two of the main reasons attributed to the larger menu options.

But there is another place burgers are outperforming: limited-time offers (LTOs). As mentioned before, consumers still want beef and they are willing to pay a premium for it. So with the LTOs it's about getting customers excited to come in where they don't mind spending a little more. **UB**

Article contributed by Gary Morrison
gmorrison@urnerbarry.com

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Is Africa the next global breadbasket?

Africa has always played an important role in both Western and Eastern history, serving as an important trade partner for most of the world. Now more than ever in a world of growing populations, economic modernization and a focus on eradicating hunger and poverty, Africa will remain the cornerstone of global economic development in the 21st century.

Though much of Africa is written off in economic discussions as an afterthought, it is worth noting that much of the global growth happening is in major African economies such as Nigeria, South Africa, Ivory Coast, Ghana, Gabon, Ethiopia and others. A great deal of this growth is happening as a result of

Behind South America, Africa's coffee export numbers are the second largest in the world.

investment from foreign petroleum and mining operations, but the backbone of local economic development is and will always be the maturation of the agricultural sector. The economic growth and expansion that occurred in Asia in the last century was based on free and fair land ownership and cultivation, and it stands to reason that Africa will follow the same trajectory, with some countries embracing free market ideals and reaping the rewards, and others pursuing more protectionist policies and risking unideal outputs.

Africa's population currently sits at a hefty 1.1 billion, with projections putting that number at 1.5 billion by the middle of this century. Sustaining these population levels as well as becoming export competitive will require lengthy and potentially difficult investment in the cultivation and irrigation of land in all of these nations, as well as the elimination of trade barriers, one of the goals of the African Union.

Regional integration and trade partnerships have increased the intra-African flow of agricultural goods such as cattle, grains and produce. Government participation has also been a major factor

in the development of local industry, with many nations' governments spending 5-10% of revenues on agricultural projects. One example of African dominance in agriculture is the cocoa plant, with four of the top ten cocoa producers—Cameroon, Nigeria, Ghana and Ivory Coast—being African. Though government intervention and protectionism can often prove problematic, a lot of these funds, especially in oil-rich nations such as Nigeria, are oil dollars being rerouted through taxes. This is an efficient use of the funds and many nations are hopeful that it will allow these societies to remain rich even if and when the oil runs dry.

There is still much work to be done in Africa; the saga of development and modernity is by no means over. It remains to be seen at what level Africa can contribute to the improvement of not just the demands of global agriculture, but the ever-persistent problem of food asymmetry and world hunger. **UB**

Article contributed by Adam Sharkey
asharkey@urnerbarry.com



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Wholesale egg prices limit retail features for the holidays

Traditionally, the winter holiday period is one of the best times of the year for sales of eggs. Though consumers are cooking less and eating out more, Thanksgiving and Christmas are still largely celebrated at home, motivating cooking, baking, and subsequent egg usage. Many retailers take advantage of these trends by promoting eggs as a loss leader to drive traffic into their stores. It isn't unusual to see prices for large dozens hovering around a dollar at national chains across the country during the weeks preceding the holidays.

This holiday season, however, retailers are likely turning to other feature items, as residual supply shocks from the egg industry's battle with Highly Pathogenic Avian Influenza (HPAI) linger on.

Midwest large averaged record monthly highs throughout the summer months, peaking in August. These contraseasonal, HPAI driven highs sent spreads between our wholesale quotations and the monthly average retail price reported by the Bureau of Labor Statistics to lows of just \$0.18 per dozen in May. The spread averaged less than \$0.24 per dozen during the summer months, before retailers were able to fully reflect wholesale prices at the shelf.

As costs receded from all-time highs, retail prices lagged, allowing spreads to rebound to nearly \$.70 in September, levels which matched those of the 5-year average for the period.

Midwest large dozens averaged \$1.72 for the month of October, 28% more than in



©na3m

2014 and nearly 40% more than the 5-year average for the month. October ended up being the lowest period in terms of wholesale pricing since March, but most reported little adjustment in retail pricing in the first few weeks, when consumers saw costs lingering near \$3.00 per dozen.

From August peaks of \$2.88, the market slid 43% through mid October, where it finally bottomed at \$1.62. As we got closer to November, retailers were slowly bringing shelf prices down and planners began inquiring about ads for the holidays. Though it wasn't likely that we would have seen aggressive \$.99 promotions in the large category, those levels were still conducive to features around \$1.99 per dozen.

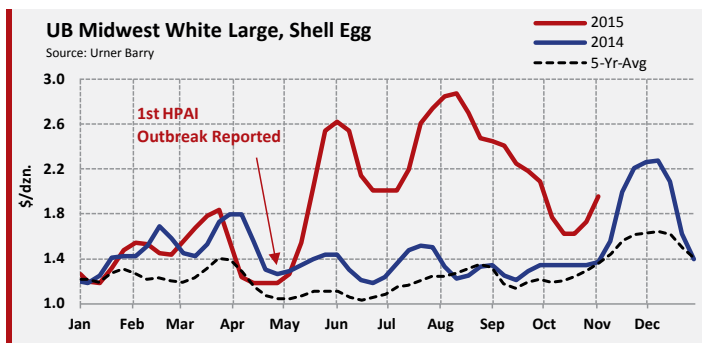
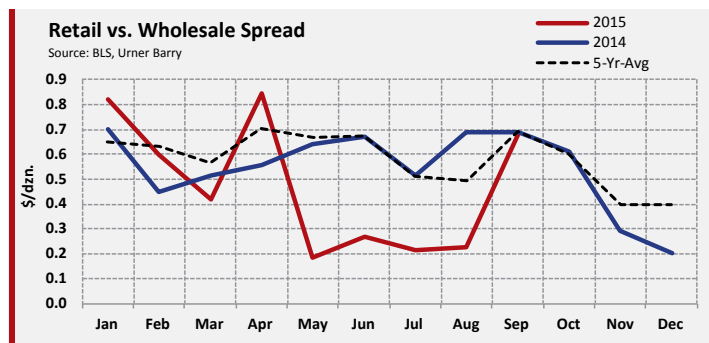
Sensing a bottom, wholesale traders and distribution accounts quickly began to take an inventory position before expected holiday rallies. Wholesale prices quickly began to rebound, and just as quickly, the likelihood of those ads faded.

At the outset of the first week of November, Midwest large prices advanced nearly 26% to \$2.04 per dozen. Meanwhile, retail prices were reported on average between \$2.50 and \$3.00.

As of this November, writing feature schedules for the holiday are well below average levels in regard to volume and the scattered ads reported are more than double traditional norms in terms of price. Even if spreads were reduced to the 5-year average of \$.40 per dozen for November and December, consumers are still likely to see large dozens around \$2.50 and above this holiday season, and that's only if wholesale costs do not continue their current rally.

Regardless, wholesale traders are positioning themselves for regular holiday sales. Up to this point, orders are meeting expectations and it does not appear that consumers are shying away from egg usage ahead of the holidays. Eggs are a staple item for the baking season, but retailers are either going to have to swallow high prices to promote them this holiday period, or feature another item to bring consumers into their stores. **UB**

Article contributed by **Brian A. Moscogiuri**
brianm@urnerbarry.com



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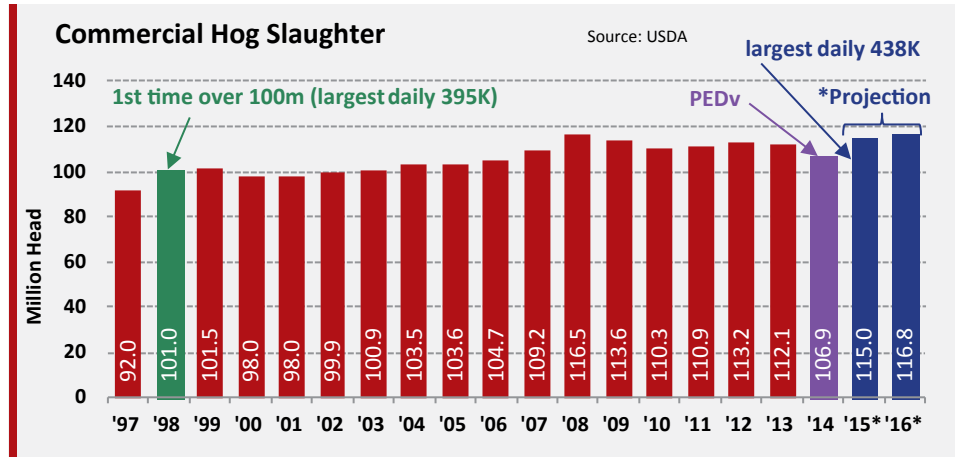
Repeat of 1998 hog market crash may be unlikely, but still possible

A repeat of the 1998 hog market crash that sent prices briefly into the single digits per cwt, the lowest level since the Great Depression, may be unlikely but the possibility cannot be ruled out.

Structural changes within the industry since that time could play a role in helping prevent a reoccurrence of the historic decline in prices. As a result of these changes, a more planned flow of hogs through the production systems may put supplies better in line with the expectations of processing needs and world demand. But, circumstances could still arise to throw the system out of balance long enough to result in a significant oversupply and a sharp decline in prices.

It may seem that only in the event of a sudden, unexpected loss of significant processing capacity for an extended period or a catastrophic animal health event such as an outbreak of foot-and-mouth disease (FMD) that would likely shut down all exports, could prices again tumble to the levels seen in late 1998. At that time, cash prices slid to about \$8 per cwt and unhedged producers were losing about \$65 a head, according to Iowa State University's estimated returns calculations. Many producers exited the business soon after.

The hog production sector is now made up of fewer but much larger operations, many of them dedicated to just producing swine. Also, packers own or have control of production of a significant share of the animals that are processed daily, which was not the case in 1998. In that year, there were 1,905 swine operations that had 5,000 or more hogs and produced 56% of the nation's total, according to farm census data. By 2012, farms with 5,000 or more animals accounted for nearly 83% of the hogs, and about 145 operations with 50,000 or more animals produced 60% of the nation's total, versus 37% in 1998, the data showed. The question is, would fewer but larger operations be able to respond quickly enough to a significant oversupply



situation to prevent a price collapse? No one knows. Hogs being processed now are the result of breeding decisions by producers 10 to 11 months ago. A lot can happen in that amount of time to change the market outlook and profitability.

When packers had little or no direct involvement in producing the animals, the cheaper they could buy the hogs meant a better chance of turning a profit. Now, as packer ownership has grown to about one-third of the hogs on U.S. farms, those that produce livestock as well as process them have a bigger stake in hog production costs. Those companies do not want hog prices to fall below the cost of production for any length of time either, because they would stand to lose money in that sector as well. Still, it doesn't guarantee that prices will not collapse at some point in the future, possibly to levels seen in 1998.

"The 1998 market collapse was caused by having more hogs ready for slaughter than there was slaughter capacity," said Ron Plain, agricultural economist at the University of Missouri. "Can that happen again? Certainly", he said. The December 1998 collapse was in hog prices, not pork, and packers sell a lot of pork but only a few hogs, Plain said.

The lack of slaughter capacity occurred after the closure of what was then one

of the larger processing plants that had a daily capacity of about 14,000 head. Losing that plant in the summer of 1998 led to an oversupply and lack of processing capacity situation by autumn that gradually worsened through the balance of the year.

Slaughter in 1998 reached 100 million head for the first time ever but supplies still exceeded the processing capacity during the late fall and winter. The largest daily slaughter that year was about 395,000 head during what was then a record large week at 2.265 million.

By comparison, the largest daily figure so far this year has been 438,000 head, not counting some animals processed on Sunday that were added into Monday's figures. The industry's capacity according to the National Pork Board is nearly 450,000. With the larger daily capacity and Saturday operations, a weekly total of nearly 2.7 million is theoretically attainable, but even with historically wide margins, it's not likely that all plants would operate six days nor would all of them achieve their capacity.

Hopefully, a similar situation in the market will never occur again, but there are no guarantees. **UB**

Article contributed by **Curt Thacker**
cthacker@urnerbarry.com



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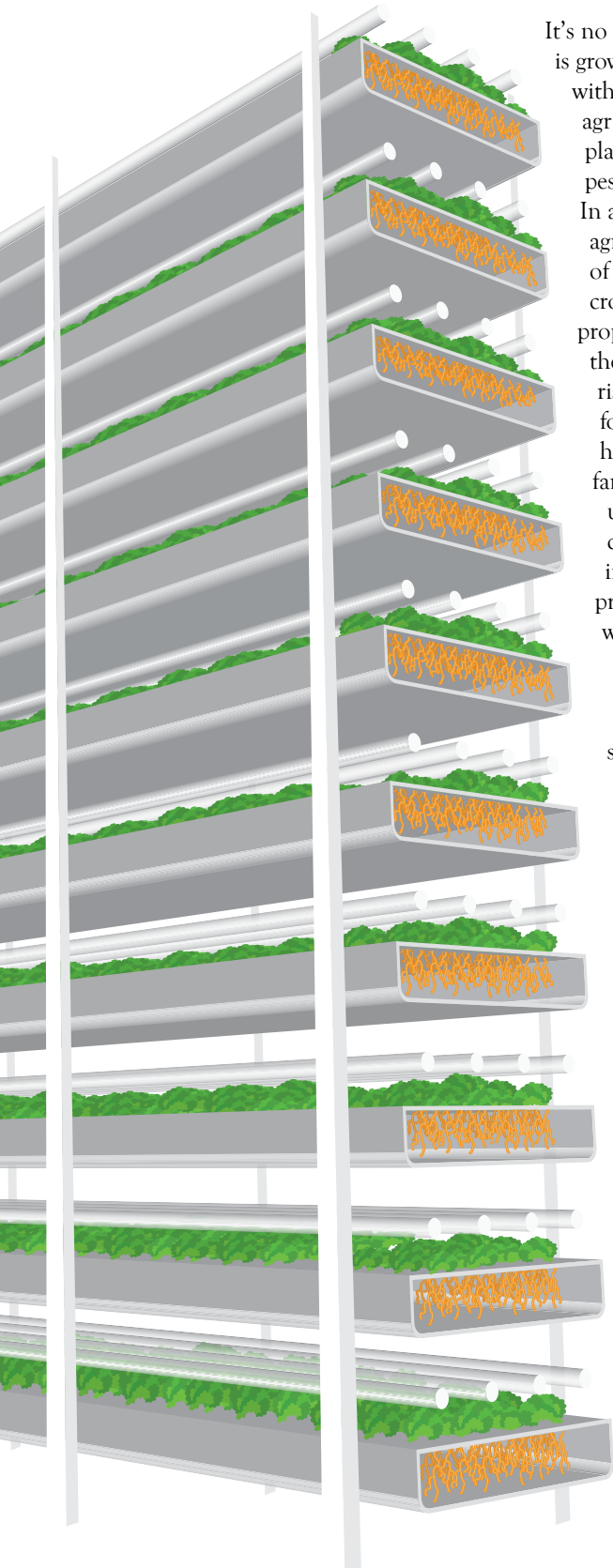


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Reaching new heights: Developments in vertical farms



It's no secret that the world population is growing and growing fast, but not without its share of concerns. Modern agriculture techniques are certainly plagued by issues such as drought, pests and other natural disasters. In addition to all of this, a typical agricultural plot only has one layer of soil, meaning that the amount of crop that can be grown is directly proportional to the surface area of the ground. As earth's population rises, and more land is developed for residences, there is a risk of having to choose between providing farmland or homes. Fortunately for us and for posterity, there are many companies of varying size and influence working to solve these problems in a unique and creative way: *Vertical Farms*.

The idea of a vertical farm is simple—a large building, sometimes of multiple floors, that has a group of shelves which are each cultivating a certain fruit, vegetable or other crop. The fact that the plant is indoors means the irrigation can be much more tightly controlled, free from the influence of wind, insufficient sun or evaporation from excessive sun. These plants grow inside until mature and then, like any other farm, the products are sold to the next step in the supply chain. Many vertical farms are opting to repurpose older buildings in cities such as Newark, Chicago and Detroit, improving the conditions of both the city and the planet, as these farms can provide jobs and tax revenue to local economies in dire need.

At first, vertical farms may have seemed a little pie in the sky—or at least, pie ingredients in the sky. The kind of thing

"There is now some serious money moving into vertical farming and that has legitimized the concept significantly."

that someone could do in their backyard, or for a small town, and something that wouldn't make sense on a large scale. This presumption would have been aggravated by the fact that many of the early vertical farms were run by the same types of people who are heavy on other sustainability issues, and thus the stereotypes rolled in. Preconception notwithstanding, there is now some serious money moving into vertical farming and that has legitimized the concept significantly.

AeroFarms, one of the pioneers of vertical farming as a potential global industry, is opening a facility in Newark, NJ with the backing of Goldman Sachs and Prudential. The whole indoor facility, which broke ground in August, will be about 69,000 square feet and it is estimated that it will be able to produce over two million pounds of food per year. For comparison, the average wheat farm can produce about 4,300 pounds of wheat per acre in a season. If this factory were to grow wheat, it would have the same production capacity as a 465-acre wheat farm, but sit on about 95% less land, none of which is even cultivable in the first place.

Though the jury is still out on whether vertical farms will be a raging success, the increased investment in technology and sophisticated facilities has definitely taken this industry to the next level. Soon, it is likely that you won't know if your food was grown vertically or horizontally! **UB**

Article contributed by Adam Sharkey
asharkey@urnerbarry.com



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CO₂ Shortage and the adjustments in processing of meat, other food and beverages

In the fall of 2015, a shortage of commercially-produced food-grade carbon dioxide, or CO₂, was affecting a number of meat processors along with other food and beverage producers and vendors. Other industries using CO₂ were affected as well, particularly in the eastern regions of the nation.

The shortages stemmed from a simultaneous slowdown in output from the various industries that provide CO₂ as a by-product of their operations. The four primary sources of commercially used CO₂ include ethanol plants, ammonia producers, refineries and natural wells. Typically, when one of the sectors of the

industry is operating at a slower pace, the others are running at normal rates and can fill in the gaps on CO₂ availability. Occasionally, most or all of the providing industries operate at a reduced rate at the same time, and shortages occur.

During the final week of September, the shortage became so critical that Smithfield Foods' pork plant in Clinton, N.C., was forced to interrupt its normal hog processing operations and the company shifted some of the production to other plants to make up the down time.

According to industry sources, shipments of CO₂ were being filled at reduced rates

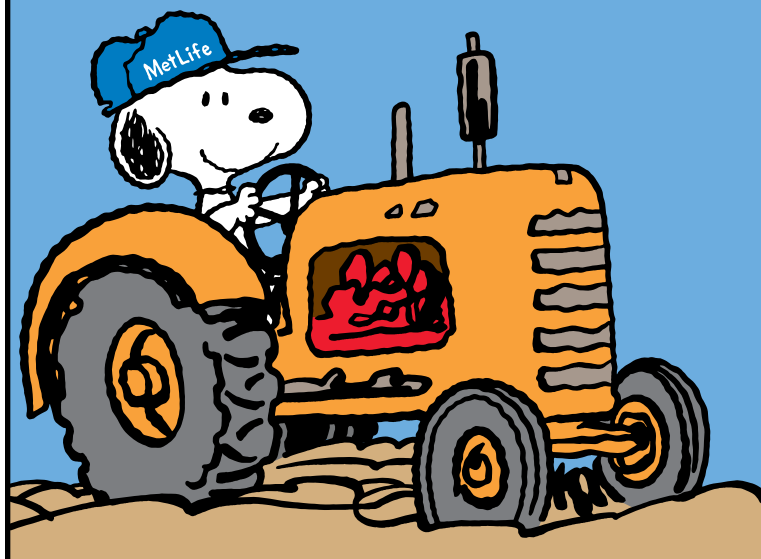
that varied based on availability by the particular provider.

Seasonal switches in oil refining were at that time underway, and some ethanol plants were taking downtime, which contributed to the shortage. On-site reserves were low, which added to the problem for end-users, sources said. The East Coast was particularly short on CO₂, and allocation rates on orders there were running from 10% to 50%, according to food industry sources. Additionally, the trucks that transport CO₂ are specialized



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for that purpose, so the scheduling of shipments depended on the availability of these trucks.

