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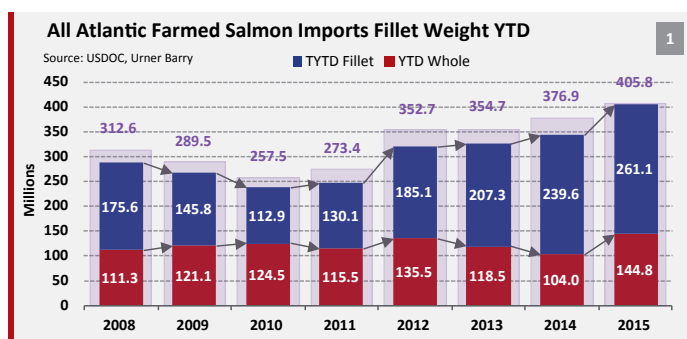
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Canadian whole salmon production recovers in 2015

The return of Canadian whole salmon production and the growth of fresh Chilean salmon fillet exports to record levels has pushed U.S. salmon imports over 400 million pounds for the first time, as of November 2015. At the same time, wholesale prices are near three-year lows.

An Urner Barry calculation of total fresh salmon imports to the U.S. market—including whole salmon volumes converted into fillet weight in order to bring volumes to an equal weight—



showed shipments through November 2015 at a record high 405 million pounds (chart 1).

This is the fourth straight year of record setting salmon shipments to the U.S. market. It is mostly the result of higher shipments from the U.S.'s two major suppliers: Chile over the last few years and Canada in 2015.

For Chile, U.S. exports reached another record volume through November at nearly 196 million pounds. Chile has now increased its fresh fillet shipments to the U.S. by 51 million

Continued on page 70

PROTEIN MARKETS RESET AFTER SUPPLY SHOCKS

Egg prices retreat from AI highs to begin 2016

"... it doesn't seem to take very long for the markets to find some sense of balance."

Over the last three years, buyers have seen volatile markets and extreme highs throughout the animal protein sector. Urner Barry's beef and pork quotations hit record highs in 2014 as a result of drought and disease, respectively. High prices hindered demand both domestically and abroad, while producers ramped up production to replenish supply and take advantage of unprecedented market

conditions. These shifts clearly became evident in the marketplace, sending prices back toward 5 year average levels in less than a year from their apex (charts 1 & 2).

The U.S. egg industry was similarly impacted in 2015, when Highly Pathogenic Avian Influenza (HPAI) wiped out more than 11% of the total egg laying flock.

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Center of the plate



**Canadian whole salmon ►
production recovers in 2015**

**◀ Egg prices retreat from
AI highs to begin 2016**



Photo courtesy of Blundellseafoods.com

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The future of food safety is in the palm of our hands

Food safety has always been a very important issue, but in a world of global supply chains and instant news, sometimes it seems like there's a new outbreak of something every day. Digital data systems and new technology have already made recalling tainted food much simpler than it used to be, and the CDC says that, even though individual pathogens may rise and fall in prevalence, there is neither a rise nor a fall in the number of instances of food poisonings in the U.S.

Many companies, such as Ecolab, specialize in helping both plants and restaurants perfect their processes in order to ensure their products are fresh, healthful and free of contaminants, both biological and chemical. While historically, much of the equipment that has been used to test food has been large and rather expensive, we're now reaching an era where many common food contaminants and allergens can be detected using mobile machines for only a few hundred dollars.

One perfect example is the Nima, a machine created by 6SensorLabs. This machine, which costs less than a popular gaming system, detects gluten at miniscule concentrations, as little as 20 parts per million, which is the FDA-threshold for being classified as a "gluten-free" product. The reaction chambers cost \$5 each, so this isn't something for the casual gluten-free eater. However, for people who suffer from an allergy to gluten, or people who rely on avoiding gluten in order to maintain a healthy lifestyle, this machine could be the difference between enjoying a meal at a restaurant and nervously hoping that your food is as free of contaminants as your waiter implied.

There are also other technologies being developed to detect all types of



Devices as small as this PDA will soon be able to detect microscopic pathogens.

contaminants, such as listeria, E. coli and other bacteria, both common and uncommon. Mobile testing will allow factories to be more efficient and nubile in the detection of pathogens in their production lines, and allow companies with global supply chains to more thoroughly inspect their raw materials or value-added products. This can allow companies to detect outbreaks at the source, potentially before remitting the contaminated product and reduce the costs associated with recalls and, in more extreme examples, total closures of factories. It is very possible that within the next few years, we will see mobile technology become the next great defense against foodborne illness. **UB**

Article contributed by Adam Sharkey
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**"...mobile technology [will]
become the next great defense
against foodborne illness..."**

URNER BARRY'S Reporter

THE NEWSMAGAZINE FOR THE
FOOD INDUSTRY PROFESSIONAL

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Urnner Barry's Reporter (ISSN 1944771X) is published quarterly by **Urnner Barry Publications**, 182 Queens Boulevard, Bayville, NJ 08721. Periodicals Postage Paid at Bayville, NJ 08721 and additional offices. POSTMASTER: Send address changes to **Urnner Barry's Reporter**, 182 Queens Boulevard, Bayville, NJ 08721.

Subscription to *Urnner Barry's Reporter* is free. Mail subscription orders and changes to **Urnner Barry's Reporter**, Subscription Department, 182 Queens Boulevard, Bayville, NJ 08721 or call 800-932-0617.

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The Oyster:

A potential rebound of a reduced population

When people think oysters, they think luxury. So it may come as a surprise that they were once the working man's staple food, an inexpensive way for an early 1800s man to get a nutritious meal. Oysters are a good source of zinc and iron, as well as other vitamins, and while maintaining micronutrients was not a focus of the times, the taste alone was a great selling point. The mollusks were popular too, helping to initiate New York City's restaurant trade. NY and NJ oyster beds provided food for thousands.

Eventually, however, demand outpaced the oysters' ability to reproduce and populations fell into decline around the end of the 19th century. As a reactionary

measure, foreign oysters were introduced to the native East Coast oyster population. This move proved detrimental to the oysters, facilitating the intercommunication of diseases like Dermo and MSX, which plague populations to this day. Oysters are still consumed, but now in fewer numbers and at a higher cost. In the wake of this population decline, oysters became a rare treat as opposed to a routine meal, and were no longer a viable option for the working man.

Oyster fans may have good news on the way, however. A 50-year study by researchers at the Virginia Institute of Marine Science has shown that Chesapeake Bay populations of oysters may



© Kai Wong

be beginning to show signs of developing a resistance to Dermo and MSX. If a genetic marker for this resistance can be found, oysters everywhere could have a resistance introduced, allowing for faster population growth. While oyster populations may never reach those of the early 1800s, this resistance might pave the way to greater production in the future, once again changing the demographics of the oyster-eating world. **UB**

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Avian influenza response

Article contributed by the
National Turkey Federation

When avian influenza reappeared in January 2016 as one highly pathogenic case, and then nine low pathogenic cases confirmed across the next two days, it could have been a harbinger of more bad news to come. But, at the time, industry preparedness had halted the new H7N8 strain at 10 cases.

Indiana's turkey producers, the Indiana State Poultry Association and state officials maintained their vigilance and implemented a thorough, well-conceived plan. Instead of a steady stream of bad news, the days after the initial positives yielded negative tests as all other commercial flocks surrounding the initial cases proved to be disease-free. One key was the swift, effective depopulation of the HPAI flock and the decisive depopulation of the low-pathogenic flocks as well. That same abundance of caution led to depopulation of one small egg-laying chicken operation on a road adjacent to a turkey barn, even though testing confirmed the layer flock was not infected.

Continued vigilance by the growers in and around Indiana's Dubois County, aggressive surveillance, and prompt response were cited by Indiana State Veterinarian Bret D. Marsh, DVM who noted, "We know this virus strain can intensify, so finding these cases as low-path strains shows we are keeping pace with the spread of this disease in the area." The producers' early detection and decisive approach to depopulation was focused on safeguarding against the virus spreading to their neighbors' populations of six million turkeys and five million egg laying chickens.

Indiana's Board of Animal Health provided essential resources with backup from the Indiana State Poultry Association. At the outset, the National Turkey Federation worked to see that all assistance was provided to the growers, including NTF's close contact with the office of Agriculture Secretary Tom Vilsack and



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"One key was the swift, effective depopulation of the HPAI flock and the decisive depopulation of the low-pathogenic flocks..."

with USDA's Chief Veterinary Officer Dr. John Clifford to ensure that indemnity and depopulation protocols were followed.

The strong response in Indiana was made possible in part because of the hard work last year of turkey producers and processors in the upper Midwest. When H5N2 HPAI struck 153 turkey farms, leading to the destruction of nearly eight million turkeys, companies in that region shared their experiences with the entire industry. By seeing what worked in halting the outbreak there, producers everywhere are more prepared than ever, and the results in Indiana bear that out.

Biosecurity plans in place were effective in each of the previous years, yet each new strain brings new challenges, and producers continued to apply the lessons learned from the winter-spring of 2015. A few specific examples include complete change-out of outerwear and boots kept separate from outside to inside a barn, sealing corn and soybean feed bins, maintaining separate rings of perimeters for outside delivery trucks and then using separate equipment to move deliveries to

the inner perimeters closer to the barns, as well as additional consideration of the angle of intake vents on barns if they are on the predominantly windward side.

Timely results from pen-side testing and electronic and paperwork streamlining of reporting, and dispatching crews were among many frontline responses prepared after last year's virus outbreak. Under the banner leadership of USPOULTRY, a summer "Lessons Learned" examination and discussion convened in Iowa with an expanded nationwide webinar among poultry and egg producers. NTF authored a HPAI manual of quick reference resources, expanded best practices and a summary of USDA/APHIS guidelines with updated response plans. NTF and member efforts brought about streamlined depopulation and clarification of available grower options, expanded disposal methods and a USDA/APHIS pledge to prompt, 24-hour depopulation under presumptive positive findings in most cases.

In the end, the commitment to a 24-hour depopulation may have been the key factor in Indiana. While there were some challenges in the federal response, the industry moved quickly and effectively.

Indiana in January 2016 would be the test run on a return of the virus. Everyone had remained vigilant from last year. The industry acted promptly, followed-on by early, steady leadership onsite from the Indiana State Veterinarian with the Board of Animal Health and resources from USDA/APHIS. Scientists at USDA's National Veterinary Services Laboratories quickly went to work, taking apart this virus to learn of its deadly potential. Yet within the poultry business, there was already a positive determination to not allow this new strain to have an opportunity at proving what it might be able to do. At the time, the possibility of another case appearing had already underscored the need to adapt our knowledge in advance of the next engagement.

This was not a drill. **UB**

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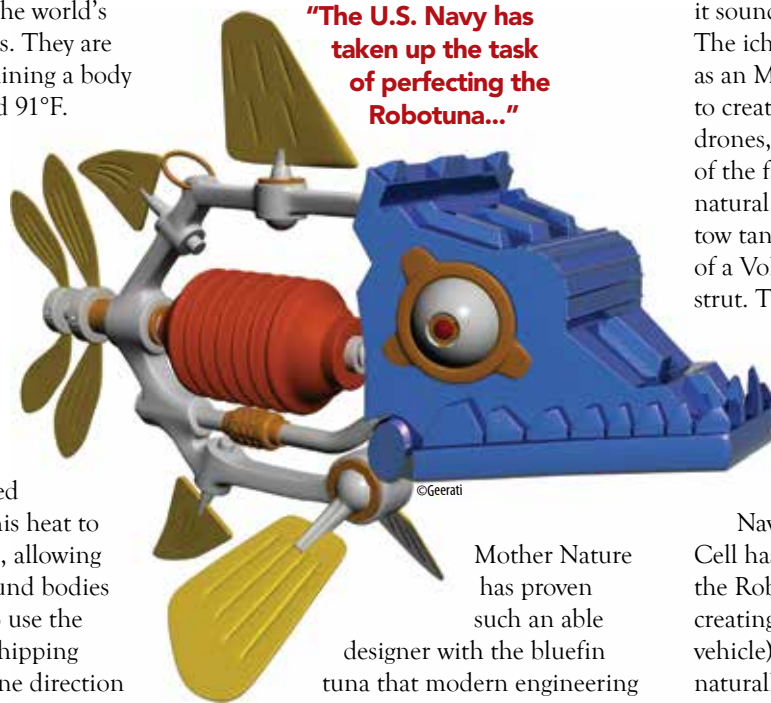
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Robotuna takes cues from bluefins

The bluefin tuna is one of the world's most remarkable fish species. They are semi-warm blooded, maintaining a body temperature between 77 and 91°F. This is an oddity, as they are neither as cold-blooded as other fish nor forced to keep their temperature within a few degrees of ideal, like warm-blooded humans. They can maintain these temperatures in environments as cold as 40°F. At that temperature, a human could be debilitated in 15 minutes. Tunas use this heat to "supercharge" their muscles, allowing them to move their 900 pound bodies up to 50 mph. Bluefins also use the vortexes generated by the whipping motion of their tail fin in one direction to increase the power of the backswing, allowing for incredibly efficient swimming.



"The U.S. Navy has taken up the task of perfecting the Robotuna..."

Mother Nature has proven such an able designer with the bluefin tuna that modern engineering is looking to the fish as an example. Robotuna is exactly what

it sounds like, a tuna-emulating robot. The ichthyoid android began life in 1995 as an MIT research project. The goal was to create new propulsion for underwater drones, and with the tuna being one of the fastest things in the sea, it was a natural model. Robotuna began life in a tow tank, attached to a computer the size of a Volkswagen and towed by a metal strut. The fish was powered by motors that pulled on muscle-simulating cables, and couldn't yet turn corners.

20 years later, the Robotuna is back, and benefitting from some serious science. The U.S. Navy's Naval Operations Rapid Innovation Cell has taken up the task of perfecting the Robotuna, this time with the goal of creating an AUV (autonomous underwater vehicle) that is both maneuverable and naturally camouflaged with the local environment. The new project has been dubbed Silent NEMO, and the tuna itself is called GhostSwimmer. GhostSwimmer's front half stays still while it swims, allowing it to carry sensor packages and other technology. Its tuna-like fin drive system lets it swim up to 45 mph and it can dive up to 300 ft deep. The AUV can function autonomously for days at a time, and tethered laptop control is also an option. That VW sized computer from '95 is now the size of a coffee cup, too. GhostSwimmer is looking more and more like the future of aquatic drones, and it's all thanks to the big bluefins. **u**

Article contributed by **Jake Muldowney**
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SURVEY SAYS: "consumers' perceptions about chicken production are not reality"

Just because consumers don't know all there is to know about how their food is produced, it doesn't mean they won't form an opinion for themselves anyway. This presents a public relations nightmare for any industry, but especially the food industry.



Consumers want to know more about what they're putting into their bodies and even though there's better information available today than there was 5 or 10 years ago, being able to determine the validity of that information is still no easy task.

The National Chicken Council (NCC) recognizes these concerns and has responded by launching a program called the *Chicken Check In*. "Instead of letting others (activists) tell our story for us though, it's time we start telling it," says Tom Super, NCC Vice President of Communications. Consumers are hungry for information, they want to be educated; this will help answer some of their questions. **UB**

Article contributed by Terence Wells
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How misinformed are consumers?

Last fall, a survey was conducted by ORC International revealing that consumers' perceptions about chicken production are far from the truth and the media may be partly to blame. Of the 1,011 adults surveyed, 68% believe that the media portrays the care and safety of chicken negatively. Unfortunately, this is just one of many concerning assumptions that the survey exposed.

