

# URNER BARRY'S Reporter

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the newsmagazine for the food industry professional



## Meat and poultry retail outlook for 2017

The retail situation in 2016 has been a gradual shift from the all-time high prices seen in previous years to lower prices and a more modest price gap between competing proteins. In 2017, the case appears to remain much the same, with a large supply situation giving cause to see retail prices move lower still.

Lower prices at retail benefits the consumer for obvious reasons, but will also help alleviate the glut of meat supplies in the U.S. by generating increased interest and sales. Wholesale prices came down at a much quicker rate than retail but that continued, albeit slow, decline will be key in motivating consumer purchase decisions, especially for beef, in 2017.

Urnner Barry's Weekly Retail Feature Beef Index is currently running at a three year low. YTD average feature prices have come down roughly 6% from a year ago so far in Q4 2016. Meanwhile, wholesale prices are down around 18% from a year ago late October. The drop in retail beef feature prices, though subtle, did manage to compete better with cheap pork and chicken, renewing consumer interest after years of record high prices.

While the spread between the overall Beef Retail Index and other protein indices remains fairly wide, when looking at comparable items it's plain to see that beef is now offering some stiffer competition. Most notably, 80% lean ground beef has

been featured, on average, at prices below that of boneless skinless chicken breasts 31 out of 43 weeks so far this year.

With further erosion of retail beef prices, the goal of the complex would be to entice consumer dollars on a more regular basis. Beef has all too often fallen into the "special occasion" purchase category, as higher prices have branded beef a premium protein in consumer minds, instead of an everyday meal option. Gaining back shopper loyalty and increasing purchase frequency through lower feature and everyday prices will greatly help the domestic supply situation for beef in 2017.

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*Looking upstream ...*

## Efforts at curbing foodborne illness focus on live production

Foodborne illness is a common and costly public health problem that requires constant vigilance. As much as it is part of mainstream media reports that constantly tout proper food handling and cooking techniques, it is also highly preventable. This statement becomes even more meaningful when one considers how advances in science and technology used

in live animal production can assist in improving farm-to-fork food safety.

Animals' immune systems and the proper balance of them is key to helping reduce the risk of pathogens in food processing.

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# The latest and greatest project from UB

**"We hope to have you as a listener."**



Market Reporter Brian Moscogiuri discussing the egg market.

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We hope to have you as a listener and look forward to any feedback. **UB**

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# Greener pastures usually mean cheaper costs for cattle producers

Grasslands are much greener and water supplies overall are greatly improved across most of the Southwest this fall than they have been on average in recent years, making the prospects of winter pasturing of cattle in the region brighter.

Typically, there is no cheaper way of adding pounds to young growing cattle than by having them feed on lush grasslands. In the wide open spaces of the Southwest, pasturing cattle on winter wheat planted in late summer to early fall is a common practice. Ranchers depend on that source of feed for their cattle, and when moisture is lacking for the wheat to grow, costs of feeding the animals rise quickly since they must be fed hay or other feedstuffs.

In times of severe water shortages, such as what occurred during the drought years,



ranchers are forced to either trim their herds and sell off a portion of their cows or move some or all of the animals to other areas of the nation if adequate pasturelands are available.

In 2014, the U.S. cattle herd fell to its lowest level since 1952 following severe droughts in the Midwest and Southwest that also contributed to record high corn and hay prices. Since that time, and especially so in 2016, rainfall has been much more abundant throughout these key cattle producing and feeding regions.

The USDA's weekly crop condition reports include a detailed summary of pasture and range conditions and include five rating categories: excellent, good, fair, poor and very poor.

The data show pasture conditions in Kansas, Oklahoma and Texas as of mid October were rated on average at 89% fair or better, compared with just 19% in the severe drought period of 2012. The average rating has improved each year.

Similarly, pasture conditions are much improved in New Mexico and Arizona as the latest average rating for the two states was at 76% fair to excellent, versus 33% in 2012.

Even California has shown some improvement this year, coming in at 55% overall in the upper three categories combined after falling to just 5 in 2012 and zero in 2013 during the historic exceptional drought. California remains in drought and portions of the state continue to be under exceptional drought, the lowest rating from the U.S. Drought Monitor.

Other factors are also taken into account by cattle producers on whether to build or trim the herd, but when adequate pastures are not available or there is little or no grass on them due to extended dry weather, their options become very limited. **UB**

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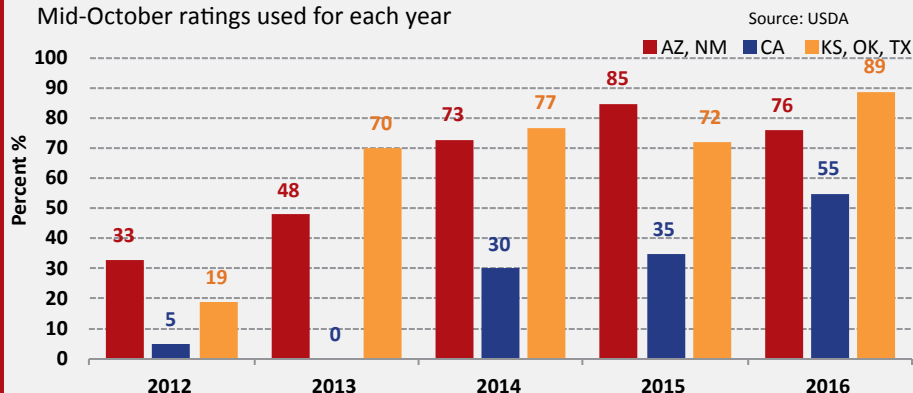
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# The cold brew craze



This cup of cold brew coffee is infused with nitrous, giving it a lighter and almost fluffy consistency.

So, maybe you're a coffee/caffeine maniac like me; maybe you're not. But, if you've been to any major QSR place that specializes in coffee or tea recently, you've probably heard of something called "cold brew." Cold brew sounds interesting, right? Cold implies a sort of freshness or boldness when you hear it, and the idea of a "cold brew" makes coffee adventurers seek out a new and exciting flavor profile. But, what exactly is cold brewing?

It all goes back to what coffee is in the first place. When you brew coffee beans in hot water, they dissolve in a way that distributes the flavor's "constituent parts," such as caffeine, oils, fatty acids and

other elements. What usually gives coffee its "roasted" flavor is something called the Maillard reaction, which is a process used to flavor other food items as well, such as barbecue. The amino acids react with the sugars in the beans and give off what we recognize as the flavor of coffee.

But wait! The Maillard reaction occurs between 140°F and 165°F. If that's the case, how can cold brewing make coffee? Well, cold brewing is a much slower process. Think of it like when you smoke or slow cook a brisket overnight — sure, it takes way longer to cook, and it tastes different than if you were to cook it in an oven normally. In the case of cold brewing, coffee beans are ground and left in cold or room-temperature water for up to 12 hours and the flavor slowly seeps into the water. While the flavor profile and caffeine content differ, most cold brew fans say the flavor is much smoother than your average cup of joe.

Cold brewing can result in a cup of coffee with lower acidity, which can be good news for someone looking to avoid heartburn (though no studies have shown conclusively whether cold brew coffee is less correlated with heartburn than normal coffee). Cold brewing can also have a higher caffeine content, as the process gives the beverage a higher coffee-to-water ratio (if made correctly). This means that, if you're looking for a quick boost on the go, cold brew might be for you as cold brew is typically enjoyed without needing to add cream or sugar and offers a bit more punch with a smoother, bolder flavor.

So, if you're a coffee drinker or you're looking at new, exciting beverages to add to your menu, you might want to try cold brew. **UB**

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# Cage-free announcements create

Highly Pathogenic Avian Influenza (HPAI) wiped out more than 10% of total U.S. egg production in 2015. Supply constraints rippled across the country and impacted the market around the world. Buyers struggled to cover their needs and prices surged to all-time highs. Conditions forced users to find replacements, extenders and use less eggs overall. Exports also fell significantly from record volumes seen in 2013 and 2014.

Once the virus was contained, producers worked tirelessly to remediate and repopulate their facilities. Many were able to do so much faster than originally expected, outpacing demand recovery, especially for egg products. Prices went from all-time highs to decade lows in less than two years.

In between the wild swings of price, production and demand, companies made

significant shifts in their plans to buy eggs in the future. Many of the largest retailers, foodservice chains, and distribution accounts announced that they would be converting to 100% cage-free eggs over the next 10 years. According to the USDA, existing announcements mean that more than 70% of all eggs produced in the U.S. would have to come from cage-free housing by 2026.

The 10-year timeline creates a tremendous amount of uncertainty and pressure for many producers. Facilities need to be completely overhauled, remodeled, or built from the ground-up. This will be an enormous outlay of time and money. President of the United Egg Producers, Chad Gregory recently commented on the conversion process, saying, "You can't really just flip a switch and overnight or in the next couple weeks go from a conventional cage farm to a cage-free farm.

It's all new equipment. The money needs to be secured for it, so the farm will have to get loans. They'll have to order equipment. There's only about five or six equipment companies in the entire world that make these systems. It's not like just your local hardware store down the street. Most of them are located in Europe, so the egg producer has to get the money, figure out which system they want to build, order the system, the system then has to be crunched out and metal bent and all the things that have to go into making one of these new cage-free farms. Then all that has to be put on a ship and sent to the U.S. and then actually built. It's a tremendous amount of time. It will take years and years and years for one company to switch from one system to another."

Dynamics of cage-free demand were also heavily impacted by the HPAI period. Retail prices of conventional eggs met or



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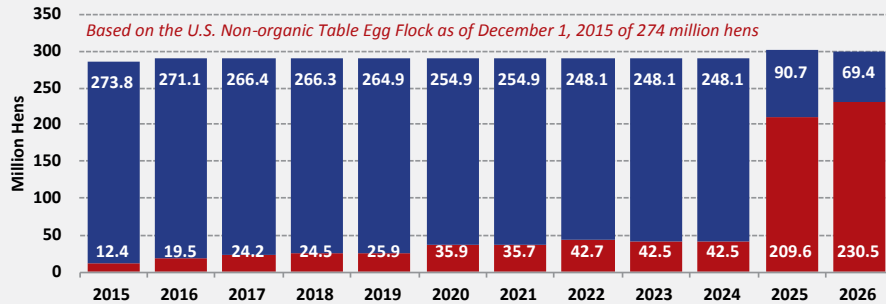


# uncertainty in the egg industry

## Projected Relationship

Cage-Free and Conventional Table Egg Flocks

Source: United Egg Producers

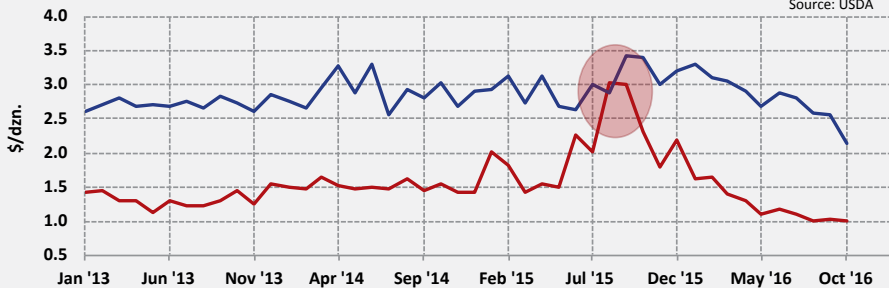


## USDA Weekly Feature Prices

Cage-Free vs. Grade AA

— USDA AA White 12 pack - Lg Shell Egg  
— USDA Cage Free White 12 pack - Lg Shell Egg

Source: USDA



exceeded those of cage-free eggs during the peak. Many accounts saw a spike in cage-free demand, as consumers “traded up” for specialty eggs without shelling out additional cash. With generic prices turning around, feature prices between the two categories again swelled toward a difference of \$2.00 per dozen, shifting sales back toward non-specialty offerings.

Promotion in the generic egg space left producers who converted early holding the bag. Net longs in the cage-free market found little interest outside of non-specialty channels through much of 2016. In many cases during the summer months, specialty eggs were moving into generic egg channels at like-value. During downturns in the market, we even saw cage-free eggs being forced into processing outlets. This after producers made sizeable investments to upgrade their hen houses. “There’s a tremendous amount of expense that goes into building these new cage-free facilities,” Mr. Gregory said. “There’s a huge cost difference between conventional cage

produced eggs and cage-free produced eggs. For the equipment alone, it costs about \$15 per bird in a conventional caged egg produced house, so if you have a million bird egg farm, it would be about \$15 million to build that egg farm. On a cage-free farm, it’s anywhere between \$30 and \$35 per bird. So if you wanted to build the same million bird egg farm, it’s now going to be \$35 million. Not to mention the increased cost in labor. Everything is exponentially increased in man power, labor, technology and efficiency.”

Though major buyers have made commitments to become cage-free in the next decade, producers are dealing with the logistics and cost of updating their facilities in unison with those orders. So far, foodservice, QSR, and retail plans lean heavily toward the back end of the 10-year period. Producers are trying to figure out exactly when and how much of their production they are going to need to convert. Meanwhile, consumers are already being presented a multitude of options at

retail shelves across the country. “Right now you could walk into any grocery store in the entire country and stand in front of that egg case and any shopper can buy whatever egg they want,” Mr. Gregory said. “Every grocery store has cage-free eggs, organic eggs, omega-3 eggs and they also have conventional cage eggs, and they’re all different prices. So they can stand in front of that egg case and say, ‘Which carton of eggs fits my social needs the best? Which carton of eggs fits my economic situation at home the best?’ Every egg on that shelf was produced humanely, according to science. I think there always will be grocery stores out there that sell and market to a particular client that just wants affordable food. I do think the percentages and trends will continue to grow and grow, but I don’t think it will be 100% for many years to come, if ever.”

Even with all of those options, consumers still tend to purchase the cheapest egg in the store. That’s not to say specialty egg sales haven’t grown organically at retail over the years, they have, but recent announcements will eliminate the predominant egg currently being sold at most chains. Foodservice and QSR accounts are likely to have an easier time converting given the fact that they normally don’t offer choices in production. You can’t go to your favorite fast food place and say, “I’d like an egg sandwich with a cage-free egg”. Retailers on the other hand are being cautious with their commitments given current sales and uncertainty regarding supply.

U.S. producers are left with yet another cloud of uncertainty hanging over their heads. When do they begin converting facilities? How much of their production will they need to switch? How long will cage-free meet the demands of animal rights groups? What do they do with higher cost specialty eggs until their customers make transitions as planned? For now, many of these questions remain unanswered. **UB**

Article contributed by **Brian A. Moscogiuri**  
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# East Coast shellfish harvesters hit

Adapted from an article by Michael Ramsingh that originally appeared on Seafoodnews.com on October 19, 2016



October 2016 was a difficult month for East Coast shellfish harvesters from Maine to Rhode Island because of an unprecedented wave of closures from high levels of toxins in the waters.

At the end of September, Maine's mussel and clam harvests were the first to be impacted according to notices issued. Reports from the state's Department of Natural Resources (DNR) found high levels of Amnesic Shellfish Poisoning (ASP) in mussel and clam samples collected from eastern shellfish flats in Maine.

By the first week of October, DNR officials then confirmed Maine's shellfish were contaminated by a widespread and



abundant bloom of phytoplankton *Pseudo-nitzschia*, more commonly known as domoic acid.

Maine officials confirmed that this was the first-ever reported outbreak of domoic acid to impact the state's commercial shellfish harvests. "A closure for this toxin in eastern Maine is unprecedented," said Darcie Couture, a Brunswick marine scientist and former head of the state's marine biotoxin program. "No one on this coast is that

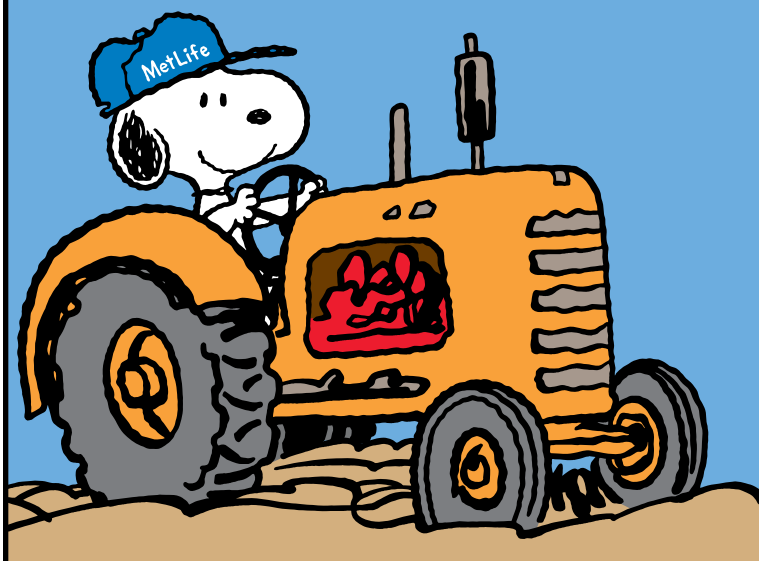
experienced with a domoic acid event. I don't think it is sinking in how serious this is," Couture said in a Portland Press Herald story.

While the East Coast might be inexperienced with the threat of domoic acid, the West Coast shellfish industry is all too familiar with the toxin. A widespread outbreak of domoic acid in Pacific waters shut down California and Oregon's commercial Dungeness crab season for about four months last year.

As for Maine, the shellfish closures have been fairly widespread. Clam and mussel closures were issued for flats in Jonesport, Cranberry Point, Corea to Cow Point and Roque Bluffs.

The state also recalled all clams and mussels harvested from these sites between September 28 and September 30, 2016. These shellfish were harvested

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# by duel threat of toxins in October

and distributed before the severity of the domoic acid outbreak was known.

By the second week of October, fishery officials in Massachusetts and Rhode Island confirmed the domoic acid outbreak had spread south. Massachusetts issued a ban on all shellfish harvesting along the west of Buzzards Bay and in Mount Hope Bay as a precaution.

In Rhode Island, closures were issued in Narragansett and Greenwich Bays, which included all tributaries to those waters north of a line from the point just north of the Pettaquamscutt (Narrow) River at Cormorant Point to Beavertail Point in Jamestown to Brenton Point in Newport and south of a line from the Old Tower at Nayatt Point to the DEM range marker at Conimicut Point. Rhode Island officials reopened all closed waters on October 17. The opening was earlier than expected since shellfish samples taken from the

affected waters tested negative for domoic acid and because the bloom showed signs of decline.

No illnesses related to consuming shellfish from Northeast producers impacted by the domoic acid outbreak were reported.

## ANOTHER TOXIN

Meanwhile, in Massachusetts, a separate toxic issue was confirmed by state officials after raw oysters and shellfish tested positive for contained Norovirus. The state



said raw oyster consumption had sickened 75 people in Massachusetts. Officials took raw oysters and shellfish off the Wellfleet's Annual Oysterfest menu for the month and closed all shellfish harvesting in Wellfleet indefinitely.

## INDUSTRY IMPACTS

Several northeast shellfish harvesters and distributors said the widespread closures and recalls interrupted some business. Operators are generally prepared to handle closures, usually in expectant of the red tides throughout the year. However, the domoic acid bloom was an unexpected headache since this was the first time the East Coast industry ever experienced the bloom. Additionally, the fall season is usually a time of the year when waters typically get cooler, which generally reduces the risk of waterborne outbreaks. But this wave of closures had made October an atypical month for East Coast shellfish harvesters in 2016. **UB**

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# How seasonality impacts the

Seasonality is one of the core fundamentals of the egg industry. Though outside factors can have a huge impact, looking at long term price and production trends can give you a general understanding of how the market works.

Experienced buyers, promotional planners, traders, exporters, processors and producers know these ebbs and flows well.

Understanding how the markets act during the holiday season is especially important, as the fourth quarter is historically the highest averaging period for demand, price, and production.

A basic principle of the egg market is that business is usually better in the colder months of the year and around the major baking holidays. That typically means the best period runs from early November through Easter, with the latter moving around quite a bit on the calendar. On the other hand, consumption typically dips when temperatures begin to rise. This is partially because people eat less when it's hot out and will also transition

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**"Over the last 5 years, we have seen Midwest large prices rally more than 32% during the 5 weeks leading up to Thanksgiving."**

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from warm breakfasts that require a hot stove, to cold alternatives like fruit or cereal. Outside of back-to-school, there's also very little to promote egg usage from a calendar standpoint. We see these trends not only domestically, but in the global markets as well. In fact, December is often one of the top months for shell egg and egg product exports, even though prices are typically at their highest.