At the meat plants, CO₂ is used for chilling trimmings and other products, also in controlled atmosphere packaging to extend shelf-life along with stunning of the animals before slaughter. CO₂ is also widely used in the manufacturing, handling and vending of other foods and beverages.


The CO₂ shortage situation has eased since late summer, but problems still exist sporadically that force processors to adjust such as changing formulations of fresh and frozen raw materials. The problem has been ongoing enough that price spreads normally seen between certain raw materials, some of which are normally traded and handled in a frozen state, have been outside the typical patterns for this time of the year. **UB**

Article contributed by Curt Thacker
cthacker@urnerbarr.com

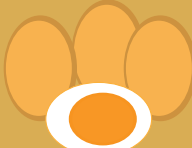
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The American Egg Board's

Article contributed by the
American Egg Board

Through outreach to foodservice professionals, the American Egg Board (AEB) helps drive innovation and increase egg sales by developing trend analyses, providing competitive assessments and assisting with culinary development that position AEB as "The Breakfast Expert."

These robust outreach efforts include a wide variety of programs; the below program updates relate to National Accounts, Partnerships, Online Outreach and School Foodservice.

NATIONAL ACCOUNTS

AEB works with the country's top Quick-Service Restaurants (QSRs) and recently partnered with White Castle on its recent launch of Anything, Anytime—a new initiative that gives legions of loyal fans,

known as Cravers, the option to order anything on the menu, anytime their local White Castle is open. This includes the wide selection of breakfast items.

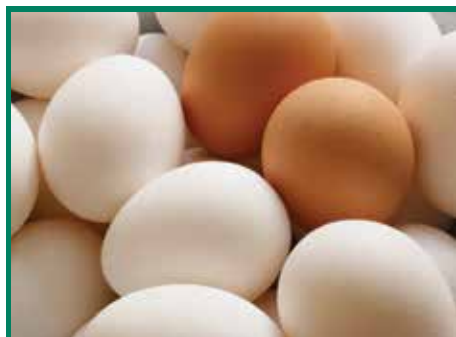
On World Egg Day, White Castle offered a free egg on any slider. White Castle promotes its use of fresh-cracked eggs and used World Egg Day as an opportunity to give back to its fans, by offering them the option to add an egg, free of charge. AEB's incredible logo appeared on co-branded marketing materials, and White Castle executed a full PR campaign behind this effort.



ONLINE OUTREACH

At the time of this writing, online impressions are 13 percent higher than the year-to-date goal, and online efforts have driven more than 4,000 clicks to AEB.org. The current digital media plan includes Breakfast Beat, an e-newsletter, and e-blast ads/sponsorships that drive traffic to AEB.org. Forty-one ads have earned more than 623,600 impressions. AEB's e-blast sponsorships deliver an effective click-through rate that significantly exceeds industry benchmarks.

To date, the "EggPops" ads delivered the highest volume of clicks with 1,214. The "New Consumer" ads provided the campaign's highest volume of impressions, with 230,400, and the "Recipes to Celebrate National Breakfast Week" ad earned the most efficient cost-per-click rate.



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NPD, a worldwide research firm, states that quick serve restaurant (QSR) visits were up 5 percent in the past 12 months. Nearly all of the major QSRs now have strong breakfast programs, many of these serve breakfast all day. Look for more breakfast news as AEB continues working with these chains.

PARTNERSHIPS

With the Culinary Institute of America (CIA), AEB will bring innovative, compelling healthy menu solutions to the foodservice industry through CIA's Healthy Meals R&D Collaborative. The collaborative is limited to a select eight food companies and 27 of the top U.S. chains and foodservice organizations. Together, these partners will help develop menus and eating patterns for the future. This partnership includes new video and online content.



AEB is able to involve the Egg Nutrition Center to provide a nutrition voice to discuss the benefits that eggs provide. This association will enable AEB/ENC to work

AEB.org/BreakfastTrends also provides foodservice professionals and food formulators with timely trend-related info. One recent installment of Incredible Breakfast Trends, AEB looked at these new behaviors and how eggs fit within American breakfast habits in restaurants and retail packaged goods.

SCHOOL FOODSERVICE

AEB showed more than 6,000 attendees how to make eggs even more attractive on K-12 school menus at this summer's School Nutrition Association (SNA) conference in Salt Lake City. Serving EggPops with dips and dusts in a variety of savory flavors kept foodservice directors and menu planners

foodservice efforts

streaming in for samples, but their excitement after the first bite confirmed EggPops' success.

"I love this. My kids would love this!" a Minnesota foodservice director enthused; while her colleague from Colorado agreed, "They'll go nuts over these!"

Many visitors said they had made AEB's booth a destination after seeing the AEB ad showcasing EggPops in the current issue of School Nutrition, SNA's official magazine. The trade show portion of the July conference is the largest one focused on school nutrition and attracts several hundred exhibitors, so standing out in such crowded competition was gratifying.

EggPops may have been the attention-getter, but once they were in the booth, attendees took full advantage of AEB's whitepapers, tip sheets, serving suggestions and recipes. The school foodservice professionals are passionate about "their kids" and going way beyond eggs used for breakfast in many

ways to add protein to salads, grab 'n go items and a la carte mini meals.

Other attendees also found EggPops interesting. One packaging company was excited about the potential for EggPops in high protein sport-packs for afterschool sports, asking permission to use the concept in presentations of their packaging equipment to school systems. A nutritionist who deals with both schools and healthcare said she wanted to use the EggPops concept in presentations she was making at upcoming nutritional conferences and requested permission to offer the web link for AEB's EggPops brochure.

For more information on any of AEB's programs, please contact: Ashley Richardson, Director of Industry Communications, arichardson@aeb.org or 847.296.7043. **UB**

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Serving EggPops with dips kept foodservice directors streaming in for samples.



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Brand lift is real with beef

Article contributed by Miranda Reiman,
Certified Angus Beef

When asking for a beverage at a restaurant, a server never replies, “What kind? Flavor A, Flavor B or Flavor C?”

That’s because consumers always know a little more about those options, either a brand name or descriptors like “fresh brewed” or “sweetened.” They don’t just blindly choose a drink.

In recent decades, meat purchases at both retail and foodservice have moved more and more that way, too.

“Most consumers, when they’re eating a steak at a restaurant or certainly purchasing one at retail, know a lot of

information about that steak,” says Travis O’Quinn, Kansas State University meat scientist. “That influences their perceptions of it, before they take their first bite.”

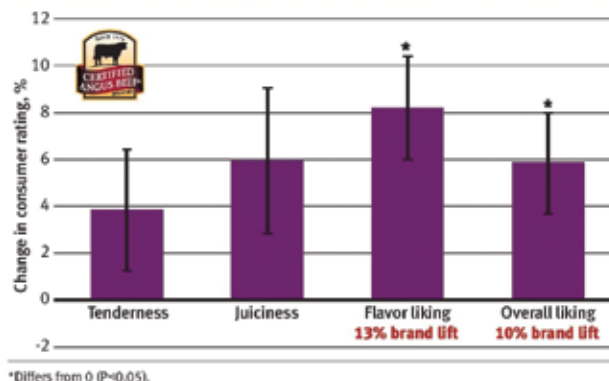


Travis O’Quinn, Kansas State University meat scientist.

When O’Quinn set out to do a traditional taste-testing study to validate the criteria the industry uses to value beef carcasses, he added a twist to reflect a “real world” decision-making model.

First he tested *Certified Angus Beef®* (CAB®) brand

and Prime against Choice, Select and a generic Select Angus product with a blind consumer panel. The “overall



linking” rose linearly as quality increased, with Select at 55.8 on a 100-point scale, compared to 64 for CAB and 69.2 for Prime. Individual marks on tenderness, juiciness and flavor showed similar patterns.

But then, the researchers identified the product. Knowing it was CAB increased overall liking by 10%, and flavor assessments by 13% (see chart).

“One of the big advantages of any branded beef program is a consistent set of specifications,” he says.

“That should make those products more repeatable from an eating satisfaction standpoint. That’s why we see the growth in Certified Angus Beef over other branded beef programs, because consumers feel they can purchase those products and have a more repeatable eating experience every time.”

When USDA Choice and Select steaks were identified, they actually declined in consumer liking.

When marketing unbranded beef simply based on those quality grades, O’Quinn cautioned, “We see that consumers do not associate those—even a Choice product—as being a quality product.”

He says it’s a two-fold tale: “There’s real value associated with the palatability of those products, and then there’s the added value on top of that in terms of the consumer perception, the brand lift that those products actually get.” **UB**

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EGGS. MEAT. POULTRY. DAIRY.

The Reporter Guide to LABELING TERMS

Years ago the meat, poultry and egg industry had a relatively small list of labels that were used to differentiate their product. The beef industry has the label of “prime” to distinguish against other quality grades. The poultry and egg industries have A and AA respectively to communicate top quality. While these terms are still used, today’s consumer is faced with an abundance of newer labeling terms. Below is a quick guide to some of the more commonly used labels.

ORGANIC

A term that can apply to both food and nonfood products. Products carrying the **USDA Organic label** must adhere to strict regulations and be certified that the product meets the necessary criteria set forth by USDA.



100% ORGANIC

Foods must consist of **only organic ingredients**.



ORGANIC

Foods must consist of **at least 95% organically produced ingredients**. The remaining 5% ingredients must come from USDA approved list.

Some things may contain

ORGANIC INGREDIENTS

but **CAN NOT HAVE THE USDA ORGANIC LABEL:**

- If something says **MADE WITH ORGANIC INGREDIENTS** on the label, it must consist of at least **70% organic ingredients**.
- Having a specific **organic ingredient appear** in the ingredient listing
example: Ingredients: water, barley, beans, **organic tomatoes**, salt.



NOT ORGANIC

Among other requirements, these **WILL EXCLUDE A PRODUCT** from carrying the **USDA organic label**:

- Animals not provided continual access to outdoors and pasture
- Animal provided feed that is not 100% organic
- Animals treated with prohibited substances
- Animals administered hormones
- Animals administered antibiotics



CAGE FREE

TERM USED FOR POULTRY AND EGGS

Requires that birds are free to walk and express natural behavior.



FREE RANGE

TERM USED FOR MEAT, POULTRY AND EGGS

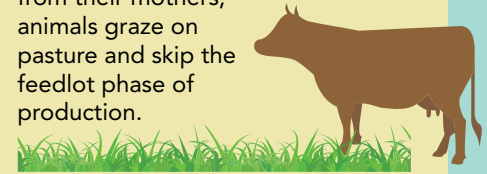
Requires that birds and/or livestock are provided access to outdoors to roam and forage.



GRASS FINISHED

TERM GENERALLY USED FOR BEEF

requires that after being weaned from their mothers, animals graze on pasture and skip the feedlot phase of production.



NATURAL

Requires that product contains no **artificial ingredients** or **added color**, and is only minimally processed.

NO HORMONES ADDED

TERM USED FOR BEEF

Requires animals to be raised without administering hormones.

(Federal law prohibits administering hormones in hog and poultry production).



USDA PROCESS VERIFIED

Requires that producers use **clearly defined, implemented and transparent process points** in their production. USDA audits and verifies the producer's adherence to these points. **NE3 (Never Ever 3)** is an example of a process verified label. NE3 requires that animals have not been administered: ✓ **Antibiotics** ✓ **Growth promotants** ✓ **Fed Animal by products** (excluding fish)

NE3



NO ANTIBIOTICS ADDED

Requires an animal to be raised **without the use of antibiotics**.



CERTIFIED

Implies that the USDA has evaluated a meat product for **quality characteristics** (e.g., “Certified Angus Beef”). When used under other circumstances, the term must be closely associated with the name of the organization responsible for the “certification” process, e.g., “XYZ Company’s Certified Beef.”



Turkey in demand and full of new possibilities

Article contributed by the
National Turkey Federation

A new year, a new beginning and fresh markets are ahead for the turkey business on several fronts. Our 20 by 2020 project continues to move forward, to increase the demand for turkey meat with the goal of consumer's enjoying 20 pounds per capita by 2020. The turkey industry has a fresh start on production after a new experience gained from a particularly virulent strain of avian influenza. In reflection, the year we leave behind brought challenges but demonstrated the resolve of America's turkey farmers and the resilience within the business of producing turkey.



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"The project's planning remains a collaboration of a team of 53 marketing and senior executives freely loaned by NTF member brands ..."

This past year's outbreak of Highly Pathogenic Avian Influenza was, according to USDA, the worst animal disease outbreak ever. This led to the industry evaluating its already stringent biosecurity practice and adding additional practices and approaches that are in place now. Because of this strain's speed at infecting poultry, farmers remain at heightened awareness for any change in their flocks. Slower activity, quieter birds and less feed and water intake are immediate cause to presume infection and test their flock. USDA/APHIS has learned that acting on depopulation within 24 hours is vital to curb the spread of the disease. Then, farmers can move quickly to clear and disinfect the barns in preparation for resuming production, after the barns are tested and certified clear of active virus.

Producers developed additional safeguards particular to this new experience with the virus. Outdoor feed bins are enclosed to prevent exposure to wild birds carrying the virus (although the virus pathway is not limited to migratory birds). A "Dutch entry" or "Danish entry" system is now in daily practice, with a bench clearly dividing the barn entry area where outside boots and clothing are left on one side, and fresh in-barn only boots and overalls are donned on the other side of the bench before entering the barn. This is now in addition to the previous practice of stepping into the sanitizing boot wash before proceeding into the entry area.

Producers have written biosecurity plans site-specific to each barn and a line of separation defined to keep poultry from potential sources of virus. Rather than the farm in general having a plan, each poultry barn has its own line of separation so virus infection in one house does not spread to other houses on the premises. Establishing a perimeter buffer around the farm reduces unnecessary traffic that is not required near barns, but can be handled at the outside perimeter of the farm. Also, barns now bring water up from deep wells or sources that have been treated to eliminate any potential contamination from nearby lakes and ponds where migratory birds will land to rest.

The National Turkey Federation also supplemented its biosecurity guidelines, based on input from its members, veterinarians, and others in the turkey business. This collaborative work among producers, researchers, associations, state and federal resources brought fresh poults back into the barns, after a three percent loss in the nation's turkey population. Thanksgiving supplies from frozen turkey were available. Due to early production in March before avian influenza, promotional discounts were offered again as they are annually for shoppers who fill their grocery carts with side dishes and all the fixin's of the Thanksgiving meal.

Consumer demand for turkey continued steady throughout the year, as consumers voted for taste and perhaps in some cases, supported financially stricken turkey farmers by choosing turkey products.

Focused on improving the odds against the virus and the promotion of turkey, the National Turkey Federation positioned its members for the prospects of growing demand and increasing supplies. In 2015, the creation of the per capita demand for the 20 by 2020 project put into place the resources for restaurant chefs and

retail dietitians to engage on the subject of turkey as a nutritious, flavorful protein. The budget contributed by NTF member processors and allied suppliers was modest by comparison among the barnyard organizations, but strategically applied.

Chefs from major restaurant chains gathered in the kitchen of the premiere Culinary Institute of America to discover unexpected turkey dishes and express their enthusiasm for new possibilities for their menus. One fast-casual restaurant immediately test-marketed a turkey item as a result. Registered dietitians met at professional seminars on nutrition to be reacquainted with turkey's healthy, beneficial lean protein, Vitamin B and iron. A panel of registered dietitians shared their fascination with turkey production in news articles and radio interviews after NTF's farm to fork tour of hatchery, farm and processing plant.



The resulting attention to turkey and the high-quality video presentations of the tour and the chef's kitchen experience on the *20 by 2020 ServeTurkey.org* website fueled NTF Executive Committee support for a 2016 increase in processor voluntary contributions. The project's planning remains a collaboration of a team of 53 marketing and senior executives freely

loaned by NTF member brands large and small. The February 2016 Annual NTF Convention in Tucson, Ariz. will include the team's early review of progress to move the needle on the profitable increase in demand for turkey.

A new start with promise and plans begins the New Year. **UB**

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The 2016 outlook for the meat case

Despite being largely determined by seasonal changes, the retail landscape can be unpredictable at times. Weather, livestock diseases, consumer attitudes, and unexpected changes in the wholesale arena can alter the retail meat situation, as we have seen happen in recent years. Here we take a look at factors to consider going into the 2016 year in retail.

CONSUMER TRENDS

Consumer demand has been fairly positive in 2015 as protein costs for many items have dipped below year ago levels. This trend is likely to continue in 2016 as competing proteins battle for coveted consumer dollars at retail.

Protein continues to be a dietary staple among consumers as the nutritional benefits support consistent purchasing trends. Growth of protein-rich diets in 2015 and into 2016, such as the paleo diet, further contributes to healthy consumer demand.

Transparency is a growing trend among consumers in regard to food and how it's brought from farm to fork. This trend is certainly affecting the retail sector, and the way food is marketed to shoppers. From farming to production to distribution, shoppers—especially Millennials—are craving more information. Providing readily-available, factual information to consumers will be increasingly demanded at each level of the food industry, especially foodservice and retail.

Convenience is certainly nothing new in the retail landscape, but the ways in which retail has adapted to the demand for convenience shopping is continuously evolving. From technology to customer service, chains implementing online services, increased mobile functioning, and home deliveries are staying ahead of the convenience curve. In addition, investing resources into the snack sector of retail offerings is another way traditional grocery stores are gaining a share in the growing snack time trend. Prepared in-store foods, buffets, and deli options are also increasingly gaining popularity as retail outlets take a page from the foodservice



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"... UNEXPECTED CHANGES IN THE WHOLESALE ARENA CAN ALTER THE RETAIL MEAT SITUATION, AS WE HAVE SEEN HAPPEN IN RECENT YEARS..."

and convenience store handbook by offering quick and easy lunch and dinner options right in store.

BEEF

At the time of this writing, wholesale beef prices are down over 20% from the year prior. Beef values began a steep decline in mid-August of 2015 and that trend has since continued. Retail beef feature prices are currently about 7% below year ago, and have largely been under 2014 levels since mid-September of this year.

Growing supplies and a lackluster export market for U.S. beef has weighed on values in the fourth quarter of 2015. The latest Obsono Market Insight report projects the 2016 beef supply to continue to grow given current expansion efforts. Unless the export situation improves (and barring other factors) we could continue to see retail beef prices remain steady to lower into 2016, gaining more traction at retail with consumers who have gotten used to

trading down to less expensive proteins over the past few years.

PORK

Pork output has been record large in 2015, resulting in wholesale prices trading along multi-year lows. In fact, weekly pork production reached a new all-time record high in late November 2015. Ample hog supplies, higher carcass weights, and a lackluster export scenario resulted in a swell of domestic pork supplies. This led to sustained retail interest, high feature volumes, and an increasingly competitive meat case.

Retail feature prices for pork have generally trended below year ago levels since the spring of 2015—serving as an attractive competing protein choice for consumers. Many comparable pork items were listed at levels below chicken offerings on numerous occasions. Heading into 2016, if production remains elevated compared to previous years, wholesale prices may

continue to run near multi-year lows. As a result, retail prices are still in good position to remain competitively priced at the meat counter.

CHICKEN

Following the historic outbreak of Highly Pathogenic Avian Influenza (HPAI), bans were put in place by many of our top export destinations, causing a swell in domestic chicken supplies—especially dark meat. The excess amount of dark meat needing to be absorbed in the U.S. essentially altered the face of retail chicken in 2015.

Wholesale chicken values plummeted 35% from the start of 2015 to the time of this writing. To date, only minor progress has been made towards reopening some of our export options around the globe, despite the last case of HPAI being detected back in June. As long as bans are in place by our top export partners, it's likely that our supply situation will remain unchanged and chicken prices will continue to be under pressure heading into the new year.

The biggest adjustment in the retail arena has been the increased availability of dark meat, which is typically exported, to sell to U.S. consumers. Marketers found new, creative ways to promote the lesser known dark meat items in stores and in circulars in 2015 and, at \$0.69/lb., items like leg quarters will likely continue to command attention at retail.