MISPERCEPTION

78%

Believe chickens are genetically modified.



THE REALITY

There are no genetically modified chickens. Chickens with the healthiest growth and size have been selected for breeding—the result is a larger, healthier bird.

MISPERCEPTION

77%

Believe chicken contains added hormones or steroids.



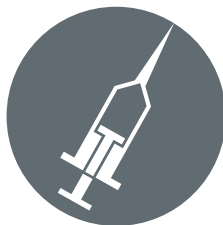
THE REALITY

No chicken sold or raised in the U.S. is given hormones or steroids. The USDA has banned all hormones and steroids in poultry since the 1950s.

MISPERCEPTION

73%

Believe antibiotics are present in most chicken meat.



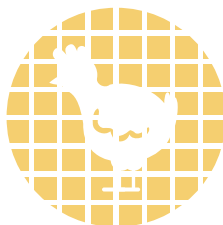
THE REALITY

Any meat from chickens sold in the U.S. is free of antibiotics. The USDA regulates withdrawal periods to ensure no meat contains antibiotics or any antibiotic residues.

MISPERCEPTION

68%

Believe most chickens raised for meat are raised in cages.



THE REALITY

No chicken meat you buy is raised in a cage. The majority of chickens raised for meat in the U.S. live in large, open structures called houses.

About Chicken Check In

NCC invites consumers to visit www.chickencheck.in/ to learn more about how the chicken they purchase and feed their families is raised. The interactive site offers consumers the opportunity to get a close look at how chickens are raised, from the farm to grocery store shelves. From videos to answers to frequently asked questions, Chicken Check In is the best resource available for consumers to get the information they are seeking about chicken care.



"Consumers want to know more about what they're putting into their bodies..."



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Updated dietary guidelines suggest shifting to seafood

Article contributed by National Fisheries Institute
by Rima Kleiner, MS, RD

In January the U.S. Departments of Agriculture and Health and Human Services jointly issued the *2015-2020 Dietary Guidelines for Americans*. The *Dietary Guidelines* is updated every 5 years to reflect the latest in published nutrition science. This report is designed to form the foundation of dietary advice that healthcare professionals share with patients, as well as inform federal nutrition programs, such as the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the National School Lunch Program.

According to the *Dietary Guidelines*, nearly half of all Americans have one or more preventable, diet-related chronic diseases, such as heart disease, hypertension and type 2 diabetes. However, small changes in diet and lifestyle can result in weight loss and a reduced risk of developing one of these chronic diseases.

The *2015 Dietary Guidelines* recognize the importance of these small changes by focusing on healthy eating over a lifetime. Unlike previous editions of the *Dietary Guidelines*, the most recently updated version focuses on overall eating patterns designed to meet Americans where they currently are as opposed to focusing on individual foods or nutrients in isolation.

It is no surprise that the updated *Guidelines* recommend Americans eat a variety of vegetables, fruits and whole grains, and limit saturated fat, sodium and added sugars. New to the *Dietary Guidelines*, however, is the recent recommendation for Americans to eat a variety of protein-rich foods. In fact, the *Guidelines* go one step further and suggest that individuals *shift* to more nutrient-dense protein options, like seafood, nuts and seeds, soy and beans.

The *2015 Dietary Guidelines* are clear that Americans currently eat an adequate amount of protein, but average seafood consumption is well below recommendations in all age and gender categories. Therefore, most individuals don't need to eat *more* protein, they just need to eat more of a variety of protein-rich foods. The

Guidelines recommend making this shift by “incorporating seafood as the protein foods choice in meals twice per week in place of meat, poultry, or eggs” and suggest choosing a salmon steak or tuna sandwich to increase protein variety.



Seafood also plays a prominent role in two eating patterns that the *Guidelines* recommend Americans should shift towards. The American-style eating pattern suggests that individuals eat at least two seafood meals (or about 8-12 ounces) every week, while the Mediterranean-style eating pattern—long associated with heart health and longevity—includes even more seafood each week, up to 17 ounces.



Additionally, the *2015 Guidelines* also clearly advise pregnant and breastfeeding women to eat at least 2-3 meals (or 8-12 ounces) of a variety of seafood every week. The omega-3 fatty acids DHA and EPA found in fish help improve baby's brain development, as well as mom's heart. The *Guidelines* also recommend that obstetricians and pediatricians provide guidance on how to make healthy food choices that include seafood.

Decades of research support the recommendations to eat more seafood for heart health, brain development in babies and young children, brain health at all other life stages and bone health, among other health benefits, as well. Seafood is rich in nutrients Americans just don't get enough of—omega-3 fatty acids, vitamin D, B vitamins and iron—and low in nutrients Americans do, like saturated fat.

The recently-released *Guidelines* suggest that—for the first time—federal dietary guidance on seafood is finally catching up to the science. Finally, there is government nutrition advice—for registered dietitians, doctors and policymakers—that recognizes the importance of eating seafood during all life stages, particularly during pregnancy. Perhaps, future seafood advice for healthcare professionals, organizations and consumers will be as clear, concise and science-based.

The 2015-2020 Dietary Guidelines for Americans is available at dietaryguidelines.gov. **UB**



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Valentine's Day meals from around the world

Valentine's Day is widely celebrated around the world. In fact, it might be one of the most famous (not-exactly-religious) holidays which celebrates love and romance. Though much of the tradition has been based on the American commercial experience, many countries mix in their own flair and cuisine. In many cases, countries even have their own version of the holiday. If you're looking to learn about other cultures and how they celebrate love, or even looking to try something new with your significant other, here are some rituals and culinary traditions from around the world.

Unsurprisingly, the people of Belgium on romantic occasions opt for, you guessed it, Belgian waffles! However, in Belgium, the waffles are called "Brussels Waffles." In the United States, interestingly enough, we call them Belgian waffles because the Belgian immigrants who began selling them here were not sure if Americans would know the location of Brussels, so the waffles were renamed and reborn here as Belgian waffles. For a romantic touch, the waffle is often prepared as a fluffy, light dough with fruits, confectioner's sugar and chocolate.

Our friends in Latin America celebrate Valentine's Day a little differently. Some of them even celebrate a different holiday, often called *El día del amor y amistad*, or "Love and Friendship Day." And, while many Latin American countries celebrate

this on the same day as Valentine's Day, others do not; Colombia, for example, celebrates theirs in September, around the time when Americans celebrate Labor Day (which, incidentally, all Latin Americans celebrate on May 1st).

Romantic meals in Latin America are mostly based on Mediterranean and local cuisines, with options ranging from ceviche to potatoes au gratin. Ceviche is a traditional South American dish of marinated raw seafood usually served as an appetizer. Don't fret about the raw seafood though, because the citrus in the marinade actually cooks it and makes it safe to eat. Or, you could always unlock your inner Casanova by going with some fresh, locally caught seafood sautéed with spices such as garlic, pepper and cilantro for a Latin touch. For a memorable side, one can prepare coconut rice which is popular in the Andean region of Latin America for its sweet and rich flavor.

One of the most romantic meals in West Africa is Lamb Tajine which is often served with sweet honey figs. Tajine is basically a stew. This dish is often seasoned with saffron, cinnamon, turmeric, honey, chestnuts and other local flair. The tajine is placed in the center of the table and enjoyed as a finger food or with a bit of bread, making it a great couple's dish for people looking to try something a little more adventurous as a shareable hands-on food.

Looking for an exotic beverage choice this holiday season? Try Egyptian White Coffee. This aphrodisiac is made by mixing rose water and a little sugar, and is more analogous to a low-strength tea than a coffee. This is a sweet and light, but flavorful drink designed for relaxation and is often enjoyed before bedtime.

If rose water isn't your speed, you could try Lithuanian Honey Spirits, known locally as Krupnikas. Though online shopping has



This Tajine is served in traditional plateware with a side of rice.

made it a little easier to come by Krupnikas in the United States, it could also be a fun activity with your partner to make your own. The recipe includes many delicious spices such as cinnamon, cardamom, nutmeg, allspice berries, black peppercorns, honey, and everyone's favorite partygoer friend, Everclear.

These culinary tricks from around the world can help you give a new kick to your holiday celebration, or also possibly make you appreciate and improve your own traditions. From all of us at Urner Barry, whether you have lamb tajine or lamb chops, we hope you make this holiday a great one. **UB**

Article contributed by Adam Sharkey
asharkey@urnerbarry.com



With waffles like these, who needs romance?

**"THESE CULINARY TRICKS
FROM AROUND THE WORLD
CAN HELP YOU GIVE A NEW
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HPAI ripples impacting turkey production

The largest outbreak of high path AI recorded in U.S. history is still making its presence known almost a year later. Following one of the most unpredictable nine months for the turkey industry, this spring long-time observers will be waiting for the impact of yet another development in a substantial list of highly pathogenic avian influenza (HPAI)-influenced market circumstances still being felt. This time around the issue will focus on the increased production of heavy hens and what that might mean for supplies of turkey as 2016 finds its foothold.

For those in need of a refresher, 2015 started out with an industry disposition towards the production of toms, the male gender of the turkey family, to satisfy expanding parts and meats needs rooted in growing exports and increased further processing requirements. As a result, before AI reared its head the demand for tom poult (one day old turkeys) was

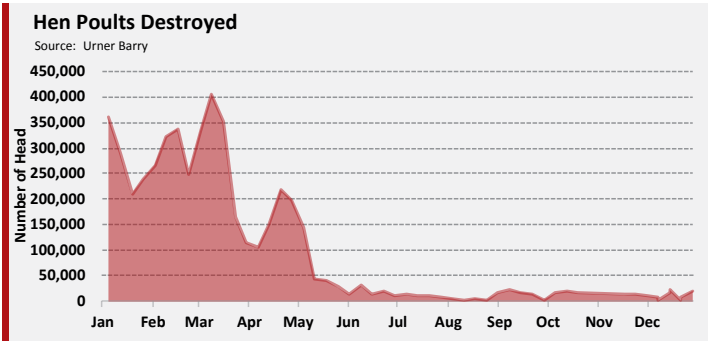
significantly higher than usual and as a consequence hundreds of thousands of hen poult were being destroyed weekly.

That all changed once HPAI surfaced. As death losses mounted the selective call for tom poult disappeared and in its place demand for poult, any poult, emerged with vigor. Suddenly hens became valuable property and the numbers being destroyed dropped precipitously. Although poult placements are beginning to rebound, the mix of toms and hens in the field and therefore crossing the slaughter line during the first half of 2016 is very different than what had been planned.

Although the industry is capable of growing young hens fairly readily into a 26 to 28 pound live weight class, at this size they fall far short (40% or so) of the 38 to 40 pound weights that are typically achieved when raising toms. A “heavy” hen as it’s commonly termed, isn’t being reared to end up on your Thanksgiving table. If it does end up there, it’s going to be on the heavy side of the consumer range typically reserved for light toms and more of an anomaly than it is a planned event.

With that as a background it begins to become more easily understood why the addition of extra hens in the slaughter mix will create its own set of unique, HPAI rooted circumstances. If we keep with the understanding that the hens being placed are to help offset the demand for tom poult which is not getting satisfied, and that the desired toms are intended to be raised for meat and parts not for whole body turkeys, then one can really see how things might get interesting.

Any increase in the number of hens slaughtered to bolster tom production will result in 40% less breast meat being harvested per head, while at the same time the parts being produced are not from



traditional young hens or young toms but heavy hens. A size not particularly pursued but which usually finds itself being placed as “mixed hen and tom.” It might be easy for the untrained observer to misinterpret the scenario and assume that with the forecast increase in head count during the second half, breast meat supplies will return to more “normal” levels. Or, one could also easily identify the decline in hen poult being destroyed and resulting advances in placements with an intended increase in whole bird production. A more likely scenario is that there will be less breast meat and fewer whole body turkeys being produced in the first half of 2016 than expected, and when head counts start increasing, breast meat and whole bird supplies will not necessarily be at the levels placement numbers might suggest. It isn’t too hard to picture a scenario where the only items increasing in availability will be parts from heavy hens.

So as another year gets underway and turkey industry participants on both sides of the bargaining table begin haggling, HPAI is still having impact. During the early course of 2016, trade sentiment, contractual undertakings and spot market values are all sure to be a product of and constant reminder of last year’s struggles. later this year, and assuming no further incidences of HPAI surface this spring head counts and eventually slaughter weights will migrate back to more normal levels and maybe, just maybe, the turkey market too will return to something more traditional and expected. Until then the ripples continue to be felt. **UB**

Article contributed by **Russell W. Whitman**
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Many companies are making the

In the last year, more and more quick service restaurants (QSRs) and fast food chains have announced their plans to switch over to eggs produced by hens living in cage free systems. Due to growing pressures from animal rights groups, national and multinational chains have announced their conversion timelines over

the next ten years. Some corporations have tried to stem the wave of public announcements, but were quickly targeted by animal rights groups through public media channels.

Consumers appear to have little choice in the matter. While shopping at retail, customers are presented a multitude of options in production type, value added, and even color. The push at the QSR level leaves consumers without that choice, and they are likely to see the cost of their breakfast sandwiches and omelets rise as a result. According to the research of the Coalition of Sustainable Egg Supply, a group made up of leading animal welfare scientists, academic institutions, nongovernment organizations, egg suppliers, and restaurant/foodservice and food retail companies, eggs from cage free production can cost up to 36%

"Consumers appear to have little choice in the matter..."



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switch to cage free eggs

more to produce than in a conventional house at 80 in²/hen (the industry standard is 67 in²/hen).

The switch will also put pressure on producers, who will have to make adjustments to existing complexes or build new facilities. This comes just a few years after some made the switch to enriched colony systems, to comply with California's Proposition 2 legislation and a potential federal bill, which was eventually shot down.

Others see opportunity in the switch. Proactive producers will likely have a leg up in servicing some of the largest fast food and QSR accounts in the country. We have already seen several producers shift a portion of their production to cage free and others make public announcements in regard to future cage free initiatives.

Demand for cage free eggs is clearly growing in the U.S., driven by the marketing efforts of some of the largest household names in fast food and restaurant chains. It will be interesting to see how the egg industry evolves, as most feel cage free sales will cannibalize existing demand for generic production. Stay tuned.

The spot market for cage free eggs has traditionally been lightly tested day to day, but these shifts in supply and demand should help to develop transparency in the marketplace. Urner Barry plans to launch a cage free quotation series once this takes place, likely sometime in 2016. This will aid in price benchmarking, contractual negotiations, and analysis between existing standards of production and a growing cage free category. **UB**

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

Select QSR's Cage free status

As of February 2, 2016

Already 100% cage-free

Chipotle
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Au Bon Pain
Shake Shack

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ConAgra Foods
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Einstein Bagels/Noah's Bagels
General Mills
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Kellogg's
McDonald's[°]
Sonic
Subway^Δ
Target
Tim Hortons
White Castle

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Costco

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The Cheesecake Factory

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Quizno's

2% per year

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IHOP/Applebee's

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Cracker Barrel
Denny's*

[†]100% in U.S. and Canada by 2020 and in EU by 2025

[°]100% in U.S. and Canada by 2025, Already 100% free range eggs in EU

^Δ100% in U.S. and Canada by 2025

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Illegal labor linked to Thai

In mid-December the *Associated Press* published an investigative report about Thailand's shrimp processing industry that uncovered the use of slave labor in third-party peeling sheds. The AP report also traced some of the product to major Thai distributors and ultimately to the supply chains of several major U.S. retailers and seafood brands.