When you look at a 10 year average of the benchmark Midwest large quote, (we use 2005-2014 to avoid HPAI's impact) you can see that the two highest averaging months are November and December. Over the last 5 years, we have seen Midwest large prices rally more than 32% during the five weeks leading up to Thanksgiving. The beginning of the move can vary depending on several factors, including: wholesale market levels, distributor purchases, feature schedules, processing demand, and exports. The timing can also impact the longevity of the move. Earlier rallies tend to die out in the beginning of December, while late



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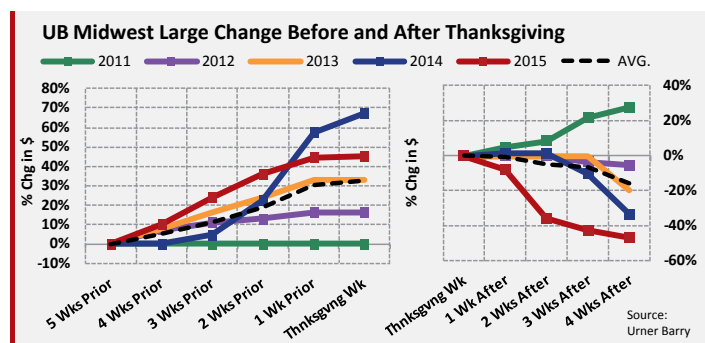
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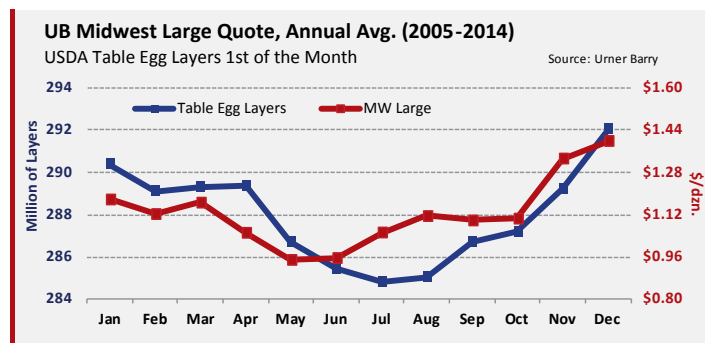


# egg market

November moves can last right through the Christmas period. During the last five years, the Midwest large quote gave back an average of 15.5% during the four weeks proceeding Thanksgiving. The best performing December market during that timeframe was 2011, when prices were flat through the entire month of November before climbing almost 30% during December.



Given demand and price conditions during the holiday season, it is no surprise to see layer numbers average their highest levels of the year during those two months. That is because producers typically want as many birds in lay during seasonal market peaks to both service demand and to take advantage of price levels.



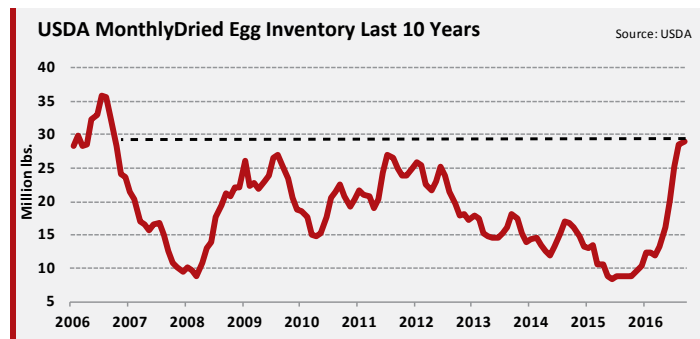
In the egg products sector, processors tend to build stocks during the summer months when raw costs are at their lowest point and deplete these inventories during the fourth quarter. Breakers also look to take advantage of potential opportunities to send shell eggs into the cartoned channel.

This dynamic was quite different from 2012-2015, when record exports, QSR promotions, and flock losses from Avian Influenza created some of the lowest dried egg inventory levels in history. Instead, processors had to compete with the cartoned market for shell eggs. These purchases were part of the reason prices were able to achieve some of the highest marks ever seen during the period.

Processors have since restocked dried inventories. From record lows seen in June of 2015, total stocks reported by the USDA are up 240% to the highest level seen in the last 10 years as of October. This situation is likely to keep processors out of the



market for shell eggs during the holiday season, and prompt them to pursue shell egg sales opportunities in the cartoned market.



From record lows hit in early October, Midwest large prices rallied more than 50% ahead of November features this year. As of this writing, our quotations remain under the dollar mark, a far cry from the \$1.80 per dozen peak averaged for the holiday period over the last five years. Given how early the move began and conditions in the processing sector, industry participants are already exhibiting concern about the longevity of the move heading into the heart of the holiday demand season.

Seasonal factors are clearly having a positive impact on retail sales, promotions, and subsequently price. However, changes in secondary channels like exports and processing leave some uncertainty in the marketplace as flock numbers edge closer to the pre-HPAI benchmark. **UB**

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

# Alaska's wild salmon catch falls

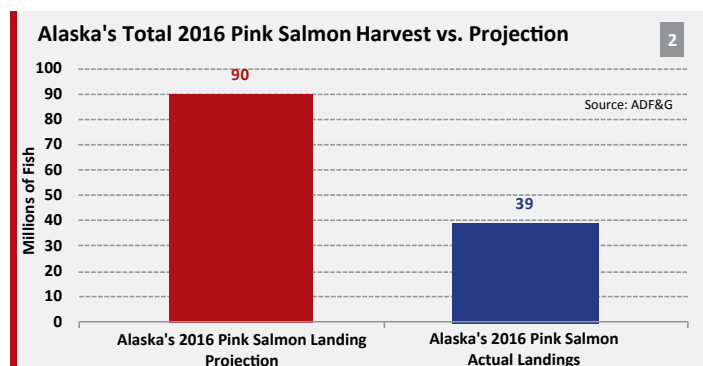
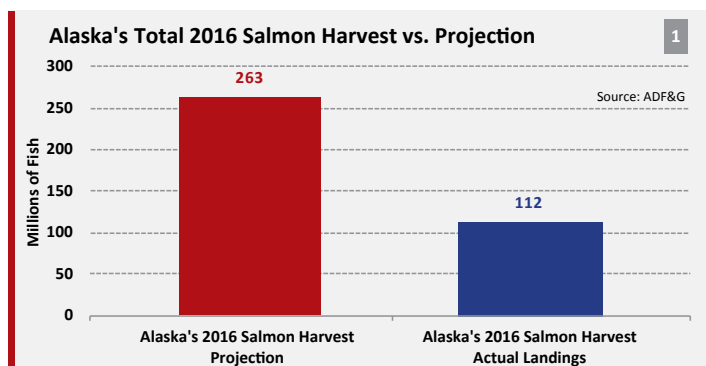
Alaska's wild salmon season fell short of expectations in 2016 as the total haul reached just half of the preseason forecast. But an ongoing increase in global salmon demand has helped some of the industry's operators to offset the shortage.

According to Alaska's Department of Fish and Game, the state's total for all salmon species harvested was just over 112 million fish. The figure is down 57 percent from the preseason forecast for the fishery. (CHART 1)

A disastrous pink salmon run is mostly to blame for the sharp downturn in Alaska's total salmon harvest this past summer. Total

"humpie" landings were just over 39 million fish from all of the state's major fishing regions. While the fishery was expected to post a decline in the haul this season since it operates on a cycle with odd years producing more fish, this year's catch was down 57 percent from the preseason forecast of 90 million fish. (CHART 2)

The unexpected dip in the Alaskan pink salmon haul dealt a significant economic blow to the state's fishermen. In Southeast Alaska alone, revenues were down about 51 percent because of the pink salmon shortage. By the end of the summer Governor Bill Walker petitioned the federal government to declare the pink fishery in the Kodiak, Prince William Sound, Chignik, Lower



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# well under preseason forecast

Cook Inlet and Southeast management areas a disaster so the region's fishermen were eligible for emergency funding.

"After consulting with the Dept. of Fish and Game and the Dept. of Commerce, Community and Economic Development I am making a formal request to the U.S. Dept. of Commerce for a declaration of fishery disaster in the Kodiak management area, Prince William Sound, the Chignik management area and the Lower Cook

Inlet management area," Governor Walker said to Fish Radio's Laine Welch in September. The governor eventually added the Southeast region to his disaster proposal after updated catch data showed the region's pink landings also warranted the declaration.

In addition to the dismal pink salmon performance the Alaska's Chinook, coho and chum all posted declines from the previous season.

"The 2016 inshore Bristol Bay sockeye salmon run of 51.4 million fish ranks second out of the last 20 years (1996-2015) and was 46 percent above the 35.1 million average run for the same period," according to a season summary from the Alaska Department of Fish and Game.

The better-than-average run was accompanied with a strong harvest according to ADF&G data.

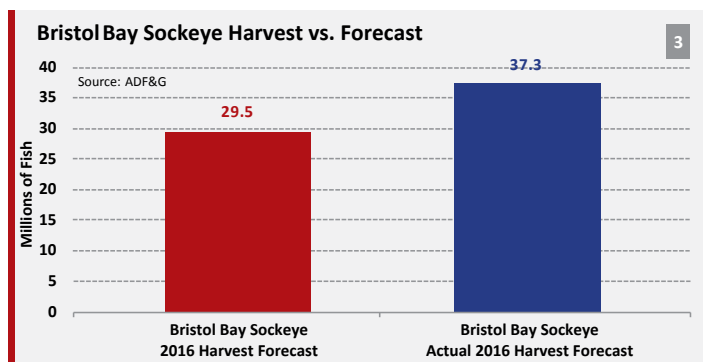
"The 37.3 million sockeye salmon commercial harvest was 26 percent above the 29.5 million preseason forecast," the ADF&G said in a summary. "All escapement goals were met or exceeded, with a total sockeye salmon escapement of 14.1 million fish. A total of 29,545 Chinook salmon were harvested in Bristol Bay in 2016." (CHART 3)

The near-record sockeye catch was also among the state's most valuable of all time. ADF&G estimated the ex-vessel value at \$156.2 million, which is 40 percent above the 20-year average of \$111 million.

Alaska's Seafood Marketing Institute (ASMI) credited global demand for improved sockeye values in 2016. The Institute's campaigns to promote Alaska's wild salmon brand in domestic and overseas markets have been effective at spurring sales, especially at the retail level.

"Demand keeps going up. It's really a bright spot there. More and more people are turned on to salmon and have the opportunity, especially with the huge harvests we've had, particularly with sockeye the past couple of years, and then two out of four years being record harvest when you look back, there's been a lot of people who've had the opportunity to try wild Alaska salmon and then look for it the market later on," ASMI told Fish Radio in mid-October. "We have a larger target market to shoot for to introduce them to the good stuff." **UB**

Article contributed by  
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peggyparker@seafood.com



But Alaska's salmon summer wasn't a complete bust. The lone bright spot in the industry was Bristol Bay sockeye, which posted its second highest run ever at 51 million fish.




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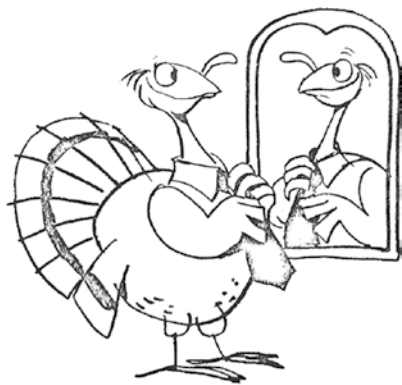
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# Turkey: the new break-out story honored in American tradition

Article contributed by the  
National Turkey Federation

In the Chinese Zodiac, 2017 is the Year of the Rooster. Yet with turkey trending in popularity among chefs, and with millennials as enthusiastic buyers of turkey, and with dietitians recognizing turkey's lean protein, one could see 2017 as *The Year of the Turkey*. While the type-casting of the holiday bird is an honored place in American tradition, turkey could also be known as the new break-out story for its varied cuts and preparations among the selection of meat proteins.

While in no way suggesting a turkey takeover of the meat case, the past year's attention is building a new awareness of turkey's versatility in meals and unexpected flavor among the leanest of the meats.



Beyond the traditional holidays, turkey cuts of tenderloin, ground turkey burgers and brats, and turkey drumsticks, the new variety of turkey parts add up to more than the sum of the whole bird.

As an easy mix with spices, complimentary flavoring with mushrooms, onions and avocados, turkey blends well with the aromas and appetizing additions simmered in the oven, sautéed by stovetop or seared on the grill. Turkey's lean protein reputation among dietitians has also circulated into the orbit of the super foods as the flavorful, healthy alternative for turkey's low fat and high protein.

The 18- to 34-year-old millennials are buying turkey at a faster rate than the overall population. Restaurants are also tapping into the trend, with the top fast-food chains adding 12 percent more turkey-based items to their menus over the past five years, according to Technomic. NTF member brands have reported the ground turkey category has steadily increased in the past half-dozen years, and in 2016, surpassed a 12 percent share of the ground meat market. Driving the consumer market, our leading brands have enlisted *Turketarians* while another has enticed them to *Make the Switch®*.

Earning profitability through a noticeable portion of 2016 was challenging for many producers, coming off an unprecedented spike in breast meat that nose-dived quickly. Throughout the last many months, the more than 22 million turkey hatchings

and poult placements have continued at a pace as high as 21 percent above 2015 bird losses that were isolated to 3 percent of the 250-million turkey population. Flocks went into the winter of 2016 rebuilt and healthy, with experience informing biosecurity protections and vigilance. One of turkey's largest brands is expanding national production of whole birds. Another has opened a new distribution facility on the East Coast to meet growing demand and deliver products faster in certain markets.

Progress since the early days of turkey hens nesting in isolated fields and backyards has shifted to climate-controlled protected houses for conventional production. The well-earned reputation for farmer innovation has brought meatier, heartier turkey breeds raised within a more efficient environmental footprint than ever before.

Yet, in the passing of years the courtesy each member of the turkey business affords the others remains as valued as the technical progress, as with the industry rallying for the rebuilding of a processing plant from the ashes of a devastating fire. The industry shared solutions in stemming the losses from bird flu that disproportionately hit the northern states of the Midwest. Vigilance has continued and an early 2016 occurrence in Indiana was tamped down with effective and decisive response, in an unselfish action of depopulation limiting losses that would have spread to their neighbors' farms.

There's a lot of history and quite a story in the generations raising turkey. To cap the year, the National Turkey Federation will honor the 70th Anniversary of presenting the National Thanksgiving Turkey to the President of the United States in November 2017.

By the numbers, turkey remains a fraction of the 214.8 pounds in total consumption of all red meat and poultry. Yet with hard work and sheer pluck, this feathered symbol of the holidays may well outsize the mere measure of conventional wisdom. **LB**

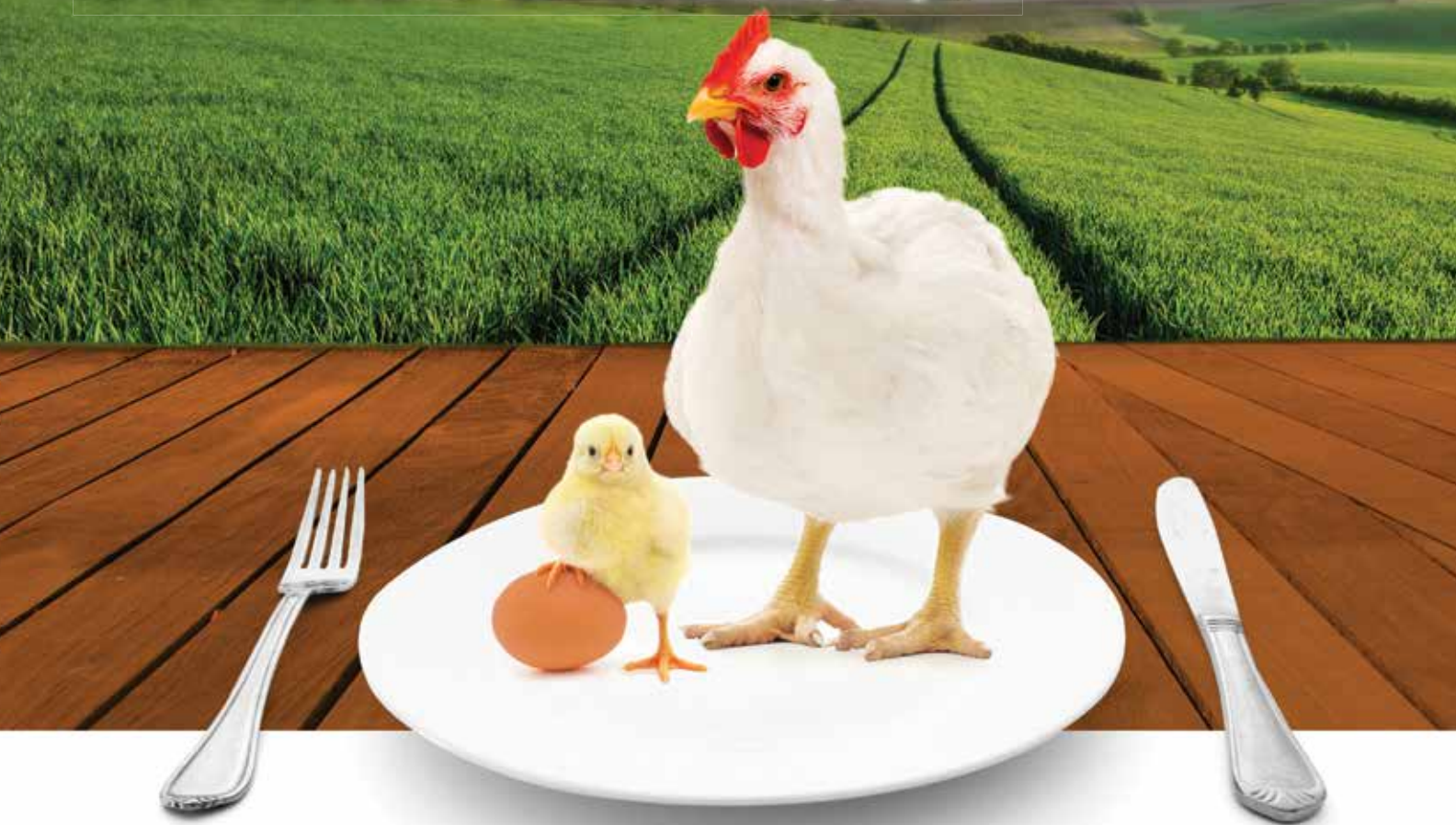
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# Alaska cuts snow and red king quotas; cancels bairdi fishery in 2016

Article adapted from a series of articles by John Sackton and Michael Ramsingh originally published to Seafoodnews.com in October 2016



*A reduction in Alaska's crab quotas was a strong theme for the state's three major crab fisheries for the 2016/17 fishing seasons. The following is a species-by-species report of how Alaska's fishery officials handled the quotas for the snow crab, bairdi and king crab fisheries in the midst of reduced biomass.*

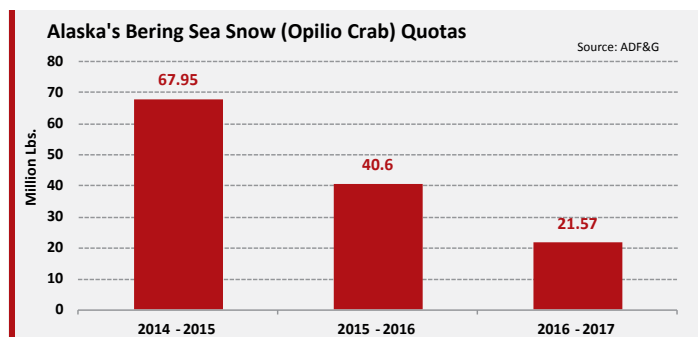
## HISTORICAL CUT TO SNOW CRAB

The Alaska Department of Fish and Game (ADF&G) announced that the Bering Sea Snow Crab Fishery would open, but with the lowest harvest TAC in 45 years. The last time the Opilio fishery in Alaska landed less than 21 million pounds was in 1971.

The fishery opened October 15th with a TAC of 21.570 million pounds. ADF&G likely struggled to open the fishery, as they said they saw continuing declines in survey biomass for both mature males and female snow crab. They also saw a high proportion of old shell crab in the survey, which is crab that did not molt the prior year.

Finally, they said that fishery performance, as measured by catch per unit of effort, has been steadily declining since 2007, and the 2015/16 CPUE was the lowest since crab rationalization was implemented in 2005/6.

This is not a pretty picture. Last year the total TAC was 40.6 million, and in 2014/15, it was 67.95 million pounds.



©thenbetweenram

The TAC set for the fishery this year clearly shows that the survey data was barely above the minimum legal threshold to have a crab season.

Snow crab prices were already at record levels in October; street prices were over \$7.00 for some products and there was no prospect that the crab fleet would make up the cut in revenue through increases in price. A doubling of the street price would put snow crab sections over \$14.00 a pound, and that is extremely unlikely to happen.

The Alaska crab fleet is paid on a price formula based on a share of wholesale prices, so the ability to make up revenue lost due to the 50% cut will be limited to what the market might accept. When Oregon Dungeness crab became extremely short a couple of years ago, section prices increased from \$6.00 to over \$9.00. But in that case, there was both a live market supporting the price and no other large-scale producers. Snow crab does not have a live market for shipping to China, and there are other major producers including Canada, Russia, and Norway. These factors suggest that the level of price increases due to the short supply will be limited.