Looking ahead to the first quarter of 2016, the retail situation in January and February is often lackluster. Following high-spending around the holidays, consumers typically scale back after the first of the year, curbing spending on groceries and foodservice alike. The most notable retail occasion surrounds Super Bowl Sunday, while Valentine's Day commands more foodservice attention. While the 2016 retail scenario has yet to unfold, the protein sector has an abundance of opportunities to feature and bolster consumer spending at the meat case. **UB**

Article contributed by Jamie Chadwick
jchadwick@urnerbarry.com

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Emergence of fungal disease dulls rosy shrimp production outlook, EMS recovery



Adapted from three articles that first appeared on Seafoodnews.com by John Sackton:

Thailand Setting the Stage for Permanent and Profitable Shrimp Recovery

– September 22, 2015

GOAL Presents Optimistic Annual Shrimp Outlook

– October 28, 2015

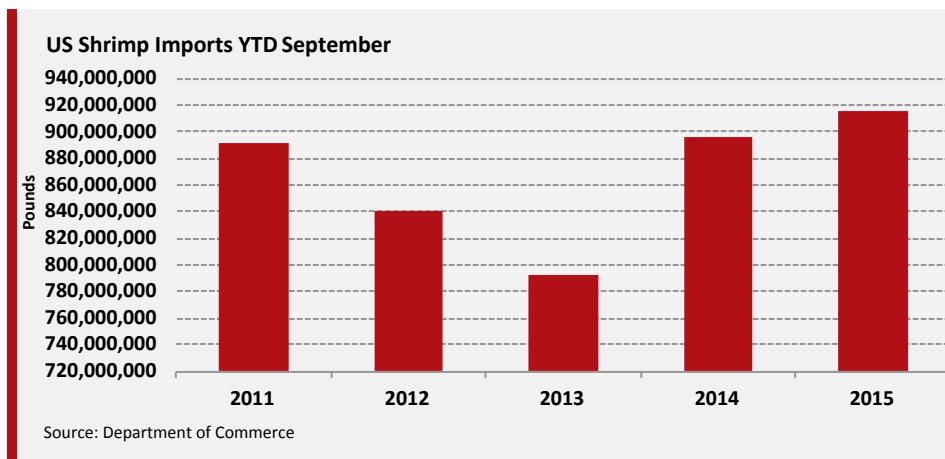
EHP Disease in Shrimp May Be Hard to Control, Likely Will Increase Volatility in Market

– November 16, 2015

Global shrimp production over the next two years was given a positive outlook as the industry has learned to manage shrimp early mortality syndrome (EMS).

On the first day of the Global Outlook for Aquaculture Leadership (GOAL) Conference in Vancouver, British Columbia, Canada, Dr. Jim Anderson presented the results of his annual shrimp industry survey for global production.

The survey garnered 72 responses, which were all weighted equally. Respondents were asked a number of questions about shrimp production in their own country. There was generally a big variation in response.



Overall farmed shrimp production fell 2% in 2015, according to the respondents. However, expectations are for an optimistic recovery of 9% by 2017. With total production around 4.1 million metric tons in 2015, respondents predicted a total output of about 4.5 million tons in 2016, and 4.75 million tons in 2017.

Anderson said this represented a compound growth rate of 7.7% per year, from 2013-2017.

This was refreshing news for an industry that had seen its production devastated from severe mortality issues from EMS

disease. The highly infectious bacteria more technically known as acute hepatopancreatic necrosis syndrome (AHPNS), colonizes in the shrimp's gastrointestinal tract and produces a toxin that causes tissue destruction and dysfunction of the shrimp digestive organ known as the hepatopancreas.

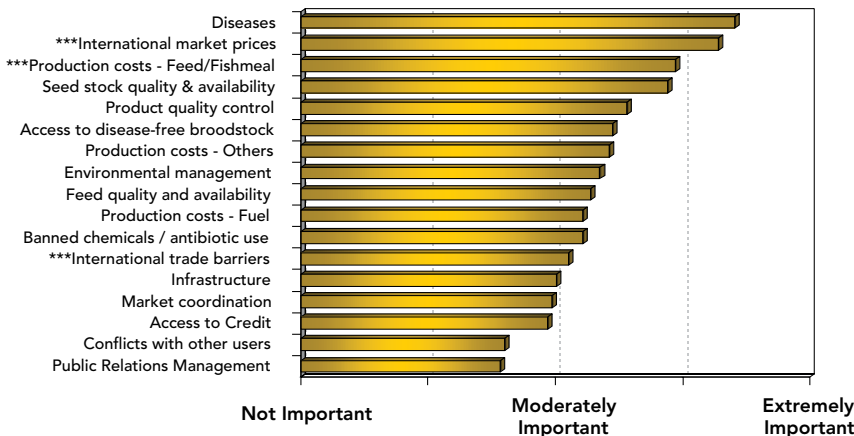
But as seen in Anderson's report, farmed shrimp production is on the mend from EMS. Meanwhile, recent increases in output from India, Indonesia and Ecuador have been able to at least offset production declines from producers hardest hit by EMS. This is evident in 2015 with U.S. imports up over 2.2% to 915.8 million pounds as of September.

Still, many felt the forecast was overly optimistic, since disease issues once again topped the list of the survey of producer concerns.

The latest challenge is the fungal infection *Enterocytozoon hepatopenaei* or EHP. This disease, which starts in the shrimp broodstock, does not cause dramatic mortality, but slows growth and prevents shrimp from growing to a larger size.

What's difficult about EHP is once the infection occurs, there is no known treatment. The spore is nearly indestructible. Some industry experts believe that the spores can withstand 50

GOAL 2015 Survey Issues & Challenges in Shrimp Aquaculture All Countries



years of drying, or 200 parts per million of chlorine disinfectant. So if a hatchery or farm is infected, drastic decontamination measures must be done before restocking.

Current top U.S. shrimp supplier India, for example, is expected to see flat production—albeit at historically elevated levels—in 2016 from to the presence of EHP. This disease has also negatively impacted China's shrimp farms, pushing the Chinese to import more large shrimp from Ecuador.

Ecuador is still expected to ramp up output, but the density in the ponds has been reduced, and producers there are being very vigilant about disease.

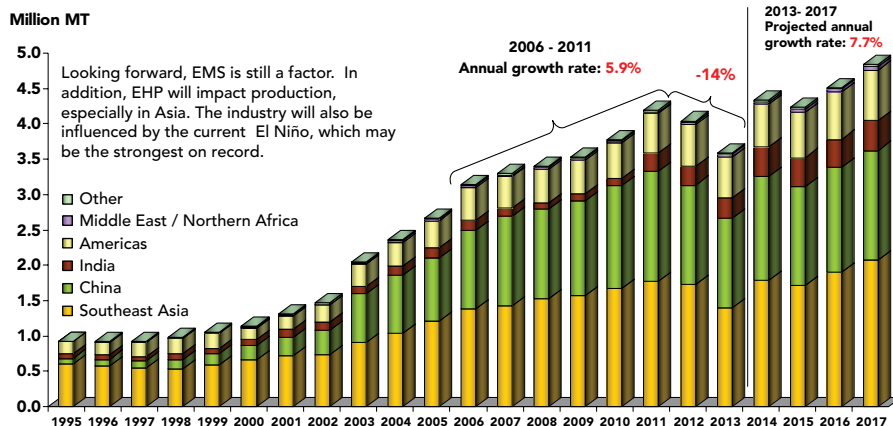
THAI PRODUCERS IN GOOD POSITION

The rise of EHP and its impact to global shrimp production is undoubtedly crucial for industry observers to track moving forward. But the efforts to identify and

Continued on page 70

“In a low-priced environment, only farmers who are confident about the level of risk they are taking with production will continue to produce high volumes of shrimp.”

Shrimp Aquaculture Production by World Region: 1995-2017



Sources: FAO (2015) for 1995-2011; FAO (2015) and GOAL (2014) for 2012-2013; GOAL (2015) for 2014-2017. Southeast Asia includes Thailand, Vietnam, Indonesia, Bangladesh, Malaysia, Philippines, Myanmar and Taiwan. *M. rosenbergii* is not included.

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New ways to welcome all to the table

The eternally quoted Jacobean-remixed ecclesiastical adage—there is no new thing under the sun—may be true but occasionally novel variations do arise. In this case it just happens to be an innovative way to make a meat alternative. Since at least the Mesozoic era, herbivores have been turning plants into fuel for their bodies. Now, scientists have finally achieved an ultimate god-like goal of salesmen by creating a meat alternative without the animal. Imagine a steak without a cow, a pork chop without a hog, or a chicken breast sandwich sans fowl. Two companies—Beyond Meat and Impossible Foods—have been getting a lot of press lately by creating meat alternatives. By leaving the animal out of the equation these companies are making products they believe taste just as good as the real thing.

Two important questions emerge: How do these two companies' products differ from the wide array of vegetarian meat substitutes already on the market? And, can the taste really convert meat-lovers? Beyond Meat believes their products are better than other veggie products because they take the act of creation a few steps further. Instead of simply combining plant products into a palatable alternative that remains solidly in the vegetable realm these two companies use chemistry as a substitute for nature. Like a cow or a chicken would transform plant proteins and nutrients by adding amino acids, fats, and vitamins, Beyond Meat mimics those same actions that the



herbivores' bodily works have done for millions of years.

Beyond Meat is targeting hard-core carnivores not vegetarians as the demand for meat and dairy products continues to grow. Plant-based meats have no cholesterol, antibiotics, or hormones and strive to taste more like meat due to the fats, proteins, and nutrients derived from plants, grains, and legumes. The goal is not to make a meat replacement but to provide an option that is eco-friendly while also capturing a large marketshare. Beyond Meat does not plan on its products being lost in a hippie supermarket; currently they can be found in 10,000 stores including Target, WalMart and Whole Foods.



Both companies, Beyond Meat and Impossible Foods believe they are getting closer to creating the impossible, a more nutrient-dense version of a meat alternative. Founded by Chief Executive Officer Patrick Brown, a former Stanford University, biochemist, Impossible Foods is headquartered in Redwood City, California, right in the middle of Silicon Valley. It seems rather appropriate that the first big burger replacement company emerges from the tech capitol of the world. From its appearance on the Impossible Foods'

website, the Impossible Cheeseburger certainly looks like a real cheeseburger, and recent tastings seem to be favorable. Additionally, the company has raised nearly \$183 million dollars in funding from A-List investors such as Bill Gates.

Founded in 2009 by Ethan Brown (no relation to Impossible Foods' Patrick Brown), Beyond Meat had its first product Beyond Chicken Strips in stores in 2012. Consumers were wowed from the get-go by both its proximity to the real thing and its superiority to existing pseudo-chicken products. Beyond Meat's self-proclaimed mission is to not only create a more viable product line of meat alternatives but to also "improve human health, conserve natural resources and respect animal welfare."



Impossible Foods is still perfecting its products. Although not officially released in stores, I had hoped that they would send samples to Urner Barry for a test. Alas, it was not to be, they are withholding all goods until an official launch. On the other hand, Beyond Meat, whose products are already in stores, sent products for us to test.

And now, onto the Urner Barry Taste Test results! It was impossible to keep a secret that we would be tasting and testing ersatz meat. Thankfully, my co-workers are



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generally open-minded enough to give out sound, unbiased opinions, and I might add, not a bunch to mince words! In any event the products that Beyond Meat furnished us with were: Beyond Beef Italian Meatballs, Beyond Beef Feisty Crumble, Beyond Chicken Home-style Tenders, and Chicken-Free Strips Southwest Style. After conferring with a representative at Beyond Meat I decided to prepare each of the products as I would their corresponding real meat counterparts. For meatball Parmesan sandwiches, I cooked the Beyond Beef Italian Meatballs in homemade marinara sauce for two hours then served on rolls with fresh mozzarella. I used the Feisty Crumble, whose corollary is ground beef, as the main ingredient in my mother's winter casserole. Always a favorite when I was growing up, I imagine every family has a variation of this recipe: elbow macaroni, ground beef, peppers, onions, tomato sauce, and cheese. The Chicken-Free Strips were used in a baby spinach and strawberry salad that I like to make with grape tomatoes, cucumbers, and red onion, dressed simply with balsamic vinaigrette. Lastly, the Tenders were served as most people eat them—alone with some BBQ & Honey-Mustard sauces.

The general consensus was that none of the plant meats could really stand alone against real meat. By their very nature they are created to be an ingredient and that is why I presented them as I did. Otherwise, the responses were varied with the tenders and the meatballs being the favorites. The tasters with small children pretty much all said the same thing—the Tenders could pass for fast food tenders or nuggets and would be great for kids. They were also praised for their seasoning as well. With the exception of two people, the most enthusiastic feedback was for the Meatballs. The only drawback cited by some was their rubbery texture, but then who hasn't had rubbery meatballs at least once in life? The Chicken Strips were faulted for their lack of flavor and texture, which was unlike actual chicken. Yet, it worked as a component of the salad. The Crumble was probably the least favorite of the tasters, although, it did garner some praise for texture. Our resident vegetarian went as far as calling it delicious within the context of

the casserole. I think one of my co-workers summed it up best in his comments when he said, "Rather than thinking of them as a chicken or beef imitator, if we think of them as a chicken or beef substitute and consider their utility and flavor profile, they stack up quite well."



The biggest drawback to these products is that though they may be nearly nutritionally similar to traditional meat, they are presently more costly. With our global population poised to hit nine billion by 2050 alternatives to traditional meat production will need to



be sought, and the plant meat evolution-revolution may be imminent, but not until it can be produced inexpensively and more complex cuts of meat be

successfully simulated by meat alternatives. Impossible Foods and Beyond Meat are just two of the burgeoning companies that are pushing boundaries, seeking alternate solutions to our present and future nutritional needs.

Perhaps if cost and science improve over time there will be room for everyone at the table. **UB**

Article contributed by **James Patterson**
jpatterson@urnerbarry.com

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East Coast Seafood hosts first annual lobster tailgate in Michigan

The time-honored tradition of collegiate football tailgating, typically flush with light domestic beers and standard grilling fare, raised the decibel reading a bit in Ann Arbor, MI this season during East Coast Seafood's first annual 'Lobstertailgate.'

Over 20 seafood companies and other major foodservice distributors were invited by East Coast to tailgate with the University of Michigan Wolverines as they hosted the Rutgers University Scarlet Knights at the "Big House" Michigan Stadium on November 7. Representatives from Sysco, Superior Foods, Fortune Fish, Busch's Food Markets and others were among some of the attending companies.

In total over 50 representatives from the seafood and food industry along with 100 fellow tailgaters and students made it out

to the first annual 'lobstertailgate.' Guests were treated to an assortment of East Coast's lobster and salmon products and to cooking demos in addition to getting recipe booklets and other seafood-centric giveaways.

Local food celebrity Michael-Ann Rowe, "The Fashionista," was also attendance where she oversaw the food prep for the event.

The night before the official 'lobstertailgate,' a pre-tailgate promotion was held at Williams-Sonoma store in Ann Arbor that hosted over 100 attendees.

It was a unique marketing opportunity for the industry that was able to promote lobster and seafood at an event with a



Local food celebrity Michael-Ann Rowe. "My First Lobster Tailgate won't be the last!"

crowd in excess of 110,000 attendees said Tom Quinn, of TQ Marketing Services and the man behind the entire concept.

Quinn said the success of this first tailgate could lead to other repetitious seafood-sponsored events, quite possibly beyond the college gridiron.

"This was the first one, and it went very well I think," Quinn said. "The sponsors seemed very happy, and we invited some prospective future

sponsors who liked the idea, so yes, I expect that we will do it again next football season—maybe multiple locations, and not just at the college level. Any sport where tailgating is big could be considered." **UB**

Article contributed by Michael Ramsingh
mramsingh@urnerbarry.com

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Over 150 seafood industry professionals and fellow tailgaters came to "Lobstertailgate & Salmon, too!"

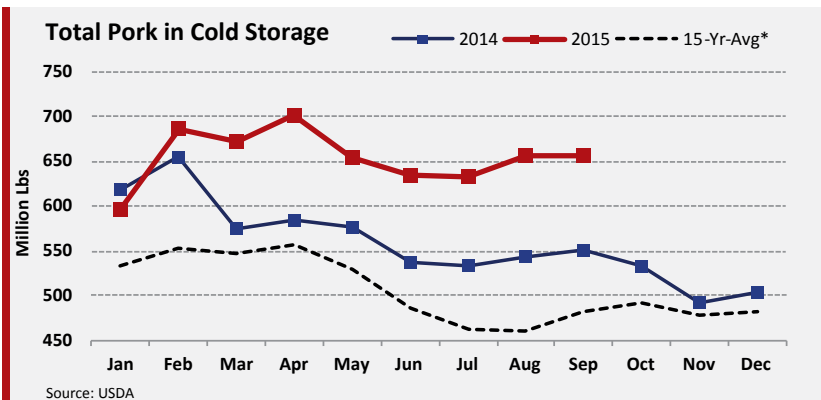
Pork in cold storage breaking records

Record pork production, average export demand and competitively priced alternative protein options. These issues, along with the fact that you can only expect the consumer to actually consume so much additional protein, left the pork industry with a problem of excess. What do you do with pork which can't be sold domestically or abroad? You freeze it, and in the case of 2015, a whole lot of it.

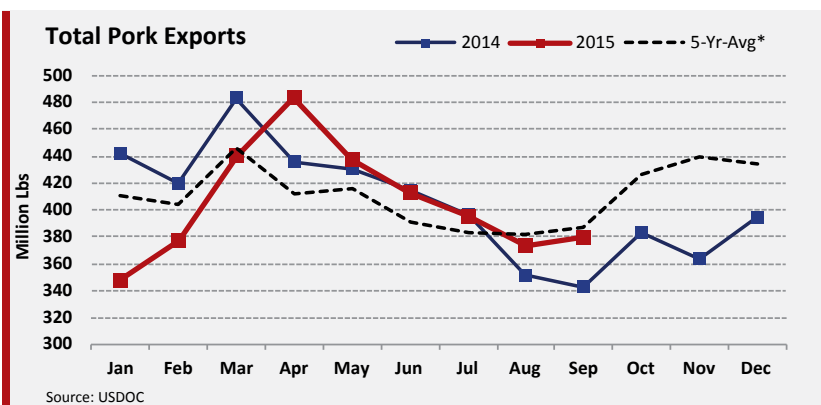
Pork production has been at exceptional levels all year. The herd made an impressive recovery following the outbreak of Porcine Epidemic Diarrhea Virus (PEDv) in 2014, which when combined with low feed costs, left the industry with the combination of more than enough hogs available and operating margins that warranted the large—sometimes record—year over year slaughter schedules seen throughout 2015. As of September, total pork production in 2015 is more than eight percent over the 5-year average and nearly eight percent over the same period last year.

Although the first quarter of 2015 saw particularly soft pork exports, the figure has since rebounded, leaving the year to date total at roughly a half percent greater than the 5-year average. On any other year, near-average exports would be a completely acceptable situation. This year however, with the pork production described above, the current rate of exports falls short of what is required to maintain supply equilibrium in the domestic market. In September, exports as a percent of production were at 18.7 percent. Over the last five years, the average percentage of pork produced in the United States and going to other countries in the month of September was at 20.5 percent.

As of September, pork stocks in the nation's freezers were reported at 656.4 million pounds which was 19.2 percent over the year-ago figure. The previous record for September was 630.5 million pounds set in 2012.



"What do you do with pork which can't be sold domestically or abroad? You freeze it, and in the case of 2015, a whole lot of it."



during the peak season in an attempt to satisfy the demand. In September, bellies in cold storage were reported at 10.8 million pounds, a decline of about 2.9 million pounds from the previous month, which is the average drop for that month. The belly inventory was down from the year-ago figure of 33.8 million.

Moving forward, this cold storage situation sets up several uncertainties. It is unclear what it means for pork prices, such as hams, with such an excess of product in the freezer. On the flipside, while recently belly prices have been dropping to levels more suitable for entry into cold storage, it is difficult to tell if enough tonnage will enter the freezer over coming months to properly contend with next year's bacon demand. Finally, it is important to remember that a portion of product in cold storage is already marked for an export destination, but to what extent is also quite difficult to calculate. This pork that is already called for should ideally not be factored into the equation when discussing the repercussions of large cold storage stocks. **UB**

Article contributed by Russell Barton | rbarton@urnerbarry.com

Ham stocks at the end of September were reported at 247.4 million pounds, up about four percent from the previous month and 27 percent above a year ago. This latest figure was nearly 29.3 percent above the five-year average of 191.4 million pounds and an all-time high for total ham products in cold storage. Some of this total is likely already marked for export, yet the figure remains impressive regardless.