Shrimp peeling sheds were found supplying major Thai distributors.

The year-long AP investigation tracked the labor practices of the now-defunct Gig Peeling Factor in Thailand, among several other similar operations. Employees were mostly undocumented migrant workers, trafficked into Thailand; many were families, including children.

Workers were forced to live on premises and not permitted to leave until they worked off the insurmountable fees the sheds paid for the trafficked workers. Family members were often held hostage to prevent runaways.

Wages were low, the hours were long and working conditions were extremely poor at the facilities reported the AP.

The shrimp processed at these sheds was followed to some of the country's most prominent producers and exporters including: N&N Foods, owned by Japan's

Maruha Nichiro Foods; Okeanos Food, a subsidiary of Thai Union; Kongphop Frozen Foods and The Siam Union Frozen Foods.

From there the AP tracked the shrimp shipped from these operators to the U.S. supply chain. Customs records tied the exported product to more than 40 major U.S. brands and over 150 stores across the country.

The shrimp also made its way to supply chains in other overseas markets outside the U.S. including the EU, Australia, Canada and other parts of Asia.

Fallout from the report was swift from across the Thai and U.S. seafood sectors.

Thai Union Public Group moved its shrimp processing operations in-house. In January, the company officially hired



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shrimp in U.S. supply chain

over 1,000 temporary workers to full-time staff positions. The company also set up several workshops to educate its employees about their labor rights and human trafficking laws.

“The move will provide us with full oversight of all processing stages. From January 1, 2016 onwards, all processing work will be directly controlled by Thai Union, ensuring that all workers, whether migrant or Thai, are in safe, legal employment and are treated fairly and with dignity,” the company said in a statement.

Meanwhile, the Thai Frozen Foods Association banned its member companies from outsourcing shrimp processing to third-party sheds.

Likewise in the U.S., the Global Aquaculture Alliance’s Best Aquaculture Practices certification program prohibited all BAP-certified plants from using third-party shrimp processing.

“It would be far better if these processing steps were conducted in-house,” said GAA Executive Director Wally Stevens. “Accordingly, we will prohibit BAP-certified facilities from outsourcing their peeling and heading operations, effective Jan. 1, 2016.”

Seafoodnews.com Editor John Sackton praised the GAA’s move against shrimp peeling sheds as the appropriate response for the industry.

“This action can be reliably audited through third party inspections. It will also provide the basis for a retailer to extend that banner of trust to its shrimp supplier,” Sackton said of the GAA’s policy change.

“The industry’s responses all shared one similarity: facing the labor abuse issue head on.”

The industry’s responses all shared one similarity: they faced the labor abuse issue head on. The alternative—boycotting Thai shrimp and seafood altogether—was quickly condemned as a move that simply wouldn’t solve the underlying issues tied to supply chain management.



Workers peeling shrimp by hand in Thailand.

“Human trafficking, labor abuses, and modern day slavery in the supply chain are very serious allegations. They are not unique to Thailand, or seafood,” said Tom Mazzetta, Founder and CEO of The Mazzetta Company. “Sanctions and boycotts are not solutions to these

challenges or drivers of real change. Rather, it is an educated consumer and their buying decisions that drive industry practices and expectations.**UB**

Article contributed by Michael Ramsingh
mramsingh@urnerbarry.com



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U.S. egg and egg product producers face headwinds in international markets

Since the end of April 2015, and so far in 2016, the U.S. egg industry and egg users in the States have dealt with some of the most difficult conditions ever seen in their respective businesses. After losing 34 million of the country's 304 million egg laying hens to Highly Pathogenic Avian Influenza (HPAI), prices throughout the shell egg and egg products markets hit all-time highs. Buyers struggled with unprecedented costs and supply shortages. Sales at retail, foodservice, and in the institutional sector were negatively impacted, but perhaps the biggest percentage losses were felt on the export front.

Following back to back years of banner volumes, 2015 exports were off to another record start. By the middle of May, however, avian influenza had spread

through several of the nation's biggest egg producing states in the Midwest. International bans shortly followed, as countries tried to protect themselves from the spread of the virus. Others banned only the individual states where the virus was discovered. During the first third of the year, total egg and egg product exports averaged nearly 27 million dozen per month. From May through November, monthly exports averaged 15.7 million dozen, down more than 41% (chart 1).

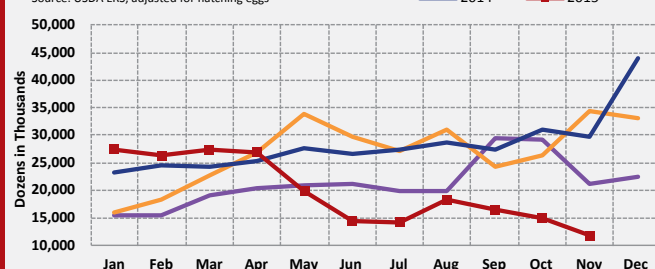
Canada, one of the countries which banned only affected states, brought in nearly half of the 217.9 million total dozen eggs exported in 2015 through November.

When the market peaked in August, the spread between U.S. and EU breaking eggs reached nearly \$1.50 per dozen (chart 2). Cheaper raw material costs and lacking supply in the States left the door open for EU egg processors to fill the void left by U.S. vendors. International demand sent dried egg prices in Europe up between 30% and 60%, a contraseasonal move for that time of year.

Markets have corrected into 2016, but exports have been slow to return. Since the middle of 2014, the U.S. dollar has rallied to the Euro (chart 3). In fact, the USD/Euro exchange has nearly reached parity, creating an even playing field

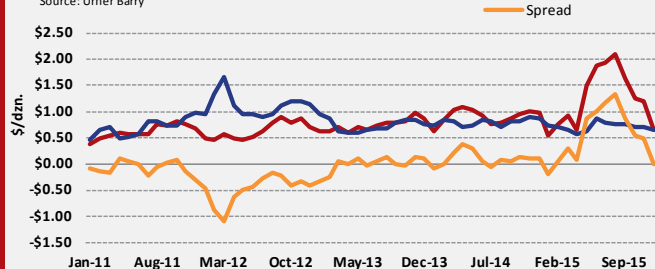
Total Shell Egg and Egg Product Exports

Source: USDA ERS, adjusted for hatching eggs



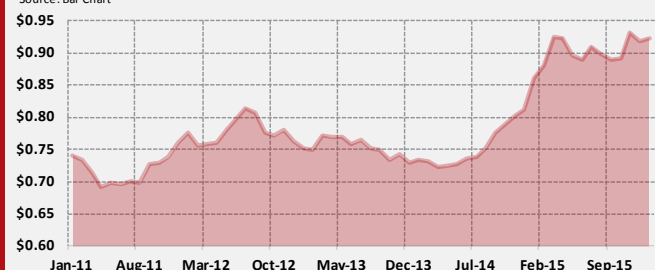
US vs. EU Breaking Stock Quotations - Low Side

Source: Urner Barry



USD/EUR Exchange Rate

Source: Bar Chart



for international marketers in the two countries. Prices for the three major dried egg categories are also cheaper in the EU to begin 2016.

As the U.S. layer flock rebounds from HPAI-related lows, the international markets will likely become more and more important. Last year, more than 15 million layers worth of production were sent abroad. U.S. processors have an uphill battle to recoup these markets though, especially given the strong dollar and the price advantage currently being enjoyed by some of their competitors, like the EU.

Article contributed by Brian A. Moscogiuri
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3 EGG NUTRITION RESEARCH

The Egg Nutrition Center (ENC) funded approx. **\$1.5 million** of nutrition research. A record-breaking 15 ENC-funded research studies were published, earning **100+ million media impressions**.



4 MCDONALD'S ALL DAY BREAKFAST LAUNCHED

supported by AEB's National Accounts Program that contributed to more than **1 billion servings** added within foodservice during the last decade. Partnerships with Taco Bell & White Castle cemented AEB's positioning as **The Breakfast Expert**.



5 TAKING BACK EASTER AS THE EGG HOLIDAY

AEB stats appeared in *USA Today*'s "Snapshot," on NBC television affiliates & publications across the country, generating **100 million+ media impressions**. Retail partnerships with Keebler & Hungry Jack Hash reached **1+ million consumers**.



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Best,

Paul Sauder, AEB Chairman
RW Sauder Inc., Lititz, PA

UB seafood staff ventures to

Urner Barry's Seafood Department took to the road in the fall of 2015 and following winter to attend the Global Aquaculture Alliance's (GAA) GOAL Conference and the National Fisheries Institute's (NFI) Global Seafood Market Conference (GSMC).

In October, the GAA hosted its GOAL 2015 Conference at the Four Seasons



Urner Barry Hosted its second "Almost Annual" GOAL Bike Tour through the city of Vancouver. The trip included a ride through the city's famed Stanley Park.

in Vancouver, British Columbia, Canada. Urner Barry attended, as they have since its founding in 2001.

The hearts of the GOAL conference are its annual shrimp and fish production outlooks. This past year, the shrimp outlook showed a continued recovery from disease problems. Dr. Jim Anderson, now at the University of Florida, projected farmed shrimp output to rise nearly eight percent through 2017.

Ragnar Tveteras from the University of Stavanger gave the outlook on aquaculture



Members of the Value Whitefish Panel at the NFI GSMC - Mariner Seafood's Jack Flynn; Vinh Hoan's Max Bosch and Atlantika Inc's Magnus Gustafsson.

finfish production showing continued growth in tilapia, a decline in pangasius, and an increase in farmed salmon.

Other presentations highlighted the shortfall in

the GAA's goal to double aquaculture production in a decade. Recent trends suggest that will not happen during the present ten year period.

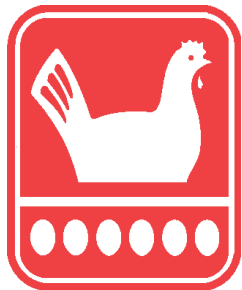
Another highlight of GOAL was the audience surveys. Once again, disease was voted by far the most significant challenge facing the global aquaculture industry



The NFI's 2015 Class of Future Leaders. It was the largest graduating class in the program's history.



Pictured from left to right - Seafood Exchange's Travis Larkin and Maria Larkin; Urner Barry's Michael Ramsingh; Preferred Freezers' Gail Hannigan; NFI's John Connelly and Urner Barry's Paul Brown wrap around the base of a giant Douglas Fir in Stanley Park. Delta Blue Aquaculture's Bill Hoenig helped complete the circle behind tree (trust us!).



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Vancouver; meets in Miami

in the coming year. The emergence of the shrimp EHP parasite among Indian producers highlighted the threat.

A further take away from the conference was the opportunity offered to farmed fish by U.S. consumer demand for a healthy and readily available protein.

SEAFOOD IN SOUTH BEACH

Several months after GOAL, in January 2016, over 400 seafood executives traveled to the Intercontinental Hotel in Miami for the NFI's 2016 GMSC.

There were a higher number of attendees, and more international representation, representation from banking and the financial sector, and still further participants from the retail and foodservice sectors.

"I was here to see my banker," said one of the participants, underscoring the changing role of the conference in educating investors about the current state of the seafood industry.

Contrary to Dr. Anderson's GOAL presentation, the GSMC reported an expectation for shrimp supplies to be flat

in 2016. Meanwhile the growth of global salmon was projected to be between 1% and 3%, after several years of much faster expansion.

Octopus is becoming a more sought after item, and Spain is the preferred source due to quality issues.

The Tuna, Mahi, and Grouper panel spent most of their time on Mahi, discussing the impact of El Nino on production this year.

The Shellfish panels focused on the increased supply of North American lobster, along with the slowdown in growth in China, suggesting that this Chinese New year demand will be similar to last year, rather than significantly higher as had been the case for the past few years.

The panel spent significant time on oysters, which are becoming more important due to surging popularity, prompting major chains to look at how they might do a successful oyster program.

The whitefish panel discussed the issues arising with pangasius from the new USDA regulations, and the global demand for cod and pollock. The premium whitefish

section looked at Chilean sea bass, halibut, and fresh tilapia.

The meeting also serves as the annual NFI board meeting, with Kim Gorton, of Slade Gorton, becoming Chairman of the Board. Kim is the second woman to serve in this position.

Additionally, the conference also marks the graduation ceremony for NFI's annual future leaders program which has attracted a huge amount of interest from across all segments of the seafood industry.

The next steps for Urner Barry's Seafood Department will be Boston, MA for the Seafood Expo North America at Booth 364 scheduled for March 6-8, 2016. The staff will also be in Brussels, Belgium in April for the Seafood Expo Global. **US**

Article contributed by Michael Ramsingh
mramsingh@urnerabarry.com



Pictured from left to right: Members of the Global Pelagics Panel at the NFI's GMSC - Pasapesca's Ferran Pauner Corbeto; Sea Port Products Corporation's Mike Daniels; Stavix Seafoods' Ruth Levy; Urner Barry's Jim Kenny; Norwegian Seafood Council's Egil Ove Sundheim; Northern Pelagic Group's Brady Schofield.



Pictured from left to right: Members of the Mahi, Tuna, Grouper Snapper, Swordfish Panel at the NFI GMSC in Miami - Bloomin Brand's Mike Pribel; US Foods' Mike Holly; Alfa Gamma's Santiago Alvarez; Urner Barry's Angel Rubio; Bumble Bee's Michael Fairman; Orca Bay's Mike Walsh.

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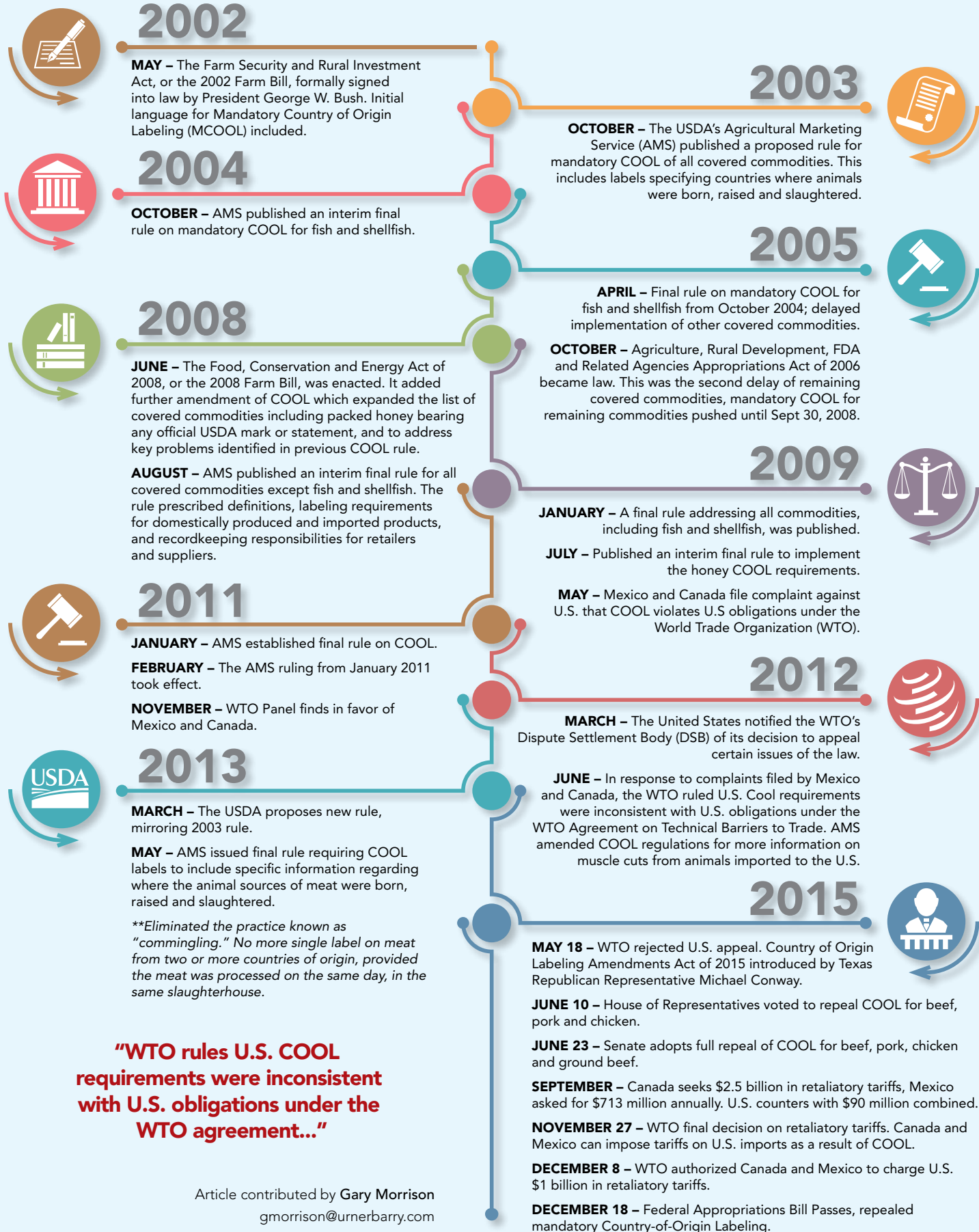
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Mandatory country-of-origin labeling timeline



Restaurants feed the hungry in more ways than one

Restaurants are completely dependent on the community for success. After all, it doesn't matter how good a steak you grill if nobody walks in the door. Yet, not everyone in a community can afford to go out to eat. Some people, in fact, may not be able to eat enough at all. A few restaurants have decided to take a stand against hunger and other problems in their community.