High prices, however, will spur more production in both Russia and the Barents Sea.

But in Atlantic Canada, the largest producing region, crab landings are also declining. Reports from fishermen in both the Gulf and Newfoundland talked about crab being hard to find, and they expect further declines in volume. In 2016, Newfoundland snow crab landings were the lowest in 10 years.

Crab is generally known as a cold water species, and it is quite possible that the warming waters in both the Bering Sea and Canada have had an impact on crab recruitment.



We have already seen global declines in another cold water species, *Pandalus borealis* and *jordani* shrimp, also called cold water shrimp. From a high global production of nearly 500,000 tons just ten years ago, landings likely fell below 200,000 tons this year, with cuts in Newfoundland and the West Coast of the U.S. However, even as production declines continued, prices for coldwater shrimp began to fall also as customers stepped back from the product.

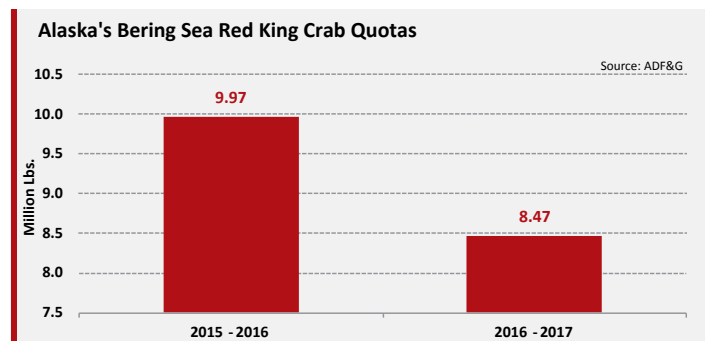
Snow crab has occupied a unique position as the lowest priced shell-on crab product, leading to heavy usage in both buffet houses and at retail, where snow crab is a main driver of traffic. However, the buffet houses have a price limit after which they no longer buy crab.

The extreme cutbacks in Alaska, at a time when stocks elsewhere are also under pressure, is going to create a real headache for buyers in both the U.S. and Japan.

The only mitigating factor in this announcement is that there is a season, even at a low level. However, it is likely that the decision as to whether to open the fishery or not was a close call. Nothing in the survey data has pointed at an early turnaround. With the Bairdi fishery closed, with red king crab cut back 15% in Alaska, and with no opening of the St. Matthew blue king crab fishery this year, it is clear that whatever problems are causing poor recruitment of snow crab are impacting other crab species as well.

## RED KING CRAB CUT SHARPLY

ADF&G officials cut the season's Bristol Bay red king crab quota by 15%, a 1.5 million pound reduction compared to last season's allowable catch.



Bristol Bay crabbers were allotted 8.469 million pounds of red king crab quotas for the 2016/17 season, which opened on October 15.

The quota is split between two sectors: the Individual fishing Quota (IFQ) and the Community Development Quota (CDQ). The IFQ limit was set at 7.622 million pounds with the remaining 846,000 pounds given to CDQ holders. Both of these quotas are down 15% from year ago levels.

The quotas were based on an analysis of the 2016 NMFS trawl survey results for the Bristol Bay red king crab fishery.

Abundance estimates are from the ADF&G length-based assessment model.

According to the analysis, the Bristol Bay red king crab mature female abundance is over the harvest strategy threshold of 8.4 million crab and the 2016 effective spawning biomass (ESB) of 42.21 million pounds is over the threshold of 14.5 million pounds.

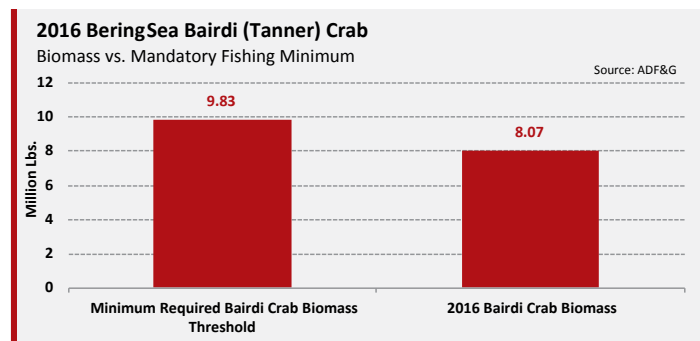
The 2016 ESB estimate is less than 55.0 million pounds but greater than 34.75 million pounds; therefore, a 12.5% exploitation rate is applied to the estimated mature male abundance of 10.18 million crab.

The ADF&G said that despite a higher than average number of discarded of legal males observed during the 2015/16 season, the 2016/17 TAC was not discounted for this added mortality. However, discards of legal-sized male red king crab during the 2016/17 season will be closely monitored and could result in a lower TAC for the 2017/18 season.

## BAIRDI CLOSED OUTRIGHT

As for the state's bairdi crab fishery, Alaskan officials outright closed the Bering Sea's bairdi crab fishery for the 2016/17 season because of low stock abundance.

The closure was not much of a surprise since evidence of a subpar female bairdi crab biomass was first reported at the end of August. Summer survey results found the 8.067 million pound mature female stock was below the minimum regulatory threshold of 9.832 million pounds necessary for a fishery opening.



Alaska's crabbers will now have to wait two years for the commercial bairdi fishery to reopen. Management protocols require that the stock meet minimum biomass thresholds for two consecutive years before the fishery can be reopened.

This means both next year's survey and the 2018 survey would need to surpass that threshold before ADF&G could consider opening the fishery, which targets male crab only.

"Once it reaches that threshold, the TAC is automatically reduced by half. If our petition is denied, that's what we're looking at in the 2018-19 season, best case scenario," said Ruth Christianson, Science Advisor for the Alaska Bering Sea Crabbers. **UB**

# President Obama signs the Global Food Security Act of 2016

**Food insecurity** (n.): the state of being without reliable access to a sufficient quantity of affordable, nutritious food.



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The number of Americans who live in food-insecure households rose from 36 million people in 2007 to 49 million in 2008, according to the USDA's Economic Research Service. Among those, 16.7 million were children, up from 12.4 million in 2007. *Uner Barry's Reporter* wanted to know how those numbers changed in recent years. A study done by the USDA shows there has been a substantial decrease in food insecurity in the U.S. This decrease in food insecurity was jump-started once President Obama took office in 2009. In fact, according to

the USDA, in 2015 food insecurity went down 1.3% from 2014, which was 2.2% lower than 2011. As of September 2016, close to 8 million fewer Americans were struggling to put food on the table.

In July 2016 President Obama signed the *Global Food Security Act of 2016*. This act was created to help accelerate the effort to decrease hunger and malnutrition as well as poverty around the globe. According to USA TODAY "The new law allocates over \$7 billion to initiatives that focus on agriculture, small-scale food producers and the nutrition of women and children worldwide." *The Global Food Security Act of 2016* is in correspondence with the *Feed for the Future* initiative Obama took when he started his term in 2009. Since 2009 *Feed for the Future* has improved agricultural productivity, and in turn boosting the income of rural families. It has also helped decrease poverty in certain areas by 26%. Of course, both of these acts accompany the Supplemental Nutrition Assistance Program (SNAP) which has been in place in the U.S. for over 50 years. SNAP was developed to give nutrition assistance to struggling low income families, and has helped millions of families provide supplemental food to help nourish themselves and their children.

President Obama urges the government to continue assisting food insecure Americans throughout 2017. He believes the U.S. government should continue to allocate funds into the programs put in place to help reduce poverty and malnutrition across the globe. *Feed for the Future* presses countries to improve and develop their agriculture sectors and to push for an increase in trade and economic growth. The hope is that, in turn, incomes will rise and more people will be able to afford food for their families. Overall, malnutrition in children all over the globe is an issue that continues to be addressed. Preventing malnutrition for individuals can reduce diseases, child mortality rates, and improve growth and development. Reducing malnutrition for society as a whole can boost prosperity, human capital, and economic growth. **UB**

Article contributed by Nicole Christie  
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# Life from above: How agriculture drones are reinventing farming



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Farming. When man first settled and began to form a society, that rise was enabled by farming. A profession that is only younger than hunting and foraging, farming is likely the occupation that has seen the most technological advancement over its lifetime. Stones became shovels, became plows, became tractors and now farming is getting its first taste of a new future: drones.

Drones are without a doubt the next big thing in precision agriculture. Faster than walking, better coverage than riding on an ATV, and cheaper than paying for flyovers, drones are the pinnacle of modern data collection. Today's newest farming strategies require colossal amounts of data. Drone monitoring is rapidly becoming the most efficient way to collect data. The world's primary drone trade group projected that drones will have a \$82 billion economic impact in the next 10 years, and they anticipate 92% of that impact to be in agriculture.

Photography drones can capture thousands of geotagged images across both visible light wavelengths (VIS) and the near-infrared spectrum (NIR). While even raw VIS photos offer benefits in terms of crop density, the combination of VIS and NIR is where drone photography begins to look like the future. By merging pictures and applying different formulas, farmers can analyze the chlorophyll content of individual plants, detect which parts of a field need more nitrogen in their fertilizer, and scan entire fields to see soil hydration statistics following rainfall or irrigation.

Applying drone-gathered data gets even more impressive. Powerful software suites let farmers easily log and analyze statistics, giving constant updates on their property. Nitrogen maps generated by flyovers can be used in smart sprayers, allowing for nutrient bumps targeted where they're needed most. These sprayers can be tractors or other drones. While sprayer drones aren't particularly common

in the U.S., Japanese rice farms have used them successfully over the past 10 years. Water mapping, meanwhile, brings its own benefits in the form of more efficient irrigation strategies, saving money and the environment at the same time.

Drones aren't free, though, and the farming industry historically has a wait-and-see attitude when it comes to new technology. The cutting edge can cut both ways, after all, and nobody wants to get burned on a bad investment. Drones have an unusual legal status as well. The FAA currently has no commercial licensing program for drones, and instead offers Section 333 exemptions on a case-by-case basis. When drone licensing does roll out, there's no telling how long the process will take. But even with the risks, agriculture drones are exploding with popularity. Farmers looking to dive in to drone documentation have two options. They can go out and buy an agriculture drone themselves, or they can pay one of dozens of outside services to drive the drones and prepare reports.

If a farmer wants to fly their own drone, they'll need a Remote Pilot License or a Section 333 exemption to let them do so commercially. They'll get all the info their drone and software can convey, but it won't be cheap. Agriculture drones start around \$1,500 for multirotor and \$5,000 for fixed-wing models, and software suites can run another \$10,000. Outside services are less costly, running farmers about \$4 per acre of flyover, but typically provide curated reports instead of raw data. While this saves farmers the time of sifting through data on their own, it also means that the farmer won't have access to all the numbers relating to their property.

As old a profession as farming is, the rapid growth of agriculture drones proves that it can very much remain on the forefront of technology. Drone flyovers with high-tech sensor packages and integrated software systems might sound like science fiction, but will soon be a part of everyday life for the world's farmers. Using these cutting-edge drones in a field as old as agriculture will certainly prove that even the oldest dog can pick up a few new tricks. **UB**

Article contributed by **Jake Muldowney** | [mail@urnerbarry.com](mailto:mail@urnerbarry.com)

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**"Powerful software suites let farmers easily log and analyze statistics, giving constant updates on their property."**

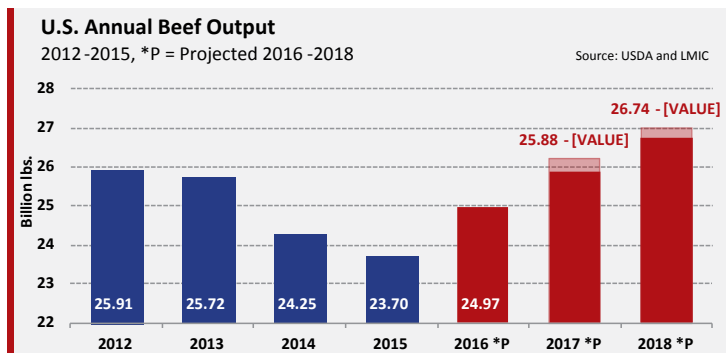
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# 2016-17 beef output projections adjusted upward amid slowed herd growth

Beef production estimates for 2016, 2017 and even early 2018 are up from where they were earlier in the year, due largely to sending more young female cattle and cows to slaughter, animals that had been retained previously to be added to the breeding herd.

In 2015 and even early this year, the commonly held view among meat industry analysts and economists was that cattle producers would continue to rebuild their herds at a rapid pace that began in 2014 following the devastating droughts in the Midwest and southwestern part of the U.S.

However, market factors at work including, among others, restricted cattle slaughters



and expanded supplies of competitive proteins like pork and chicken sent cattle prices down sharply since this summer to the six-year lows hit recently. The slide in cattle prices and hefty losses now being taken by cattle feeders along with significant declines in returns for cow-calf operators have caused some of the heifer calves originally retained for breeding to now be fed out for slaughter instead. In addition, more beef cows are being sent to slaughter, slowing the rate of herd growth while adding to the beef output.

The result of this about-face move by cattle producers is more beef production this year and for 2017 than had been projected earlier. In the livestock industry, ironically a pull back in production plans results in a near-term increase in meat output as breeding animals go to slaughter, followed by less output in subsequent years.

Since mid-May, cash cattle prices have fallen from the low \$130s per cwt on a live basis to six-year lows at \$97 to \$98 in mid October. The price slide of around \$400 to \$420 per animal has put cattle feeders with no price protection measures in place deep into the red and in turn pulled down feeder cattle prices.

Heifer slaughter has been on the rise since July and has averaged about 10% over a year ago in that period, according to Jessica Sampson, agricultural economist with the Livestock Marketing Information Center. Sampson also says "cow slaughter has tracked above year-ago levels fairly

consistently since April but with a more noticeable increase since early July." Both of these indicators point to slowed growth in the cattle herd while adding to the beef output for this year.

Dan Vaught, livestock analyst with Farm Journal, believes the rate of expansion has slowed rather dramatically. "According to

our calculations, beef cow slaughter has averaged over 20% above year-ago rates since June 1. The low prices are also making feedyard operators much more cautious, as we saw in September's cattle-on-feed report. If prices don't improve substantially by 2017, the herd expansion will slow even more next year and might even end in 2018.

The USDA reported that placements of young cattle into the feedyards in September were the lowest since the data series began in 1996.

LMIC projects beef output in 2017 to be up 4% to 5% from 2016 and in 2018 to rise by another 3%. In its latest monthly supply/demand outlook report, USDA predicts 2016 beef output up 1.5% from its projection at the start of the year and looks for a 3.7% increase in 2017. **U**

Article contributed by Curt Thacker  
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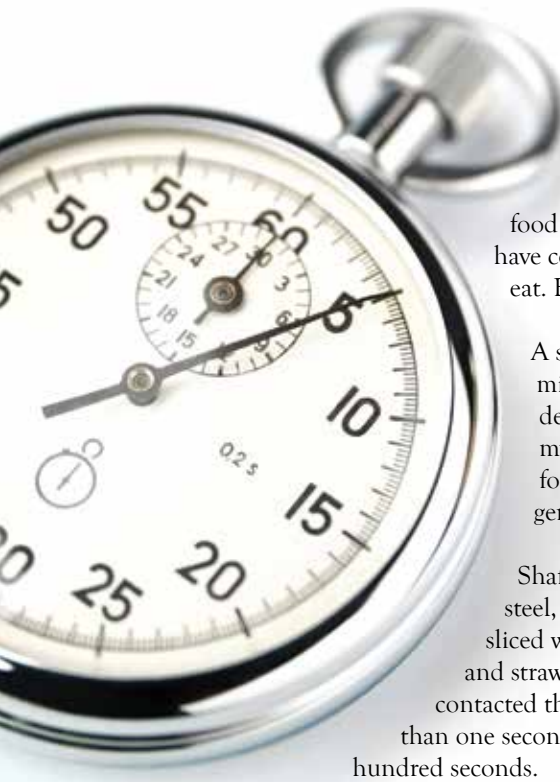
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# Busting the myth of the five-second rule



©#169 Nikolay Popov

“Quick, five-second rule!” A phrase most of us sadly use regularly in response to dropping our delicious bite of food on the floor and justifying why it is ok to pick it right back up and eat it. We have convinced ourselves that if we pick our food up in under five seconds, then no germs have contaminated it therefore making it safe to eat. But is this true?

A study led by Donald W. Shaffner, food microbiologist at Rutgers University, has determined the five second rule in fact is a myth! Picking up that scrumptious bite of food off the floor means you are picking up germs with it.

Shaffner’s studies were conducted on stainless steel, ceramic tile, wood and carpet and included sliced watermelon, bread with butter and without, and strawberry-flavored gummy candy. The items contacted the bacteria treated surfaces four times — less than one second, five seconds, thirty seconds and three hundred seconds.

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**“Picking up that scrumptious bite of food off the floor means you are picking up germs with it.”**

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The study found that bacteria can contaminate immediately and though there is some truth to the five second rule in that the longer the food remained on the floor, the more bacteria was transferred, there were no instances where the food item did not contain bacteria. Of the four surfaces used in the study, carpet transferred the least amount of bacteria. Also, the porous watermelon collected more bacteria than the candy and bread.

So where did society get the idea that it was ok to quickly scoop up fallen food and use or eat anyway? Well the myth seems to suggest it came from a segment of Julia Child’s *The French Chef* when she drops a potato pancake on the stove and cooks it anyway suggesting, “Remember, you are alone in the kitchen and nobody can see you.” The five second rule didn’t stop with Julia Child, in the year 2000 Volkswagen featured the rule in a commercial for the Passat. Since that time, even if you do not follow the five second rule, most American’s have at least heard of it.

The five second rule take away...It is NOT safe to eat food that has fallen on the floor. Though, if you want to savor that fallen morsel, less porous food that has been dropped on the carpet for the smallest amount of time will contain the least amount of bacteria as compared to the other options in the study. Perhaps we Americans should adopt the, “Just throw it away rule!” **UB**

Article contributed by Meghan Miick  
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# Best GOAL conference in years predicts 4% bump to global shrimp output

Adapted from a series of articles by John Sackton of Seafoodnews.com published in September 2016



For anyone who is participating in the Chinese seafood market and depends on Asian aquaculture, the Global Aquaculture Alliance's GOAL conference in Guangzhou, China was one of the best in years. Short for Global Outlook on Aquaculture Leadership, this was the 19th edition of the GAA's premiere event, which was held at the White Swan Hotel from September 19-22, 2016.

The conference was heavily integrated into the Chinese seafood industry. Major southern China producers like Guolian and Evergreen were well represented, along with major tilapia companies from Hainan, Maoming, and other seafood producers and exporters from Guangdong and Shanghai. Altogether, there were 20 to 30 Chinese exporters at the conference.

Increasingly for the Chinese companies the focus was on the Chinese seafood market as much as on exports.

Some of the major online Chinese platforms were also at the conference, including JD.com, the largest online retailer in China, and G-Fresh a smaller platform that has had great success selling such live products as lobster, geoduck clams and crabs. Both companies stressed the rapid growout of the cold chain distribution system, with JD.com having over 50,000 employees, most involved in distribution.



George Chamberlain, President of the Global Aquaculture Alliance addresses the crowd during GOAL 2016 in China.



BAP's Mike Berthet moderates one of the Marketplace Round Table discussions during GOAL 2016. Pictured from left to right are Mike Berthet, Brinker International's Charlie Lousignon; Red Lobster's Joe Zhou; Restaurant Associates' Chris Arkadieff; Brakes Group's Ben Wheeley and Direct Seafoods' Laky Zervudachi.

Also present were the China executives for the major Western companies operating in China, including Walmart, Disney, Yum! Brands, and others.

Add to this some of the major U.S. and European foodservice companies, like Sysco, U.S. Foods, Brakes, Brinker, Rubio's, Walt Disney, Restaurant Associates and others.

The GAA has long had a relationship with most major retailers who have endorsed the BAP certifications. Also at the conference were buyers from Sam's Club, Delhaize, Metro, BJ's, Supervalu, and others.

What was improved over past years was the focus of many of the roundtable discussions, which were generally framed with a detailed presentation, and then reactions and observations.

For example, reports on the major online seafood sales in China, along with

research on the profile and consumption habits of Chinese seafood consumers, framed the discussions around future growth in the domestic market.

In 13 years, by 2030, China is forecast to account for 38% of all global seafood consumption.

The takeaway message here is that the Chinese appetite for seafood, and for imported seafood including expensive items like salmon, lobster and crab, is not pausing at all, but will continue to rapidly increase. This pull from China is becoming a permanent factor in global seafood pricing for many commodities.

In Shanghai, yearly spending on seafood is \$633 per person, and the higher income segment spends the most. In China, most seafood is consumed outside the home, with the ratio of restaurant to home consumption about two to one.