Not all products have been experiencing the same glut of frozen supply however. Bellies, which were highly sought after from April until mid-October, have multi-year low levels of frozen stocks. Demand for bacon products from both retail and foodservice resulted in little fresh product available and a break-neck pace of bellies leaving the freezer

President Obama acknowledges salmon's importance during Alaska tour

President Barack Obama made a historic three-day trip to Alaska this past summer to discuss climate impacts to the region's pristine environment, with an emphasis on the state's valuable salmon resource.

The President's trip started on August 31 in Anchorage—Alaska's largest city—and immediately trekked to Mount McKinley where he restored the mountain with its original native name, Denali.

After the renaming ceremony, the President spent the remainder of the day in Anchorage hearing from Alaskan native leaders about how their communities have been affected from rising sea levels.

Day one of the trip was capped off at the State Department's 2015 edition of its Global Leadership in the Arctic: Cooperation, Innovation, and Resilience Conference where President Obama served as the keynote speaker.

Much of the President's speech emphasized the U.S.'s role in leading the world on curbing the environmental effects from changing water temperatures. He drilled home how shifts in fishing populations and impacts to coastal shores will hurt the industries and economies that depend on them.

"Warmer, more acidic oceans and rivers, and the migration of entire species, threatens the livelihoods of indigenous peoples, and local economies dependent on fishing and tourism," President Obama said in his speech. "Reduced sea levels leave villages unprotected from floods and storm surges. Some are in imminent danger; some will have to relocate entirely. In fact, Alaska has some of the swiftest shoreline erosion rates in the world."

The next day of Obama's tour took him to the Seward area where he boated around Resurrection Bay, hiked Exit Glacier and even filmed a segment with reality television star and survivalist Bear Grylls.

History was made during the President's third and final day in America's Last Frontier when he became the first sitting U.S. Chief Executive to step foot above the Arctic Circle. The two-stop tour took President Obama to Dillingham and Kotzebue.

Robin Samuels, board chairman of the Bristol Bay Economic Development Corp, was one of the three official greeters to welcome the President to Dillingham and was fortunate to ride in the Presidential Suburban.

Together the two were able to chat a bit about Alaska's salmon industry and some of the work the President had recently done to protect the resource.

"I was sitting there talking with the President of the United States in Dillingham, Alaska, riding down my own street saying 'this is unbelievable,'" Samuels is quoted saying in an Anchorage Daily News article.

While in Dillingham, Obama met with some native salmon fisherwomen and even handled a salmon. It was on this leg of the trip that the President acknowledged their importance.



On his final day of his trip to Alaska, President Obama met with some native fisherwomen and became the first president to travel above the Arctic Circle.

Rural Alaskans were honored to host the President and especially glad he was able to recognize just how pristine and unique the state's environment and resources are.

In fact some of Alaska's longtime residents, like bestselling author Seth Kantner, quipped the President might not get to see enough of the wilderness and how the region has changed and continues to change for better or for worse.

"I wish someone could take Barack out to a net, to see salmon being caught in the pristine water up by the Noatak; I wish

an aana (grandma) here could take him blueberry picking, and he could smell the heavenly smell of Labrador tea and tundra," Kantner wrote in a piece submitted to the Bristol Bay Times. "Of course, someone should show him the permafrost banks melting and areas along the coast that once had beaches. Instead, though, I imagine he'll

have to shake a lot of hands." **UB**

Article contributed by **Michael Ramsingh**
mramsingh@urnerbarry.com



While in Alaska President Obama met with reality television star Bear Grylls, and said, "Glad this was the only Bear I met in the park."



President Obama looking out over Resurrection Bay which he said on Instagram, "is one of those places that reminds you of all the beauty this country has to offer."

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Mexican Beef

For the first time, Mexican beef exports reach a surplus

The Mexican beef industry achieved many milestones in 2015 such as record exports in both volume and value as well as record highs in cattle and meat prices. Moving forward, however, the Mexican beef industry must be prepared for a potentially game-changing year as it is largely affected by the U.S. market, exchange rates and long-term adjusting effects. This means that innovation, advertising and price

competitiveness, among other strategies, will be crucial in 2016.

The year 2015 marked the first time in which Mexico's beef trade balance hit a surplus. Throughout the first 10 months of the year exports surpassed imports by approximately one thousand metric tons, or 2.2 million pounds. This is a significant shift from last year's 53 thousand metric

ton—or 116 million pound—deficit during the same time period (Chart 1). As we have been commenting over the past year or so, the significant strengthening of the U.S. dollar has made the U.S. a very attractive market. According to official data, Mexican beef exports ranked second out of all agricultural and livestock exports behind beer, totaling 1.72 billion USD as of October. The industry's goal is to become the fifth largest beef producer in the world; currently they rank eighth.

Despite these accomplishments, the market seems to have entered into correction mode. Recent price drops in the U.S. market during September, in addition to lethargic sales in October and November, could be signaling a potential shift to the trend experienced over the past 10 months. For example, despite a strong U.S. dollar, price drops in the U.S. market have caused prices for U.S. produced cuts like rounds to be lower than those produced in Mexico (Chart 2). This situation has placed significant downward pricing pressure in the Mexican domestic market. Moreover, prices of traditionally exported cuts like the ribeye or the short loin, among others, have also adjusted lower on lackluster demand primarily in the U.S. market. Some in the U.S. beef industry attribute such overall weak demand to both the wholesale industry and consumers opting to buy lower priced proteins, such as chicken and pork (Charts 3 and 4).

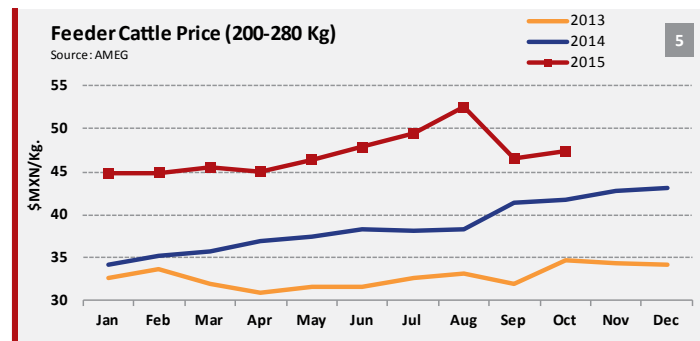
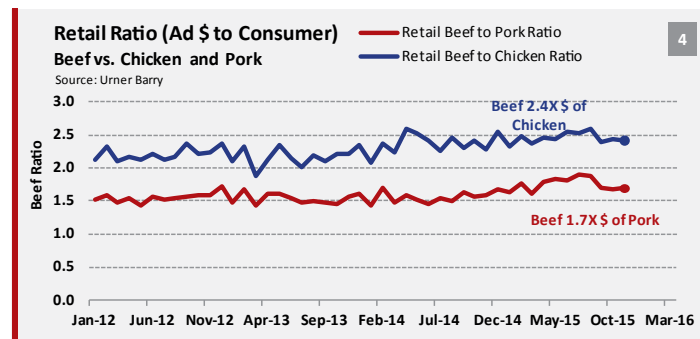
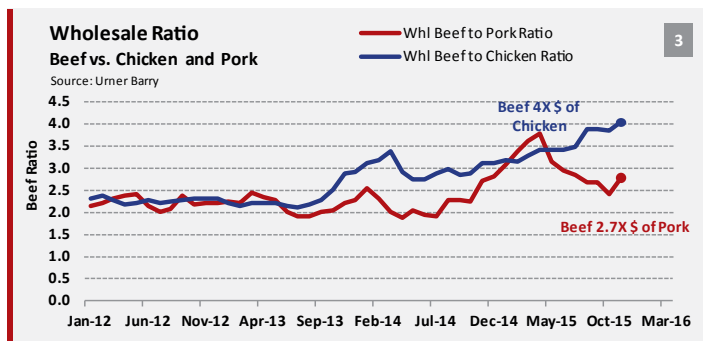
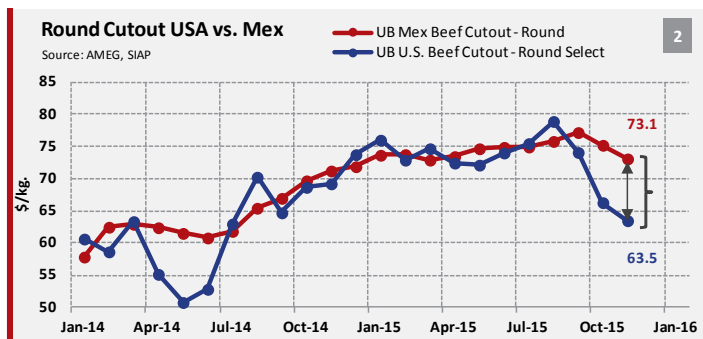
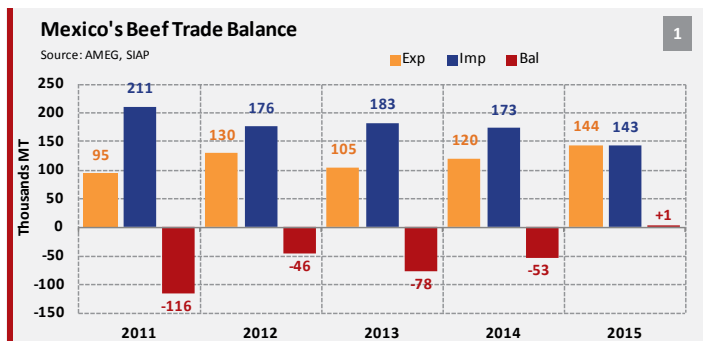


We must not forget that many processors in Mexico are vertically integrated with their feedlots. Now, with consistently rising feeder cattle prices over the last three years, processors have had to try to raise beef prices as much as possible in order to make up for higher input costs (Chart 5). Yet, the market has only been able to pass some of those costs along and margins have been shrinking; beef produced since October 2015 has had record high feeder cattle costs amid a falling beef market. This situation has hit producers hard as many expected prices to rebound into the fourth quarter, which has not materialized as of the last week of November.

Rest assured, however, that not everything looks bleak. The strength of the U.S. dollar will continue to play a crucial role as well as have the potential to open new markets. For instance, Mexican beef shipments to Egypt started in 2015 and there is the possibility of opening other markets in the Middle East. Improvements in traceability, safety, and quality are bound to get international recognition and thus the potential to find new markets. Furthermore, the Mexican Government is revisiting its Livestock Sustainability Program (PROGAN) in order to improve productivity. Finally, the cattle herd is expected to expand in the following years which could help feeder cattle prices adjust lower after reaching record highs in August.

Still, the beef industry in general, including the Mexican one, faces an uphill battle after seeing nearly two years of record high prices. This is because consumers over time adjust their budgets and it seems that chicken and pork could be a better bargain. The industry needs to lure those consumers back that it lost during this price hike since late 2013 and convince them that eating beef still has value...and well, that it is delicious. **UB**

Article contributed by Angel Rubio | arubio@urnerbarry.com



Negotiations conclude for Trans Pacific Free Trade Pact

On October 4, 2015, ministers from a dozen Pacific Rim countries—including the United States—concluded negotiations for the landmark Trans-Pacific Partnership free-trade deal expected to impact a combined \$1.5 trillion in U.S. imports and exports.

Aside from the U.S., participating countries include: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

Together the trade ministers said the deal is a high-standard, ambitious, comprehensive, and balanced agreement that will promote economic growth; support the creation and retention of jobs; enhance innovation, productivity and competitiveness; raise living standards; reduce poverty in our countries; and promote transparency, good governance, and enhanced labor and environmental protections.

"We envision conclusion of this agreement, with its new and high standards for trade and investment in the Asia Pacific, as an important step toward our ultimate goal of open trade and regional integration across the region," the ministers said in a joint statement.

Five key features define the TPP: comprehensive market access; a regional

approach to commitments; addressing new trade challenges; inclusive trade; and providing a platform for regional integration.

The deal is 30 chapters and 2,000 pages long and impacts a multitude of major trade sectors across the member countries' economies. For starters, an estimated 18,000 tariffs have either been cut or eliminated.

Commodity trading was far from immune to the TPP, where negotiations over Vietnamese pangasius, Japanese beef and Canadian poultry made news headlines as the trade talks stretched on for over half a decade.

Seafood industry participants in Canada were thrilled to ratify the deal under expectations they will gain better access to more markets.

"We're an export industry, pure and simple, and eliminating tariffs and ensuring fair market access is a trading imperative for us, stated Derek Butler, Executive Director of the Association of Seafood Producers. "This deal gets us into some of the fastest growing markets in Asia, and keeps us in markets in this hemisphere."

Global meat producer Cargill echoed similar sentiments once TPP negotiations had been completed. The company said the deal set a standard for trade in the 21st century.

"In many parts of the world, food and agricultural products still face the legacy of high import barriers," said David MacLennan, Cargill's chairman and chief executive officer. "We believe the Trans-



President Obama, center, with other leaders of the Trans-Pacific Partnership countries stand for a group photo in Manila.

Pacific Partnership will allow food to move more freely across borders from places of plenty to places of need, which benefits farmers and consumers around the world."

Still, the deal does have detractors from around the protein sector. In Canada, for instance, turkey producers say the TPP will result in job losses, especially among mom-and-pop operations that will not be able to compete on a global scale.

"Up here, you have the small family farm. The scale of efficiencies is a challenge for us," said Mark Davies, with Canadian Turkey Producers. "Part of our issue is we want to maintain these farm communities in rural Canada, and turkey farmers are an integral part of that."

The full text of the TPP was issued on November 5, 2015, and will remain idle for a 90-day period open for public review and commentary before it goes to Congress and eventually the President's desk for final ratification. **U**

Article contributed by Michael Ramsingh
mramsingh@urnerbarry.com

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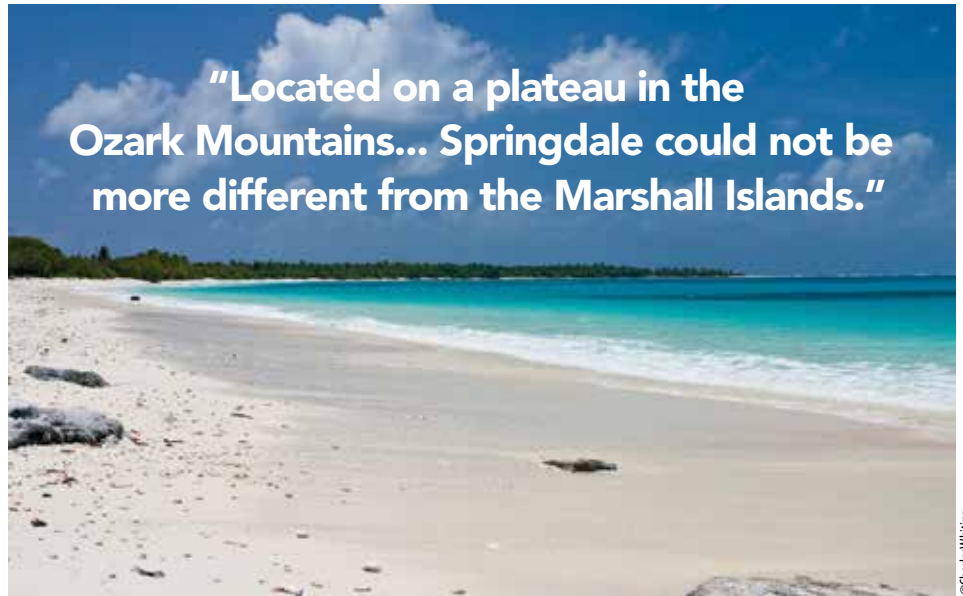
Climate change uprooting Marshallese people

The vast blue Pacific Ocean surrounds an independent country between Hawaii and northeast Australia called the Marshall Islands. It's a place where climate change has begun to jeopardize its residents' lives. The islands are made up of no-elevation coral atolls and are flooding as the atmosphere continues to warm. Rising oceans have led to the destruction of homes, buildings and land. Predictions are that within the next half of a century, the islands will be totally submerged. Where are many residents relocating to escape the flooding? An unlikely place 6,000 miles away... Arkansas.

Springdale is the industrial city of the state of Arkansas. It is the home of the world headquarters of Tyson Foods, one of the 100 largest companies in the United States and the world's largest meat producing company. Located on a plateau in the Ozark Mountains of landlocked northwest Arkansas, Springdale could not be more different from the Marshall Islands. The Marshallese residents make up around 14% of the total population of Springdale's 69,000. The steady increase of immigrants to the city has led to the establishment of a Consulate of the Marshall Islands there. Arkansas has the largest number of Marshallese people, outside of the Marshall Islands.

Tyson Foods employs many Marshallese people and has for decades. They work in various processing plants. About half of the night shift is made up of the islanders. So how did they end up there? According to John D. Sutter of CNN, "John [Moody], 63, moved to the United States from the Marshall Islands in 1979—before the frequent flooding. He got a summer job at a chicken processing plant and that work led him to Springdale. Soon, he had 13 or 14 relatives living with him—all working on factory lines, dissecting chicken parts with knives for wages unthinkable on the islands." Thousands more Marshallese followed with their families, hoping to work for higher wages, learn English and educate in better schools.

Residents of Springdale have accepted the islanders into their community. The United States keeps a military base on the



©CharlesWhiting

island because of a pact made between the two countries. In exchange, Marshallese people can legally live and work in the U.S. without a visa. The threat of the islands being washed away is daunting to the lives

of its people, but they will likely remain until it is completely underwater. **UB**

Article contributed by **Sandra Bailey**
sbailey@urnerbarry.com



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APHIS issues fall 2015 highly pathogenic avian influenza preparedness and response plan

The U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) issued a report this past September on the proper planning and preparations poultry and egg farmers should be taking to prevent another devastating outbreak of Highly Pathogenic Avian Influenza (HPAI). The spring 2015 outbreak was the worst animal disease in U.S. history. In the end, more than 48 million chickens and turkeys were impacted from 21 states.

Waterfowl, primarily migrating ducks and geese, are suspected to be the primary carriers and therefore the source of bird flu. As the southern migration continues and birds head south for the winter, poultry farmers and producers have their eyes on the sky.

In the USDA's own words, "The incredible scope of this outbreak presented many challenges to federal, state and industry

resources and clearly identified areas where greater coordination, preparation and communication were needed."

HPAI IN POULTRY: WHAT TO EXPECT IF YOU SUSPECT

The government report urges farmers to adhere to strict bio-security measures. But while adhering to protocol is crucial, keeping an eye out for any signs of the disease and reporting problems quickly can mean the difference between depopulating a sick flock and preventing the virus from spreading further or having another major outbreak on hand.

Knowing the warning signs is ground zero for prevention. A spike in bird deaths, lack of energy, decrease in production or the production of misshapen eggs, coughing or sneezing, stumbling or falling down and a host of other key warning signs are what to be on the lookout for. If there are any signs of sick or dying birds, reporting these

to local and state veterinarians along with a call to the USDA is immediately urged.

HPAI AND VACCINE USE

Part of the newly released preparedness plan includes considering whether to use a vaccine to help prevent and stop or slow the disease. There are many opinions on the matter not the least focuses on the negative impact it seems likely to have on processors in the United States to export poultry overseas. As is the case now, some top destinations for U.S. poultry would likely suspend imports from those states or regions where a vaccine is being administered. Also, until recently, there has been no widely available and effective vaccine.

DECISION TO USE VACCINATION

APHIS has not approved the use of a vaccine at this time. Prior to doing so, the USDA would take into consideration a number of factors before making



United States Department of Agriculture

Highly Pathogenic Avian Influenza A Guide To Help You Understand the Response Process

1 Detect

You see unusual signs of illness or sudden deaths in your flock. You report it to your private or State veterinarian. Samples are taken and tested. You find out your flock is positive for HPAI.

2 Quarantine

USDA and State personnel come to your farm. We assign you a caseworker, who will be your main point of contact onsite, answer your questions, and guide you through the needed paperwork. We will also place your operation under quarantine, meaning only authorized workers are allowed in and out, and movement restrictions for poultry, poultry products, and equipment go into effect. We contact neighboring poultry farms and start testing their birds to see if they've been affected, too.