HUNGER BURGER

Everybody likes buy one, get one offers. However Hunger Burger, a Philadelphia, PA burger joint, is trying something new: buy one, give one. For every burger purchased at Hunger Burger, a donation sufficient to buy a meal is made to one of various charities, most notably No Kid Hungry. Hunger Burger is the culmination of a 6-year dream of veteran restaurateurs George and Kim Mickel, who were inspired by a mission trip to El Salvador. The Mickels hope that their model will motivate other businesses to similar generosity. "There is so much opportunity for profitable businesses to incorporate giving back, but few do," George said. "We're in business because people give us business, so we must give back. We want to inspire other companies to do the same."

OREGON PUBLIC HOUSE

Hunger Burger opened in February of 2015, but they're actually not the first restaurant with a focus on charity. The Oregon Public House, founded in May 2013, is the first pub that is also a non-profit. Portland is the city with the most non-profit organizations per capita, and has a vibrant pub scene. The Oregon Public House exists to link these two groups, billing themselves as a "fundraising department" for a rotating selection of local charities. When you finish with your meal, you get a check, as well as a list of charitable organizations to choose from. After operating costs, all the money from your check goes to your charity of choice.

SAME CAFÉ

SAME Café is the first restaurant in Denver, CO to take the nonprofit plunge. Their name stands for "So All May Eat", and their "pay-what-you-can" menu makes sure that's true. More comfortable customers can donate a little extra for a meal knowing it goes to feeding others, while those having a hard time can get good, healthy food at a low cost. Those with empty pockets can trade an hour of volunteer work behind the counter for a full meal. SAME Café is the second café in the U.S. to follow the pay-what-you-can model, the first being the One World Café in Salt Lake City. Since their opening,



many other cafés following the model have sprung up across the U.S., helping hungry people in many cities get food regardless of means. **UB**

Article contributed by Jake Muldowney
mail@urnerbarry.com

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After 7 year battle, catfish inspections will move to USDA

by John Sackton

jsackton@seafood.com

Adapted from an article which originally appeared on
Seafoodnews.com on December 2, 2015



The day before Thanksgiving, a time when it would get the least possible notice, the USDA published final rules for its inspection of Siluriformes catfish. The rules apply to all fish of the order Siluriformes that include both American *Ictalurus* species and pangasius as well as virtually all other species of catfish.

The order becomes law six months after its publication, ie. by March 30, 2016. The USDA has promised an 18 month transition period after that.

The most immediate change will be the requirement of 24 hour continuous inspection in American catfish plants, similar to the continuous inspection done in meat and poultry plants.

Secondly, imported catfish and pangasius will be subject to inspection by USDA inspectors.

"FSIS is committed to a smooth and gradual introduction to the new inspection program, which was mandated by the 2014 Farm Bill," said Al Almanza, USDA Deputy Under Secretary for Food Safety. "The agency will conduct extensive outreach to domestic industry and international partners so that they fully understand FSIS' requirements prior to full implementation."

During the transition period, the USDA will begin continuous inspection of U.S. catfish plants and conduct species sampling and inspection on imported catfish.

All countries exporting catfish to the U.S. must provide the USDA with a list of their exporters prior to the March 30th date.

FSIS says they will assist countries with their equivalency applications. Countries that submit completed documentation demonstrating equivalency by the 18 month deadline will be able to continue exporting to the United States while the agency conducts a full equivalency evaluation, which includes an on-site audit.

Countries that have not submitted an equivalency application within 18 months will be barred from exporting catfish to the U.S.

Opponents of this measure have criticized it as a waste of government resources, and also as an unfair trade practice whose real purpose is to prevent imports of catfish into the U.S. The Agriculture Department is estimated to have spent \$20 to \$30 million since 2009 to set up its office, which has a staff of four, but it has yet to inspect a single catfish. The department said it expects to spend about \$14 million a year to run the program. The FDA, by comparison, spends about \$700,000 annually on its seafood inspection office.

Further, congressional opponents feel the USDA mandate is illegal under WTO

rules, and as soon as Vietnam wins a WTO ruling, it and other Asian countries, will be free to slap retaliatory tariffs on soybeans or any other agricultural product. In the near term, it will likely push Vietnam away from fishfeed based on U.S. soybeans.

In Vietnam, Le Hai Binh, spokesman of the Vietnamese Ministry of Foreign Affairs, said Vietnam will continue working with the USDA and closely follow the implementation of the program to protect its legitimate interests. However, Binh also said the new rule is unnecessary and will become a non-tariff barrier, seriously affecting Vietnam's catfish exports, the lives of Vietnamese farmers, and the interests of U.S. consumers, he underlined.

Vietnamese catfish are now the sixth most popular seafood in the United States, according to Reuters.

Many Vietnamese producers and trade negotiators had expressed concerns that catfish imports to the U.S. would be effectively banned until producers could meet the new USDA requirements, causing major disruptions to a significant export sector.



Processors must have their operations meet U.S. compliance standards prescribed by the USDA under the inspection program.

Vietnam Association of Seafood Exporters and Producers (VASEP) also said that the catfish inspection requirements violate WTO rules, and that under the Trans Pacific Partnership, the issue could be taken to arbitration at the WTO.

The Wall St. Journal said that the timing of the announcement, on the Wednesday before the Thanksgiving holiday, was



Vietnam's pangasius.

a sign of how embarrassing it was.

After years of planning, the USDA program will launch in March and phase in over 18 months. Such an announcement was bound to come, but the timing is a big surprise.

That's because the U.S. released the text of the 12-nation TPP accord the same month as the announcement, including a promise to Vietnam that U.S. catfish inspections would "not [be] inconsistent with its obligations under the WTO agreement." Implementing the USDA program as written likely violates that promise by singling out one product for uniquely difficult regulatory treatment without a compelling scientific reason. **UB**



Senator John McCain has been a longtime objector to the USDA's Catfish inspection program.

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"...the USDA program will launch in March and phase in over 18 months..."

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Livestock producer reaction to 2015 price slide seen muted

Cash cattle and hog prices in late 2015 fell further than had been expected and hit multi-year lows, resulting in huge losses for cattle feeders and sizeable ones for many hog producers as well.

In the segmented cattle industry, the cow-calf operations fared better than did the feedyards because prices for the young replacement animals did not fall as much and cow-calf producers may have more flexibility or options on when they elect to sell the young steers and heifers.

The impact of the price slide on supply adjustments is expected to be muted, if noticeable at all in overall numbers of hogs and cattle to be available for slaughter in the near-term, but there may be a more measureable reaction by producers later on from the break in prices during the fourth quarter of 2015.

There may also be some more subtle changes made that could affect meat supplies near-term and out ahead. Young females being held back for addition to the breeding herd may be sold off for slaughter instead, resulting in slower growth of the herd or possibly even a pull back in the number of adult females.

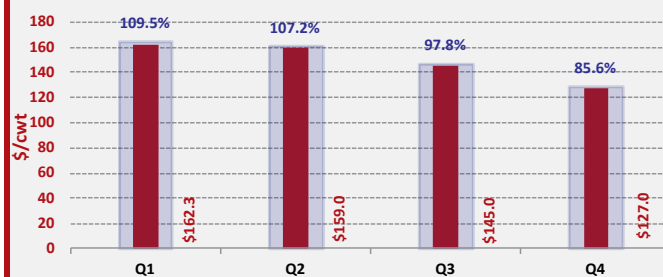
It's been said that trying to change the course in livestock production in a short period of time is like attempting to turn a large ship around in a narrow channel, it's just not likely going to happen.

Questions sometimes arise from people outside of the meat and food industries as to why livestock producers do not take action sooner or more aggressively in their efforts to trim output when prices turn lower and they begin to lose money on the animals going to market at that time.

There are numerous factors that must be considered when making changes in livestock production plans, including among others the longer term outlook for the market, seasonality and associated price swings that commonly occur throughout the year, and the time it takes from changes made in the breeding herd to when those adjustments will be seen in slaughter-ready supplies of

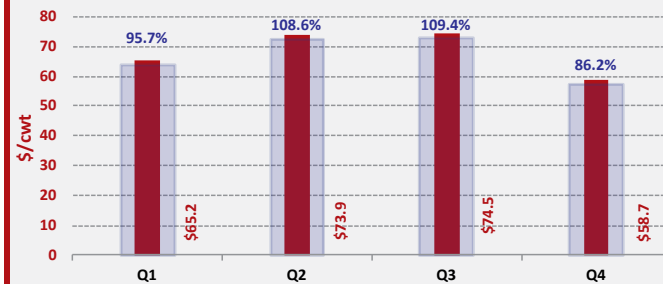
Cash Cattle Prices by Quarter and % of Annual Average

Source: Cattle Fax-6 State Fed Steer Price



Cash Hog Prices by Quarter and % of Annual Average

Source: USDA



barrows and gilts or steers and heifers.

For hogs, that can take roughly a year or more. And once the pigs are born, supplies are generally well established for the next six months. Since producers rarely sell off sows that are already pregnant, the number of hogs to be available for slaughter during a specific period is determined by producers' actions a full 10 months earlier or more.

For cattle, the time needed to adjust slaughter-ready supplies of steers and heifers by adding to or reducing the breeding herd is considerably longer than in hogs. The majority of the steers and heifers leaving the feedyards for slaughter are

from 18 to 24 months of age. Therefore, the number of animals to be available for slaughter over the next year or more has already been determined with only slight adjustments in the supplies possible. Imports of young cattle from Canada and Mexico may increase or decrease, depending on market conditions, currency exchange rates and other factors, but those animals make up a fairly small portion of the total.

Some market analysts and industry sources said the first indication of adjustments by livestock producers may come in hogs. The losses taken by many producers during the fourth quarter and concerns about supplies being large enough to limit price advances may cause some to reduce the number of sows to be bred during the winter. If so, that could affect farrowings in the spring and early summer and reduce the number of slaughter-ready hogs to be available during the final quarter of this year.

The quarterly hogs and pigs report to be released in March will be closely watched as an indicator of producers' intentions. **UB**

Article contributed by Curt Thacker | cthacker@urnerbarry.com

"It's been said that trying to change the course in livestock production in a short period of time is like attempting to turn a large ship around in a narrow channel..."



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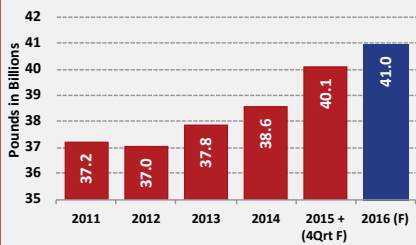


Chicken and turkey: by the numbers

Historical perspective: using the past to study the present and future state(s) of the U.S. poultry industry

Broiler Production

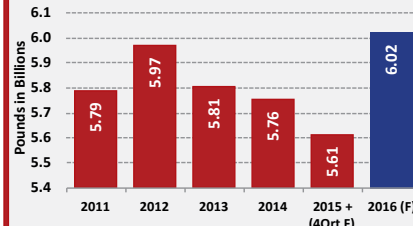
Source: Urner Barry, USDA Livestock, Dairy, and Poultry Outlook



According to January's Livestock, Dairy & Poultry Outlook (LDP) report, the USDA estimates that chicken production in 2015 advanced 3.9% to 40.085 billion pounds, an increase of 1.535 billion pounds when compared to 2014. In that same report, the USDA projects chicken production will expand another 2.15% in 2016.

Turkey Production

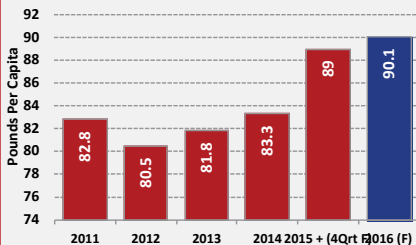
Source: Urner Barry, USDA Livestock, Dairy, and Poultry Outlook



Turkey production fell to an estimated 5.61 billion pounds in 2015, declining more than 146 million pounds or 2.6% when compared to the year prior. The USDA expects turkey production will increase 7.3% in 2016.

Chicken Consumption; Retail lbs.

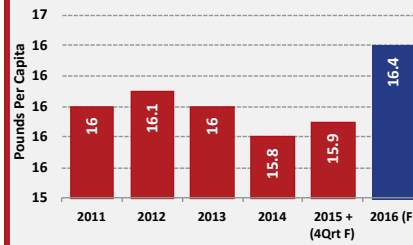
Source: Urner Barry, USDA Livestock, Dairy, and Poultry Outlook



Per capita consumption of chicken continues to climb at a rapid pace. According to January's LDP report, the average person within our population consumed an estimated 89.0 pounds of chicken in 2015, versus 54.0 pounds of beef and 49.7 pounds of pork.

Turkey Consumption; Retail lbs.

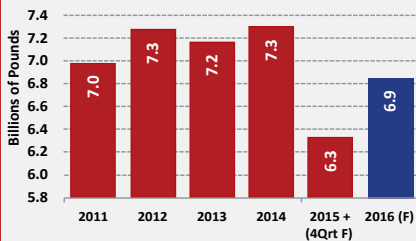
Source: Urner Barry, USDA Livestock, Dairy, and Poultry Outlook



Per capita consumption of turkey has remained flat in recent years and is projected to finish at just 15.9 pounds per person in 2015. In 2014, the National Turkey Federation launched the 20 by 2020 promotional campaign, with the goal that consumers will eat 20 pounds of turkey annually by the year 2020.