Another issue discussed very candidly at the conference was the conflicting certification schemes. Most of the retailers and foodservice executives who spoke about this said it was destructive to consumer confidence. Their efforts to build trust between themselves and their customers have been harmed by the sniping among the different NGOs. This is a key reason many plan to embrace the



GSSI benchmark, as a way to try and tone down the competition. From a foodservice point of view, the ferocious NGO competition is a headache, not a benefit.

Finally, there was also a good technical focus on disease, which continues year after year to be the most significant problem facing the aquaculture industry.

Robins McIntosh spoke on what has been learned from early mortality syndrome (EMS). It is a toxin, and like other shrimp diseases such as white spot and EHP (the slow growth disease), is not going to be eradicated. It is now a permanent feature of the shrimp pond environment. But it can be managed by removing waste from the ponds, not allowing sludge to build up, and by increasing the amount of a farm's area devoted to water cleaning and recycling.

Using these tools, ponds in Thailand are now more profitable than they were before EMS, while using half as much culture area. The key is that the current genetic stock will grow even better than predicted in a cleaner environment. The task is not to eradicate the disease, but to keep levels below where they can impact healthy shrimp. The result is high survival, greater growth per day, and higher profitability than before. These ponds are routinely growing 40- to 50-gram shrimp in 60 days from nursery stock. These are 16-20 and 13-15 headless shrimp.

#### SHRIMP FORECAST

The conference also featured Dr. Jim Anderson's annual survey of shrimp of shrimp producers. The result was much lower than last year.

In 2015, the survey predicted an average annual growth rate of 7.2% from 2013 to 2017. Actual production was nearly flat from 2015 to 2016, as falling production in China and lack of growth in India and Indonesia meant global supplies were stable, despite the increase in Ecuador and Thai production.

For 2014-2018, the survey is now predicting 4.2% annual growth, but even this may be optimistic, as it relies on a continued accelerated expansion in Ecuador.

Anderson said in his talk that the survey estimate might be high.

Thailand also is increasing their shrimp production, but the change in production methods means that that country will never go back to the 500,000 tons or more days of the past. Thailand might hit 300,000 tons this year, and then increase somewhat next year, but their ceiling

with everything going right is probably 400,000 tons.

For the major producers, the survey expects growth in Thailand, slower growth in India, and rapid growth in Ecuador and stability in Indonesia.

GOAL 2017 will be held in Croke Park Dublin, Ireland October 3-6, 2017. **UB**



The opening ceremony at GOAL 2016 channeled the culture of its host country.



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# Venezuela: a country in crisis

The crisis in Venezuela has been in and out of the news for a while now. The currency crisis has made victims of people living in perhaps the most critical failure of a Latin American economy in the last hundred years. Hyperinflation is rampant, shortages of every good are the norm, unemployment is at depressing levels and the overall economy has been shrinking at a staggering rate. Venezuela has the largest oil reserves in the world as well as a rich coastline, an educated population and, at one time, was a gateway to the entire continent of South America for companies around the world. So, what went wrong?

The latest data show that the economy is shrinking at a rate of about 7% a year, which is about as bad as the GDP growth rate in 1930/1931 in the United States. The main reason for this is oil, as most government revenues were coming from oil exports. When the price of oil



Locals often joke that Venezuela has become "one long line."

spiraled downward, it basically took the Venezuelan economy with it. While oil prices have recovered from lows below \$30/bbl, it is not nearly enough to balance the budget in Venezuela. And, since most of the largest companies were fully or partially nationalized, that is affecting every industry.

Alimentos Polar, a company that made a lot of the food sold in Venezuela, has been stuttering production for lack of resources. Many products, like flour, beer and certain rice products have been hard to come by for a long time. And, since Venezuela was importing a great deal of its food from Colombia and other trade partners, it has continued to be virtually impossible to find things as simple as fresh milk (or even powdered milk) or meat in a local grocery store. These problems are not new to the current crisis, but with each passing day the effect of empty grocery store shelves is magnified. People queue all day in lines with almost nothing at the end, lucky to leave with a bag of flour, a bottle of vinegar or perhaps a can of fish. The vast majority of Venezuelans are permitted to shop at government-owned grocery stores with subsidized goods, but only on days that match up with the number of their government ID (similar to the even-odd license plate restrictions placed on those purchasing gasoline in the USA in the 1970s). This has led to the development of a massive black market for things as simple as Nutella, fresh bread, powdered milk,

potato chips and even medicines which are also in very short supply.

Other export industries have been a critical source of foreign exchange for the country which has imposed multiple restrictions on its currency. In fact, the situation is so bad that bolivars (the Venezuelan currency) are no longer exchanged at most Colombian currency exchange places in spite of the fact that the two countries are neighbors and have historically been vital trade partners. But, even other industries are showing signs of pain. In 2007, Venezuela exported over 32 million pounds of seafood to the United States. Lately, it's about a third of that per year. While weather is a factor here (El Niño), it is definitely an indicator that what should be a thriving industry in a country like Venezuela has gotten much smaller due to tightening economic conditions.

Protests continue in the capital, and the recent effort to recall President Maduro is under siege as the government has suspended the petitioning process. Beyond that, there is the ticking time bomb of whether Venezuela will be forced to default on its sovereign debt (as was Argentina years ago). With all these factors coming to a head at once, it remains to be seen how and when Venezuela will finally see some relief. **UB**

Article contributed by Adam Sharkey  
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# Consumer trends, more than fads

Article contributed by **Hannah Johlman**,  
Certified Angus Beef

Trends in the food business affect people far beyond restaurant diners and retail shoppers. They reach back to the farm and ranch to shape the way food is produced, keeping consumer demand for high-quality, sustainable beef top of mind in the country.

At the National Restaurant Association (NRA) trade show in Chicago in the spring of 2016, exhibition halls were filled with chefs, culinary and other professionals, ranging from food to beverage, packaging to cookware.

Midan Marketing, which encompasses the food chain from gate to plate from offices in North Carolina and

Chicago, shared five beef demand trends noted at the show:

1. Trust and Transparency are Tops
2. Local is Trendy, but Fuzzy
3. The Story Matters
4. Premium is In
5. Fat is Back



“There was a clear theme that attendees were seeking regional or local products, sustainable products and transparency between producer and consumers,” said Steve Hixon, account management director for Midan. Trends were identified from topics in common among exhibitors and presenters throughout the show, he explained.

Some of the biggest changes Hixon noticed were increased demand for added value – both in terms of processing and high-quality beef – and more desire for transparency from producers.

“Cattleman should really see that as an opportunity to do a better job of adding value to the cattle they’re producing by doing simple things,” said Mark McCully, vice president of production for Certified Angus Beef LLC (CAB). “Sometimes we look at these things as cattleman and maybe get a little overwhelmed at, ‘What does the consumer fully want to understand?’”

The answers are simple though, he said.

“There are some basic things that I think the market will start rewarding as it relates to source verification, some documentation of animal care, antibiotics, stewardship and those sorts of things,” McCully said.

Those components combine to create the producer’s “story.”

Hixon said producers at the show who stood out in telling their story

demonstrated being “genuine and transparent. No smoke and mirrors but complete openness to the process and the distribution.”

“Small farmers should focus on their niche,” he said. “Don’t expect to consume the whole pie. Capture your piece and do it well.”

And they should not feel intimidated competing with larger producers, either. Using the power of social media to reach consumers gets your voice heard, Hixon said.

Combining clear channels of communication with a quality product leads to the top, McCully said, noting that has long been the recipe at CAB.

“It’s kind of the cornerstone of how this brand was built,” he says. “It is understanding that at the end of the day, the consumer still wants a consistently great eating experience and quality products.”

Most cattlemen know some basics of what consumers want, but as trends like the top five from the NRA show become more apparent, McCully said it’s time to think about how to fit those into management and marketing today. **LB**

Steve Hixon,  
account management  
director for Midan



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# New Acosta research explores

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Hot Topic Report:  
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## MEGATRENDS IMPACTING THE FUTURE OF GROCERY SHOPPING



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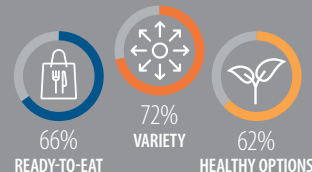


89% of shoppers rank fresh produce more important than pricing and selection at their grocery store



### MEAL SOLUTIONS

Key drivers when selecting prepared foods at the grocery store are:



### MILLENNIALS

Millennials enjoy grocery shopping more than Gen-X shoppers



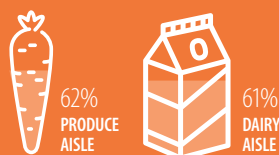
### DIGITAL WAVE

36% of shoppers are interested in using an app or web portal to pre-order and pick up prepared foods



### PERIMETER GROWTH

Percent of shoppers visiting perimeter aisles at least once per week:



In 1930, the first supermarket opened in the United States, revolutionizing how consumers bought food by focusing on value and convenience. Since then, grocery stores have stayed relatively the same, with only incremental changes. Today, megatrends in the industry are catapulting the supermarket as we know it into the future, as illuminated in The Revolution of Grocery Shopping, the most recent Hot Topic Report published by Acosta, a leading full-service sales and marketing agency in the consumer packaged goods (CPG) industry.

"We are at a tipping point in the grocery industry where we expect to see an increase in the rate of change," said Colin Stewart, Senior Vice President at Acosta.

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# the future of grocery shopping

“By leaning in to the major megatrends shaping the grocery landscape, retailers and brands can ensure they are in a leadership position as the industry evolves and are taking full advantage of opportunities to capitalize on change.”

Acosta's The Revolution of Grocery Shopping report highlights five megatrends impacting grocery, including:

## 1) HEALTH AND WELLNESS

Consumers' focus on healthy eating and lifestyles is more than just a fad; it is permanently shifting how they approach food shopping and, in turn, how retailers and brands must cater to their attitudes and preferences. For example: Shoppers rank fresh produce (89%) as a more important feature than competitive pricing (86%) and product selection (84%) in their grocery store experience.

## 2) MEAL SOLUTIONS

Convenient meal solutions are becoming a staple for shoppers who are managing increasingly busy lives and abandoning traditional meal rituals.

Half of shoppers admit they decide what's for dinner within two hours of mealtime; Millennials are doing the least amount of meal planning with 68 percent waiting until a few hours before dinner to make plans; When buying prepared foods while grocery shopping, shoppers report making their selections based on variety (72%), if it is ready-to-eat (66%) and healthy options (62%).

## 3) MILLENNIALS

Millennials are not just trendsetters. This experience-seeking, tech-adept, visually influenced group is at the root of several fundamental changes impacting the grocery channel. 72 percent of Millennials enjoy grocery shopping versus just 60 percent of total U.S. shoppers, highlighting the importance of fostering an emotional connection with shoppers and the growth of in-store destinations.

## 4) DIGITAL ADOPTION

While technology has brought the

supermarket to consumers' fingertips online, there is also a digital wave happening within the aisles of the store as evolving mobile technologies are now often part of the shopping experience. Thirty-six percent of shoppers are interested in using an app or web portal to pre-order prepared foods they can pick up at the store. More than 40 percent of online grocery shoppers report buying groceries online at least once a month.

## 5) PERIMETER GROWTH

While center store accounts for 70 percent of a store's profit, the perimeter area is expanding its share of space, driven by the increased interest in health and wellness as well as Millennials' influence. Sixty-two percent of shoppers frequent the produce aisle and 61 percent visit the dairy section at least once a week, versus only 19 percent shopping in the HBC aisles at least once a week.

The Revolution of Grocery Shopping was compiled using research conducted by Acosta, as well as the company's experience working with the nation's largest CPG manufacturers and retailers. **UB**

Adapted from an article that originally appeared on Foodmarket.com on August 17, 2016



**“We are at a tipping point in the grocery industry where we expect to see an increase in the rate of change ...”**

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# Slapfish concept has big plans for chef-driven, casual seafood dining

While some of the fast casual restaurant chains were defining concepts for sandwiches, burritos and burgers in the U.S. market around 2008, the seafood industry was conspicuously left behind.

It was around then that Chef Andrew Gruel noticed seafood's glaring omission from this world. In Gruel's view, the industry was stuck selling fried fish platters and battered fillet sandwiches. Though tasty and effective sellers, this typical fast food fish pattern reflected one of the U.S. seafood industry's worse problems: lack of diverse seafood menu options featuring a variety of lesser known species.

Gruel, a New Jersey native with 20 years of experience in the kitchen, is familiar with all the delicious meals and variety of fish available to consumers. The problem he noticed was zero middle ground; there wasn't a restaurant around featuring an affordable but unique seafood experience for the casual diner.

So Gruel started the Slapfish restaurant concept with a goal to finally marry seafood and the burgeoning fast casual dining experience.



Chef Andrew Gruel wants Slapfish to become the seafood industry standard for fast casual dining.



Slapfish wants to expand using a chef-driven franchising model.

"If I could reinvent something that was fun and sexy in a fast casual environment I could create a model that could scale and replicate and get more people to eat more seafood," Gruel said.

By scale and replicate, Gruel means expansion through franchising Slapfish across the world. But unlike traditional franchises, Gruel is focused on a chef's driven model. His ultimate goal is for chefs to use Slapfish as a platform to educate consumers about the benefits of eating more seafood.

Between his career as a working chef and founding Slapfish, Gruel spent several years working for the Aquarium of the Pacific in California. There, he directed a non-profit project called "Seafood for the Future," a program that advocated the consumption and expansion of responsibly farmed seafood in the U.S. market.

It was here that Gruel said he noticed the need not just for a restaurant concept to espouse the benefits of eating seafood, but also for the need to advocate the use of more farmed seafood among chefs themselves.

This is another goal that Gruel hopes Slapfish can accomplish for the seafood industry. And it's evident in the operation's procurement practices

and on its menu, as all of the seafood Slapfish uses is sourced from responsibly managed fisheries. Slapfish uses a blend of traditional, savvy wholesale purchasing in addition to local sourcing to supply its stores with fish.

As for the menu, Gruel engineered Slapfish's offerings with smart procurement and sustainable practices in mind. "The big picture is to get the consumers to buy into a model where they choose the dish and not the fish," he said.

This means selling a fish taco that can be served with an Acadian red fish or MSC certified hoki from New Zealand or mahi from Ecuador. It's a concept that makes serving a variety of responsibly sourced seafood both to the franchisees and their customers reasonable. It's also an approach to seafood procurement that attempts to navigate the volatility of the markets.

So far Slapfish has six locations in California. However, Gruel said he has a deal in the works to expand to six states and another major plan to expand the restaurant to two international markets by 2017.

Ultimately, Gruel's franchise plan is to launch 100 locations in the next seven years. **UB**

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



Slapfish's menu is designed for customers to "choose the dish, not the fish."



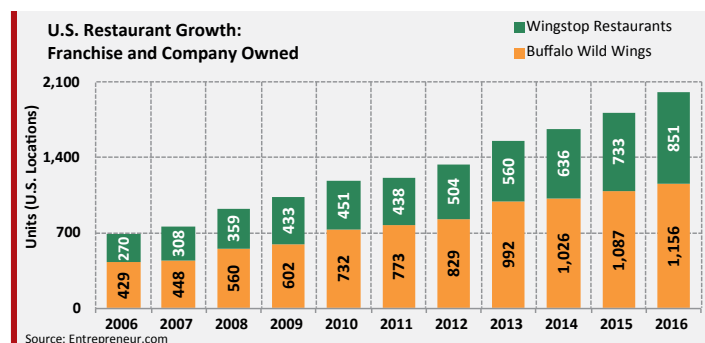


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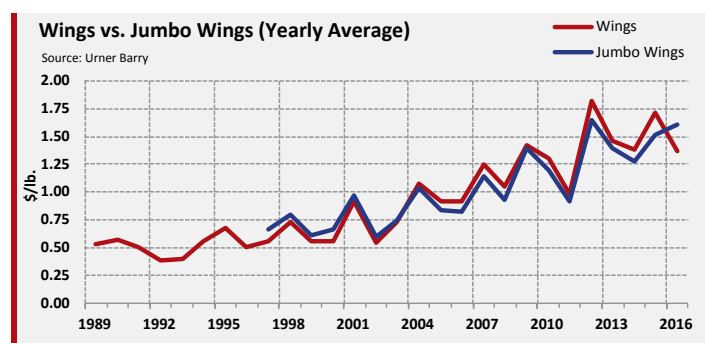
# Chicken: Understanding the dynamics of the wing market

There's no denying that chicken wings are more popular today than ever before; just take a look at how many units (U.S. locations) Buffalo Wild Wings and Wingstop have added over the last 10 years. Wings have become a must-have item on just about any menu, particularly during football season, and if you're a large volume buyer or seller or you operate a full-service restaurant or bar then you're well aware of the challenges associated with navigating the wing market each and every year. Here are some things for you to consider.



## SO, HOW DID WE GET HERE?

Well, as strange as it may sound, wings weren't always this popular. In fact, it wasn't that long ago that chicken companies struggled to command a mere \$0.50/lb for truckloads of whole wings. Clearly, though, that's not the case anymore and hasn't been for years.



Over time, not only has the number of wing focused restaurant chains grown, but the number of non-wing focused restaurant chains promoting them has also expanded (i.e., Pizza Hut, Domino's, Papa John's, etc.). That means there are more units featuring wings today than ever before and this doesn't even take into account the volume of wings sold each year into retail, wholesale, or fresh-prepared channels. Yes, production has advanced considerably during this time, but clearly so has demand.

## WINGS VS. JUMBO WINGS

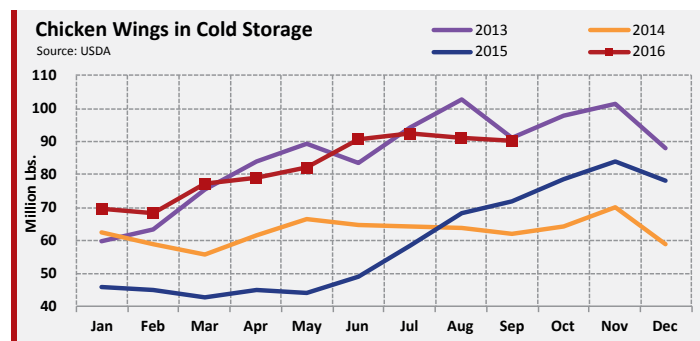
Does size really matter when it comes to wings? Absolutely. Just take a look at how the market dynamics have changed in recent years. Demand for wings is at an all-time high, particularly for

large volume buyers who operate national chains like the ones mentioned above. And because there is a growing supply of jumbo birds (or wings), this is the size wing these buyers desire. The market's impact is quite obvious too. Jumbo wing values eclipsed small or regular sized wings back in October 2015; and since then, the spread has grown to more than \$0.40/lb.



## COLD STORAGE INVENTORIES

Freezer inventories are often looked at and critiqued by anyone who analyzes the protein market(s). While higher inventory levels tend to suggest that market values are either under pressure, or could be moving lower soon, this isn't necessarily a rule. The chicken wing market provides a great example of this phenomenon. Because wings are popular, and even more so during certain times of the year, there isn't enough fresh production to fulfill everyone's seasonal needs. So, to better position themselves, buyers and sellers alike will often build inventories in advance of "wing season." That's exactly what we saw take place in 2016. Despite wing inventories being at one of their highest levels ever for this time of year, market values were still supported well into November.



Navigating the wing market is a challenge; recognizing the different dynamics may help you to better understand it in the long run. While chicken production is advancing, so is demand, particularly for wings. Size clearly matters and cold storage inventories are not an exact science! Be prepared, don't just wing it! **UB**

Article contributed by Terence Wells | [twells@urnerbarry.com](mailto:twells@urnerbarry.com)



# WING-ONOMICS

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*Chicken wings are a Super Bowl staple, but what does 1.3 billion chicken wings measure up to?*



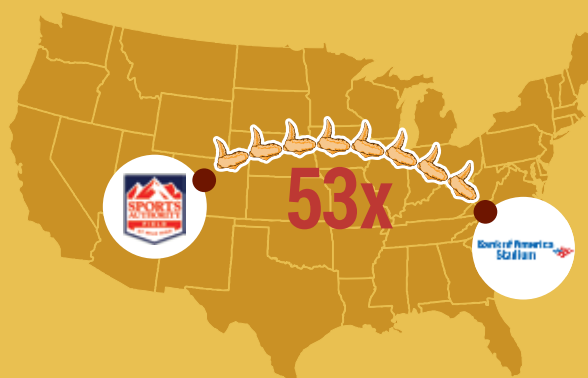
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Source: National Chicken Council

## What does 1.3 billion chicken wings look like?

The second biggest eating day of the year after Thanksgiving is Super Bowl Sunday – and there's no hotter time of year for chicken wings, America's new favorite party food. Americans ate 3% (or 37.5 million) more chicken wings than last year, up to 1.3 billion (yes, with a b!) from 2015 during Super Bowl 50. 1.3 billion chicken wings is a lot of wings, but how do all those wings measure up? The National Chicken Council compiled some stats in this infographic to put all those wings into perspective.



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# Innovation driving turkey industry's future

Turkey and innovation. To some these two words may seem as awkward as a couple on a first date, but to the educated, nothing could be further from the truth.