3 Appraise

We work with you to create a flock inventory. This lists how many birds you have, what species they are, their age, and other key details that will help us give you 100 percent of fair market value for your birds.

4 Depopulate

Infected flocks are depopulated as quickly as possible—ideally within 24 hours of the first HPAI detection—to get rid of the virus.

5 Compensate

You receive your first indemnity payment early on in the response process. We also pay you a standard amount for virus elimination activities (cleanup work).

6 Manage Disposal

USDA will help you dispose of the dead birds safely. Disposal methods include composting, burial, incineration, rendering, or landfilling. The options you'll have depend on several things: what type of farm you have, the specific conditions there, State and local laws, and what you prefer.

7 Eliminate Virus

The next step is to wipe out all traces of the virus at your property. To kill the virus, thoroughly clean and disinfect the barn, equipment, and all affected areas of your farm. You can do this work yourself or hire contractors to handle it.

8 Test

As soon as you're ready, let your caseworker know you're finished with cleanup. Your site must then stay empty for at least 21 days. During this time, we'll return to collect and test environmental samples. We need to confirm that your property is completely virus-free.

9 Restock

Once USDA and the State both approve, you can restock your facilities and start production again. State officials will release your farm from quarantine after all required testing and waiting periods are done.

10 Maintain Biosecurity

After restocking, you'll need to continue maintaining the highest biosecurity standards to keep the virus from coming back. For biosecurity tips, go to www.aphis.usda.gov/publications and download the factsheet "Prevent Avian Influenza at Your Farm."

How Long Does the Process Take?

Ideally, this entire process could be completed in as soon as 60–120 days. However, the timeframe varies depending on many things (for example, flock size, depopulation and disposal methods used, test results, farm's location). We're committed to restoring production as fast as we can while also protecting poultry health.

Questions?

Talk with your caseworker or the State or Federal officials responding to the disease event in your area.

For general information and contacts, visit:

www.usda.gov/avian_influenza.html
www.aphis.usda.gov/fadprep

HPAI UPDATE HPAI UPDATE HPAI UPDATE

In mid-October, the USDA awarded contracts to two drug companies to manufacture an avian influenza vaccine. According to reports the two firms, Harrisvaccines and Ceva Corp., are expected to produce an unknown number of doses and store them away for later use if necessary. The companies have been ordered to test the vaccines regularly and then upon request, deliver them to anywhere in the United States within 10 days. While from a distance this may suggest to some that there's now an immediate solution available for AI, APHIS has still not decided whether to use such vaccines in a future outbreak. Furthermore, since the agency plans to create a stockpile of related vaccines, APHIS will continue to issue request for proposals (RFPs) from manufactures through September 2016.

In early November, Iowa, the state who's egg laying chicken flocks were most severely impacted, hit a milestone in its avian influenza recovery by lifting the last quarantine on a commercial poultry farm affected by the virus. As of this writing, no new cases of avian influenza have been detected.



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any determination related to its implementation. They include, but are not limited to, assessing the extent and rate of spread, determining what type of poultry operation is being affected, how implementation might impact both the domestic and international markets, effectiveness and availability of a vaccine and more. In the meantime preparations such as reviewing vaccines for licensing and stockpiling supplies are some steps being taken which will bring APHIS one step closer to making a use determination.

The USDA, along with state and industry partners, is planning and preparing for the possibility that the disease will reemerge this fall and beyond. This includes considering whether to use vaccine to help prevent illness in birds and stop or slow the spread of the disease. The use of vaccines would be part of a larger strategy to contain and eliminate the HPAI virus from the United States. While vaccinating, APHIS still would focus on enhanced bio-security and biosurveillance, rapid depopulation, and other virus elimination methods to help end the outbreak.

To work well, vaccines need to match the genetics of the virus. Because avian influenza viruses are adaptable, the genetics can change over time. The closer the genetics match to the virus, the more effective the vaccine is. As of the time of publication, researchers and vaccine companies are developing vaccines that use the genetics from the current HPAI virus that caused disease in the spring of 2015.

VACCINE ADMINISTRATION

There are three ways to administer vaccines—by injection, by an aerosol mist,

or through drinking water. According to APHIS, the vaccines currently in the process of being approved are vaccines which are injected through the skin of live birds.

There are limitations to the use of vaccines. One factor to consider is the bird's lifespan. It's been proven that immunity to a vaccine develops quickly—about 21 days. So in turkeys for instance, which go from poult to slaughter in about five months, a booster shot or two would be likely. Layer chickens would also be candidates for a booster shot. Broilers however, which have a life cycle of about 42 days, would not achieve the same potential benefits from vaccination. Additionally, vaccinating flocks reduces sickness, signs of it and death, but it would not prevent birds from becoming infected. A vaccine would, however, reduce the amount of virus an infected bird sheds into the environment, which in turn helps prevent spread to new locations.

AFTER VACCINATION

Once a bird has been vaccinated, it would no longer qualify for export and, in general, those birds could only be moved, with the proper permits, within the United States. Regular monitoring and testing of the diseased flocks would continue and tracking of the vaccinated birds would continue through their "normal" lifespan until they are brought to slaughter.

Because all of this is a brand new undertaking, should the vaccine strategy not work in containing the disease to the degree expected, a reevaluation of the

process would take place. If success is realized, and the outbreak is contained, vaccinations would stop. Once all vaccinated birds were removed from the U.S. poultry population, APHIS can once again declare the United States to be HPAI-free without vaccination. **UB**

Article contributed by
Russell W. Whitman and Terence Wells
rwhitman@urnerbarry.com and
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Foodservice flavor lifecycle accelerates as ingredient variety explodes

Adapted from an article that originally appeared on Foodmarket.com on November 30, 2015

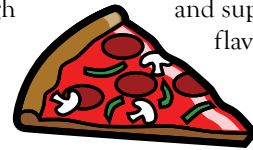
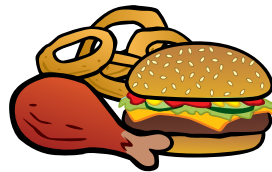


Forty percent of consumers say they are more willing to visit a restaurant that offers new and/or innovative flavors, according to the new Technomic 2015

"Though classic flavors still appeal, consumers are increasingly driven to experiment with foods and beverages with unique flavor profiles."

Flavor Consumer Trend Report. Though classic flavors still appeal, consumers are increasingly driven to experiment with foods and beverages with unique flavor profiles.


Technomic research shows that heightened interest in new tastes has accelerated the time in which many spices, ingredients or preparation methods go from "emerging" to "mainstream." As the variety of flavor offerings increases, consumers become desensitized to new and unique flavors more quickly. To meet demand for new flavors and maintain customers' interest, it will be critical that operators



and suppliers stay ahead of flavor trends.

"Restaurants trying to plan a menu launch and marketing campaign around the next big thing might find themselves too far behind a trend and risk becoming another 'me-too' concept," explains Kelly Weikel, Technomic director of consumer insights. "To get credit with consumers for innovation, operators can leverage Technomic insights to catch emerging flavors early in their lifecycle and ride their rise in popularity."

"Flavor research can also help ensure the right variety of new and mainstream tastes—in the right combinations—that make the menu a consistent crowd-pleaser." Compiling findings from more than 1,500 U.S. consumers, as well as operator interviews and Technomic's MenuMonitor and Digital Resource Library, the Flavor Consumer Trend Report also reveals:

- 40 percent of all consumers and 52 percent of Millennials say they would like more restaurants to offer foods that feature a combination of flavors;
- At limited-service restaurants (LSRs), 63 percent of consumers are very likely to try new flavors at sandwich restaurants, 62 percent at pizza and 62 percent at Mexican LSRs. When visiting a full-service restaurant (FSR), 69 percent are likely to try new flavors at varied-menu restaurants, followed by 67 percent at Italian and 66 percent at steak FSRs;
- Grape is the fastest-growing lunch and dinner entrée flavor at Top 500 restaurants (16 percent operator incidence increase), followed by buttermilk (10 percent) and cilantro (9 percent). 



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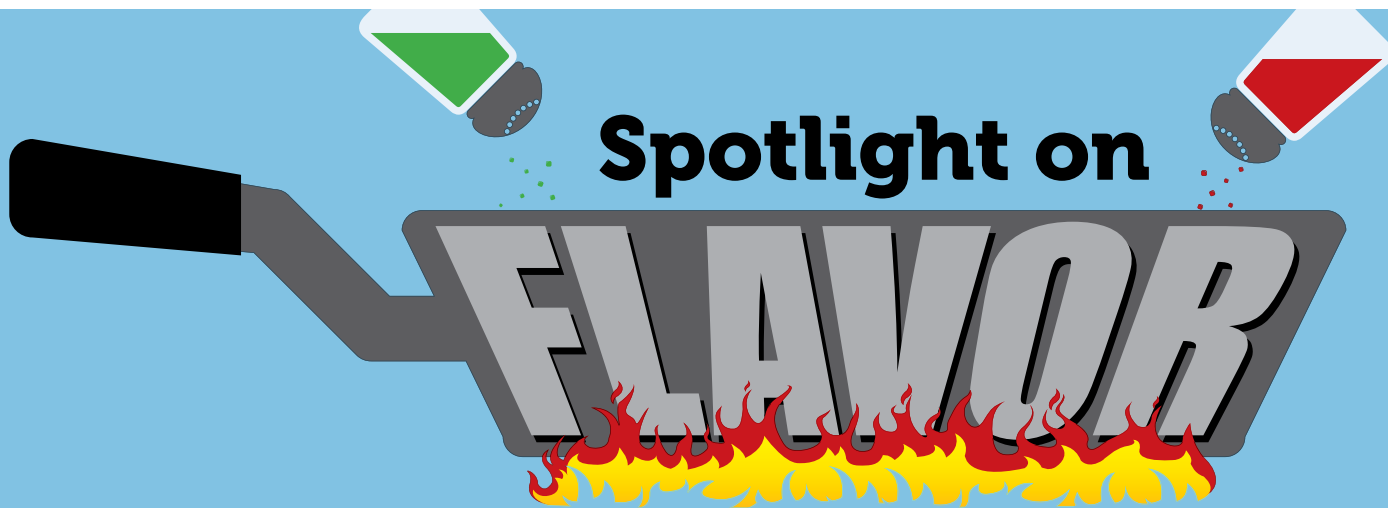
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Spotlight on FLAVOR









of consumers say they are more likely to visit a restaurant that offers **new or innovative flavors**

52% of Millennials

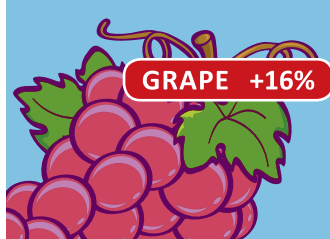
Likelihood of trying new flavors at _____ restaurants

Likely & extremely likely, Top 3 per segment

LSRs	FSRs
 63% Sandwich	 69% Varied menu
 62% Pizza	 67% Italian
 62% Mexican	 66% Steak

Fastest growing lunch & dinner entrée flavors at Top 500 chains

(% operator incidence change)



GRAPE +16%



BUTTERMILK +10%



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MSU's global food law program

A few decades ago the focus on food safety and bio-security that has become so common in today's data-infused world simply didn't exist as we now know it. Education on foodborne illness and animal disease was largely limited to the scientists and academia of the largest food manufacturers and institutions of higher learning. Outbreaks of avian influenza were limited and, for many years, too insignificant to report, if they were diagnosed at all. Chat rooms, food bloggers and tweeting were years off so consumer interaction and knowledge of issues was largely reserved to what they could pick up on the evening news. The health of the then fledgling U.S. protein industry was impacted only little by the state of export affairs and the whims of political friends and foes. Legal or regulated actions and reactions among the world's agricultural players were largely a result of inaccurate perceptions rather than science-based fact. However, all that has changed.

Enter Michigan State University College of Law's Global Food Law Program. Designed to educate almost anyone who is hoping to better navigate the complexities of food law and regulation, the Global Food Law Program is the first and only global food law master's degree program. And it's

not just for lawyers. In fact, many of the student's began their careers as scientists, nutritionists, researchers and upper level managers and they come from diverse educational backgrounds. What they do all have in common is a shared desire to be better prepared to tackle food industry challenges related to laws and regulations. The program offers two tracks: a master of laws for practicing lawyers and a master of jurisprudence for those without law degrees.

Because the Global Food Law Program is completely online, graduation is the only on-campus activity for it. That allows students to maintain a work-life balance; studying online while maintaining their family life without putting their career on hold. The program will also offer a 2-day "current issues" summer seminar for the first time this year for students who wish to include an MSU campus experience.

The agricultural industries, specifically as they relate to food production, is global in scope and what works or adheres to the word of law for one country, may not in others. International food law is a growing and dynamic field. "Understanding global food law can prevent costly regulatory mistakes, such as putting an unacceptable



food additive on the market or mislabeling a product," said Neal Fortin, director of the Global Food Law Program. "In addition, recognizing how such laws impact the flow of food and agricultural products across boundaries can help a company expand its global market."

But it isn't all about the language of law. MSU wants to produce not only a student with legal acumen, but a well-rounded one too. Analyzing current issues plays a large role doing just that. Those in the Global Food Law Program spend part of their curriculum examining hot topics like genetically modified organism labeling, chemicals in packaging materials, artificial food coloring and hyperactivity as well as recent food recalls and foodborne illness outbreaks.

"From product innovation to the manufacturing process to the successful launch of products, I have to make sure everything works well," said graduate Christy Kadharmestan, senior formulator for Pharmavite, a dietary supplement manufacturer. "The thought process I've developed is already helping me create Nature Made products for international markets."

When asked, Melanie Jacobs, associate dean for graduate and international programs for the College of Law summed it up nicely, "The Global Food Law Program enriches MSU's position as one of the world's foremost food universities," she says. "MSU is a leader in food production technologies and food safety, and this program solidifies MSU's position as a top food law university." **UB**



Christy Kadharmestan, senior formulator for Pharmavite, was among the most recent graduates of MSU's Global Law Program. Seated to her right is, Adam Ekonomon, Assistant General Counsel at Smucker's. Christy earned a master of jurisprudence (M.J.), Adam earned a master of laws (LL.M.).

Article contributed by **Russell W. Whitman**
rwhitman@urnerbarry.com

Ask **URNER BARRY**

There are many great things that come from being in the food business; however, it's not always an easy job. There are things buyers and sellers have to deal with in each individual industry that can be downright difficult in an ever-changing market. Some of the market reporters here at Urner Barry spoke briefly about what they felt were the biggest challenges in their industries today. Here are their responses.

GARY MORRISON **BEEF MARKET REPORTER**

I think the biggest challenge to being a beef producer goes beyond the market factors out of their control such as weather conditions and feed prices. There are cycles to all of this and I think they know that. Domestically, there has been demand destruction; demand for beef has been declining for quite some time. The other proteins, especially chicken, have done a good job of positioning their product in a positive light over beef—whether warranted or not. Perception has become reality. This industry has to acknowledge this fact and act to increase beef demand once again.



RUSSELL BARTON **PORK MARKET REPORTER**

The pork market has faced starkly different situations between 2014 and 2015. In 2014, the outbreak of PEDv resulted in a significant hog supply crunch which led to record high pork and hog prices. Coming out of 2014, the pork industry was able to recover in spades. Hogs became abundant early in 2015 and with margins supportive of large slaughterers, the industry quickly went from multi-year or all-time record high prices to multi-year low prices for both hogs and pork. Couple this increase



"Every protein market faces its own challenges..."

in production with only average exports and the industry has been contending with discounted pork and hog values for the majority of 2015. We've seen cold storage figures bloat to record high levels as well, because in the end, all of this excess pork must go somewhere and this year in particular prices pose less of a risk than last year when storing product for an extended period of time. **UB**

Article contributed by **Matthew Abbott**
mabbott@urnerbarry.com


TERENCE WELLS **CHICKEN MARKET REPORTER**

Every protein market faces its own challenges and the chicken industry is no exception. In 2014, it was almost as if processors couldn't do a thing wrong—supply was in close balance with demand and market values were well-supported. In 2015, the opposite became true—too much supply and not enough demand forced market values downward. Now, there are plenty of challenges processors face that they don't have any control over, for example this year's Highly Pathogenic Avian Influenza outbreak and the resulting export trade barriers, the strength of the U.S. Dollar, the oil economy, input costs, etc. Processors do, however, have control over how much they produce and that may just be their biggest challenge yet—figuring out the perfect balance.



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Executive Conference turns 40!

In 1976, Urner Barry hosted the very first Executive Conference in their then brand new headquarters located in Bayville, New Jersey.

The "Executive Conference" was, at its roots, a cocktail party gathering of industry leaders in celebration of the new building. That small get-together grew to become the most widely-attended and recognized marketing event in the poultry and egg industries!

In 2016, Urner Barry's Executive Conference turns 40! Urner Barry is proud to be celebrating the 40th anniversary of those humble beginnings May 1-3 at Caesars Palace, Las Vegas. This year's

Changing Tides **40TH URNER BARRY** **2016** **EXECUTIVE CONFERENCE & MARKETING SEMINAR**

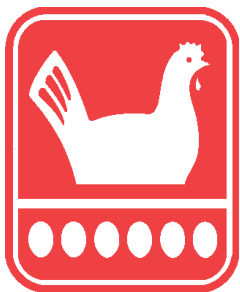
conference, themed "Changing Tides," will showcase the brightest minds in the food industry discussing the latest trends, challenges and issues facing the protein business.

"With much of U.S. poultry currently shut out of the export markets and high path hanging in the balance, there won't be a lack of topics to discuss", said Urner Barry's Senior Vice President Mike O'Shaughnessy, "Throw in a presidential race which is always a hot topic, and you've got plenty to chew on."

For more information about the 2016 Executive Conference contact Lynn Dekovitch at 732-240-5330 or via email lynnd@urnerbarry.com. **U**



Although the faces and the places have changed through the years, the Executive Conference's primary focus of bringing together the best and the brightest in the food industry remains true to its roots.



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The new "catch" of the day

Is by-catch one of the next new culinary trends? Technomic, a food research and consulting firm, has listed "Trash to Treasure" to be the number three item on their 2016 Food Trends list. There is no doubt that sustainability is a hot topic across the food industry, and *Urnner Barry's Reporter Magazine* has even previously touched on initiatives such as the Ugly Food Movement and Dock to Dish. It seems that everyone from restaurateurs, retailers and even school districts have hopped on the band wagon.

Jenn Gerard, the Director of Nutritional Service at the Monterey Peninsula Unified School District in California, has teamed up a community-supported fishery to launch its "Bay 2 Tray" initiative. The "Bay 2 Tray" or "Seafood that's off the Hook" program is bringing local seafood that was once regarded as by-catch and incorporating it into the school's menu.



Pacific Grenadier, which was once an item that used to get thrown back by fisherman seeking black cod, has now, replaced the ever-so popular fish sticks in their fish tacos. Not only is the program supporting local sustainable fishing but it is also bringing a healthy protein into the lives of young students who may not have the financial means or access to fresh seafood at home. It also teaches them about healthy and sustainable food similar to other Farm to School Programs that have been launched across the country.

There are collaborative marketing efforts and community-supported fisheries located on all coasts that are promoting not only local species to consumers, but local species that are currently underutilized on the center of the plate. Spiny dogfish, which is caught off the New England and Mid-Atlantic coasts, has been a popular staple in Europe for years but hasn't caught on as quickly in the United States. With the FDA's recent approval of the name "Cape Shark" for the species, a local movement has sparked for local restaurateurs to create new menu items such as the "Shark-rito" at the Corner Store restaurant in Cape Cod. With American consumers increased interest in sustainability and traceability, it will be interesting to see what other culinary creations come out of these movements, and also fun to taste!**UB**

Article contributed by Nicole West
nwest@urnerbarry.com

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Old Fulton Fish Market inspires new eatery

The former home of NYC's famous Fulton Fish Market is now being re-vamped. One of the many projects announced in the summer of 2015 by the Howard Hughes Corporation is Pier 17. A project set to be completed and launched at New York City's South Street Seaport.