U.S. Chicken Exports

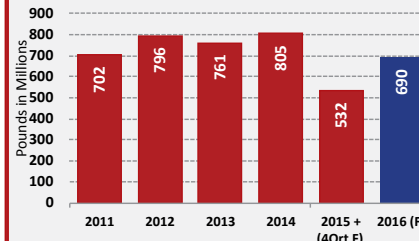
Source: Urner Barry, USDA Livestock, Dairy, and Poultry Outlook



Before any bird flu was detected in 2014-15, U.S. chicken exports were on a record-setting pace for both volume and value. As a result of the outbreak, international trade bans were issued which limited exporters' options. A weakened oil market and strong U.S. Dollar combined to further impact the overall picture. According to January's LDP report, an estimated 6.326 billion pounds were exported in 2015, 13.4% less than the year prior.

U.S. Turkey Exports

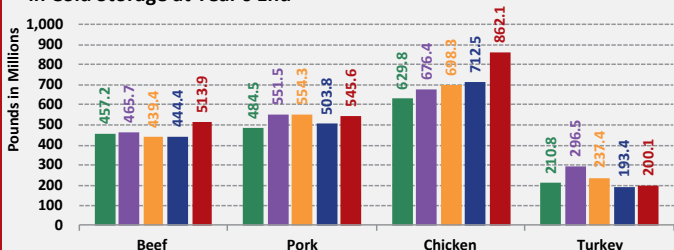
Source: Urner Barry, USDA Livestock, Dairy, and Poultry Outlook



Just like with chicken, U.S. turkey exporters had their best year ever in 2014. But in 2015, largely because of bird flu, only an estimated 532 million pounds were exported, 33.9% less than the year prior.

Red Meat & Poultry in Cold Storage at Year's End

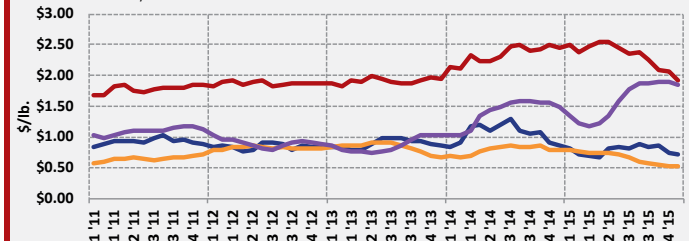
Source: Urner Barry, USDA Cold Storage Report



As of December, USDA cold storage inventories of beef (513 million lbs), pork (545 million lbs), and chicken (862 million lbs) were either at or near all-time highs. In 2015, increased production and lackluster demand (domestic and international) combined to force more production into warehouses than ever before. Turkey inventories finished the year at 200 million pounds, 3.4% higher than in 2014.

Urner Barry Indices

Source: Urner Barry



Urner Barry's beef, pork and chicken indices all trended lower in 2015, unlike the year prior. Urner Barry's turkey index however, reached \$1.90/lb, thanks to another record year for breast meat (and whole birds).

Article contributed by Terence Wells | twells@urnerbarry.com



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More facilities are opening ...

Processing plants on the rise

Many consumers aren't aware that traditionally most of the North American lobster we consume is actually produced in the U.S. and Canada, but processed in Canada in the forms of tails, meat and other value-added products.

New legislation that was passed a few years ago has boosted the development and opening of an increasing amount of lobster processing plants in the United States, particularly in the New England region (originally in Maine and now spreading south into Massachusetts).

Prior to the new laws, lobsters weren't allowed to be processed in Maine as a prevention method to stop illegal mutilations of undersized catch. Canada's traditional lobster processing plants have faced increasing labor problems, as Canadian laws for foreign workers have tightened, further opening the door to more competition from the U.S.

Increased landings are anticipated out of Maine and Canada for 2015 due to a mild start to winter. Increased demand from the restaurant sector and overseas, particularly China, along with expected increased landings are all contributing factors to the need for additional processing facilities.

Currently, Massachusetts is attempting to amend the original law

"Increased landings are anticipated out of Maine and Canada for 2015 due to a mild start to winter."



that allowed them to process tails. They are seeking to also be able to process and sell shell-on claws similar to the laws in Maine. The new legislature could open up even more competition in the marketplace and sprout economic and job growth in the region. Robust demand has already sent lobster meat prices to record high levels and it will be interesting to see where they go with the increased capability for processing the crustaceans. **UB**

Article contributed by **Nicole West** | nwest@urnerbarry.com

Beef cattle prices volatile while quality surges higher

Article contributed by
Certified Angus Beef

Dramatic. That's a pretty accurate description of the 2015 live cattle and beef trade.

"It came in on a high from the smallest cowherd since 1960, only to drop like a stone from midsummer to late fall and end on a recovery bounce," says Paul Dykstra, beef cattle specialist for the Certified Angus Beef® (CAB®) brand.

Dykstra tracks weekly market trends for the brand on a weekly basis and recently pulled together a summary report on the year, drawn on data from USDA and Urner Barry. Even though cattle harvest numbers

were down 4.6%, heavier hot carcass weights meant more to sell. Steer carcass weights were up 23 pounds by the fourth quarter of 2015.

The combination of increased pork and poultry tonnage helped create price disappointments for cattle sellers and opportunities for beef marketers. Not everyone was excited about lower prices, but one bright spot was unanimously recognized, Dykstra says: 2015 was the ninth straight year with higher marbling and subsequent quality grades.

"Sure, the heavier carcasses and added days on feed were factors," he says, "but it also shows that U.S. cattlemen are making genetic decisions based on consumer demand."

Kansas provides a snapshot of this rapid increase. Just 10 years ago, that state's packers were producing 44% Choice and 1.6% Prime, on the same plane since 2000. For 2015 they settled in at 72% Choice and 4% Prime. Dykstra says many are wondering if the marketplace will



Paul Dykstra

continue to set premiums at each interval for low Choice, premium Choice and Prime.

There's been a wide swing in total cutout value since the start of 2014. The Choice/Select spread for 2015 at \$7.53/cwt. averaged roughly \$1/cwt. (12%) lower than the year prior in the face of 3.5% more Choice tonnage. Meanwhile a 20%

reduction in Select supplies netted only a 64-cent price increase.

"The seasonal patterns for widening and narrowing of the Choice/Select spread remained intact however," he notes.

CAB brand premiums above the low Choice cutout were more resilient, posting an \$8.61/cwt. premium in 2015, only a penny decline from 2014. That's alongside a 1% increase in sales volume for the brand's fiscal year, totaling 896 million lb.

"Even with all of that quality beef in the marketplace, indications are good that the consumer will still pay a premium for it," he says. **LB**

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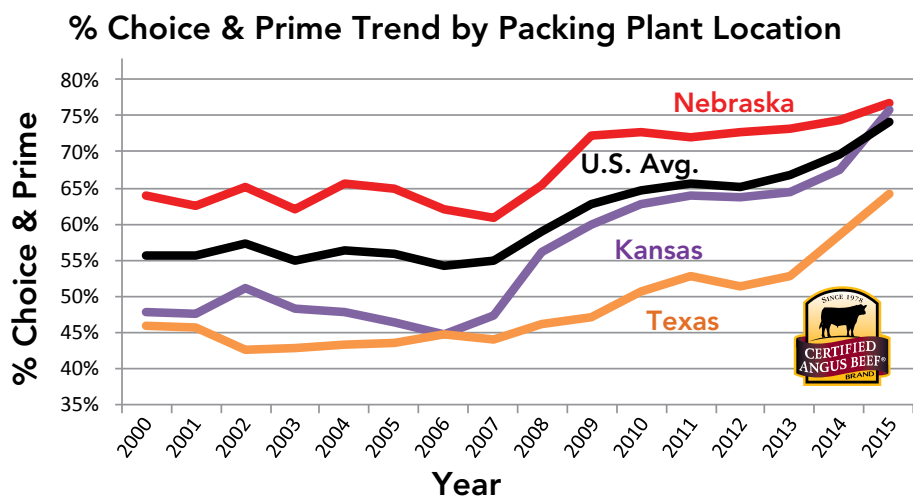
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Foreign exchange dynamics are changing global export markets

It's no secret that there are two stories dominating the overall market right now—oil and the strong greenback. These motifs have influenced the investment and trading decisions of every major institution, and it doesn't look like the trends will be moving in the opposite direction anytime soon. But, you might ask, what exactly is causing such strong demand for the dollar?

While the answer for why we have a strong dollar is hugely complicated and involves a plethora of factors such as rising rates, trade deficits, GDP figures and much more, one of the key factors affecting the demand for U.S. dollars is aggressive emerging market demand for greenbacks, the reasons for which are twofold.

First, we have many emerging market countries and companies that attracted investor capital through dollar-denominated debt—these countries include Brazil, Mexico, Thailand and others. Because the local currencies are a bit volatile, investors from the major economies such as the U.S. and the E.U. are often afraid that the returns they make on these riskier bonds, often paying out 6%, 7% or even higher, will be diminished by the depreciation of the underlying currency. For example, if you bought a Mexican corporate bond two years ago that paid 8%, congratulations, you just lost all your profits because the peso depreciated. In fact, you lost money.



No, not these hedges.

One way to deal with this is to hedge your position in the foreign currency, but this is risky because it costs money no matter what you do or which way things go, and hedging, even if it protects you from a worse fate, still diminishes your returns. Many foreign companies and countries recognize this reality and, in order to attract capital, they take on the currency risk by issuing debt that is payable in dollars. This means that that Mexican company, for example, will have to buy dollars in the open market to pay back this dollar-denominated debt, which can get very expensive if the depreciation gets out of hand. In 2014, over \$275 billion in dollar-denominated emerging market bonds were issued—more than ever before. Additionally, because so many bonds had been issued prior, you have decades of dollar-denominated emerging market debt sucking wealth out of these emerging market economies, buying dollars to pay back their debt and driving down the price of their own currencies in the process, making the problem worse.

Many countries and companies have tried to solve this problem by exporting more product to the United States. In the Ukraine, for example, the poultry industry has been the breadbasket of most of Europe for a long time. Exports to the U.S. and the E.U. were at record levels in 2015, while the hryvnia has gotten about 50% weaker since the Russian annexation of Crimea. These exports are great for the local economy in the short term, but the sheer volume of exports to the E.U. and the U.S. actually threatens to undercut the viability of the industry over the long-term, as replacement rates are slower than necessary to keep stocks replenished, according to recent reports from a national newspaper.

Mexican beef professionals are continuing to find themselves in an awkward position as they get squeezed on their imports and profit handsomely on their exports. However, since the products available aren't typically the kind an American

"The dollar has gained against major currencies and is nearly at parity with the Euro."



consumer would find on their plate, it is difficult for the industry in Mexico to balance out the problems created by the strong dollar through exports. Similar problems are occurring in other major Latin America economies, like Colombia which imports lots of agricultural and petroleum goods that must be paid in dollars. In three years, the Colombian peso went from 1500 to the dollar to 3,300, a depreciation of about 60%.

Much currency depreciation is also caused by the declining price of oil, as the wealth in many economies like that of Saudi Arabia, Brazil, Colombia, Venezuela, Mexico and others is created through oil. However, when oil is trading below the point at which many of these nations can move oil at profitable levels, the currencies become even less valuable.

These examples, among many others, are one of the reasons why it seems like emerging markets are running on fumes. If these issues continue to persist, the dollar will continue to be propped up by aggressive demand, contributing to the depletion of forex reserves in major central banks and creating even more demand for the greenback from emerging market treasuries and corporations, continuing the vicious cycle. **UB**

Article contributed by Adam Sharkey
asharkey@urnerbarry.com

Is the new normal abnormal?

As the years go by, seasonal abnormalities for a variety of fish species seem to become the “norm.” Between the winter of 2015-2016’s extremely mild start in the Northeast and the current impact of El Nino on the Pacific Ocean and surrounding regions, this year seems to have had its share of abnormalities. In past issues of *Uner Barry’s Reporter* we touched on El Nino’s potential effect on the production and migratory patterns of a variety of fish species. Here we will take a look at some of the other bodies of water on the East Coast.

The changing climates affect not only our air temperatures, but the temperatures of various bodies of water. In the Northeast, a mild start to winter allowed for North Atlantic lobstermen to fish throughout December, a time of year when weather conditions usually slow lobster production due to extreme cold and dangerous fishing conditions. While many enjoyed the ample holiday supply of crustaceans, the long term effects of the increasing water temperatures is yet to be known. Because of the warmer temps, it is anticipated that we will see increased landings in Canada for the last month of 2015. It is also interesting to note that the success of the lobster season had negative effects on the winter scalloping season as some lobstermen also fish for scallops.

While the changing of water temperatures is believed to have lent a helping hand to the production of lobster in December it has also been one of the main reasons for other native species such as cod disappearing over the last decade in some waters. In a recent study according to National Oceanic and Atmospheric Administration (NOAA) the Northwest Atlantic Ocean water

temperature is warming almost three times faster than the global average. The Gulf of Maine has warmed at a rate faster than 99% of the global ocean. The enhanced warming of the Gulf of Maine is associated with a northerly shift in the Gulf Stream, which is similar to NOAA’s results reported for the Geophysical Fluid

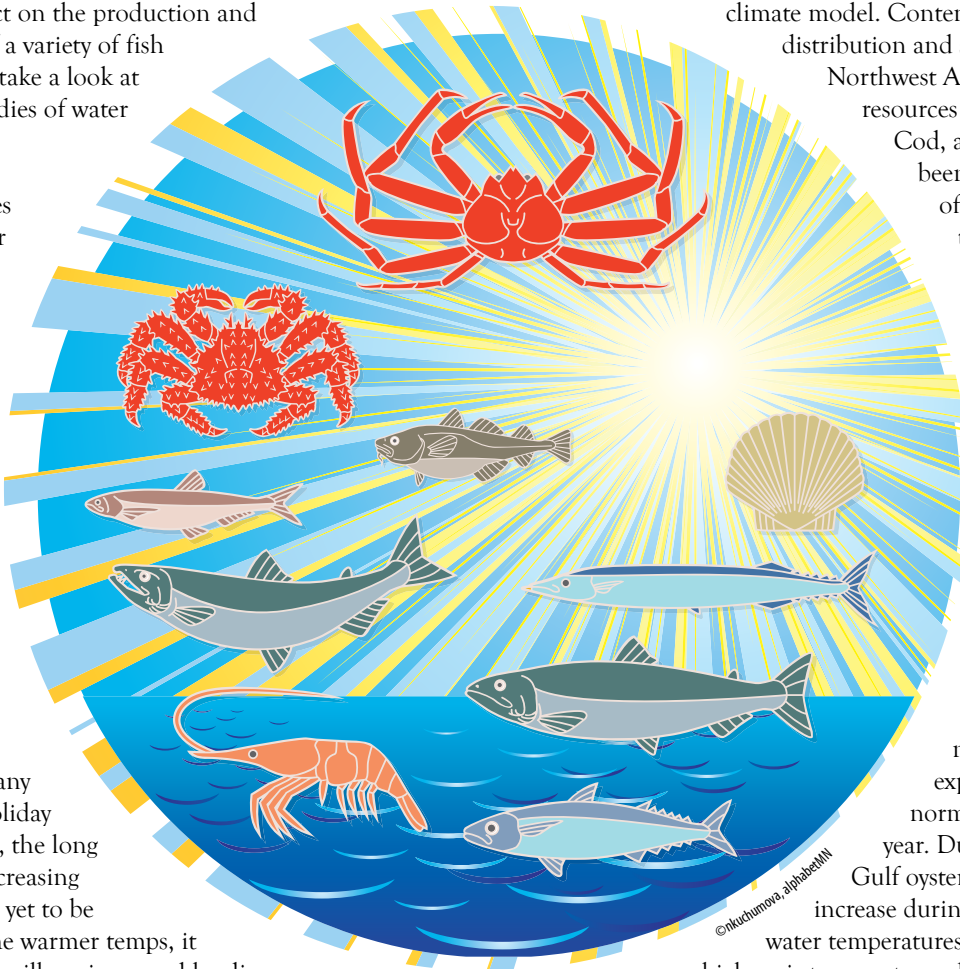
Dynamics Laboratory CM2.6, its highest resolution climate model. Contemporary changes in the distribution and species composition of Northwest Atlantic living marine resources are already evident.