Back in the late 70s and early 80s a “new” turkey industry full of innovation was developing. Established companies such as Louis Rich were taking turkey by the spurs and developing creative value added products the likes of which had not been experienced by the U.S. consumer. Baked, browned, smoked, diced and sliced turkey white meat was finding its way to retail channels like never before, opening up new territory for the industry and providing competition for traditional retail and deli offerings such as beef and pork.

Like with almost any venture, despite consumer acceptance and demand for these new turkey white meat products, the success in marketing the front of the bird presented a problem of what

---

**“That fondness for dark meat has resulted in significant innovations in the use of turkey drums and thighs.”**

---

to do with the back half. At this time the export turkey market was fledgling and not sufficiently viable to absorb all of the dark meat “by-product” created in the process. Just a couple of decades ago, improvements in food processing capabilities allowed ground turkey to explode onto the scene. Initially utilizing primarily turkey drums or thigh meat, ground turkey helped balance the white and dark meat scales while at the same time offering the increasingly health conscious consumer a product other than ground beef. However, it wasn't very long before ground turkey became a victim of its own success when the market became flooded with a variety of ground products to satisfy any food budget. Some of the

more “aggressive” offerings for the budget conscious were synonymous with poorer quality and palatability, and ultimately resulted in a short term but highly disappointing retreat of the consumer.

More recently, there has been dramatic improvement in the quality, value and variety of fresh and prepared turkey. This has been evidenced by the positive consumer reception fresh tray pack offerings, such as marinated tenderloins, and fully cooked deli lines are having in vying successfully for retail dollars. With that said, some of the current offerings are not much more than refinements in the wake of the further processing boom of previous decades.

However, looking beyond the borders of the United States the creative juices have been flowing. Although internationally breast meat is becoming much more widely accepted, dark meat is often preferred in



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many cultures. That fondness for dark meat has resulted in significant innovations in the use of turkey drums and thighs in other countries. Companies such as Prime Equipment Group, the largest provider of turkey processing equipment in the U.S., keep an eye on the international market to see where the industry may be headed in the U.S.

Prime President Joe Gasbarro notes that one example of a product that may be coming this way is Osso Bucco, or bone-in turkey leg, sliced perpendicular to the bone to create cross-sectional discs that are typically prepared braised, bone-in with vegetables and sauces. "Osso Bucco is traditionally a red-meat cut, but the



texture and great flavor of turkey really lend themselves to being prepared as Osso Bucco," Gasbarro says, noting that Prime has already adapted one of its machines to create the cut, in response to international demand. "For many people, dark meat is the best part of the bird," Gasbarro adds. "More and more people in the U.S. are coming to that realization."

Prime has long manufactured machines to debone legs and wings for lunchmeat and formed products in the U.S., but the company's R&D department is always looking for the next innovation, Gasbarro says. That has led Prime to create machines that segment whole wings into three pieces, and to further segment the two-bone wing "flat" segment into two single-bone pieces to create an entirely new product.

Elsewhere in the U.S., innovation in the form of introducing consumers to the wide array of options available to them is being revisited. Educating them about creatively preparing less visible cuts, like grilled tenderloins for sandwiches or fried

for schnitzel for instance, and how they can enhance everyday meals is being looked at with a fresh approach. The National Turkey Federation and its member companies have spearheaded an effort to increase turkey demand by creating a special "Turkey Demand Enhancement Team" which is tackling the issue through novel marketing techniques and interaction with key consumer influencers.

Today's turkey industry is providing the means to introduce never-before-experienced turkey products to the U.S. consumer. Turkey loving citizens in international markets are already experiencing the ease of application and deliciousness that is turkey dark meat. Progressive equipment manufacturers and meat merchandisers alike are working in tandem to bring what is arguably the most recognized symbol of American food tradition, the turkey, back to the forefront of food industry innovation. **UB**

Article contributed by **Russell W. Whitman**  
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# National Fisheries Institute's salmon and shrimp council expand social media marketing

Article contributed by Richard Barry,  
Program Manager for the National Fisheries Institute

In 2016, the National Fisheries Institute's Shrimp and Salmon Councils have continued to break new ground via social media marketing.

According to NFI's Brandon Phillips, social media is one of the most economical and effective methods of reaching Americans who like shrimp and salmon. And the latest 2015 per capita consumption numbers showed how Americans continue to eat more shrimp and salmon than any other seafood.

The goal of both groups has been to drive year-round sales and increase consumption – while keeping shrimp and salmon top of mind when thinking about healthy and delicious meal options.

"The Shrimp Council and Salmon Council have been very savvy in using social media messaging to create seafood cravings for shrimp

and salmon," said Phillips, "We think this results in Americans cooking more shrimp and salmon at home and ordering more at restaurants."

The Shrimp and Salmon Councils have both engaged Butin Integrated Communications to implement strategies on Facebook and Pinterest.

The tactics include attracting new followers to the Shrimp Council's *Eat Shrimp* and the Salmon Council's *Hooked on Salmon* social channel brands.

The *Eat Shrimp* Facebook page has grown to more than 320,000 fans; and the *Hooked on Salmon* Facebook page is climbing with more than 160,000 fans in a short time.



Some highlights of the Councils' campaigns this year have included:

- The Shrimp Council jumped on the recipe video trend and produced easy-to-prepare shrimp

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# HOOKED ON SALMON

dishes chosen for their variety of cooking methods, ingredients and seasonality.

The recipes (Shrimp Scampi Skewers, Pineapple Shrimp Salsa, Baked Popcorn Shrimp, Shrimp Alfredo, and Shrimp Fried Rice) are being released monthly thru December on the Shrimp Council's Facebook page *Eat Shrimp*.

- The Shrimp Council tied its promotional campaigns to key selling seasons with the Shrimp & Pasta Party (Lent/spring), Perfectly Paired (summer), Tailgate Takeover (fall) and the upcoming 12 Days of Shrimp (holiday). These campaigns have included iconic brands such as Reynold Kitchen's, Barilla and McCormick and commission tastemaker bloggers to create delicious shrimp recipes that are broadcasted across the social media platforms of participating partners.
- The Salmon Council focused on February Heart Month and the summer grilling season to position salmon as a healthy and versatile protein during those peak selling seasons. Partners included DeLallo and McCormick Grill Mates to cross market across brand loyalists.

**"The Shrimp Council and Salmon Council have been very savvy in using social media messaging..."**

- Both Councils worked with food bloggers who crafted original salmon recipes for their followers. A Salmon Council owned recipe, created by blogger Natasha Kravchuk of Natasha's Kitchen, appeared as The San Diego Union Tribune's recipe of the week.

"In 2016, the Shrimp and Salmon Councils developed new members, new marketing strategies and new fans and are looking ahead to another year of expansion," the NFI said.

To learn more about the Shrimp and Salmon Council and how your company can support raising consumption, please contact Richard Barry (rbarry@nfi.org) of the National Fisheries Institute. **US**



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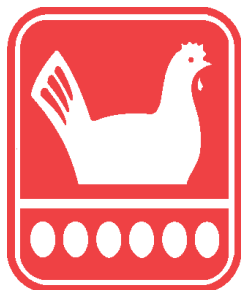
Eggology is tested every day to ensure it's absolutely safe to drink raw. Their facility is USDA approved and inspected during production. It is also MOSA approved,

assuring all organic standards are met. To learn more about Eggology's products, please visit [eggology.com](http://eggology.com). **UB**

Article contributed by Terence Wells  
[twells@urnerbarry.com](mailto:twells@urnerbarry.com)

Nutrition Facts	1/2 Cup Eggology	3 Large Eggs
Calories	59	213
Fat	0g	15g
Cholesterol	0mg	633mg
Protein	12g	18g
		Daily %*
Calories	59	3%
Calories from Fat	0	0%
Total Fat	0g	0%
Saturated Fat	0g	0%
Trans Fat	0g	0%
Polyunsaturated Fat	0g	0%
Monounsaturated Fat	0g	0%
Cholesterol	0mg	0%
Sodium	190mg	8%
Total Carbohydrate	1g	1%
Sugars	1g	0%
Protein	12g	26%

\*Percent Daily Values are based on a 2,000 calorie diet.



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# Led by millennials, Americans



"... those in the 18-34 age bracket are still twice as open to animal fats as the next oldest group ..."

Affirming that changes in how we eat aren't part of some food fad, a new consumer survey from Coast Packing Company and Ipsos Research indicates that younger Americans are even more receptive to including animal fats in their diet than they were a year ago, and are acting accordingly.

Millennials, those ages 18 to 34, are not alone: overall, 13 percent of all survey respondents are open to animal fats, up from 9 percent a year ago, and 9 percent say their consumption has increased, compared with 6 percent in 2015.

Among millennials, attitudes have changed significantly. In this year's study, 24 percent say they are receptive to animal fats, a marked increase over the 15

percent who held that position last year. In terms of what members of the youngest demographic are actually eating, it's a similar story: 20 percent of millennials report having increased their intake of animal fats — a hefty jump over 2015, when that figure stood at 13 percent.

As in the original baseline study — conducted in November 2015 — this new survey of 1,000 adults examined how attitudes about animal fats in the American diet have changed in recent years, and how consumption patterns may be changing as well. Respondents were asked whether they were more or less open to animal fats, and whether those views extended to actual behavior.

According to U.S. Census Bureau data, millennials are now the nation's largest generation and include some 75.4 million people. Forty-one percent eat out at least

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# warming to healthy animal fats

twice a week, compared to 37 percent of Baby Boomers and a like number of Gen Xers, per a study from foodservice research firm Technomic. Millennials spend 15 percent more of their discretionary income on experiences than other demographic groups.

“This year’s results show both more openness to animal fat consumption and higher stated consumption of animal fats since the last time Coast and Ipsos posed these questions,” said Eric R. Gustafson, CEO, Coast Packing. “Clearly, healthy animal fats like lard and beef tallow are back, proving that last year’s survey was not an aberration. Everything old is new again, or so the expression goes. And that’s true in spades for one hugely influential segment of the population that may not quite remember the old days. In today’s foodie culture, taste is on par with health concerns — and nutritious animal fats deliver both.

“As we said a year ago, while we’re heartened to see this generational shift, we recognize that traditional ways of thinking and eating don’t change overnight,” Gustafson said. “It’s important to recognize first and foremost the natural makeup of both lard and tallow. Neither contains the artificial trans fats you find in hydrogenated shortenings. We believe strongly that these products are best when minimally processed, which is consistent with the whole movement in food and cooking right now.”

In analyzing the reasons behind the change in attitudes, Gustafson cited a recent Journal of the American Medical Association (JAMA) Internal Medicine study implicating the sugar industry for manipulating information to shift responsibility for heart disease away from sugar and toward saturated fat intake. “That’s just one example among many that have emerged in recent years, indicating that, when it comes to healthy animal fats, Americans have been sold a bill of goods,” he said. “Perceptive journalists, commentators and consumers are finally paying attention, as our survey indicates.”

According to the survey, those in the 18-34 age bracket are still twice as open to animal fats as the next oldest group (35-54) — 24 percent to 12 percent — but the numbers have increased for both groups. Millennials are eight times as open as those 55 and over (3 percent). Behavior does indeed follow attitudes: by a wide margin, those 18-34 continue to lead the charge back to animal fats. Fully 20 percent say their consumption has increased — dramatically higher than those 35-54 (9 percent) and those 55+ (1 percent). Thirty-two percent of those 18-34 say they have reduced their intake of animal fats, vs. 35 percent of those 35-54 and 51 percent of those 55+.

Age remains the most decisive differentiator among the various demographic filters, the survey found. Flipping the age bracket around, a greater percentage of those 55 and up were less open to animal fats (40 percent) than

any other age group, almost double the response from millennials. Those 35-54 were most set in their ways, with 61 percent indicating that there had been no change in their attitudes in recent years.

According to the Coast/Ipsos study, the gender divide is pronounced: 18 percent of men are now more open to animal fats, compared to 8 percent of women. Here, too consumption patterns generally track attitudes. Nearly three times as many men reported an increase in their consumption of animal fats (14 percent), vs. 5 percent of women. Conversely, 43 percent of women reported cutting back on animal fats, vs. 37 percent of men. **UB**

Adapted from a story that originally appeared on Foodmarket.com on October 25, 2016



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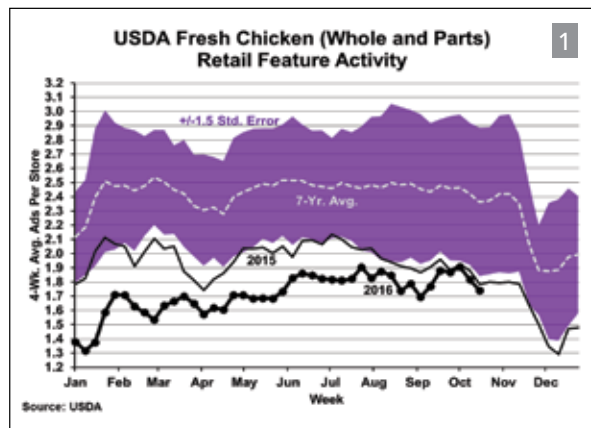
# Leg quarters are competing

A little over ten years ago, USAPEEC President Jim Sumner asked attendees at the association's winter meeting whether or not a \$.40 leg quarter market would materialize again. It had been almost nine years since leg quarters last realized that seemingly unachievable value and the response was skeptical. But just a short six months later, during June of 2005, leg quarters once again broke the \$.40 barrier. Since that point in time, poultry industry participants finally started to acknowledge the potential leg quarters held given the right conditions. In the ensuing years that invisible value barrier has been broken many times, superseding even that lofty precedent when in 2008, just three years later, leg quarters averaged more than \$.50 a pound for four consecutive months.

To many current industry participants those days are ancient history. Last year's international bans on U.S. poultry

decimated the market for exports and with it leg quarters. Since the onset of HPAI, market values have struggled to keep above the pace, falling to lows in the low \$.20 range during late 2015. Since that time improved exports have helped boost values. However they continue to hover more than a dime below the \$.40 threshold causing pause to wonder whether or not those days will come again.

Last year's suspension of export trade in a protein rich environment was certainly the catalyst for grounded leg quarter prices. But other factors too are weighing heavily on the market which aren't so apparent as an international ban on U.S. poultry and the slow trade recovery in its



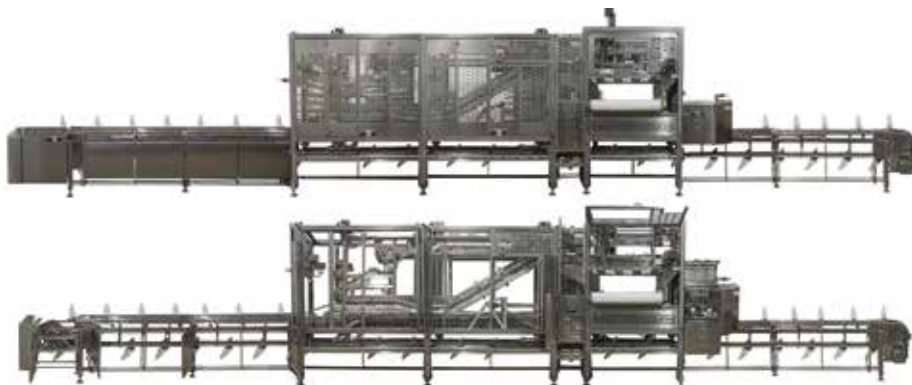
aftermath. Growth in chicken production, an abundance of retail feature attracting competitive proteins and changing U.S. demographics are each contributing their share to the existing leg quarter picture.

Chicken production has been growing steadily for decades. Today's average bird weights far exceed those at the outset of the millennium. Back in 2000, the average bird weight was shy of five pounds whereas in 2016, bird weights year-to-date have averaged nearly 6.15 pounds—23 percent higher. In the past three years, head counts have advanced on a YTD basis about 234 million head for an increase of 3.7%.

But chicken production is just one piece of a bigger puzzle. In the wake of Porcine Epidemic Diarrhea virus (PEDv) which resulted in widespread losses of pigs and previously, western drought, which led to tremendous liquidation of the cattle herd, red meat production is back with a vengeance. Record availability of proteins, including pork, beef, chicken and eggs into next year, means prices will likely stay low for the near future. And that isn't good for chicken which has taken a back seat to beef and pork in the retail pages. Although certainly not absent from retail exposure, beef and pork garnered the lion's share of consumer attention and their presence was welcomed, especially for beef, after a long absence. Chart 1 shows that the frequency of chicken in the 2016 retail flyers was well below the seven year average and well below recent years. Conversely, red meat exposure remained strong, as was the

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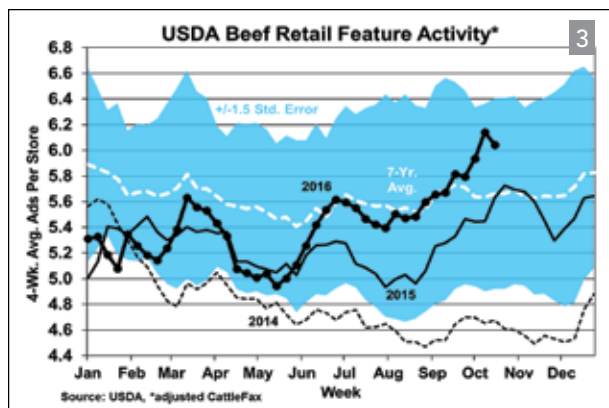
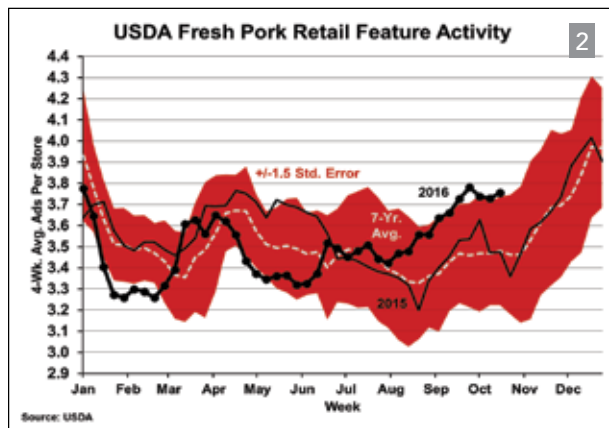
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# on a different playing field



case with pork (CHART 2), or advanced significantly, as did beef. (CHART 3).

Contributing at an increasing rate to the market conditions dogging leg quarters is the consumer. More specifically, changing consumer demographics and tastes in the post-baby boomer generations. According to Datassential, a leading food industry market researcher, the generational influence of post-Boomers is already changing what we eat. Their research shows that 28% of baby boomers have “ethnic” backgrounds. In Generation Z, those born after 1997 and who currently make up about 20 percent of the population, that percent jumps to 47 percent. And not only that but Generation Z will represent 40 percent of the U.S. populace in just four short years. This is significant for many reasons but in terms of eating preferences, Generation Z favors foods with ethnic flare such as Indian, Vietnamese or Korean. Although chicken is a key ingredient in many dishes, it’s not leg quarters or something more traditional on U.S. menus

like boneless breast that’s utilized. It’s boneless leg, drum or thigh meat. That’s left leg quarters out in the cold or at least in the meat case vying for retail attention in a difficult climate.

Foodservice providers are utilizing significant volumes of boneless dark meat. That demand influence, along with other socio/political economic influences, has created a situation where there can be insufficient labor for deboning the leg, leaving more quarters for sale and prices under pressure.

From a retail buyer’s perspective this is encouraging news. Record production suggests that adequate to ample supplies will likely translate to lower costs and increased feature activity. And that’s not only beneficial for the U.S. consumer but also to grocery outlets experiencing greater return visits and larger protein rings at the cash register than they have in years.

At the same time, export buyers have the potential to benefit given attractive commodity pricing and plentiful opportunities. A major stumbling block here, however, is the strong dollar and its relationship with international currencies in conjunction with the ongoing liquidity issues germane to petrol based economies.

In the end, leg quarters are a bargain protein but one that is getting lost in its ubiquitous status, at least in the United States. A variety of factors ranging from 2015’s multi-national bans on U.S. poultry to rising production and changing consumer demographics are contributing in their own way to the demise of the chicken leg quarter as we knew it. Like in years past, it might only be a matter of time and timing before chicken leg quarters once again regain market stature. In the

meantime, they will remain an attractive option for retailers enjoying a resurgence of consumer appeal as boneless dark meat captures the bulk of innovative attention at the fast food and QSR levels.**UB**

Article contributed by Russell W. Whitman  
rwhitman@urnerbarr.com

**“ ... other factors too are weighing heavily on leg quarters which aren’t so apparent as an international ban on U.S. poultry...”**

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# U.S. pork industry committed

Article contributed by the  
National Pork Board

The National Pork Board, led by a 15-member executive board of U.S. pig farmers, celebrated global One Health Day, Nov. 3, by reaffirming its commitment to its core value of doing what's right for the overall health of people, pigs and the planet.