Scheduled for opening in mid-to-late 2017, seven city blocks and the new Pier 17 building will have 365,000 square feet of 85 new shops and restaurants filled with art, fashion, culinary and entertainment experiences. The new Pier 17—where work is also already in progress—is highlighted by a one-and-a-half-acre rooftop that will include a world-class restaurant with spectacular views of Lower Manhattan.

According to a company press release, the Howard Hughes Corporation has recently teamed with celebrity chef Jean-Georges Vongerichten and his partner Phil Suarez to help launch two of the



Seaport Fulton Market Building (Photo: Business Wire)

seaport's projects; a 40,000 square-foot seafood-themed marketplace and a 10,000 square-foot restaurant in the rebuilt Pier 17. Unlike other marketplaces in NYC which focus on different ethnicities, Pier 17 will be centrally focused around seafood. The market will sell food from local, domestic and international purveyors. This is the first time Mr. Vongerichten, who has restaurants in several countries, has been involved in a food market.

Motivation for the seafood-themed marketplace was inspired by the historic Fulton Fish Market which resided there for nearly two centuries. The market will be located in the Tin Building and will be reminiscent of the Seaport's rich history as a center of food and commerce.

"This announcement continues the Seaport District's transformation into an anchor for the growing Lower Manhattan community and one of the top destinations for unique culinary, fashion and entertainment experiences," said David R. Weinreb, Chief Executive Officer of The Howard Hughes Corporation. "We are pleased to welcome a partner of Jean-Georges' caliber to the district to celebrate the storied history of the

Seaport as a source of food and center of commerce while embracing the best of the 21st century."

The Fulton Fish Market, which originally opened in 1822, was the most important fish market on the east coast and a culinary institution that was a highlight of Jean-Georges's daily routine when he first arrived in the city. This historic vitality is

what Jean-Georges, his partner, Phil Suarez, and The Howard Hughes Corporation aim to bring back to

the Seaport District. A company press release states that the two companies are committed to rebuilding and restoring the Tin Building, subject to obtaining the requisite approval from the city, using this historic site to house the best year-round culinary market in New York City.^{UB}

Article contributed by Nicole West
nwest@urnerbarry.com



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"Motivation for the seafood-themed marketplace was inspired by the historic Fulton Fish Market which resided there for nearly two centuries."

America's obsession with bacon

Our obsession with bacon is stronger than ever; the only way we can make it any better is if we add more bacon, right!? Gone are the days where the application for this item, which continues to grow in popularity, is limited to breakfast and lunch menus; now you can find bacon anywhere and everywhere.

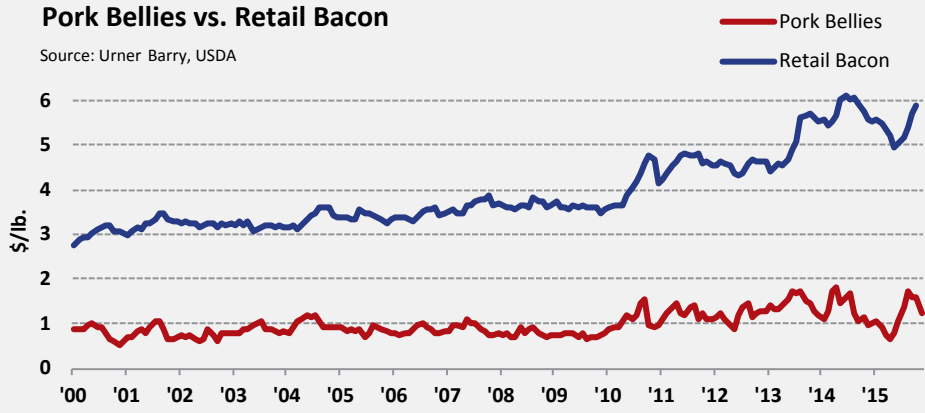
Each year, innovators launch new bacon-inspired products and they all seem to grab our attention, at least for a little while. Besides restaurants serving bacon menu items and bars serving bacon-infused cocktails, entrepreneurs have even introduced new items like bacon cologne, bacon flavored soda and bacon lollipops. The possibilities are literally endless! It's as if bacon has become its own product category, extending beyond foodservice.

Now, what type of impact, if any, has this bacon "craze" had on the pork belly market?

Since 2000, the wholesale price for Square Cut Pork Bellies (14/16) has trended higher at a slow but steady pace. Over the

Pork Bellies vs. Retail Bacon

Source: Urner Barry, USDA



last 15 years, prices have ranged anywhere from \$0.54/lb to \$1.83/lb. At the end of November 2015, Pork Bellies were valued at \$1.10/lb, as per Urner Barry. During that same period, according to the U.S. Department of Agriculture, the retail price of sliced bacon has nearly doubled from \$3.00/lb to \$6.00/lb. Since 2000, retail bacon prices have advanced by more than 122%, finishing in October at \$5.90/lb. **UB**

Article contributed by Terence Wells
twells@urnerbarry.com

"...entrepreneurs have even introduced new items like bacon cologne, bacon flavored soda and bacon lollipops."



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How much protein can \$1M buy you today?

It's likely your economics teacher wasn't referring to the wholesale protein market when he or she taught you about the relationship between price and quantity supplied; they could've been though, as it's a pretty interesting way to look at it.

So, how much bang (protein) can one get for their buck (\$\$\$) these days?

First, let's start by saying that buying and selling commodities is no easy task and it definitely isn't as easy as it once was. If the last few years in the protein business have taught us anything, it's that volatility is imminent and nothing is a sure thing. Recently, we've seen red meat, poultry, egg and seafood items soar to record highs then seemingly plummet to all-time lows and vice versa. And when the price of a commodity fluctuates, so does one's



purchasing power and the quantity of product being supplied.

Aside from just looking at the price of an item or having to gauge supply and demand, industry players today have other factors to consider—the increasing cost of cold storage, transportation, insurance and credit, to name a few. So, there's even more that goes into understanding the relationship between price and quantity

supplied than what meets the eye; it's just not as cut-and-dry as it once was.

The wholesale protein markets have been, for lack of a better word, “crazy” this year, as well as recent years; there's no denying that. It's their volatility that has prompted us to ask the question, “How much protein would \$1M buy me in 2015 versus 2010?” Is there much of a difference?

As you can see in our chart, we've selected a few items and pulled their historical prices from Urner Barry's database (previous years have not been adjusted for inflation) to see how much bang (# of truckloads) you can get for your buck, and how much bang you used to get for your buck. The relationship between price and quantity supplied may shock you, or it may not! It may even force you to question the true value of what you're paying for. **UB**

Article contributed by Terence Wells
twells@urnerbarry.com

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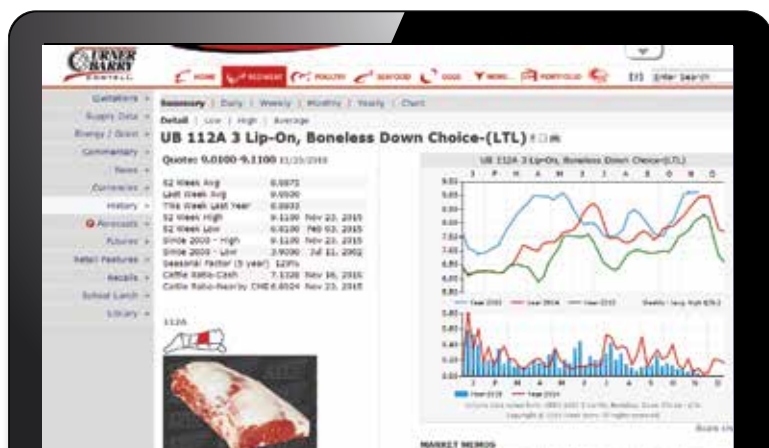
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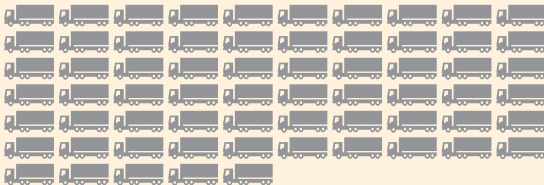












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Market News

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Item	Nov. 1, 2015	Nov. 1, 2010
Chicken – Breast Meat	\$1.11 / 22.5 Truckloads	\$1.28 / 19.5 Truckloads
UB Comcode 522		
Chicken – Wings	\$1.43 / 17.5 Truckloads	\$1.23 / 20.3 Truckloads
UB Comcode 513		
Chicken – Leg Quarters	\$.21 / 119 Truckloads	\$.38 / 65 Truckloads
UB Comcode 501		
Turkey – Breast Meat	\$5.85 / 4.25 Truckloads	\$2.75 / 9 Truckloads
UB Comcode 1050		
Turkey – Whole Birds	\$1.40 / 17.85 Truckloads	\$1.08 / 23.15 Truckloads
UB Comcode 1039		
Eggs – Shell	\$1.86 / 13.45 Truckloads	\$1.31 / 19.1 Truckloads
UB Comcode 003		
Pork – Boneless Loin	\$1.51 / 16.5 Truckloads	\$1.45 / 17.25 Truckloads
UB Comcode 1524		
Pork – Butt	\$.85 / 29.4 Truckloads	\$.95 / 26.3 Truckloads
UB Comcode 270		
Beef – Coarse Ground 81%	\$2.10 / 11.9 Truckloads	\$1.39 / 18 Truckloads
UB Comcode 1894		

Source: Urner Barry. UB Comcode numbers are taken from Urner Barry's numerical identification system for all quoted items.

Dietary recommendation to limit intake of processed and red meat had little impact on consumption patterns

Adapted from a story which originally appeared on Foodmarket.com on November 5, 2015



©Yulia Davidovich

2015's release of a World Health Organization study showing a link between processed and red meat consumption and cancer raises the question, will consumers reduce their intake of these foods? If history repeats itself, the study will have little impact on the consumption of these foods, according to leading global information company The NPD Group, which has continually tracked all aspects of eating attitudes and behaviors for over 30 years.

Using history as a predictor of future consumption behavior, NPD analyzed consumption behaviors after a 2002 American Cancer Society report recommended that consumers limit their consumption of processed and red meats, especially those high in fat. The ACS report, which was widely publicized at the time of its release, cited epidemiologic studies that found populations with diets

high in fruits and vegetables and low in animal fat, meat, or calories have a reduced risk of some of the most common types of cancer. In its recommendations, ACS stated that in the United States, about 35 percent of cancer deaths may be avoidable through dietary modification.

The NPD analysis, which was based on information collected through its National Eating Trends® service, looked at consumption trends for processed meats, fish/seafood, steak, bacon/substitute bacon, poultry, ham, pork (excluding ham and bacon), and ground beef/hamburger/patties/and dishes. There was no discernible difference in the consumption of processed and red meats or many of the other animal proteins tracked after the ACS guidelines were released compared to eating patterns prior to 2002. Processed meat consumption did decline somewhat beginning in 2005 until 2007 when its consumption steadily increased through 2014. Poultry consumption also increased from 2003 through 2007 and has plateaued since.

Since attitudes and behaviors can differ, NPD also looked at consumers' intentions to eat processed and red meats after the release of the ACS' dietary guidelines in the spring of 2002 using data from its Food Safety Monitor, which continually tracks awareness and concern about food safety issues. Eating intentions for these foods continued to follow the same patterns as before the release of the ACS guidelines.

"What our analysis shows is that we humans are creatures of habit for the most part, and are slow to change but we do evolve," says Darren Seifer, NPD food and beverage industry analyst. "It's that slow evolution in both attitudes and behaviors to which producers, processors, food manufacturers, and retailers must pay attention." **UB**



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'Twas the season

What's in a season? Or what was in a season I should say. Some traditions are as old as time—seafood during Lent, turkey on Thanksgiving, steak and tails on Valentine's day—or are they? There is no way around it, consumer demand for center of the plate proteins is hot. People want more meat and they don't care what time of the year it is.

Living on the East Coast I have always associated oysters with the summertime, the beach, and an ice cold drink. Due to increased consumer demand, harvesting now occurs year-round for oysters. What's interesting to note is that traditionally (and some enthusiasts still stick to this rule) oysters were only supposed to be consumed during "R" months, or months that end in an R. This "rule" originated because during the summer, after the oysters spawn, they lose a high percentage of their yields, making their meats thinner—thus, during the "R" months the meat is more plump and favorable. In addition, consuming oysters only during "R" months was attributed to transportation issues. Prior to ice and refrigerated transport, oysters couldn't be shipped around the country when the weather was too warm or they could spoil or become less palatable.

Chicken wings are another item in which seasonality has turned from sporting seasons to year-round consumption.

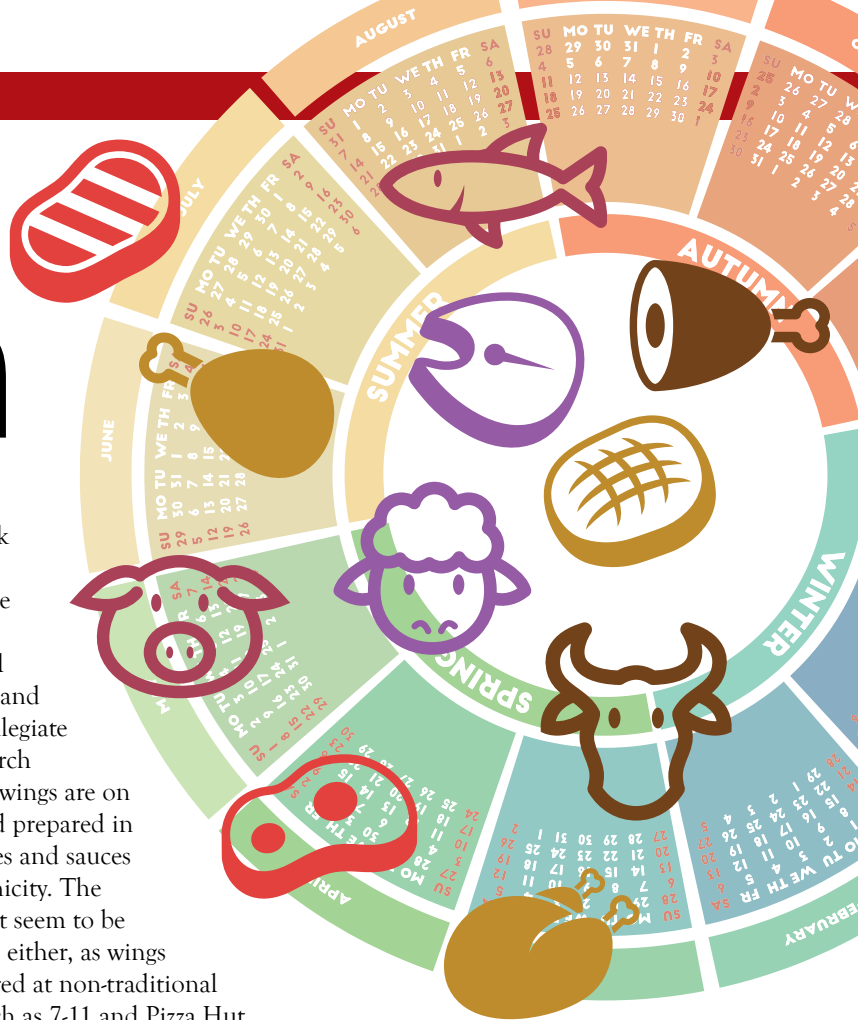
"THERE IS NO WAY AROUND IT, CONSUMER DEMAND FOR CENTER OF THE PLATE PROTEINS IS HOT."

Traditionally, there was a peak in demand starting with the beginning of the professional football season and ending with collegiate basketball's March Madness. Now wings are on every menu and prepared in a variety of styles and sauces from every ethnicity. The demand doesn't seem to be going anywhere either, as wings are being featured at non-traditional wing chains such as 7-11 and Pizza Hut. Ongoing expansion plans from chains such as Buffalo Wild Wings, a chain famous for touting chicken wings, shows that year-round consumption is here to stay.

Both foodservice and retail have also brought the pulled pork movement into a 365-day season, and consumers seem to be loving it. Consumption of pulled pork used to take place primarily when the smokers turned on between Memorial Day and Labor day. Now we are seeing retailers featuring it as a less expensive protein option for consumers. Its versatility has allowed restaurants to come up with new and exciting recipes while keeping pulled pork as the main star. The Pork Checkoff even held a contest called "1,001 Plates of Pulled Pork" highlighting the versatility of the protein in a variety of dishes.

While the food industry is still largely defined by seasonal swings, it's becoming more and more evident that traditional eating occasions are continuously evolving and expanding to accommodate the growing demand for popular proteins all year long. **U**

Article contributed by Nicole West
nwest@urnerbarry.com



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Price control closes down meat market

Most of the American population eats meat. It provides a good source of dietary protein and is relatively calorie-dense, as well as containing important vitamins and minerals. These benefits are undiminished during times of stress. However, when a nation goes to war or experiences economic upheaval, the government can take an active role in the market to affect the normal interactions of supply and demand. These measures have seen limited success, as sanctions often have unforeseen ramifications. The United States government has twice employed price control: Once under Presidents Roosevelt and Truman, and once under President Nixon.

The Second World War saw a major restructuring of the U.S. economy, with military requirements occasionally superseding the free market. The meat industry was no exception, as President Roosevelt's implementation of the

Stabilization Act of 1942 put price controls and production quotas on meat. This act capped the maximum price of nearly all meat and feed products, as well as hides and byproducts. The effects of this legislation proved catastrophic for much of the livestock industry, as miscalculations and oversights by the Office of Price Administration (OPA) would cause dozens of packers and retailers to close. While the OPA struggled to control the economy via legislation, the meat industry had to find ways to remain viable, even under heavy sanctions.

The OPA regulations encouraged packers to sell to the military instead of retailers, annihilating the supply of publicly available beef and pork. Prices rose in response to the increased demand, until they hit the OPA imposed ceiling. At that point, the best option to packers was again selling to the military, in spite of that fact that some were compelled to sell at losses of \$2/cwt. From 1942 to 1946, goods sold consistently at ceiling prices. If ceilings rose, prices were at the new high by the next day.



Some plants found and exploited legal loopholes, buying cattle at a feeder price, holding them for 30 days, and selling at a dressed price. Other packers found it less expensive to open and operate retail outlets than to sell at ceilings to retailers. Faced with empty facilities as supplies continued to dwindle, some packers even rented out freezer space, storing eggs, berries and poultry. Grocers unable to afford dressed pork bought live hogs and took up butchering, only to find that price ceilings on standard cuts were so low they were better off making sausage from everything but the chops. Others increased the weight of cuts by leaving in bones and trimming less fat. Horsemeat made an appearance on the market, until the OPA sanctioned that as well. Some OPA officials encouraged packers to fill frankfurters with soybeans, cracker meal and potatoes to keep costs controlled.

Black markets cropped up nationwide, with clandestine dealings being especially common in the beef market. The OPA employed between 2,000 and 5,000 investigators along with between 500 and 1,000 attorneys exclusively to break up black markets. The OPA even charged meat packers with criminal conspiracy to destroy the OPA by artificially creating a shortage. These charges were dropped



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when the FBI determined that the shortage was real and most did not have much meat. OPA regulations were so stringent that one in 15 businesses were charged with illicit transactions and another one in five was issued some sort of warning. Black market statistics are somewhat harder to come by.

Sanctions continued into 1946 as postwar Europe's infrastructure needed to be rebuilt. The OPA therefore controlled prices for several months after the war, until October of 1946. President Truman then removed the OPA, stating that Congress had "failed to protect our people from ruinous inflation." Shortly after lifting the sanctions, meat availability and prices rose, and the economy entered a period of postwar consumerism.

The government would intervene in the markets again in the 1970s. 1971 saw President Nixon preparing to campaign for reelection. On the table was rising inflation and unemployment in the face of contention between corporations and unions. An August conclave at Camp David with the President and 15 advisors gave rise to the New Economic Policy. For 90 days, prices and wages were frozen, directly contradicting Nixon's earlier disdain for government intervention in the economy. Even as he imposed the freeze, Nixon remained "philosophically against wage-price controls, even though [he] was convinced that the ... economic situation forced [him] to impose them."