Cod, a cold water fish, has been migrating north out of the Gulf of Maine over the last decade and its stock has decreased over 75 percent. The increased water temperature has also increased the sightings of species that don’t typically reside further in the Gulf of Maine such as black sea bass, squid and even the Maryland blue crab.

The Northeast is not the only area to experience higher than normal temperatures this year. During the traditional Gulf oyster season the meat yields increase during the “R” months when water temperatures begin to cool. The

higher air temperatures delayed the cooling of the waters causing meat yields to remain low longer than usual. This year in the Gulf we also saw multiple oyster fisheries close down due to the breakout of Red Tide. Water temperature is believed to be one of the causes of these high concentrations of marine algae which can be toxic to humans who consume shellfish that are contaminated with red tide toxin. As waters and climates continue to change across the globe it will be interesting to see where the various species of seafood will end up and be produced moving forward. **UB**

Article contributed by Nicole West | nwest@urnerbarry.com



“The increased water temperature has also increased the sightings of species that don’t typically reside further in the Gulf of Maine such as black sea bass, squid and even the Maryland blue crab.”

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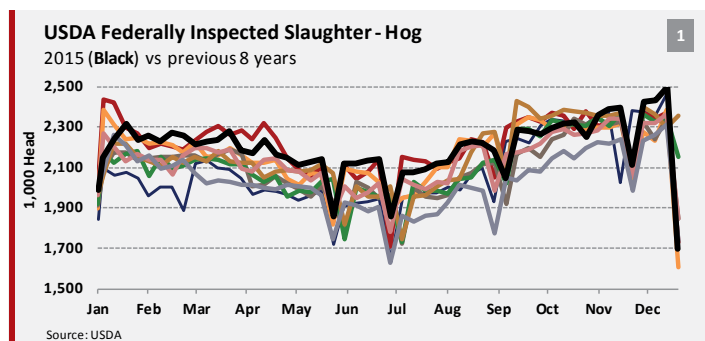
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A graphical representation

Below is the 2015 pork market depicted largely in chart format.

SLAUGHTER

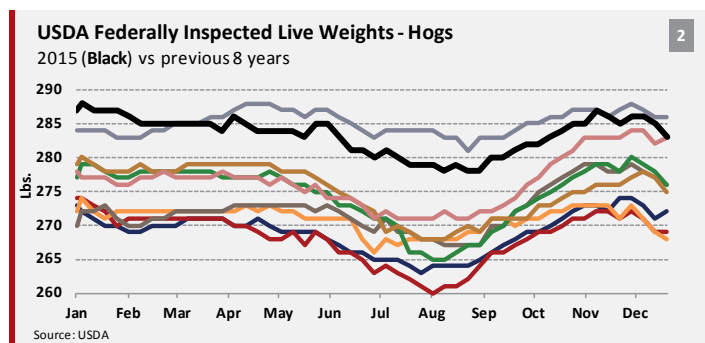
A successful recovery in hog stocks following 2014's PEDv losses resulted in the ability to slaughter an ample amount of hogs in 2015. (chart 1)



"Basic economics appeared to dictate the value of hogs in 2015."

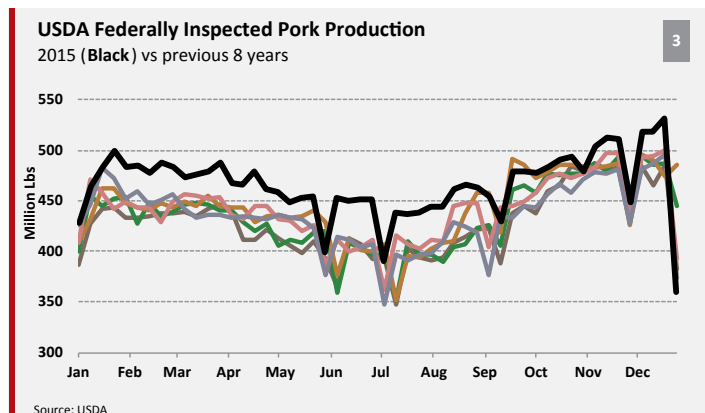
WEIGHT

The large slaughter figures occurred during a time of affordable feed. In addition, the sheer amount of hogs available, even in the face of the increased slaughter schedules, left hog producers with little need to pull hogs forward, which would limit their potential to reach market weight. (chart 2)



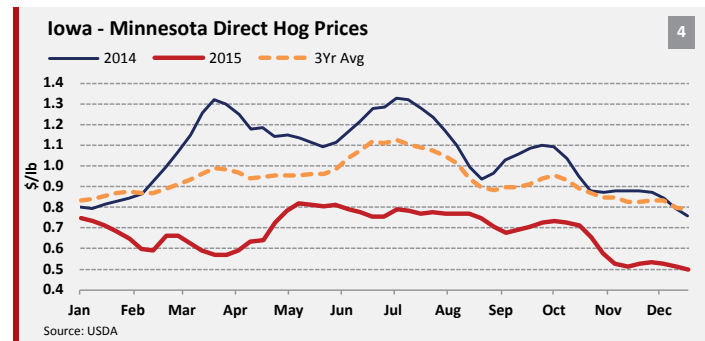
PRODUCTION

An ample slaughter combined with record, or near record, weights resulted in all-time-high, year-over-year weekly pork production figures for 41 of the 52 weeks in the year. (chart 3)



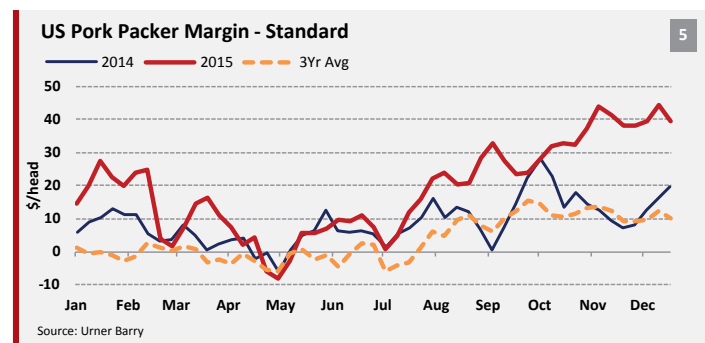
HOG PRICE

Basic economics appeared to dictate the value of hogs in 2015. Ample supplies and demand which was about average combined with low input costs to drive hog values to multi-year lows. (chart 4)



MARGIN

Record year-over-year operating margins for standard operators (versus Vertically Integrated operations, which were considerably lower) were posted throughout much of 2015. Multi-year low hog prices combined with wholesale pork values which were better, although still historically weak, to make for never-before-seen profitability, especially in the 4th quarter. (chart 5)



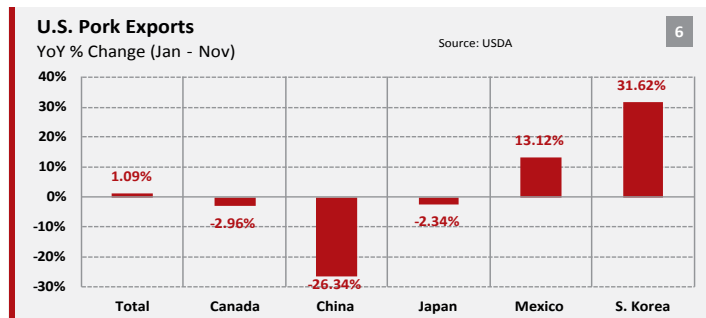
of the pork market in 2015



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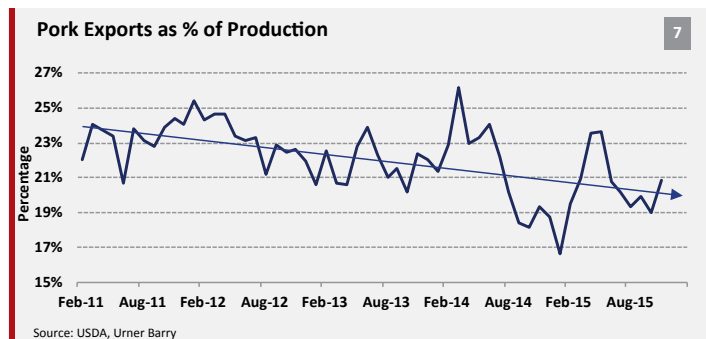
EXPORTS

Pork exports were mixed among our biggest trade partners in 2015 due in large part to the strength of the U.S. dollar. For the period January through November, while Canada and Japan were down 3 percent and 2.3 percent respectively versus 2014, Mexico and South Korea managed to increase their imports of U.S. pork by 13 percent and 31.6 percent, respectively. These gains managed to overcome other nations' losses, albeit very slightly, with total pork exports for January – November up 1.1 percent compared to 2014. (chart 6)



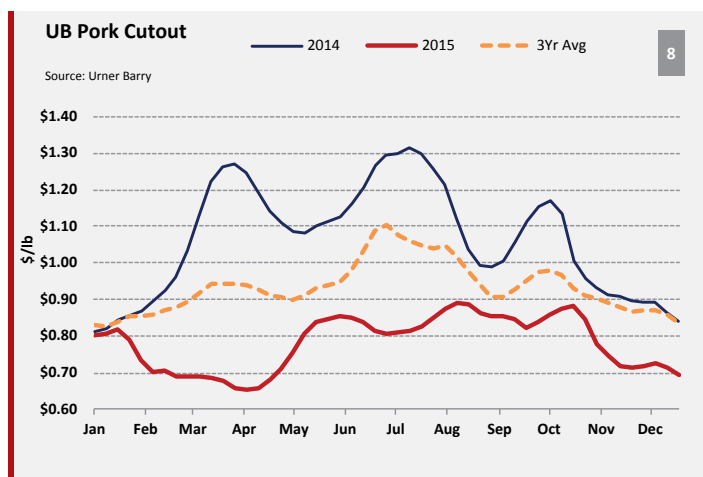
EXP/PRO

While exports were not horrible year-over-year between January and November, with total exports for the period up 1.1 percent compared to 2014, they failed to keep pace with the 7.5 percent increase in pork production during the same period. This resulted in an “exports as a percent of production” figure which has continued to trend downward. The 2015 average of 20.4 percent pork production going overseas was 1.1 percent less than that of 2014. (chart 7)



CUTOUT

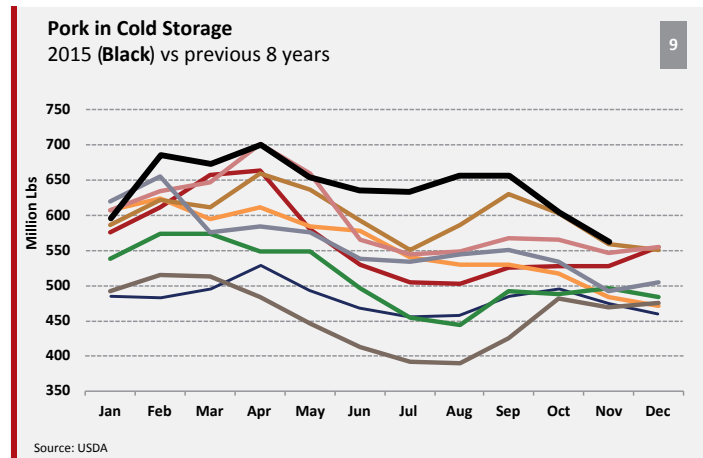
Exports and pork production considered, it should be no surprise that pork prices suffered. There were many items which hit multi-year lows in the pork market, yet overall, and in comparison to hog prices, the damage to the cutout could have been much worse. (chart 8)



COLD STORAGE

With pork production at record levels while exports and domestic consumption fail to keep pace, the industry needed a home for excess—and quite affordable—pork. Between January and November, the total amount of pork in freezers posted new year-over-year highs for 9 of those 11 months. (chart 9)

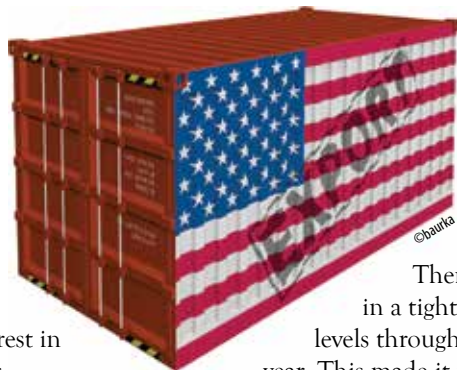
Article contributed by Russell Barton | rbarton@urnerbarry.com



“Pork exports were mixed among our biggest trade partners in 2015 due in large part to the strength of the U.S. dollar.”

2015 exports – a look at the numbers

Global demand for proteins remains positive and competition to source product for that demand is going to be tough for U.S. sellers. It will not only come from among protein groups, but new competitors that were given the opportunity to service some of the worldwide interest in 2015 for a variety of reasons.



Now that 2015 is behind us, a look at export numbers from across the spectrum will give us a good idea of just how tough it was for protein sellers from the United States. There were three main factors that suppressed shipments out of the country. First, early exports for the most part—with the exception of eggs—were strained by a slowdown at the West Coast ports. Then United States sellers had to contend with a strong U.S. dollar (chart 1); a large

jump from the summer of 2014 to March 2015 (to the tune of over 20 percent) shocked the foreign exchange world.

Then the dollar traded in a tight range at elevated levels through the balance of the year. This made it more expensive for foreign buyers to secure product. One of the final stumbling blocks came from trade bans from major trade partners, a result of both disease in certain areas and strained political relations.

The first protein segment is eggs. As previously mentioned, after back-to-back stellar volume years, 2015 was shaping up to be another record year. The outbreak of avian influenza led to international bans and the last two-thirds of the year dragged the industry down. The most current data shows that table grade egg exports were down almost 20 percent through November (chart 2). Higher prices helped offset the losses and total value exported actually climbed slightly from 2014.

Canada was the major driver of this. Egg products fared even worse as export volume fell nearly 40 percent and value over 30 percent from the previous year.

Broilers were also hit by bans from

the avian influenza virus that plagued parts of the industry. Volume was down nearly 14 percent during the January to November period in 2015. Mexico, the largest market by far by almost 500,000 metric tons, saw a drop of nearly six percent this year. Our other North American trade partner moved up one spot to second place in 2015, but couldn't help the overall weakness. These export restrictions came at a time when production ramped up and pressured prices here in the United States. This also led to a 25 percent decrease in value (chart 3).