"We have a proud history of raising pigs in ways that go beyond simple animal health and that are mutually beneficial to human and environmental health," said National Pork Board President Jan Archer, a pig farmer from North Carolina. "We see One Health Day as a good time to reflect on our accomplishments, such as using antibiotics responsibly and embracing the updated Pork Quality Assurance<sup>SM</sup> Plus certification program."

With the U.S. Food and Drug Administration's (FDA) upcoming ban on using medically important antibiotics for growth promotion in food animals on Jan. 1, 2017, together with the mandate for increased veterinarian oversight of antibiotic use, Archer said consumers can be assured that America's pig farmers are committed to antibiotic stewardship, animal well-being and food safety.

"We are always looking for ways to do what's right for our animals, our consumers and our environment," Archer said. "We want people to know that we'll continue to do our part as we seek new ways to reduce the overall need for antibiotics. At the same time, we need to retain antibiotics as essential tools for veterinarians and farmers to help continue to raise healthy livestock and produce safe food."

Archer noted that the National Pork Board has invested more than \$6 million in Pork Checkoff funds toward antibiotic-related research since 2000. The board also has spent \$750,000 this year in five research priority areas specifically aimed at reducing antibiotic resistance and finding antibiotic alternatives.

On the environmental front, U.S. pig farmers have made great strides over the past 50 years as demonstrated by the findings of a study conducted with the help of the University of Arkansas. Per pound of pork produced, pork's carbon footprint decreased 35 percent, its water usage fell 41 percent and its land footprint plunged 78 percent.

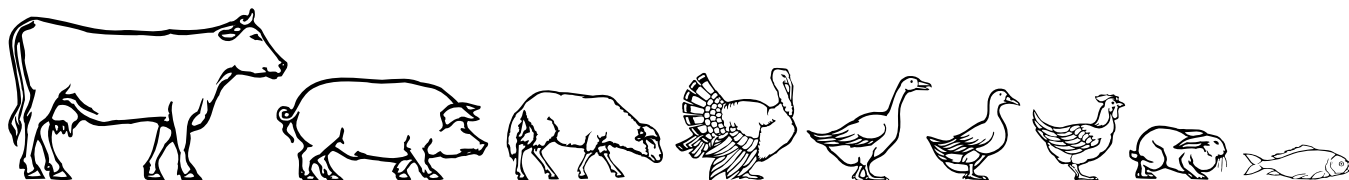
"When it comes to demonstrating leadership in the area of One Health, it's clear that American pig farmers are doing more than



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# to the One Health approach

talking about it,” said Bill Even, CEO of the National Pork Board. “In terms of collaborating with multi-disciplinary teams and with other industries, our farmers are

helping lead the conversation on tough topics, such as how to combat antibiotic-resistant bacteria while preserving these valuable tools for responsible on-farm use.”

Even notes that the National Pork Board’s three-point antibiotic stewardship plan, announced in mid-2015, already has delivered on its pledge of promoting research, pig farmer education and consumer and influencer outreach during 2016. The Antibiotic Resource Center, found at [pork.org/antibiotics](http://pork.org/antibiotics), is an example of efforts to assist farmers.

“Real, substantive change is underway on pig farms across America with the farmers themselves shaping the discussion around responsible antibiotic use,” Archer said. “We’re ready to implement the new, more stringent FDA rules when they take effect on Jan. 1, 2017, and we’ll continue to work with any group that truly wants to collaborate with us in good faith to make the One Health vision of better global health for people, animals and the environment a reality.” **UB**

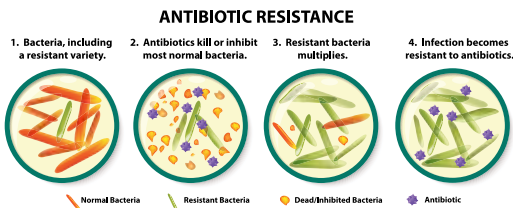
**RESPONSIBLE ANTIBIOTIC USE**  
on Today's Pig Farms  
Protects People, Pigs and Planet

**Doing the right thing**

The National Pork Board represents all of America's pig farmers whose No. 1 GOAL is to do the right thing for people, pigs and the planet. This includes using antibiotics responsibly, reducing the need to use them and preparing for new federal rules.

## Antibiotic Resistance

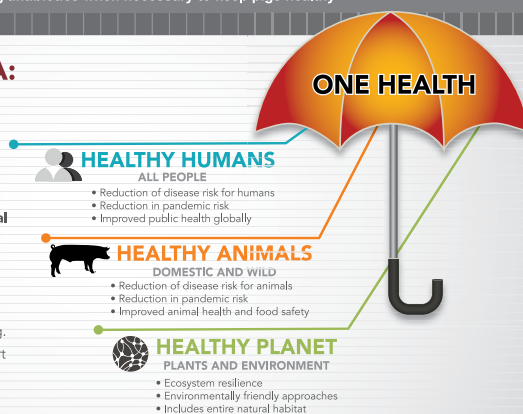
Just as human patients work with their medical doctors, America's pig farmers work with their veterinarians to help reduce antibiotic resistance. This is the ability of a microbe to grow in the presence of an antibiotic that would normally kill or limit the microbe's growth, which is not good for human, animal or environmental health.



We Care® helps ensure that pig farmers share the same values as today's consumers. Keeping pigs healthy and producing safe food are top priorities of pig farmers and their veterinarians. Together, they will continue to do what is right for the animals, which may include using antibiotics when necessary to keep pigs healthy.

## ONE HEALTH UMBRELLA: Shared Responsibility, Opportunity to Combat Antibiotic Resistance

The worldwide One Health approach to combat antibiotic resistance is critical to human and animal health. This is a collaborative effort to attain optimal health for people, domestic animals, wildlife and the environment. Medical doctors and patients, veterinarians and farmers, along with government, academia and industry stakeholders, are cooperating. Pig farmers play an important role in the shared effort to use antibiotics responsibly to help minimize the potential emergence of antibiotic-resistant bacteria.



## DID YOU KNOW



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> As of Jan. 1, 2017, antibiotics important to human medicine are **NO LONGER BE ALLOWED FOR GROWTH PROMOTION IN FOOD ANIMALS.**

> **IN 2016, U.S. PIG FARMERS INVESTED \$750,000** in five research areas that include defining alternative antibiotic technologies, studying the environmental fate of antibiotics and better understanding the impact of antibiotic-resistant bacteria.

Pork Checkoff Service Center **1.800.456.7675**



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Visit [pork.org/antibiotics](http://pork.org/antibiotics) for more information.

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# A quick look at the Kids LiveWell Program



Burger King  
Kids Hamburger



While dining out with their children, parents are constantly looking for healthy options. Now 42,000 restaurant locations offer them! This year the National Restaurant Association is celebrating the fifth anniversary of their Kids LiveWell Program. This initiative was launched to assist parents in selecting healthy options for their children while dining out of the home. Restaurants have increased their offerings of fruits and vegetables, lean proteins, whole grains and low-fat dairy. Participating establishments have also limited unhealthy fats, sugars and sodium.

Restaurants who are interested in joining this program must agree to offer and promote a selection of qualifying nutritional items as suggested by leading health organizations and the 2010 USDA Dietary Guidelines. Participating restaurants' menus contain a minimum of one 600 calorie or less full children's meal, offer an individual item that is less than 200 calories, have the nutritional profile menu available, and promote the healthy menu options.

A team of registered dietitians from Healthy Dining and leading health organizations have laid out specific criteria for restaurants to fulfill in order to participate in the Kids LiveWell Program. The criteria can be found on



Silver Diner Kids Salmon

Healthy Dining's website at <https://www.healthydiningfinder.com>.

As a participating restaurant, there are a handful of benefits for following the program. These restaurants are placed on the Healthy Dining Finder's Kids LiveWell website as participants. Next, participating restaurants are promoted through the program by the National Restaurant Association and Healthy Dining. Lastly, participating restaurants have access to utilize an icon for their menus that indicate a healthy choice for kid's meals.



Joe's Crab Shack Snow Crab

So parents, now while dining out with your children, you can be sure fruits, vegetables, dairy and protein will be offered on menus for over 40,000 U.S. restaurants. **UB**

Article contributed by Meghan Miick  
[mmiick@urnerbarry.com](mailto:mmiick@urnerbarry.com)

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"Heading" in the right direction ...

## Update on expanded U.S. hog processing capacity

In the Summer 2016 issue of 'Urner Barry's Reporter', we wrote about the addition of pork plants that will add significantly to U.S. daily hog processing capacity. Here's an update ...

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Clemens Food Group  
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Prestage Farms  
Wright County, IA  
Scheduled Opening Q3 2018  
**10,000**

Seaboard-Triumph Foods  
Sioux City, IA  
Scheduled Opening Q3 2017  
**12,000\***  
\*Expected to grow to  
20,000/head by Q3 2018.

Moon Ridge Foods  
Pleasant Hope, MO  
Opened Q4 2016  
**2,500**

2016 Daily Capacity 450,000  
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# Urner Barry's Seafood Price Current revamped with more quotations, interactive features

In November 2016, Urner Barry released a new layout design to its *Seafood Price Current* (SPC) publication. The report features several major changes to key seafood categories intended to increase the clarity of market behavior for specific items.

The first most obvious change to the report is the switch from a landscape, or horizontal, presentation to portrait, or vertical format. The revised report also features color coded changes to indicate market direction.

"The new, easier-to-read, portrait format is the result of a year-long effort to design a newsletter that better delivers the content you need," Urner Barry said in a statement.

The report also includes a linking feature that gives users the ability to easily access Urner Barry's historical data directly from the quotations page.

"Comtell customers will see the added benefit of a robust linking feature that's been added. Comtell subscribers will now have the ability to access our historical data through a single-click on the *Seafood Price Current*," said Urner Barry.

The most significant changes to the publication involve additions and edits to how some of the seafood quotations are reported.

Live lobster market quotations for one and three-quarter sized lobsters were added for new and hard shell products out of New England and New York. Meanwhile, the "F" quotation for South African coldwater tail quotations was split into F1 and F2.

Scallop market quotations were also further defined. There are now three separate quotations for domestic scallops: All Natural, Dry <83%, and Processed >83%. Additionally, Japanese Dry quotations were added to the complex.

Spanish-origin octopus quotations were also added to the existing list of Filipino and Indonesian items.

Finally, several changes were made to fresh market quotations.

In the Fresh Whole complex, Pacific grouper quotations are now included while Mexican snapper quotations are represented in



the Imported category. A Weakfish (Corvina) category was also added to the complex.

An assortment of size categories was also added to the Eastern Fresh Fish Fillets category.

Urner Barry said all of these changes to the quotations were made to increase the clarity of specific market behavior and reflect updates to how specific items are most commonly traded.

The report will continue to be released on Tuesdays and Thursdays via email and on Urner Barry's COMTELL platform.

Subscribers with any questions pertaining to the report are encouraged to call Urner Barry at 732-240-5330 or by emailing [sales@urnerbarry.com](mailto:sales@urnerbarry.com)

Article contributed by Michael Ramsingh | [mramsingh@urnerbarry.com](mailto:mramsingh@urnerbarry.com)



# WHAT'S NEW IN NUTRITION... AND WHY!?

## 5 SIMPLE THINGS YOU NEED TO KNOW

Feeling confused about what to eat these days? You're not alone. Nutrition guidance seems to constantly be changing – but why? The short answer is nutrition is always evolving because new scientific studies help improve our understanding of what to eat and why.

Here are the top 5 things you must know about the latest in nutrition and U.S. Dietary Guidelines that can help you lead a healthy lifestyle.

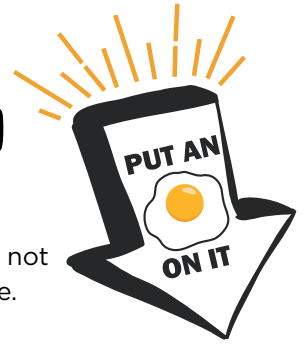


For more nutrition information and recipe inspiration, visit [www.IncredibleEgg.org](http://www.IncredibleEgg.org).



### 1. CHOLESTEROL LIMIT LIFTED

There is no longer a limit on dietary cholesterol. Recent studies show that it does not increase the risk for heart disease. So no fear, #PutAnEggOnIt



### 2. FAT QUALITY TRUMPS QUANTITY

Limit intake of saturated fats in foods like butter, but enjoy oils and other unsaturated fats from sources like eggs, avocados and olive oil.



### 3. ADDED SUGARS = ADDED HEALTH RISK

Limit soda, candy, cookies and similar foods with added sugars. They tend to be higher in calories and low in nutrition.



### 4. SWITCH UP YOUR PROTEIN ROUTINE

It's important to get your protein needs from a variety of sources including seafood, lean meats and poultry, eggs, beans, nuts and soy products.



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Opt for whole grains, like breads made with whole-wheat flour, oatmeal or brown rice, instead of refined grains. They pack a more nutritious punch, help stabilize energy levels and can keep you full longer.





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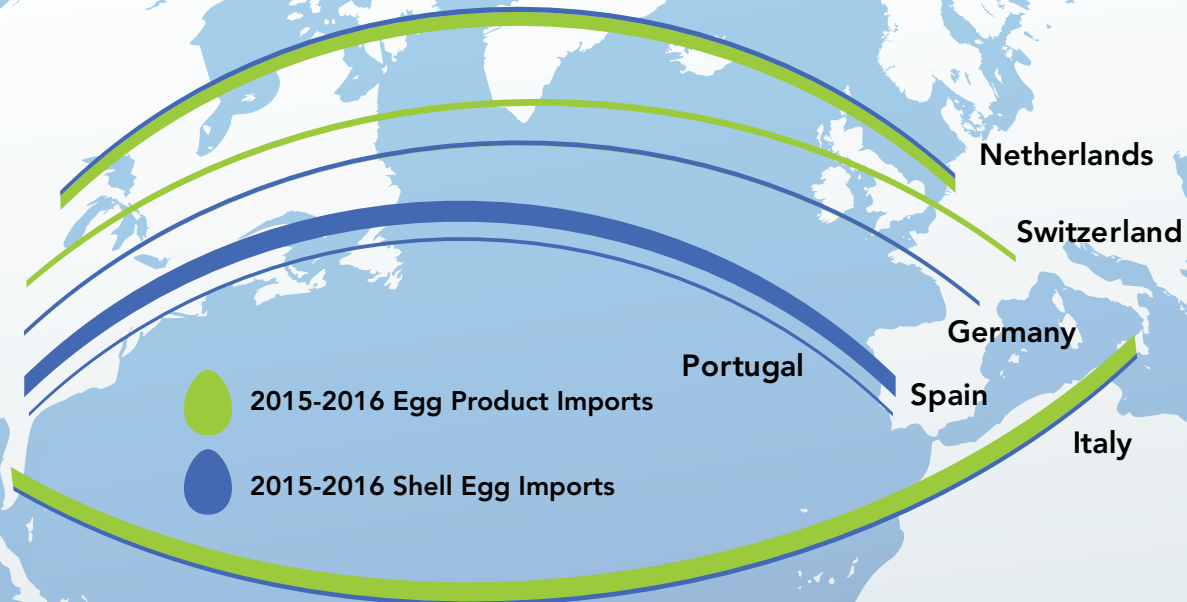
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# Highly pathogenic avian flu prompts egg imports from Europe



2015's historic outbreak of Highly Pathogenic Avian Influenza (HPAI) created unprecedented shortages of shell eggs and egg products in the United States. Processors and end users turned to the international markets for secondary supply and relief from record prices. Weekly shell eggs imports were highest during September of 2015, following peak domestic market prices seen during the preceding month of August. These shipments have been on a steady decline since though. U.S. production has rebounded and Urner Barry's shell egg quotations have fallen to decade lows, limiting the need for shell eggs to break. The last shipments reported by U.S.

customs data occurred in early March, just prior to Easter, which happens to be the last time Midwest large prices were above \$1.00 per dozen.

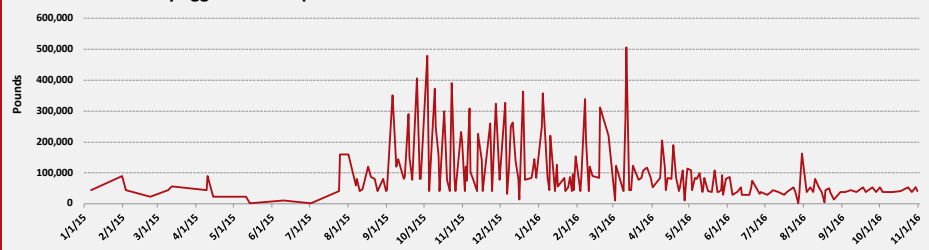
Egg product imports hit 2015 highs during September as well, but actually reached the highest weekly total recorded in March of 2016. Though shell egg shipments

have pretty much stopped all together, egg products continue to enter the U.S. Market participants suggest that buyers are keeping third party supply lines open, just in case another issue like HPAI arises in the future. **LB**

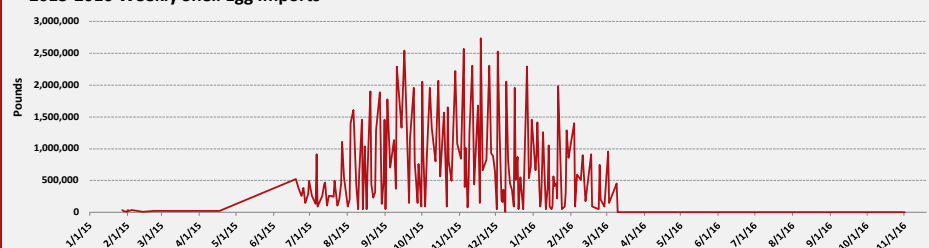
Article contributed by Brian Moscogiuri  
brianm@urnerbarry.com

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2015-2016 Weekly Egg Product Imports



2015-2016 Weekly Shell Egg Imports



U.S. Customs Data for shell eggs and egg products is now available on COMTELL under the Import/Export tab. The information is updated daily.



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# Brazilian beef coming to the USA

In August 2016, it was announced that the U.S. market was opening to Brazilian beef imports. Brazil had previously been banned due to Foot and Mouth Disease (FMD) outbreaks in their cattle herd. FMD is a highly contagious disease that affects the health and performance of infected cattle. Containment efforts include the quarantine of animals, vaccination, and trade restrictions. FMD is not a human health or food safety concern.

The U.S. was already importing cooked and processed beef products from Brazil as these products are safe from FMD concerns. Now that FMD is contained in Brazil and their food and safety inspection systems are equivalent to U.S. standards, the U.S. market has now been opened to fresh beef from that country.

Brazil is the second largest beef producer in the world and the largest exporter of beef. At 204 million people, Brazil's population is the fifth highest in the world with only China, India, the United States, and Indonesia having larger populations. So it would stand to reason that total Brazilian domestic beef consumption is also one of the largest in the world coming in just behind the U.S., China, and the EU. Brazil is projected to be the largest exporter of beef and veal in the world next year. Significant export markets for Brazilian beef today include Hong Kong, Egypt, China, and Russia.

Even with the opening of the market, Brazil has a few challenges in becoming a major exporter of fresh and frozen beef and veal to the U.S. — quota being one of the more significant obstacles. Major suppliers like Australia and New Zealand have their own country-specific quotas. Brazil does not. Instead, they must share from a pool of the "other countries" quota along with Central American exporters. The quota is currently 64,000 metric tons. By comparison, Australia has a quota of 418,000 metric tons and New Zealand has 213,000 metric tons. If Brazilian beef and veal entries to the U.S. were to exceed that amount, they would be imposed with



Cattle grazing in Brazil.

a 26.4% duty. It's likely that Brazilian exporters would need to adjust their selling price to make prices competitive with the rest of the marketplace. If Brazil's trading partners were willing to pay more than this adjusted price, it would likely stem the flow of product to the U.S. That said, shipping meat "out of quota" and paying the 26.4% duty is not unprecedented. In 2007, Uruguay shipped over 100 metric tons to the U.S. out of quota, paying the 26.4% duty.

Another challenge is the paperwork and testing protocol that the USA imposes on our export partners. The requirements are much more stringent than other countries and can require that a beef packer make significant changes in the way they track their production. In the case of grinding material, a positive E. coli test result can trigger a recall or significant discounts on the product and some companies would rather not deal with this risk.

There is also the issue of product acceptance. It has been years since fresh and frozen Brazilian beef last sold in

the U.S., so buyers are unfamiliar with the product. Brazilian beef is grass fed, which is an emerging trend in the U.S. for cuts but still not mainstream. Grass fed manufacturing beef, on the other hand, is used extensively to make ground beef and hamburger patties. Brazilian companies have sold product to the U.S. through their holdings in other parts of the world and here. This provides perspective and knowledge of the U.S. market that other countries gaining new access to the U.S. would not have.