The initial program seemed to work. Public opinion was that the government was stopping price-gouging, and the Dow Jones jumped 32.9 points, setting a new record. The freeze forced sellers to set ceilings based on prices over the past 30 days, and establishment of these ceilings became a point of contention between buyers and sellers. Following the 90-day freeze, regulations began to relax, although ceilings remained in place. However, inflation and unemployment also continued to grow. Nonetheless,

public approval resulted in Nixon's 1972 reelection and he continued to work on economic policy. Following the election, feed prices continued to rise. In response, meat prices went up as well, even under the government sanctions.

People protested supermarkets in the face of inflated costs, and, in June of 1973, the government froze prices again for a maximum of 60 days, but did not freeze wages.

Reasons cited were high food costs and the development of a more effective control system to implement following the freeze.

This time, it didn't work. Over the next year, corn prices doubled and soybean

meal quadrupled, decimating profit margins for farmers and meat packers alike. In response to ever-rising feed prices and vanishing profits, farmers simply stopped selling cattle. The resultant shortage put the consumer and the meat business at odds, while grain farmers posted record profits. Ultimately, the economic turmoil of the 1970s convinced the nation that freezes were not the answer.

Though the meat market has experienced challenges in the past, meat remains a vital part of the American diet. The market has shown us that supply and demand is an efficient method of regulating price. When left to its own devices the market does not always yield low consumer prices or attractive profits which can be unpopular with the public. That said, history has shown intervention in the market creates unintended consequences that can sometimes be worse than the problem that it attempts to fix. **UB**

Article contributed by **Jake Muldowney**
mail@urnerbarry.com



Ollie Atkins, White House photographer



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What's the squawk about squab?

They are thought to have been the first birds domesticated for consumption, made for popular meals in Ancient Rome and Egypt, and were considered a delicacy in Middle-Aged Europe. They have been cheap and abundant protein sources during economic crises, like the United States' Great Depression and England during World War II. Even today, pigeons ignite powerful emotions among American city-dwellers. Yes, the pigeon has been it all.

Squab, a pigeon under four weeks old, is still a very popular meal staple among some. It is often served at French restaurants and in Chinese cuisine. Squab is very tender, as the bird had not yet flown before slaughter, and is a dark, lean meat, with fatty skin, similar to duck. Portions of squab can make for easy meal prep calculations as one squab is usually enough for one person.

According to the Squab Producers of California, "Squab, or young pigeon, has been bred for food for centuries dating back to early Asian and Arabic cultures. The chronicles of history place Squab high on the list of delicacies enjoyed by ancient Emperors, Kings, Pharaohs, and Medieval Royalty. Often said to be the "meat of Kings," Squab today retains its rightful position on the menus of finer dining establishments everywhere. Squabs are being enjoyed by an ever increasing number of discerning people who appreciate excellence in dining, whether at home or away." **UB**

Article contributed by Julie Gallagher | mail@urnerbarry.com



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Indonesia: a growing Southeast Asian economy

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Indonesia has been home to mankind since as early as 38000 BCE, and likely made contact with the Middle East as early as 2000 BCE. Their first contact with Europe came via the Portuguese, who were quickly ousted by the Dutch in the 16th century. Abundant natural spices and a climate friendly to coffee made Indonesia a prosperous colony until the 20th century, when it became independent following 4 years of guerrilla warfare. Following their independence, the country's economy was sustained by oil exports until the 1970s.

Modern-day Indonesia is the fastest growing economy in Southeast Asia, regularly posting 6 percent annual growth. Government is democratically elected, and currently employs fiscally conservative policies while pushing to build the economy. Per capita income is on the rise, and has been for years. Indonesia was one of the few G20 countries that continued to post growth through the recent recession.

Since the mid-2000s, Indonesia has pursued the goal of beef self-sufficiency, looking to import less than 10% of all its

beef. While the government has worked to enable this, current herds are too small to support the country's population, the fourth largest in the world. To prevent prohibitively high beef prices, Indonesia imports beef and live cattle primarily from Australia, although self-sufficiency remains a long-term goal. As a result of government sanctions on beef imports, Indonesian beef continues to carry high prices. These prices contribute to the prevalence of chicken as a protein, although Indonesia does not import any poultry as part of another self-sufficiency initiative.

As a nation of islands, Indonesia understandably has a tremendous seafood market. Major exports include tuna, tilapia, shrimp, and blue swimming crab, with strong snapper offerings as well. Their Blue Revolution is a push to expand global trade, and they anticipate \$5 billion in exports to the US alone. They consistently rank highly in wild capture volume and have a growing aquaculture output as well. Indonesian aquaculture is currently somewhat inefficient, but Blue

Revolution has plans to streamline and optimize output.

Indonesia is a fast-developing nation with a faster-developing economy. While red tape and self-sufficiency policies limit imports, look to Indonesia as a major exporter of seafood as the Blue Revolution revamps aquaculture and wild capture numbers remain high. **UB**

Article contributed by Jake Muldowney
mail@urnerbarry.com

Indonesia / U.S. comparison



AREA	1,904,569 sq km	9,833,517 sq km
COASTLINE	54,716 km	19,924 km
POPULATION	255,993,674	321,368,864
LIFE EXPECTANCY	72.17 years	79.56 years
GDP	\$888.6 billion	\$17.35 trillion
GDP (per capita)	\$10,700	\$54,400
AGRICULTURE AS A %GDP	13.70%	1.6%
AGRICULTURAL PRODUCTS	rubber, palm oil, beef, poultry	wheat, corn, grains, fruit, beef, pork, vegetables
LABOR FORCE	120 million	155.4 million
UNEMPLOYMENT RATE	5.9%	6.2%
CRUDE OIL PRODUCTION	789,800 bbl/day	8.653 million bbl/day

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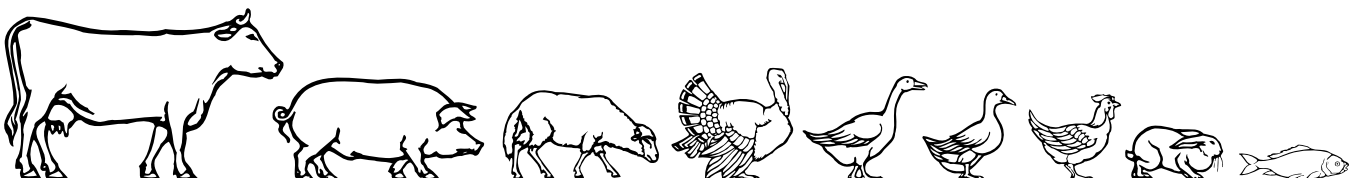
2014	2015	2016
<ul style="list-style-type: none">• Chicken Demand Strengthens - in 1st Place!• No Beef, No Pork Available!• Turkey - Record High Markets• Poultry Supplies Kept in Check• Exports Best Ever!• Cold Storage Inventories Manageable	<ul style="list-style-type: none">• Chicken Demand Softens - Production Expands• Move over Chicken, More Beef & Pork Available!• Turkey Production Limited - HPAI Outbreak Worst Ever• Record Markets for Turkey Meats and Whole Birds - Again• Exports Weaken• Cold Storage Centers FULL of Chicken, Beef and Pork	<p>???</p>



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More bones to pick

The following is a review of *A Bone to Pick: The Good and Bad News about Food, with Wisdom and Advice on Diets, Food Safety, GMOs, Farming, and More* by Mark Bittman, published by Pam Krauss Books

Influential food writer, Mark Bittman, has a new book, *A Bone to Pick*, a collection of his *New York Times* food policy columns written since 2008. The introductory chapter, "A Food Manifesto for the Future", sets the tone, leaving the reader pretty safe to assume that Bittman is a man on a mission. His previous books are all cookbooks. *How to Cook Everything* is arguably his most well known that spawned a several more specific sequels.

Bittman is also known for his lifestyle books with recipes, for example, *VB6: Vegan Before 6:00* and *Food Matters*. Most of his earlier work has a lighter yet instructional tone. In *A Bone to Pick*, Bittman ramps up the pedagogy because he has more serious matters in mind—our national health.

Bittman began writing his "Minimalist" column in the *Times* in 1997. Since then he has evolved into a journalist, food writer, and author of 14 books as well as a self-proclaimed advocate and activist for better nutrition. Bittman recently announced his retirement from the *Times* to start working with The Purple Carrot a vegan version of subscription meal kit services such as Blue Apron, Green Chef, and Plated.

FUN FACT

The average person eats about

35

TONS OF FOOD DURING A LIFETIME

The exact amount of food an individual person eats in a lifetime varies based on the person's gender, size, diet and lifespan.

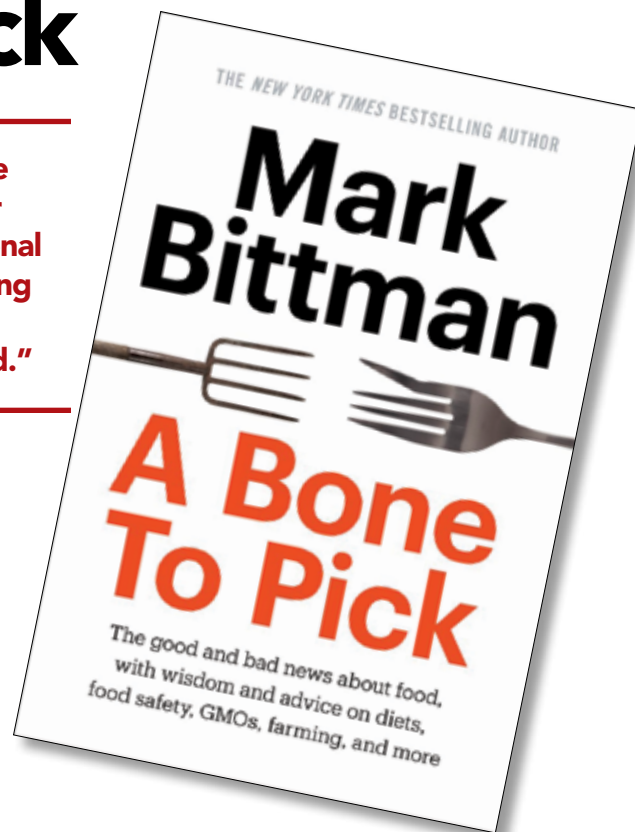
"Bittman seems to have little faith in consumer education and that personal responsibility is something that only right-leaning conservatives can afford."

Bittman is a keen observer of what is going on in the food industry but as often happens with collections like this there are more than just a few instances of repetitive angst against the usual suspects. Also, other organizations are cited for their more benevolent, yet just as damning natures contributing to the consolidation and conformity of our food culture.

One of my problems with this white hat-black hat view of things is that it too often takes the consumer out of the equation. Where Bittman often does address the nutritional dilemmas faced by today's consumer he takes the approach that the government should be regulating dietary no-nos such as fat and sugar intake making the individual less responsible for taking control of their own lives. Bittman seems to have little faith in consumer education and that personal responsibility is something that only right-leaning conservatives can afford.

Overall, Bittman does an admirable job of bringing topics to the forefront that need to be addressed like GMO labeling and the fast-food minimum wage war, as well as the continued dialogue on sustainability and obesity, but these all seem to be at the expense of the average American. There are a multitude of ills that need addressing to improve America's nutrition. Although we can thank Bittman for bringing some of them to our attention, there are still a few bones to pick that a firmer analytic hand and a transparent dose of food awareness might rectify. **UB**

Article contributed by James Patterson
jpatterson@urnerbarry.com



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Where else is the beef? ...

countless creations from cattle

When someone says "beef" almost inadvertently meat, burger or steak are words that immediately come to mind. Indeed these are all products of cattle, but there are also many other by-products. Here are just a few that may not be quite so obvious.

Leather is a very good example of a beef by-product. It is made from the cow hide and it is used to make by-products. From 1 cow hide you can get:

12 basketballs or
144 baseballs or
20 footballs or
18 volleyballs or
18 soccer balls or
12 baseball gloves

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Gelatin comes from the connective tissues of the beef animal. Other products that contain gelatin might include:

- ✓ gum
- ✓ fruit snacks
- ✓ gummy bears
- ✓ marshmallows

Many medical products are made from animal by-products. Some products may contain stearic acid that is found in fatty acids that are derived from beef tallow.

There is a sticky part on the bandages that can be made from animal fatty acids since fatty acids are used to make adhesives.

You can use a cow's hooves and horns to make glue.

Fat from cattle is used as a binding agent for asphalt and stearic acid, another cattle by-product, is used in tires to help them hold their shape.

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New infographic explains antibiotic use on pig farms



Article contributed by the
National Pork Board

The National Pork Board debuted a new infographic in November depicting how U.S. pig farmers work with their veterinarians to use antibiotics responsibly to help keep people, pigs and the planet healthy.

"As pig farmers, we work closely with veterinarians to make sure we're using antibiotics only when necessary for the health and well-being of our animals," said Derrick Sleezer, president of the National Pork Board and a pig farmer from Cherokee, Iowa.

Greetings to the Southeastern from



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“We’re also committed to protecting human health, and we understand the importance of using tools such as antibiotics responsibly to ensure food safety.”

The National Pork Board continues to update and expand programs, such as Pork Quality Assurance® Plus, that certify that farmers know the latest information about how to practice responsible antibiotic use at the farm level. However, pig farmers are increasingly communicating with the public about this issue with the goal of demystifying antibiotic use.

“We realize that today’s consumers want to know how their food is produced and that it’s safe for their families,” Sleezer said. “This is why we’re reaching out and telling people how we keep animals healthy to produce safe food. This infographic is one way we will achieve that goal.”

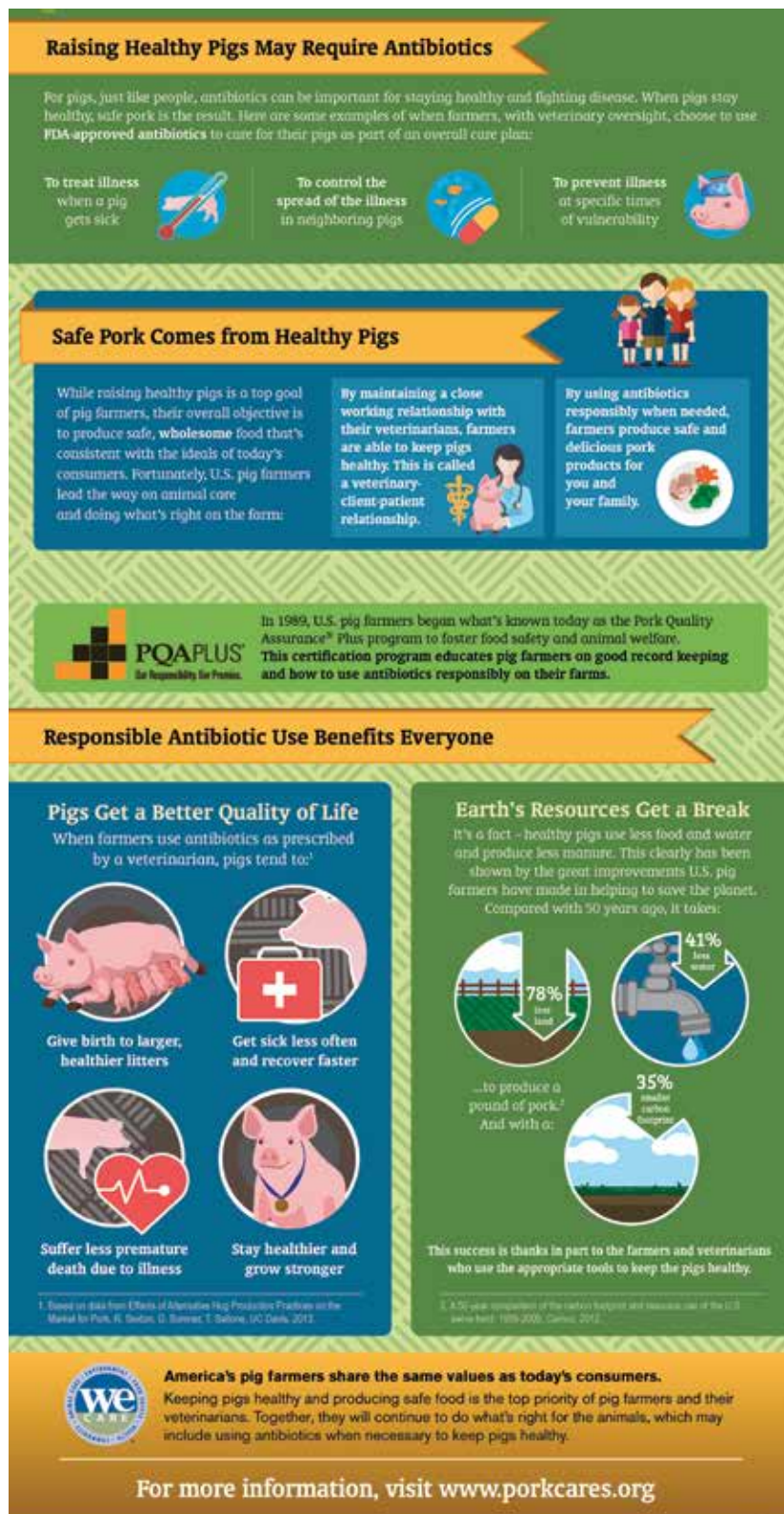
The National Pork Board has made a concerted effort in 2015 to address antibiotic-related issues. The board’s three-point plan of action focuses on research, education and communication. The plan will help shape educational outreach to pig farmers, share information with the retail and foodservice industries and inform pork consumers.

Other antibiotic initiatives coming from the National Pork Board include a new independent blue-ribbon panel to discuss the issue and to help prioritize research and producer education programs. The panel also will identify opportunities for improvement in current antibiotic practices and offer guidance in how to improve antibiotic stewardship in the pork industry.

“The role antibiotics play in pig farming is often misunderstood,” said Chris Hodges, National Pork Board chief executive officer. “That’s why we work closely with various groups in the food chain and why we’re reaching out to consumers with information about how antibiotics are used on the farm. It’s all part of our responsibility to build consumer trust in pork production.” The entire infographic can be found by visiting porkcares.org under the Our Practices tab.

The National Pork Board has responsibility for Checkoff-funded research, promotion and consumer information projects and for communicating with pork producers and the public. Through a legislative national Pork Checkoff, pork producers invest \$0.40 for each \$100 value of hogs sold. Importers of pork products contribute a like amount, based on a formula. The Pork Checkoff funds national and state programs in advertising, consumer information, retail and foodservice marketing, export market promotion, production improvement, science and technology, swine health, pork safety and sustainability and environmental management. **LB**

“We realize that today’s consumers want to know how their food is produced and that it’s safe for their families...”



Absence of HPAI in the fall flyways

Without a doubt the biggest issue to confront the turkey business in 2015 was an unexpected one. Highly Pathogenic Avian Influenza (HPAI) and its ongoing impact on the industry's best laid plans is indisputable. The influence commercial bird losses had on immediate slaughter levels, and therefore product availability, changed the positioning of everyone involved, while confirmed cases in breeder flocks ensured that production would also be disrupted in the more distant future.

THE STAGE IS SET

Growth in the turkey industry is rooted in broader demand for value added products which requires meat and parts for processing. This scenario heavily favors raising toms, which are capable of bringing to market the larger parts and heavier breast lobes necessitated by today's cooking requirements. With no secret being made about 2015's expansion plans, a premium was placed on the value of the male, negatively impacting demand for hen poults in its wake. With costs of production sharply lower and suggestions of average or better early year needs, returns were forecast to be healthy. At the same time expectations of increased slaughter would produce more affordable markets for buyers, theoretically prompting improved demand. Low prices and good demand is a winning combination, and potentially just the thing the industry needed for another successful year but low prices never developed.

AI HITS

At this time last year game plans were being formulated based on the assumption of advancing slaughter. It was expected to take shape through increases in overall

head count along with an emphasis on raising more toms and, therefore, heavier turkeys. But then HPAI hit and hit hard. Previously, turkey processors had no inkling that the largest HPAI outbreak in U.S.