Pork production bounced back from PEDv better than anyone could have anticipated, however, exports languished as the industry was still reeling from trade restrictions and the strong USD. In addition, increased

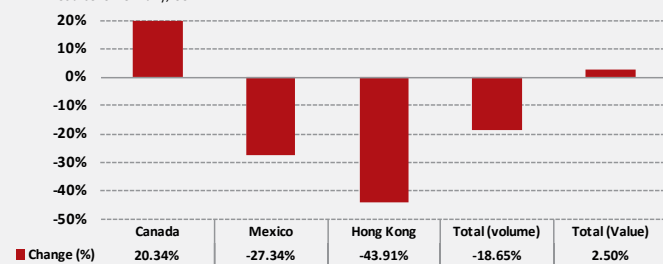
Dollar Index

Source: Urner Barry, Barchart



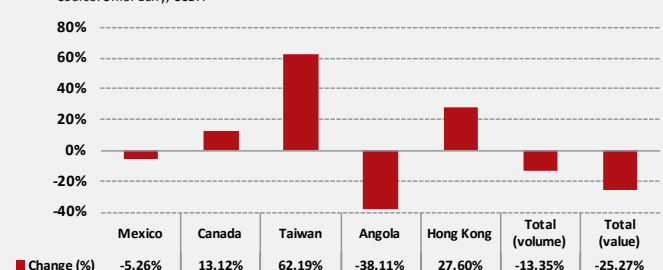
Table Egg Exports 2014 vs 2015 (Jan-Nov)

Source: Urner Barry, USDA



Broiler Exports 2014 vs 2015 (Jan-Nov)

Source: Urner Barry, USDA



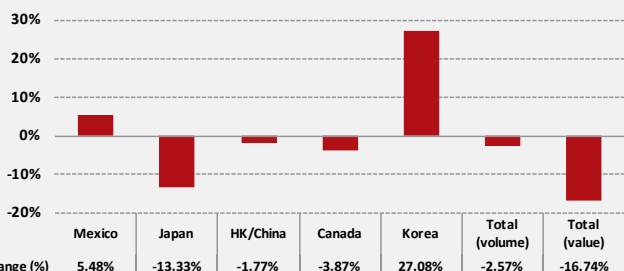
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US Pork and Variety Meats Exports 2014 vs 2015 (Jan-Nov)

Source: Urner Barry, USMEF

4



production in Russia appears to have placed that country as near being self-sufficient in pork production; in just a few short years they have become the second largest importer. This situation with Russia occurred after the country banned food imports from the U.S. and other countries following economic sanctions after the Ukraine conflict. Overall, exports were down slightly more than 2.50 percent but lower prices brought the value down 16.74 percent (chart 4).

Finally, we look at beef. The trend of lower numbers being shipped out of

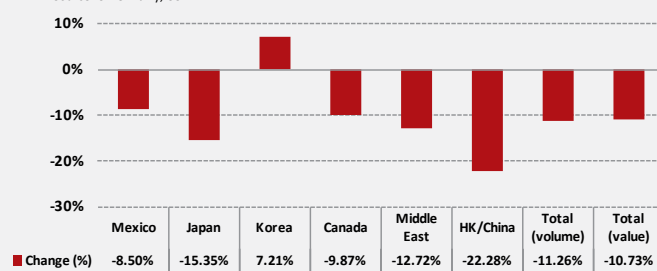
"This year is starting out a lot like last in that there are headwinds for U.S. exports."

the country continued. Beef, relative to the other proteins was expensive, so this threw another factor into the equation for sellers. Mexico and Japan, the number one and two exporters for both years saw big declines. But the Hong Kong/China region, which is a major partner as well, led losses. When all was said and done,

US Beef and Variety Meats Exports 2014 vs 2015 (Jan-Nov)

Source: Urner Barry, USMEF

5



volume was down 11.26 percent and value nearly 11 percent, respectively (chart 5).

This year is starting out a lot like last in that there are headwinds for U.S. exports. The global economy has struggled and equities have sold off as a result, the USD has remained elevated, and sellers are battling to gain back shares of the markets they lost. It looks like it will be a struggle once again to move product to outside markets. **UB**

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U.S. shrimp supplies expected to

Shrimp imports to the U.S. market rebounded in 2015 as the world's major supplying nations recorded production increases compared to year ago levels.

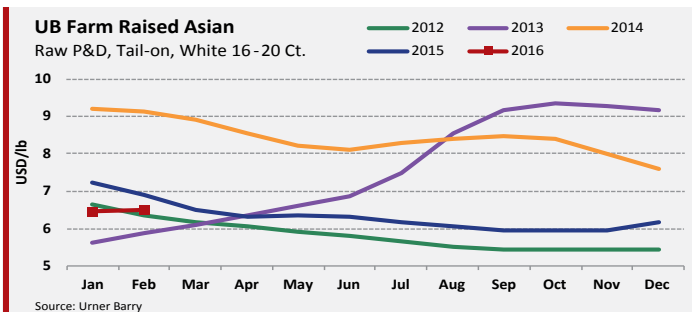
As of November 2015, shrimp imports to the U.S. market were up 2.3 percent from the year prior; about 25 million more pounds compared to 2014 levels. As of this writing, the pace of U.S. shrimp imports in 2015 was on track to eclipse those of 2014, which was the third highest volume ever for that market.

However, 2016 U.S. supplies are projected to remain flat, with major global producers expected to do battle with disease and weather issues. Additionally, more sales into the Chinese market are expected to cut into the global availability of shrimp for U.S. buyers.

Following are 2015 recaps of what influenced imports to the U.S. from its six major shrimp suppliers: India, Indonesia, Ecuador, Thailand, Vietnam and Mexico.

INDIA

India was the top U.S. shrimp supplier to the U.S. market in 2015. As of November, the U.S. imported nearly 273 million pounds of shrimp, about 24 percent more than in 2014.



Average Urner Barry quotations for 16-20 ct. farmed raised Asian white shrimp from January 2011 to February 2016.

But in November, severe flooding issues in India's major producing states, Tamil Nadu and Andhra Pradesh, wiped out ponds and damaged the industry's shrimp farming infrastructure. Industry participants believe the import impact from India's November flooding won't materialize until early 2016 import data.

However, the floods were a catalyst for price strengthening throughout the Asian market in November. Sharp increases in the price of replacement offerings from India at the end of November drove U.S. spot prices higher as importers protected inventories and balanced against the higher replacement costs.

SHRIMP SUPPLY SOLUTIONS FROM THE SOURCE

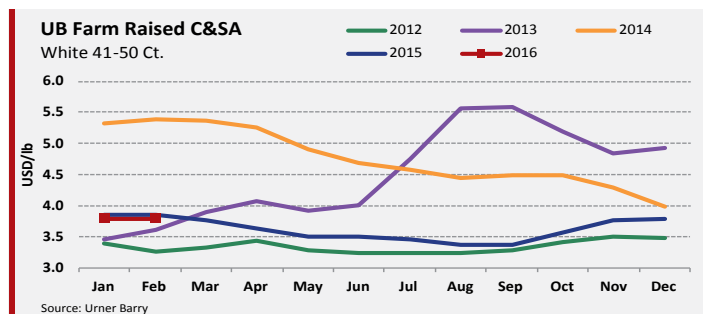


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be flat in 2016 after rebound year



Average Urner Barry quotations for 41-50 ct. farmed raised Central & South American white shrimp from January 2011 to February 2016.

As of January 2016, the U.S. spot market steadied somewhat but continued to maintain a firm undertone based on a disconnect from higher replacement offerings. At the same time U.S. buyers were resisting higher levels and minimizing buying interest.

Seasonal production should ramp up in March and April with imports to follow. However, aside from the flooding issues, another potential problem for Indian shrimp production in 2016 will be the emergence of shrimp EHP parasite. During the GOAL 2015 Conference in Vancouver, the parasite was blamed for stunting shrimp growth across Asian farms, India was among the hardest hit.

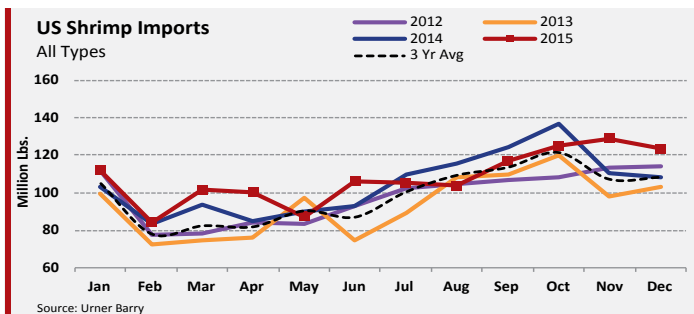
INDONESIA

Indonesia was the second largest shrimp supplier to the U.S. market in 2015. Imports totaled about 232 million pounds as of November, an 11.5 percent increase from the previous year.

But by the fourth quarter of 2015 reports out of Indonesia indicated poor seasonal production from a lack of rain; a result of a strong El Niño. Many said imports may trend lower. Those conditions saw offering prices from Indonesia trend higher in late November.

ECUADOR

Ecuador was one of the two major shrimp supplying nations to see its shipments to the U.S. market fall in 2015. As of November, Ecuadorian shrimp imports were down over 7 percent to 174 million pounds.



A look at total U.S. Shrimp imports from January 2011 through November 2015. Also included is an average of shipments in that time.

see China remain the top market for Ecuadorian shrimp in 2016.

The U.S. Latin American HLSO shrimp market reversed course in September 2015, but mostly stabilized in November. In the coming months Ecuador may be the most stable source of medium and smaller count HLSO shrimp.

Continued on page 44



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Shrimp supplies

Continued from page 43

THAILAND

Thailand's shrimp production rebounded in 2015 with its imports up 15 percent from year-ago levels to 143 million pounds.

With the exception of August, Thai shrimp imports to the U.S. increased every month in 2015. Production continues to improve albeit below pre-early mortality syndrome levels. Indications are that exports will continue to improve in 2016 as many of the impediments to production are being managed.

VIETNAM

Vietnam was the second major U.S. shrimp supplier to its see total imports to the market fall in 2015. As of November, Vietnam's shipments were down over 22 percent to about 117 million pounds.

Production issues continued in Vietnam due to a lack of investment and disease issues. Some of the raw material is coming from other countries. However, the U.S. may rebound as a key market

for Vietnamese shrimp in 2016 with a substantially reduced anti-dumping duty.

MEXICO

Mexican shrimp imports to the U.S. emerged in 2015 with imports up 38.5 percent. Total Mexican shrimp volumes continue to run far lower compared to major suppliers, but Mexican farms mostly produce larger-sized shrimp to the market, an important item for U.S. buyers.

Farmed shrimp production in Mexico for the 2015 season improved compared to the last several years. Production begins around August and September and is largely over by the end of the year.

The Latin American 21-25 count HLSO market; which is seasonally dominated by Mexican production, fell in September at the beginning of the season but rebounded as Asian markets moved higher.

A LOOK AT 2016

During the National Fisheries Institute's 2016 Global Seafood Market Conference

in January, the Shrimp Panel highlighted several production trends that could influence the U.S. supply in 2016.

Similar to 2015, U.S. shrimp imports in 2016 will depend on India, Ecuador and Indonesia with Thailand, Vietnam and Mexico supplementing supplies the panel said. However, several factors could limit global shrimp production growth to between 1 and 3 percent from major producers—a stark contrast compared to the last several years that saw much faster expansion, according to the panel.

Global production growth could be limited in the first half of 2016 by factors that didn't materialize until late 2015.

"Between September 2015 and January 2016, the evidence of production difficulties due to disease, weather and in some cases delayed reaction to low prices, has become more pronounced," concluded the Shrimp Panel.

Specifically, observers point to the possibility of short Indian production due initially to flooding in late 2015 and then possibly disease. Additionally, Indonesian production could be lower over El Nino issues currently producing dry unfavorable conditions. Shipments from Ecuador, meanwhile, are expected to remain flat in 2016; as sales to China are projected to continue to outpace those going to the U.S. market.

Mitigating the risk of disease in major shrimp producing areas could also result in reduced growth and higher costs. Additionally, the ultimate impact from the emergence of the EHP parasite in some regions is relatively unknown heading into 2016. In short, the prevailing risk of disease issues could result in a decrease in overall shrimp supplies.

Another caveat to the U.S. shrimp supply situation in 2016 will be the behavior of the U.S. dollar. In 2015, the dollar gained 25 percent more purchasing power compared to the Japanese Yen and Euro. If the greenback remains strong in 2016, U.S. buyers could increase their global market share of shrimp even if global production slows. **UB**

Article contributed by **Michael Ramsingh**
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In the fast food industry, everyone keeps an eye on the “big boys” as they can alter the landscape of a market quickly. It is always good to be on top of trends to see if they can affect supply or demand. Technomic, a leading research firm for the food industry, lists six franchisees to watch in 2016. “Overall, they tend to be newer, more contemporary restaurants. I think better is the singular theme,” Technomic President Darren Tristano told CNBC.

In the dessert space, CREAM, Cookies Rule Everything Around Me, sells premium ice cream sandwiches. Meanwhile, Famous Toastery looks to brand itself as the breakfast and lunch option with fresh food. Then there is the Little Greek Restaurant. This restaurant looks to capitalize on the ethnic food trend focusing on Mediterranean meals. With what started as a food truck, another recent phenomenon, combined with the former ethnic fare, R-Taco is a Mexican taco endeavor. Buffalo Wild Wings has made a majority investment in R-Taco. A more protein specific chain on the list is Slim



Chickens, which caters to the popularity of Buffalo wings and chicken tenders. The final place on the list is a fast-casual pizza franchise known as Blaze Pizza.

So while there are a variety of types of places, it may not give anyone a crystal ball

into what protein area will be impacted (if at all), since many of these are new and looking to expand. But any new business will certainly help. **UB**

Article contributed by Gary Morrison
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Mexican Beef

Opportunities surface despite challenges

In the last edition of *Urnier Barry's Reporter* we painted more or less a grim picture for both the Mexican and U.S. beef markets as prices are expected to retreat amid larger supplies. We did mention, however, that potential downturns always bring opportunities. A key outside factor that is increasingly impacting Mexican beef producers and exporters, which we did not expect to occur, was the drastic fall of the Mexican peso against the U.S. dollar during December 2015 and January 2016. This is particularly important because the Mexican peso is largely used as a proxy for less liquid emerging market currencies in the midst of falling oil prices. Direct factors, like potentially lower feeder cattle prices and improved cattle

availability, could essentially help cattle feeders and packers in the medium term. Finally, prices in the U.S. are another direct factor that will undoubtedly affect both imports and exports.

First, let's take a look at Mexico's beef trade balance. In 2015, exports outpaced imports through October by 252 metric tons. By then, many factors existed which pointed towards the assumption that Mexico's beef trade balance had a solid chance to end up in the black. However, despite a strong U.S. dollar, weakening prices in the U.S. caused imports to surge during the fourth quarter—especially in December when prices hit a multi-year low (charts 1 & 2). What this means, or rather,

what the data suggests, is that although the exchange rate plays an increasingly important role, the surge in imports and drop in exports during the fourth quarter of 2015 were more a function of weakening beef prices in the U.S. rather than a strong U.S. dollar (chart 3). Still, total exports in 2015 ended nearly 20 percent higher, while imports declined 13 percent. This brings Mexico's beef trade deficit to the lowest level recorded, shrinking to 7.4 thousand metric tons from 59.4 thousand metric tons in 2014 or an 87 percent difference (charts 4 & 5).

What must be taken into account is that supplies in the U.S. are expected to continue expanding in 2016 and throughout 2017. The implications are many, but directly affecting the Mexican beef market are potentially lower prices for beef, which could reverse or at least stall the trend towards a positive trade balance as we previously mentioned. However, a weak exchange rate could positively impact Mexican beef exporters—or at least diminish the impact of lower beef prices in the U.S. This will depend largely on oil prices, and how other emerging markets continue to perform.