These obstacles are not insurmountable, and with one of the largest commercial herds in the world, Brazil has the capacity to ship significant quantities of beef to the USA. **UB**

Article contributed by Joe Muldowney  
joemo@urnerbarry.com



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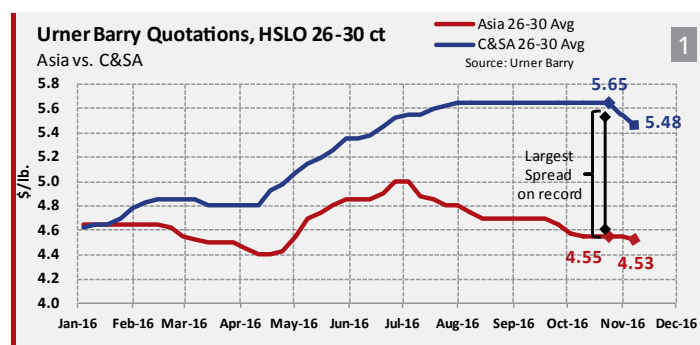
# Shrimp market 2016: how Asian supplies helped create record price gaps



©Turbotroll

Over the past year the price spread between 26-30 headless shell-on Latin American and Asian shrimp has grown to the highest on record, with the price differential in November around \$1.00 (CHART 1). This was driven by plentiful supplies of Asian shrimp in the U.S. market and lack of supply from Ecuador.

As of September 2016, 26-30 count imports from all supplying countries were just ahead of 2015 levels at 53 million pounds. This was mostly thanks to strong import figures from India.



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At the same time, Ecuador has seen much stronger and more profitable demand for its head-on shrimp from China, and also from Europe, than for headless shrimp sold in the U.S. As a result, Ecuador shipments to the U.S. have fallen by about 17% for all types, even though Ecuador production this year is up sharply and the lack of U.S. supply is what has driven up the price of Ecuador 26-30s.

A similar decline in Peruvian shipments also contributed to the lack of Latin American 26-30s in the U.S. market. Meanwhile, Mexican production and exports were also predicted to be down, though those declines were not quite evident in year-to-date figures, as of this writing, since Mexican production generally peaks in October and November.

However, in advance of the holidays, this situation has shown some signs of change. First, Urner Barry reported some weakness on offers of Ecuador 26-30 shrimp as demand for Latin American Shrimp has been sluggish.

Second, demand out of China may be beginning to be impacted by currency. The Chinese have continued to allow their currency to weaken to stimulate their exports. But Ecuador shrimp are sold in U.S. dollars, which has been strong, so the currency change has become a headwind, making Ecuador shrimp more expensive in China.

This may not have impacted orders for the Chinese New Year, but there are some reports that sales at the recent Qingdao seafood show were not as robust as expected.

It appears that the price spread is likely to narrow as the holiday order period for Europe has also closed. However, on January 1st Ecuador will get tariff-free access to the European market, meaning the small existing tariff on shrimp of 3% to 5% will disappear. This could boost some sales to Europe.

Finally, Mexico is another source of Central and South American Shrimp.

Mexico's production both wild and farmed will likely be down this year due to disease, early harvest, and poor wild shrimp catches.

Nevertheless, we have seen more offers of Mexican shrimp in the last couple of weeks due to a weak Peso, and this could also be impacting the market.

Outside 26-30s, there were other pockets of large price spreads between Asian shrimp and products from other origins also because of availability.

*Continued on page 62*

**"...pockets of demand in the U.S. market supported premiums for shrimp sourced outside of Asia...."**

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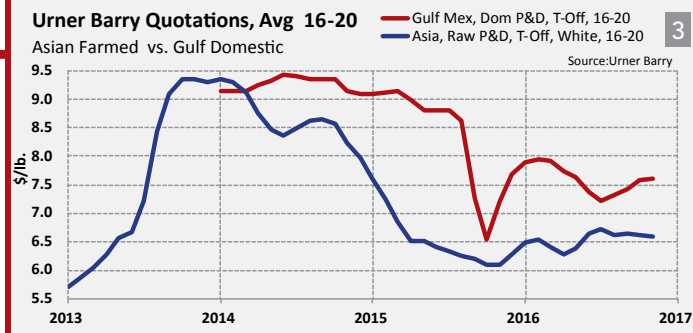
# Shrimp market

Continued from page 61

For instance, average prices for peeled, headless, tail-on Asian 16-20 farmed black tiger shrimp in November were over a dollar higher compared to the market average for peeled, headless Asian 16-20 count white shrimp (CHART 2).

Even domestic shrimp prices trended at a premium compared to the product of the same count size imported from Asia. The Gulf shrimp market for white, headless, shell-on 16-20 count shrimp was up about \$1.00 per pound on average compared to headless, shell-on 16-20 Asian imports (CHART 3).

Here again, the spread was a product of availability. The Gulf market strengthened in the second half of 2016 as production

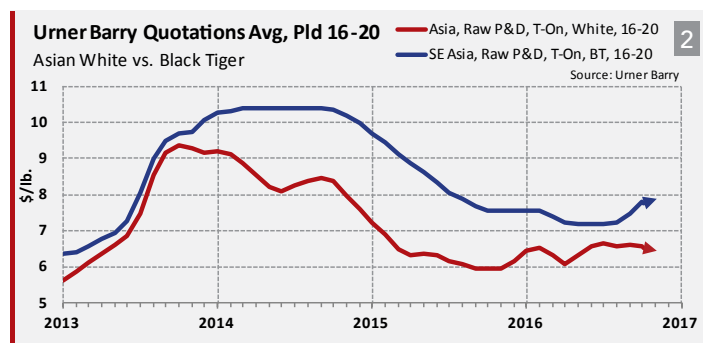


struggled while the market for imported Asian shrimp maintained lower price points because of solid inventories.

There are a couple takeaways that can be gleaned from this market behavior.

First is how Asian shrimp suppliers have supported U.S. buyers with record volumes. Asia's shrimp imports to the U.S. market set a record pace in 2016 after falling just short of record volumes in 2015. These shipments have kept wholesale market prices steady at generally lower levels compared to the volatility seen just a few years prior.

Second, is how pockets of demand in the U.S. market supported premiums for shrimp sourced outside of Asia. This helps explain why 26-30 count shrimp from Latin America or domestically sourced Gulf 16-20 whites still commanded far high price points both year-over-year and compared to Asian imports. **UB**



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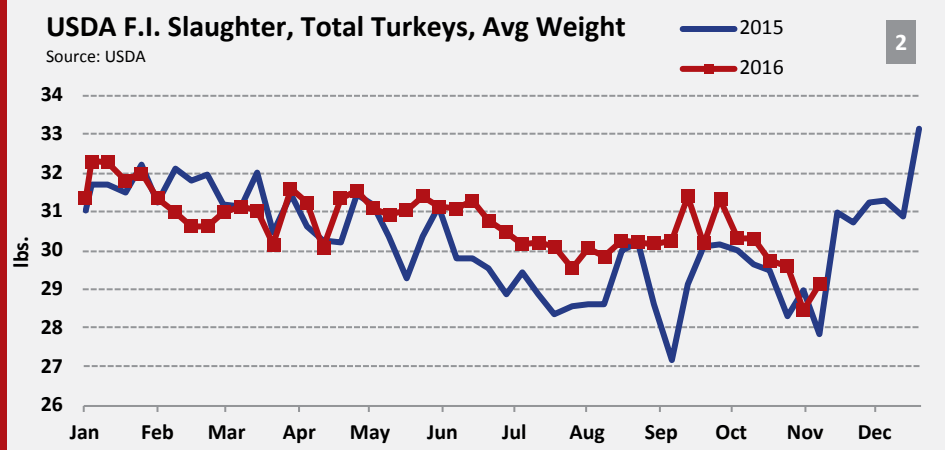
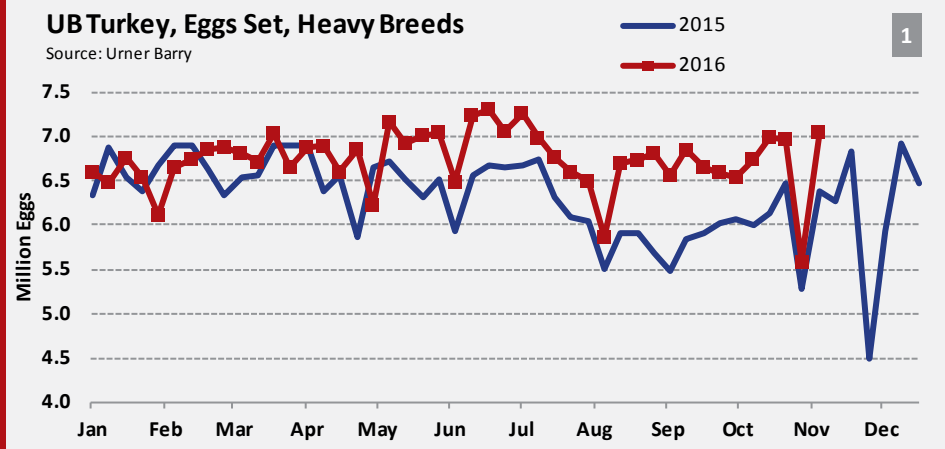


# Turkey's turning tide of tonnage

During 2016, the turkey industry found itself in a more easily defined and predictable production scenario than in some time. Re-established breeder flocks were providing adequate numbers of eggs, while the seasonal downturn in whole bird demand is again resulting in greater amounts of hen poultts being destroyed.

Perhaps the best indicator of production potential is egg sets. Since May 2016 the industry has been setting eggs at a pace well above 2015 (CHART 1) which isn't too surprising given that last year HPAI had decimated both young and breeder flocks. As a result, the number of eggs available was greatly reduced due to flock losses and because many breeder operations went into a forced molt. This not only temporarily suspends egg production, but once complete, molted breeders are typically not as productive nor are the eggs as viable once they are laid. So that naturally turns our attention to other years for a more valid comparison. If we consider the five preceding years, we'll note that 2016's YTD, sets are reminiscent of expansionary years such as 2011 and 2012, which resulted in troublesome markets. Those increases led to contraction in 2013 and maintenance increases in 2014 to satisfy a sorely short market. That brings us to 2015, which in year-to-date terms looks like a pretty solid year as it was supposed to be. However, when all was said and done egg sets were the second lowest on recent record falling only to 2013's production-shrinking year. For 2016, sets most closely paralleled late 2011 and 2012 which resulted in near record production in 2012 and during the first half of 2013. Looking at the horizon, the new "young" breeder flocks that are in production likely mean that egg sets and viability will maintain high levels; setting the production stage for the balance of 2016 and early 2017. At the current rate of sets, it's possible that 2016's total production will approach that of 2012 at 5.935 billion pounds, which coincidence or not, is exactly what the USDA is currently forecasting.

So from a production standpoint, things have returned to normal. According to



the USDA weekly slaughter report YTD through November 12, the total number of turkeys slaughtered is up by 2.9% while total RTC volume is up a more significant 4.8%. The difference between the advance in head count and the increased RTC volume is largely a result of heavier toms and more of them. Although the head count on hens is up, processors are no longer extending their time in the field as they were in 2015 and hen weights have drifted lower. With that in mind, chart 2 shows that average bird weights have been consistently above last year since early spring. YTD toms are averaging 41.06 pounds against 39.92 in 2015, while average hen weights continue to be on the decline.

Plenty of eggs and heavier birds are tangible evidence that turkey production is on the rebound. One final indication that production patterns have returned

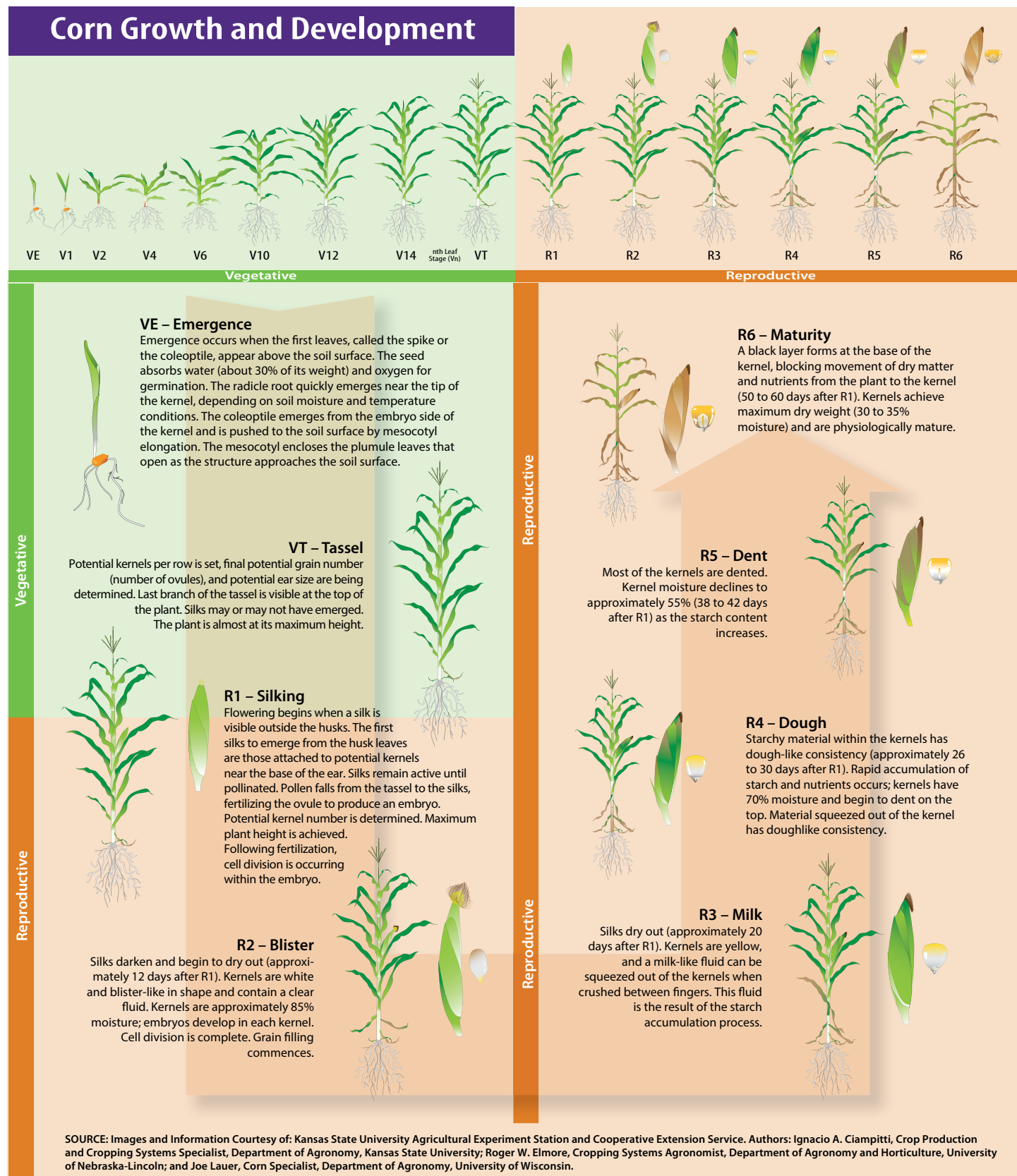
to more normal levels and that live bird requirements are largely getting satisfied is the return of hen poult destruction to robust levels. During 2015, because turkeys of any gender were in such high demand due to Midwest AI losses, only bare minimum numbers of poultts were being destroyed. Even hen poultts, which are less desirable than toms given today's industry production parameters, were being placed in large numbers just to populate houses. Not so this year. As of this writing, YTD hen poult destruction was escalating about 10% above 2015's AI limited rate.

With egg sets advancing, heavier turkeys being slaughtered and greater numbers of poultts being destroyed, there's little left to the imagination when it comes to the turkey industry's turning tide of tonnage. **UB**

Article contributed by **Russell W. Whitman**  
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# Understanding a few key stages of corn growth

Each week during the growing season, Urner Barry Newswires provides reports on the USDA's weekly Crop Progress report, which discusses growth progress and harvest updates for corn and other crops important in livestock feed. There are several development stages in which corn progresses leading up to the harvest each fall. These stages are key indicators of potential crop quality and yield. The infographic below will help you to understand a few key stages in corn production:

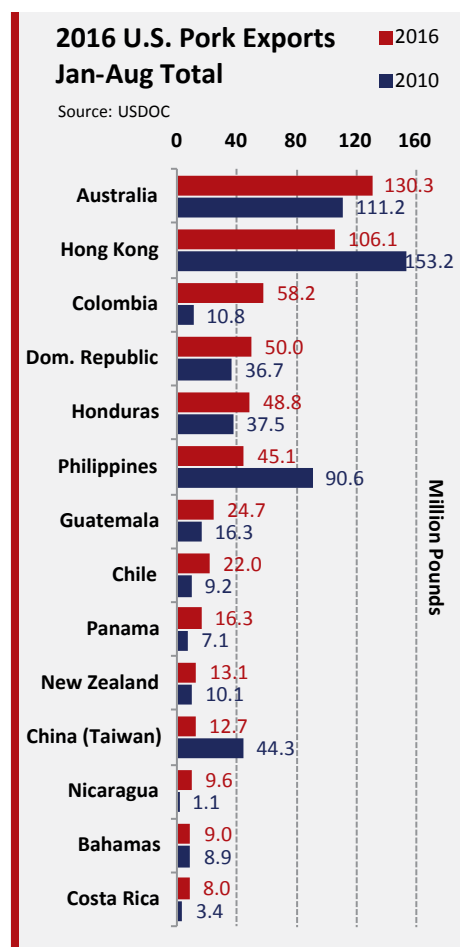




# Pork exports beyond the top 5 countries

When writing about U.S. pork exports, the majority of attention tends to go toward the top 5 recipient countries and for good reason; the volume of pork that Japan, Mexico, Canada, China (Mainland) and South Korea collectively imported from the U.S. in August 2016 was 4.8 times that of the next 185 countries listed in the USDA export report combined. However, that is not to say that countries outside of the top-5 are insignificant and most participants would agree that demand from one of the other countries, especially if it is for a particular cut or group of cuts, can have a meaningful impact on price.

In this chart we take brief look at the next 15 pork importing countries, ordered by their total January-August pork imports in 2016 and compared that figure to 2010.



Australia and Hong Kong lead the pack, importing roughly twice as much pork as the third country on this list, Colombia (or the eighth country on the list if

**"However, that is not to say that countries outside of the top-5 are insignificant ..."**

incorporating the top-5). Compared to the Jan-Aug period in 2010, Australian imports of U.S. pork are up 17 percent this year whereas Hong Kong imports have declined by 31 percent. Compared to the Jan-Aug period in 2015, Australia and Hong Kong imports are up 6.5 and 71.6 percent, respectively. Exports to Colombia, the next country on the list, are up more than 430 percent since 2010, or an additional 47 million pounds.

With many of these countries, we compete directly with pork exporters such as those within the European Union for market

share. For instance, in August, Australia imported nearly the same tonnage of pork from the U.S. and Denmark. That month, imports from the U.S. were up 14.6 percent and down 7.9 percent year-over-year from Denmark. These fluctuations can depend on exchange rates, logistics and the more volatile nature of smaller nation's economies, just to name a few variables. From August '15 to August '16 for example, the Australian dollar appreciated by 3.9 percent against the Euro and 4.5 percent versus the U.S. dollar, which could have swayed some trade decisions in favor of the U.S.

Some other markets which have expanded from last year include Dominican Republic (+11.5%), Honduras (+19 percent), Philippines (+11.4%), New Zealand (+14.2%) and Nicaragua (+172.6%). **UB**

Article contributed by **Russell Barton**  
rbarton@urnerbarry.com

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# Seafood consumption heading in right direction in U.S., as 2015 per capita number jumps

Adapted from an article originally published on Seafoodnews.com on October 26, 2016 written by John Sackton



Federal fishery authorities at the National Oceanic and Atmospheric Administration (NOAA) reported a rise in per capita seafood consumption in the U.S. in 2015. This was according to its annual Fisheries of the U.S. Report, which was in October, 2016.

According to their model, per capita consumption jumped 0.9 pounds per person, however this overstates the actual consumption.