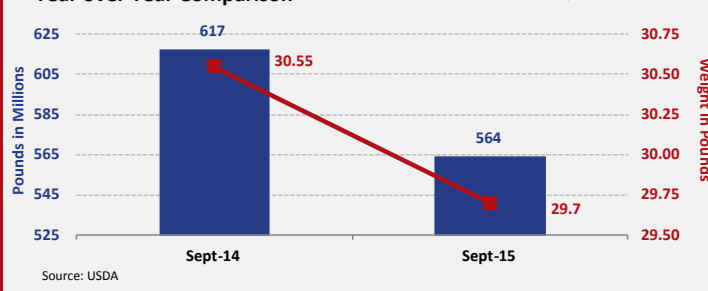
history was just around the corner and unwanted turkeys, especially hens, were being destroyed in large numbers. Q1 poult destruction figures were well into the hundreds of thousands weekly until early May when it became clear how devastating an impact HPAI induced flock losses would have on supplies.

Almost overnight hen poults became a highly prized commodity and, instead of being destroyed, they were readily placed with the intent of raising them into heavy hens for much needed breast meat.

LIGHTER TURKEYS AND FEWER OF THEM

The monthly slaughter reports tell a story that helps piece together the puzzle. Significant reductions in year on year slaughter figures, especially in the second half, are directly related to the bird deaths brought on by disease and the industry's course of action which followed. Flock loss created a scenario where severe reductions in the number of head created an immediate void in the birds available for consumption. In an attempt to bridge at least some of the gap, available toms were brought in from the farms earlier

Monthly Turkey Slaughter: Year over Year Comparison



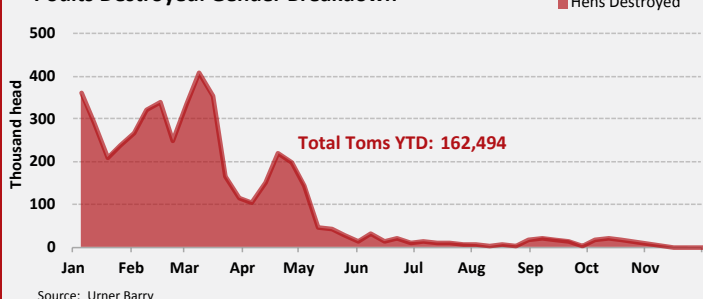
60% of the meat a tom might provide, raising heavy hens (about 26 pounds live) became the best option for an industry sorely in need of turkeys. So not only were head counts below year prior levels but the birds that were coming to slaughter were also lighter.

The combination produced total live weight figures which were as much as nine percent below last year! A sharp decline by any standard and one that is not expected to change much in the months ahead.

TURKEY EXPORTS SMOTHERED BY BANS

During this time selling turkey into the export arena became a study in frustration. For processors and exporters a battle was on their hands to secure business, much less at a fair price. Given the ineligible export status of many participants, when offerings were made, they often fell on the deaf ears of buyers who had their hands tied. Even when product became available from non-HPAI states, currency and liquidity related issues which have been in place most of this year smothered the chance of trade progress. Through September, YTD export volumes were below 2014 by 30%. The monthly numbers are similarly alarming. The latest FAS figures show that for September, volume was down by almost 38% and in value by more than \$18 million. Mexico, the turkey industry's top export destination, accounts for nearly 54% of that reduction. Looking ahead, the international arena is exhibiting demand for U.S. turkey meat and parts. However, existing bans negate any easily resolved opportunity processors have to reestablish normal trade relations.

Poults Destroyed: Gender Breakdown



doesn't ease turkey supply concerns

TURKEY INVENTORIES SET SEASONAL SENTIMENT

With the arrival of fall, seasonal trade sentiment transitioned and the cold storage reports help identify this changeover. With a cacophony of HPAI influences adding to the mix, probably the most noteworthy and maybe expected data in a record price environment is the decline in the number of toms and hens held in the nation's freezers. Swinging lower from last year, the October 31 whole body turkeys stocks were running 14% below 2014 with the hen category down 20%! The breast and breast meat data showed an increase of 20% from last year but, with lighter and fewer birds coming to market, many sense that any increase is a hedge to offset weight loss and the possibility of HPAI resurfacing. Of no surprise is the significant uptick in dark meat inventories resulting from the double-edged sword of export bans and a strong dollar. Total turkey holdings were down an impressive 9%.

EGG SETS ON THE RETREAT

The abrupt change of course in the turkey industry's projected path this year has been nothing short of phenomenal. It's also been an education in how slow to recover from a major outbreak it can be. Through no fault of anything other than the natural production cycle of the commercial turkey, recovery from significant bird loss is anything but quick. The last incident of HPAI was recorded on June 17, however, the repercussions continue. In addition to a breeder flock that was already struggling to produce enough poults to fill demand; specifically tom poults, high path related breeder flock losses have curtailed an already minimum supply of available eggs. Since the end of July year over year reductions have been especially steep, averaging a little more than 7% weekly. With that in mind, lower placements and slaughter in the months ahead are just about guaranteed, placing 2016 contracts in an interesting light.

TURKEY PRODUCTION FORECAST—SIZE MATTERS

The 2016 market is a topic of hot debate. Last year the turkey industry was preparing for significant increases in head count

"...it is virtually impossible for any increase in the numbers to take place before about the middle of next April..."

and bird weights, neither of which ever came to fruition. So here we are on the cusp of a new year and once again, the USDA is forecasting significant increases in slaughter beginning in quarter two of 2016. The production estimates represent an increase of 7.9% above the currently projected 2015 RTC figure of 5.57 billion pounds. An informal survey conducted by Urner Barry found that industry players are less certain about the pace and timing of

expansion. In looking at the hatch figures, it is virtually impossible for any increase in the numbers to take place before about the middle of next April; and that's only if the amount of eggs being set begins to advance immediately. For now they are still on the decline. Then there's the fact that no matter how populated the barns might be with turkeys, many will be hens by default, a much smaller turkey unable to produce the meat that a tom can. In the meantime, the existing forecast would bring RTC production fairly close to 2008 levels which at 6.2 billion pounds was the highest on record. For reference purposes and probably little else, in '08 the tom market hit a high of \$.99 while breast meat's pinnacle was a paltry \$1.76. At the same time whole bird holdings at the end of the third quarter were 334 million pounds against this year's figure of 268. **UB**

Article contributed by **Russell W. Whitman**
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This year's Dietary Guidelines for Americans will omit sustainability

Every five years, the Department of Health and Human Services (HHS) and the United States Department of Agriculture (USDA) team up to release an updated version of the Dietary Guidelines that they believe Americans should abide by in order to stay healthy. These guidelines strive to prevent diet-related conditions such as diabetes and heart disease. This year's version is set to come out before the New Year, but not without some conflict. In a controversial decision, the HHS and USDA decided not to include sustainability in their latest publication. Despite protests, the two organizations feel that the Dietary Guidelines are "not

the appropriate vehicle," to discuss this particular issue.

Sustainability is the idea that people should take into account the environmental impact of a food type. Certain types of food require more resources to produce than others.

Special interest groups assume that meat consumption should be reduced for sustainability issues, but are this year's Dietary Guidelines the most relevant publication to do so? Many in the food industry argue that it isn't the right place to debate this problem.

"While sustainability is an important food issue, it was outside of the Dietary Guidelines Advisory Committee's scope and expertise..."

– NAMI CEO Barry Carpenter

"In our view, this is clearly out of scope," Janet Riley of the North American Meat Institute says.

She says that if sustainability is going to be included in the dietary guidelines, experts need to better understand how food production affects the environment.

"While sustainability is an important food issue, it was outside of the Dietary Guidelines Advisory Committee's scope and expertise and would be more appropriately addressed by a panel of sustainability experts that understands the complexity of the issue," NAMI President and CEO Barry Carpenter said. "Moving forward, we hope the agencies will continue to focus on the clear science highlighting the wide variety of nutrition benefits of all meat and poultry products to develop a Dietary Guidelines for Americans best suited to achieve healthy outcomes for all Americans," Carpenter added.

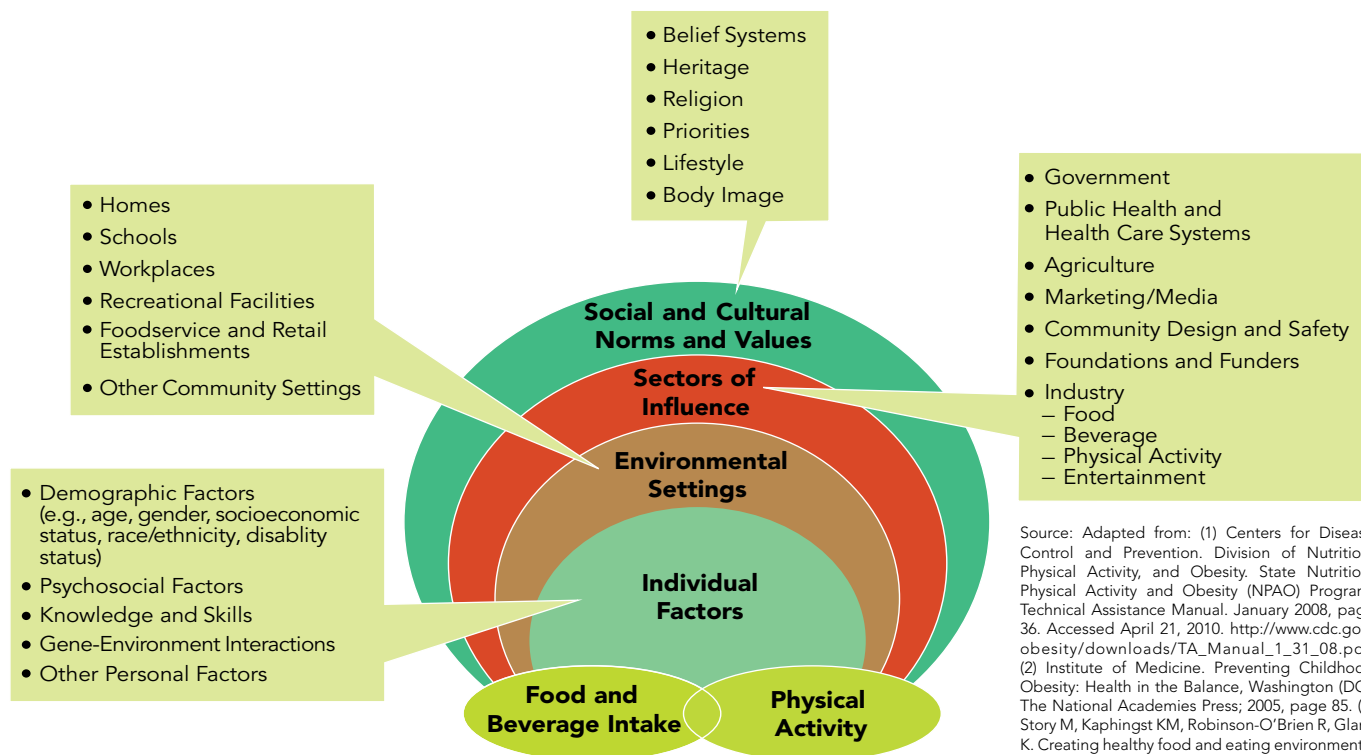
The USDA and HHS have received almost thirty thousand comments in response to their decision. To put that in perspective, they received only about two thousands comments regarding the Dietary Guidelines five years ago. It's obvious over the past half-decade that sustainability has become a more prominent issue to society. This debate may die down for now, but this issue will definitely be revisited again in 2020. **UB**

Article contributed by **Matthew Abbott**
mabbott@urnerbarry.com

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U.S. Pork, chicken supplies

Continued from page 1

of Highly Pathogenic Avian Influenza (HPAI) which mainly affected egg and turkey production, but it did have a huge impact on the broiler markets due to the closure of key export arenas.

Analysts and industry sources have said that the nation's hog herd has maintained generally good health throughout the year, which should put supplies on track to be a bit larger in 2016. The latest projections by analysts compiling the World Agricultural Supply and Demand Estimates point to a 1.4% increase in 2016 pork output from 2015 and 9.1% over that of 2014.

Pork imports next year are expected to change little from 2015 while exports are predicted to grow by over 200 million pounds versus 2015. Currency exchange rates are a wild card for exports though, and a strong dollar would make U.S.

goods more expensive for international customers to buy. Conversely, a weaker dollar against the other currencies could help boost exports.

China recently announced that it has lifted its restrictions on certain U.S. pork processing plants approved to produce pork for the world's largest consumer of the protein. That could further boost pork exports in 2016.

Other wildcards for the year ahead include corn and soy-meal prices and competition from the other protein sectors.

Broiler chicken supplies have been large so far in 2015 and production is projected to be up about 2.2% next year. Turkey production is predicted to rebound next year following the hefty decline seen in 2015 due to the losses from HPAI. The latest predictions put turkey output in 2016 up about 8% from 2015.

Beef output in 2016 is predicted to be up from 2015 as well, with a gain of nearly 5%. The production is also expected to be the largest since 2013. However, with smaller imports and larger exports expected, supplies available for domestic consumption are predicted to be only 2.4% larger.

Cold storage stocks of beef and pork at the end of September (latest data available) were at record levels and chicken was the largest since 2002. Unless there are large out movements in the final quarter, the New Year will begin with plenty of meat and poultry being held in the nation's freezers.

Total meat and poultry production in 2016 is projected to be about 97.2 billion pounds, which would be up 3% from 2015 and nearly 6% above 2014. **UB**

Article contributed by **Curt Thacker**
cthanker@urnerbarry.com

Shrimp supplies and diseases

Continued from page 31

ultimately defeat rampant mortality rates from shrimp EMS should not be overlooked.

Thai shrimp producers reengineered their farming process to not only defeat shrimp EMS, but also to prevent outbreaks of the magnitude seen between 2011 and 2013 that devastated the country's shrimp output.

Although Thailand is not likely to see 500,000-600,000 tons in annual production again, it is on track to be one of the most stable and profitable shrimp producing regions in the coming years.

A recent survey in Thailand by David Kawahigashi, an expert in Vannamei cultivation who trains shrimp farmers around Southeast Asia, uncovered real changes in Thai shrimp aquaculture; changes that so far do not seem to be occurring anywhere else.

Farms showing improvements are those that modified pond and farm configurations as well as a water management.

First, they carefully control feeding rates as buildup of wastes from uneaten shrimp feed is one of the reservoirs of the EMS-inducing bacteria.

Secondly, they have increased their water exchange capacity and reduced density. Water quality is another factor that has proved important in the control of disease.

Third, they are using "shrimp toilets." These are deep sumps constructed in the center of the pond to collect and trap settled wastes.

The net result is that they have vastly reduced the loads of EMS/APHNS carrying bacteria, and as a result have returned to very high survival rates.

"Farms that were previously hit hard by EMS/APHNS and having a difficult time producing shrimp economically are now harvesting large volumes in the 30-40 metric ton per hectare range (per crop!) at survival rates between 80 and 90%. The farmers seem to have a regained confidence," said Kawahigashi.

These changes in farming practice have not spread to Vietnam, Malaysia or China, let alone Indonesia and India which face quite different environmental conditions. But given the apparent effectiveness of Thailand's improved practices, it's not farfetched to think farmers in India and other major shrimp producing countries will attempt to develop methods intended to mitigate the risk of EMS, EHP and other diseases that pose serious threats to their production.

In the market, most consumers are still reacting to the high prices of a year ago and there is a lag time before they change behavior. But consumption is changing in the U.S. as there is little evidence of inventory build-up and shrimp promotions and retail sales are increasing. At the same time demand for imported shrimp in countries like China remains strong.

In a low-priced environment, only farmers who are confident about the level of risk they are taking with production will continue to produce high volumes of shrimp. **UB**

Meat and Poultry exports

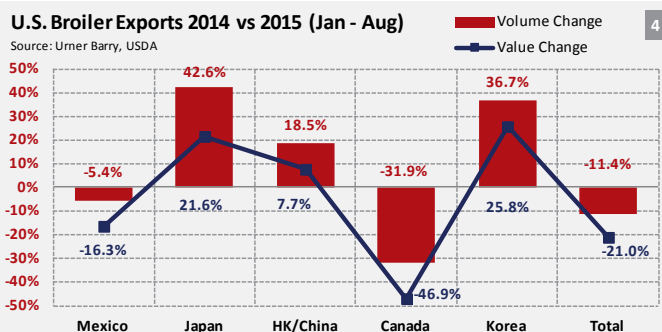
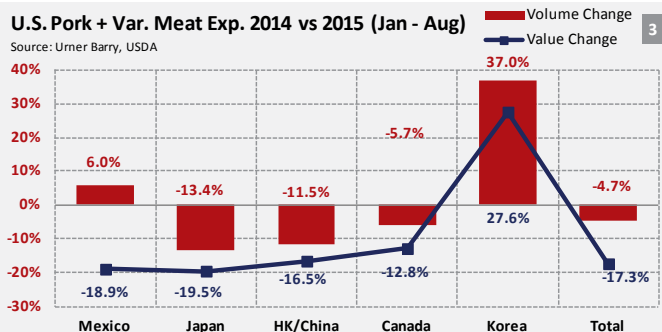
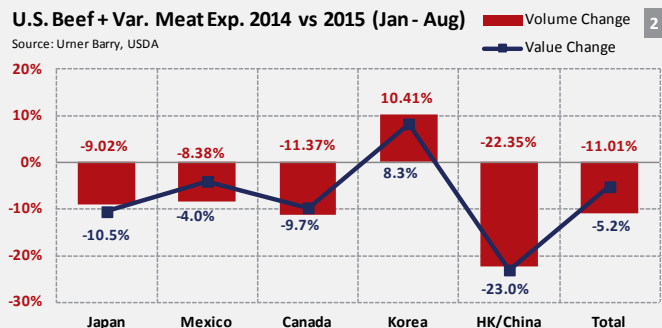
Continued from page 1

export volume was down nearly five percent through August, but with the fall in prices, the value of exported product collapsed over 17 percent. Once again Korea had positive gains in volume and value and served as the lone bright spot (chart 3).

Broiler exports had to contend with some of the same things the pork industry did; namely higher production and exchange rate strength. But the industry also had to deal with the battle against avian influenza bans as well which suppressed exports even further. Broiler exports fell over 11 percent year-to-date through August compared to the same time in 2014. Lower prices here in the United States led values exported to decline nearly 21 percent (chart 4).

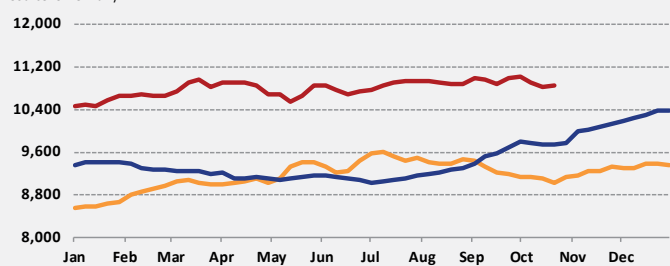
The global market development in exchange rates will be one of the macro items that those in the red meat and poultry trade will follow. The domestic supply situation will be another. But the main thing is that market penetration into the large demand countries must return to pre-2015 levels if we are to see a shift towards improving export numbers. **UB**

Article contributed by Gary Morrison | gmorrison@urnerbarry.com



Dollar Index

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2,456	900
2,456	900
13,485	11,809
278	291
13,763	12,100
81.79	92.38

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The advertisement features a vibrant green background with a stylized sunburst and rolling hills. At the top center is the 'prairie natural' logo, which includes a white rabbit silhouette in a red circle. Below the logo is a red ribbon banner with the words 'RABBIT MEAT' in white. To the right of the banner is a circular seal with a scalloped edge containing the text 'Premium MEAT'. In the lower left, a 3D rendering of a product box is shown, labeled '100% PREMIUM MEATS', 'prairie natural', and '20 lbs. (net weight)'. To the right of the box is a photograph of a cooked rabbit dish, including a rack and chops, garnished with green herbs. At the bottom left, a green box contains the text 'Largest Rabbit Meat Importers' and 'Whole - Trimmings - Legs - Loins'. At the bottom right is the 'SB' logo with a cow's head, followed by 'SOUTH AMERICAN BEEF INC.' and the tagline 'Your Import Specialists'. A list of product lines and origins is provided at the bottom, and contact information is at the very bottom.

prairie natural
RABBIT MEAT
Premium MEAT

100% PREMIUM MEATS
20 lbs. (net weight)

Largest Rabbit Meat Importers
Whole - Trimmings - Legs - Loins

Product lines: Beef - Lamb - Veal - Goat - Mutton - Seafood - Poultry - Wild Game Meats
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