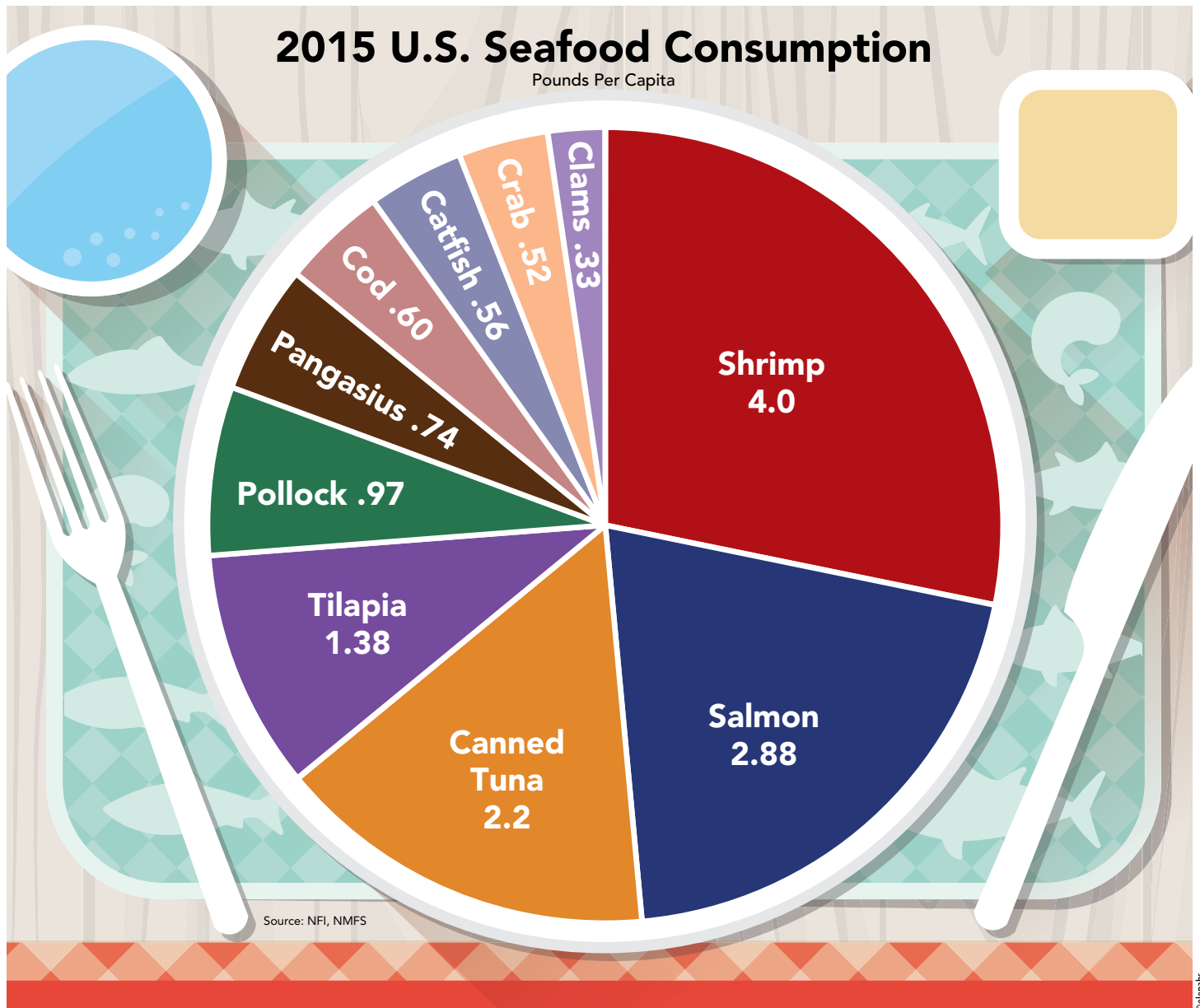
NOAA made clear in their report that they use a disappearance model, in which they assume all seafood produced in a given year is consumed that same year.

However, 2015 saw very large pink salmon runs, and production of canned salmon, much of which was carried over into 2016.

Also there are large inventories of pollock blocks on hand, currently depressing prices.

Estimated U.S. per capita consumption of fish and shellfish was 15.5 pounds (edible meat) in 2015. This total is an increase of 0.9 pounds from the 14.6 pounds consumed in 2014.

The increase represents 0.6 pounds of fresh and frozen seafood, to a total of 11.5 pounds per capita, and a 0.3 pound increase in canned seafood products,





**"... the report is a very positive sign for the U.S. seafood industry, pointing to rising consumption and value of seafood in general."**



mostly due to salmon. Tuna consumption continued to decline, from 2.3 to 2.2 pounds per capita.

Other data from the report is that both Dutch Harbor and New Bedford continued to occupy their usual tops spots for volume and value of seafood landed, respectively.

NOAA also went out of its way to suggest that their estimate of 90 percent of U.S. seafood coming from imports is unreliable, and that it is believed that the percentage of domestic product is actually higher than this suggests.

NOAA states, "NMFS believes that the existing model may overestimate this percentage. The calculation is made by converting all imports, exports, domestic

landings, and domestic processing into a common, standard edible meat weight. Numerous conversion factors are used to calculate this edible meat weight standard, and the accuracy and variability of these factors are likely to effect the overall calculation. In addition, this figure may include a substantial amount of domestic catch that was exported for further processing and returned to the United States as an import in a processed

form. Therefore, while seafood imports do appear to be rising, the exact figure is difficult to know. NOAA Fisheries plans to investigate better ways to report consumption and indicate the nation's dependence on imported seafood."

Overall, however, the report is a very positive sign for the U.S. seafood industry, pointing to rising consumption and value of seafood in general. **UB**

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# Retail outlook

Continued from page 1

Looking at the pork complex, UB's Weekly Retail Feature Pork Index has generally trended steady alongside 2015 levels this year. The YTD average is currently \$3.62 per lb., versus \$3.65 in 2015. In addition, the retail pork situation has eased in terms of volatility post PEDv. In 2014, we saw a \$1.28 per lb. spread between the high and low prices over the course of the year. In 2015, this spread was \$0.76 per lb., and in 2016 fell back to just \$0.52 per lb. Consistently low everyday prices and features have helped to promote pork at the meat case in 2016 and, barring any market changes or impacts, should continue to command attention in 2017 as a top competing protein.

As for chicken, our old feathered friend remains a staunch competitor at the meat case. Looking at the overall picture, the Weekly Retail Feature Index for chicken is down barely 2% year-over-year. Wholesale prices are up 22% from a year ago, however, as components of the market have

bounced back somewhat from impacts of HPAI-related export bans.

Comparing indices, Chicken feature prices overall have been, on average, 29% lower than pork to date in 2016, and 58% cheaper than beef. However, as mentioned earlier when comparing like-items, there have been many instances where chicken lost out to lower priced beef and pork items this year. Especially when considering that the dark meat complex is largely responsible for holding prices in the retail chicken complex down. Boneless skinless chicken breasts, for example, have averaged \$3.62 per lb. in 2016 which is an all-time high for this item, according to our historical data series. As retail beef prices come down and comparable pork items like ribs and chops hold steady or continue to drop, items in the white meat chicken complex will have a tougher time commanding consumer dollars in 2017 at these levels.

Lastly, according to the Bureau of Labor Statistics' September Consumer Price

**"...all six major grocery store food group indices declined over the last year."**

Index, the food at home index has declined five consecutive months so far in 2016. Over the last 12 months, the food at home index has declined 2.2%, which is the largest 12-month decline since 2009. In addition, all six major grocery store food group indices declined over the last year. Meanwhile, the index for food away from home has risen 2.4% since September 2015. As the cost of dining out rises while eating at home declines, the retail sector has much to benefit. With an improving economy, lower unemployment rates and fuel prices, combined with the industry's expectation for ample supplies of meat and poultry in 2017, the retail complex will play a big role in increasing sales and consumption of domestic protein. **UB**

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Joseph Muldowney, Managing Editor

# Curbing foodborne illness

Continued from page 1

Naturally equipped in their intestinal tracts, animals can keep pathogens in their gut under control, especially if their immune system is in optimal condition. So when all is in proper working order as nature intended, a proverbial barrier of natural protection against potential foodborne pathogens is in place.

In May of 2015, the Economic Research Service (ERS) produced a report titled “Economic Burden of Major Foodborne Illnesses Acquired in the United States.” It found that foodborne pathogens impose over \$15.5 billion (2013 dollars) in economic burden each year. Other studies suggest that the figures are well above that. The Center for Disease Control and Prevention (CDC) estimates annual deaths at just over 3000 people.

So foodborne illness is of significant health and economic consequence. But relying on existing protocol, educating the masses about proper food handling and cooking techniques isn’t making it go away. To this end, Stuart Reeves, Ph.D. from human nutritional supplement maker Embria Health Sciences, addressed the 2016 Conference of the Arkansas Association of Food Protection. He stated that, “The immune system is highly conserved across species,” which in more familiar terms means that animals have very similar RNA or DNA sequences. The importance of that statement would be lost on the uneducated but to those in the loop of animal and human immune systems, it means that immunity in food animals compares directly with immunity in humans. Decades of nutritional health research in humans has resulted in the development of supplements which have been clinically proven to provide immune support. With ample research on hand, the conclusion is drawn that an effective health strategy supports a balanced immune response so the animal can more quickly overcome health challenges, including pathogens like Salmonella, Campylobacter and Escherichia coli; all of which can be walked right into the processing plant where the animal will be slaughtered.

In theory this is great news for everyone in the “food chain” from farmers and

## CDC 2014 Food Safety Progress Report

Pathogen	Healthy People 2020 Target Rate	2014 Rate*	Change Compared With 2006-2008†	
<i>Campylobacter</i>	8.5	13.45	13% increase	↑ ☹️
<i>E.coli</i> O157‡	0.6	0.92	32% decrease	↓ 😊
<i>Listeria</i>	0.2	0.24	No change	😊
<i>Salmonella</i>	11.4	15.45	No change	😊
<i>Vibrio</i>	0.2	0.45	52% increase	↑ ☹️
<i>Yersinia</i>	0.3	0.28	22% decrease	↓ 😊

\*Culture-confirmed infections per 100,000 population

†2006-2008 were the baseline years used to establish Healthy People 2020 targets

‡Shiga toxin-producing *Escherichia coli* O157

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processors to retailers and consumers. Because despite progress in reducing pathogenic organisms on farms by conventional means, the overall rates of foodborne illnesses are not declining. “As a result,” says Kevin Sheehan, Director of Food Safety & Business Development at Diamond V, a leading global nutrition and health company, “there is an increasingly urgent need for research-proven pre-harvest food safety technologies focused on production of poultry, beef, pork, fish, milk, shrimp and other foods of animal origin.”

Research has shown that, while there is no “silver bullet” to completely eliminate foodborne pathogens, a multi-step intervention plan, including, pre-harvest mitigation at the farm level, can reduce the risk of food contamination. Last year, Diamond V announced the patent-pending use of its Original XPC product as a “method for foodborne pathogen reduction in livestock.” The company has noted that this technology has demonstrated great promise in reducing prevalence, number, virulence, and antibiotic resistance in multiple foodborne pathogens.

“Diamond V’s pre-harvest technologies support immunity, health, and performance in all food animals,” Sheehan says. “The research shows that farmers can help reduce antibiotic resistance and pathogen levels on the farm, before poultry and livestock go to processing. Food

companies now have an opportunity to meet new USDA regulatory standards for pathogen reduction while working to keep their customers safe from illness.” **UB**

Article contributed by Russell W. Whitman  
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# A look at cattle herd expansion closing out 2016

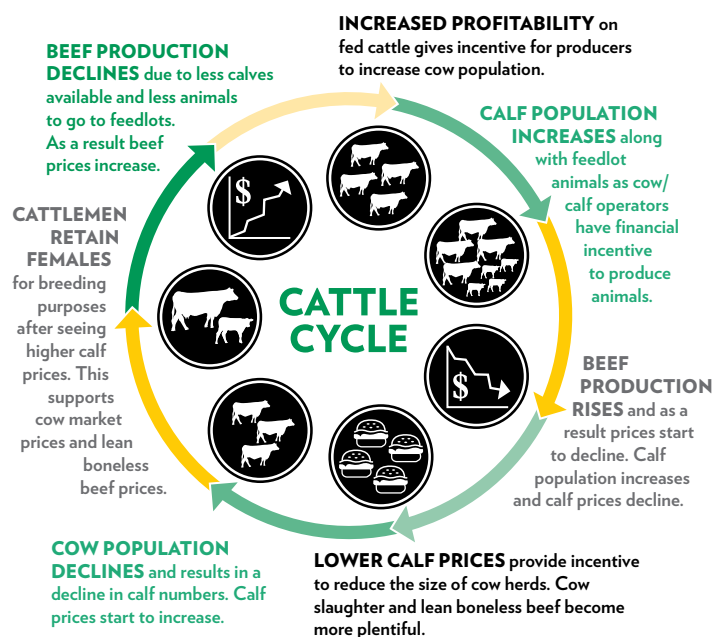
The basic law of economics tells us that price is a reflection of supply and demand. Demand refers to the quantity of a product that is desired at a certain price, while supply refers to the quantity producers are willing or able to supply when receiving a certain price.

When we discuss the cattle markets we often refer to the cattle cycle. The cattle cycle refers to the cyclical increases and decreases in the cattle herd over time. In general, the cycle is determined by the combined effects of cattle prices; the time needed to breed, birth, and raise cattle to market weight; and climatic conditions. The cattle cycle averages 8-12 years in duration.

If prices are expected to be high, producers will slowly build their herd sizes because, as we know from the law of supply, the supply/price relationship dictates that as prices go up, the quantity supplied also increases. As production rises, prices then eventually start to decline, signaling to producers to reduce the size of their herds — and so the cycle continues.

In 2016, the cattle industry has been in a period of expansion. Since the drought that brought the U.S. cattle herd to its lowest numbers in over 60 years, producers have taken advantage of lower feed costs and improved pasture conditions to expand their herds in the wake of record cattle and beef prices paid in 2014 and 2015.

At the start of Q4 2016, the cash cattle market hit a six-year low. Cattle have traded



under the \$100 per cwt mark on a live basis, falling over 40% from the all-time high prices paid for cattle in late 2014. It's pretty safe to say the market fell at a much more rapid pace than most anticipated. Producers were aggressive in their efforts to expand the cattle herd post-drought, and

that combined with hindered beef demand due to lower-priced competing proteins and a strong dollar affecting our export situation has resulted in a depressed cattle market and lower wholesale beef prices.

The expansion period is certainly underway and the industry will likely remain in that expansion period for a while longer, however, recent events and market action could be signaling to producers to perhaps slow expansion efforts somewhat. Looking at all sides — production, profitability, beef movement, etc. — we could be nearing that turn in the cattle

cycle where expansion slows or even halts. It will be interesting to see what happens in the livestock sector in response to market factors over the next couple of years. **UB**

Article contributed by **Jamie Chadwick**  
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# Thanksgiving 1866: Unfavorable weather stymies shipments; helps offset ample supplies

The more things change the more things stay the same. At least that's the impression one gets when reading the November 17, 1866 issue of *The Producer's Price-Current*. It seems that some of the same challenges that confronted turkey producers heading into Thanksgiving week then, are still common occurrences 150 years later.

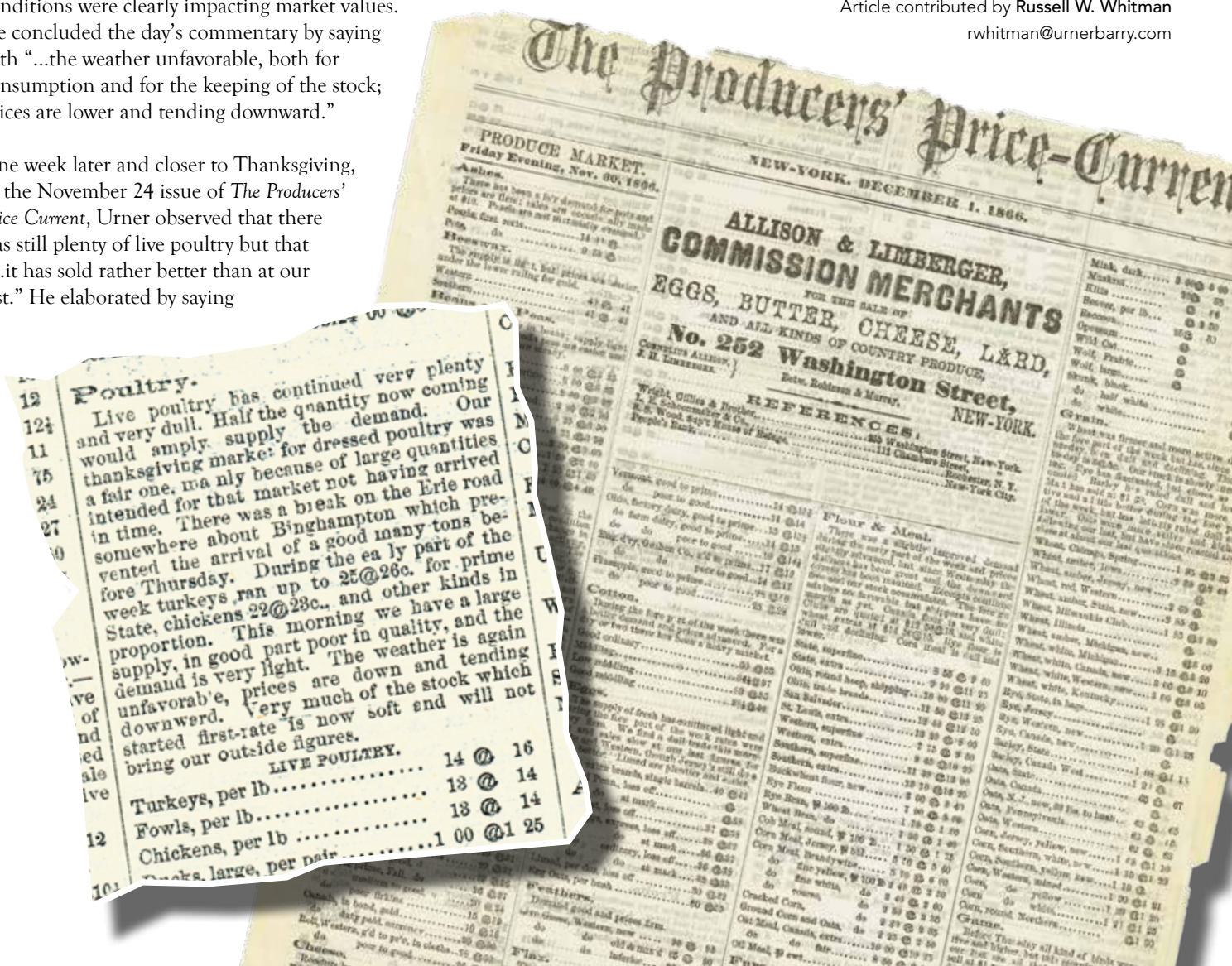
Of course in the 1800s, all slaughter and dressing was done "by hand." In a similar struggle to what takes place today in determining how much of the total whole bird production should be fresh and what percent should be frozen; 150 years ago the decision needing to be made was how many turkeys to bring to the market live and how many dressed. On November 17, 1866 Benjamin Urner wrote, "Live poultry has been very plenty, very dull and decidedly lower on turkeys..." He continued by saying that "There is now very little want of live and it would be better to send it dressed." Like for the modern day industry, weather played a large role in determining the relative success of producing and delivering each "crop" of turkeys. In 1866 adverse conditions were clearly impacting market values. He concluded the day's commentary by saying with "...the weather unfavorable, both for consumption and for the keeping of the stock; prices are lower and tending downward."

One week later and closer to Thanksgiving, in the November 24 issue of *The Producers' Price Current*, Urner observed that there was still plenty of live poultry but that "...it has sold rather better than at our last." He elaborated by saying

that "Very much of the stock that was on hand at our last writing was sold off, however, at extremely lower rates." With continued poor weather and demand being "not active" he went to say that "our higher figures are only obtained for the best." Mr. Urner concluded by scolding himself writing, "We should have reminded our readers last week that it is useless to send anything but good stock for that (Thanksgiving) market."

Following Thanksgiving 1866, some of the problems we have today related to live poultry production and transportation were plaguing the post-holiday market. On December 1 Urner wrote that "Live poultry has continued very plenty and very dull. Half the quantity now coming would amply supply the demand." Apparently, however, Thanksgiving ended up being a "fair" one "because large quantities intended for that market not having arrived in time. There was a break on the Erie road somewhere about Binghamton [sic], which prevented the arrival of a good many tons before Thursday." **UB**

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# URNER BARRY'S Reporter

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The advertisement features a green and white background with a stylized landscape of rolling hills and a sunburst. 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 banner with the text 'RABBIT MEAT'. To the right is a black circular seal with the text 'Premium MEAT'. In the lower left is a 3D rendering of a product box for 'prairie natural' rabbit meat, showing '20 lbs (net weight)' and '100% Premium Meats'. To the right of the box is a photograph of a cooked rabbit leg with a bone, 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'. Below this, the product lines and origin countries are listed. At the very bottom, contact information and a Spanish language note are provided.

**prairie natural**  
RABBIT MEAT

Premium MEAT

100% Premium Meats  
20 lbs (net weight)

**Largest Rabbit Meat Importers**  
Whole - Trimmings - Legs - Loins

**SB**  
SOUTH AMERICAN BEEF INC.  
*Your Import Specialists*

**Product lines:** Beef - Lamb - Veal - Goat - Mutton - Seafood - Poultry - Wild Game Meats  
**Origin:** United States - Australia - New Zealand - Uruguay - Argentina - Brazil - Honduras - Nicaragua - Mexico - China - Vietnam

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