On the bright side, the Mexican beef industry is likely to benefit from the Trans-Pacific Partnership (TPP), a free trade deal among 12 major Pacific countries; here Mexico has the chance to open markets like Vietnam, Malaysia, and Indonesia. Now, Indonesia which contains the largest Muslim population in the world would require Mexican beef to be halal certified. In fact, many Mexican producers are already halal certified and have shipped more than 20 containers to Egypt in 2015. In addition, representatives from the Mexican Beef Exporters Association joined Mexico's president in a visit to the Arabian Peninsula. This trip included visits to Qatar, Saudi Arabia, Kuwait and the United Arab Emirates





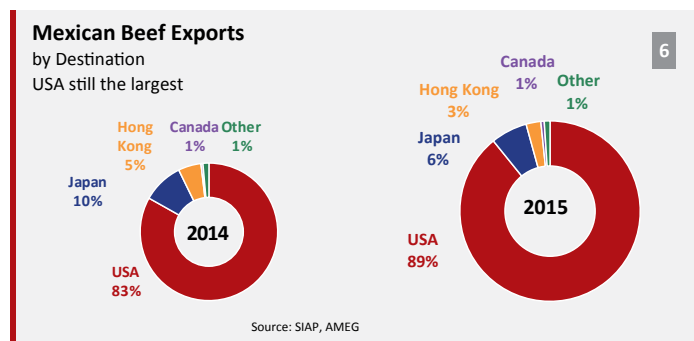
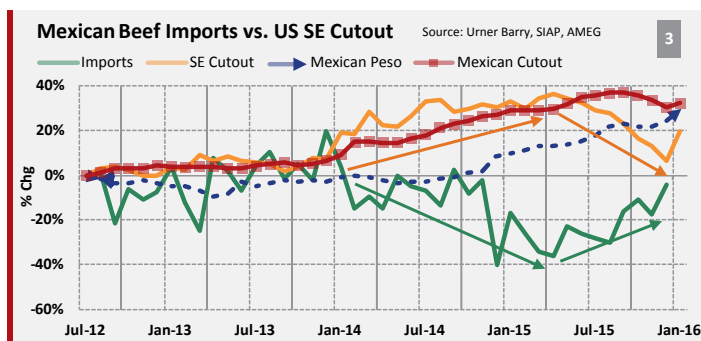
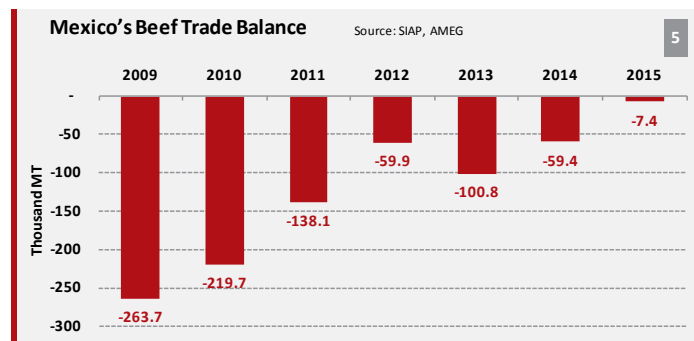
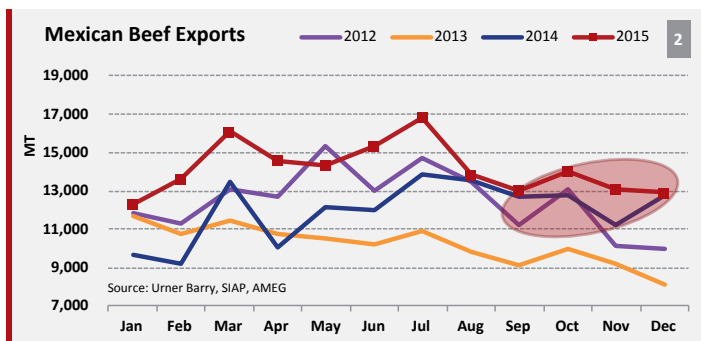
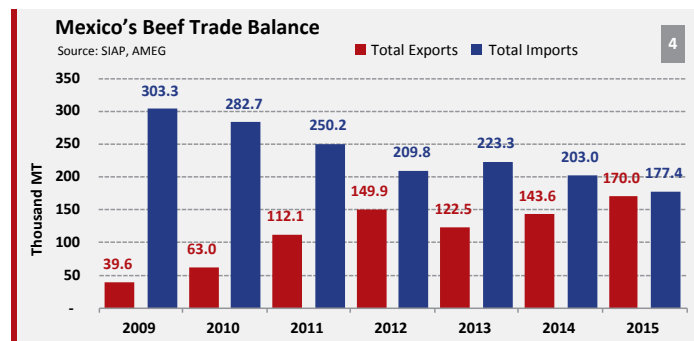
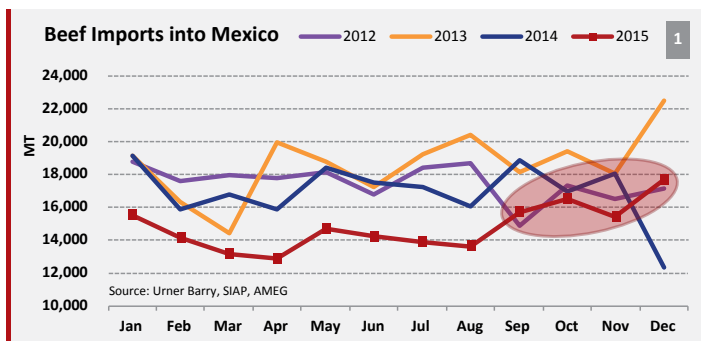
seeking efforts to open new markets. So, despite the potential challenges, Mexican beef exporters are optimistic that new markets will open in the near future.

So, with the expectations of a herd expansion—in the U.S.—in Mexico, aided as a result by lower feeder cattle prices, the opening of new markets will certainly help beef packers offset a difficult second half in 2015. Increasing halal certification is in the works, which could help overall shipments increase not only to other markets, but also diversify shipments to Muslim communities in the U.S. And, let's not forget that the U.S. is still the largest market for Mexican beef exporters, comprising nearly 90 percent of total shipments in 2015 (chart 6). As a

result, diversification of the U.S. market will also play a key role in the upcoming years.

Mexican beef packers appear to be on top of things as they compete in a fierce global market. The challenges are clear and the opportunities are many. 2016 will be an interesting year for the global beef industry, especially for the U.S. and Mexico as both are expected to experience production growth and potentially lower beef prices. The overall tone is yet to be seen. **UB**

Article contributed by Angel Rubio | arubio@urnerbarry.com



FDA approves sale of AquaBounty's genetically modified salmon in U.S. market

Aquabounty Technologies finally earned FDA approval to sell its genetically modified AquAdvantage Atlantic salmon in the U.S. market, confirming years of scientific findings about the safety of the product.

In late November 2015, the FDA ended a 20-year long hangup in passing Aquabounty's New Animal Drug Application originally filed in 1994. The company's hotly contested production method creates a transgenic Atlantic salmon egg by combining the genes of an ocean pout and a Chinook salmon. The end result is a modified salmon with a quicker grow out time versus the traditional farmed process. AquaBounty's salmon is raised using a land-based, closed containment facility.



"AquAdvantage Salmon is a game-changer that brings healthy and nutritious food to consumers in an environmentally responsible manner without damaging the ocean and other marine habitats," said Ronald L. Stotish, CEO of AquaBounty.

In addition to faster growout, AquaBounty's production process boasts a 25 percent reduction in required feed and reduces carbon emissions by offering the market an alternative to imported products from Chile and Norway.

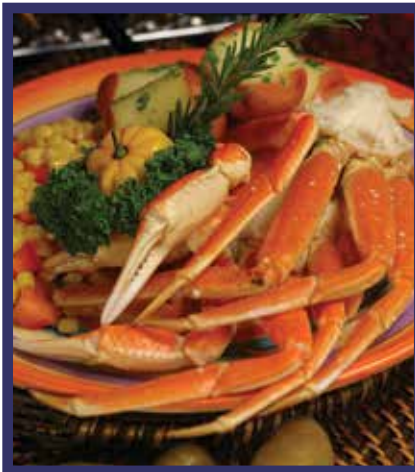
"Using land-based aquaculture systems, this rich source of protein and other nutrients can be farmed close to major consumer markets in a more sustainable manner," Stotish said.

AquaBounty's salmon has drawn a number of criticisms from the salmon industry and GMO opponents. Terms including "Frankenfish" and "test-tube fish" have been used in campaigns to vilify the product and keep the FDA from approving the sale of the salmon in the U.S. market for human consumption.

A public comment period from September 2014 garnered 1.5 million submissions opposing the AquaBounty product. Additionally the FDA did not require mandatory labeling for the genetically modified fish in its final ruling. Industry participants said the FDA's voluntary labeling scheme in its decision put the farmed salmon at a disadvantage.

"Consumers do not read labels that carefully. They would likely react to the

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The FDA approved AquaBounty's genetically modified AquaAdvantage salmon in November



AquaBounty Technologies

label, “Not genetically engineered” by wondering what is wrong with the product that it has to be labeled that way,” said Seafoodnews.com publisher and editor John Sackton.

Alaskan Senator Lisa Murkowski took exception to the FDA’s lack of labeling policy. In January, the senator—a longtime advocate of the Alaskan seafood industry—said she would block the election of FDA Commissioner nominee Dr. Robert Califf if she did not get assurances that mandatory labeling laws would be written for genetically modified salmon.

“I want to make sure that the FDA knows that voluntary labeling guidelines really are not sufficient. It does not comply with what is now law,” said Sen. Murkowski. “I want to make sure, be very, very certain, that when we are talking about these genetically engineered fish for human consumption, voluntary labeling is not adequate.”

Labeling issues aside, much of the opposition to the FDA’s decision fails to recognize two decades’ worth of scientific research into AquaBounty’s process and product that shows the salmon meets and even exceeds federal requirements for market approval. The FDA’s own Center for Veterinary Medicine concluded in 2010 that the AquaAdvantage salmon was “as safe as food from conventional Atlantic salmon, and that there is a reasonably certainty of no harm from the consumption of food from this animal.”

Such overwhelming support from the scientific community came to a head last year when a group of 90 scientists and biotechnology executives from around the

world urged the White House to expedite the approval process for the salmon based on the evidence at hand.

“The technology used by AquaBounty to develop the AquaAdvantage Salmon has a 20-year track record of safety and efficacy. The genetic changes AquaBounty made to the AquaAdvantage Salmon have been thoroughly and rigorously evaluated and clearly pose no safety or environmental risks.

Protests by anti-technology interests are, we believe, the root cause of the unconscionable delays in FDA approval. These groups’ criticisms are based on misplaced economic/marketplace concerns and reactionary fears of people who either don’t understand or choose not to understand the science behind the AquaAdvantage Salmon,” the group said in a letter to President Obama in September 2014.

The FDA’s decision is a win for the scientific process set up to deliver safe products to the market versus misinformed rhetoric intended to scare consumers and retailers. But for AquaBounty, the approval is just a step in the right direction for its ultimate goal of delivering a healthy and environmentally responsible protein alternative to the U.S. market.

“The U.S. Dietary Guidelines Advisory Committee encourages Americans to eat a wide variety of seafood—including wild caught and farmed—as part of a healthy diet rich in healthy fatty acids. However, this must occur in an environmentally friendly and sustainable manner. FDA’s approval of the AquaAdvantage Salmon is an important

step in this direction,” Jack A. Bobo, Senior VP and Chief Communications Officer at AquaBounty’s parent company Intrexon. **UB**

Adapted from an article which originally appeared on Seafoodnews.com on November 19 2015.



Article contributed by Michael Ramsingh
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Growth of refrigerated warehouses in emerging markets

Each month the USDA sends questionnaires to the names on a list of approximately 800 public and private cold storage warehouses. The purpose is to contact those who operate the facilities in an attempt to obtain a reliable figure representing the freezer stocks of everything from pecans to poultry. The data collected is critically important to the industries involved and, through proper interpretation, can reveal information crucial to the business approach and pattern that will emerge in partial response to the surveyed data. Sounds like important stuff right? Gathering cold storage data is quite an undertaking and the degree to which the effort is made helps to show just how critical an accurate count of freezer stocks is for U.S. food industry buyers and sellers.

With demand for protein growing in developing countries and even some of the more well-established nations where disposable income is still rising, a growing challenge is not in numbering how much is in storage, but how to increase the number of storage facilities. In emerging countries, and even some which are well developed, such as India or China, storing food properly is addressed differently than in the United States. For instance, the USDA only collects data from warehouses “artificially cooled to



Open-air, non-refrigerated forms of transporting protein in developing countries are all too common. Here chickens make their way to market in New Delhi.

a temperature of 50 degrees Fahrenheit or lower, and whose food products are normally stored for 30 days or more.” In some countries, food is routinely stored at the ambient temperature and in facilities which wouldn’t come close to meeting the minimum U.S. requirements. Tracking of inventory and turnover times can be practically nonexistent. Sanitary and phytosanitary protocols are negligible. All too often the standards to which U.S. proteins are held for export purposes can

easily far exceed the importing nation’s own domestic rules and regulations.

However, that is changing, and the development of modern cold storage facilities in many parts of the world is growing at a significant clip. What’s the catalyst behind the expansion? Steady increases in per capita sales at modern supermarkets which are largely in emerging countries. According to the most recent 2014 International Association of Refrigerated Warehouse’s (IARW) 2014 Global Capacity Report, for 2014 the countries that have expanded refrigerated warehousing the most significantly were Turkey, India, Peru and China. These same nations have experienced growth in capacity of at least 35% in the last six years. The United States and other developed countries are flat or growing at a more subdued rate.

WHY SUCH GROWTH?

In the U.S. and other countries with a sizable middle and upper income populace, the growth rate is more subdued because food needs have already been met and income is spent on higher value items and “luxuries” not afforded to consumers in newly developing nations. Addressing the USA Poultry and Egg Export Council member’s this past December, Corey Rosenbusch of the Global Cold Chain



Modern refrigerated housing like this one in Franklin, Indiana is in stark contrast to this cold store facility in Uzbekistan.

Alliance said the real driver behind demand (expansion of cold storage facilities) is the consumers' ability to purchase refrigerated or frozen foods. As incomes rise, low income or poverty level consumers move away from shelf stable type goods to perishables like poultry, meat and dairy products. Some nations also experience the need to expand cold stores to support exports where demand or growth in income from other countries forces the issue.

PAVING THE WAY

Every commodity is challenged when it comes to the logistics of transportation and this is especially true when it concerns emerging countries. Accessible roads, ports, bridges and the proper vehicles for transport are critically important for a successful partnership between transportation and cold storage. There is very little point in constructing freezers if there is no proper means or ability to get the chilled or frozen protein from producer to cold storage centers in the same state in which it left. Open air, non-refrigerated methods of transportation are fairly common and fail to keep the product's integrity intact. Even when proper transport is provided and adequate freezer space is secured, long standing tradition in some countries more or less negates any effort of proper handling and storage. In China for instance, consumers handle their food prior to purchase, checking for feel and fat, meat color and, well, whatever works for them. In the end, countries poised for positive growth in refrigerated warehousing will have a better go at it if they have a complimentary infrastructure in place.

WHAT'S FOR DINNER?

Developed or undeveloped, every nation has mouths to feed. The way in which consumers approach the meal however, can be very different. In the United States we make our perishable purchases through everything from road side stands to internationally known chains. The supermarkets and grocery stores we frequent require refrigerated warehouses. As Brett Stuart of Global AgriTrends put it, "Meat transportation in much of the world is live." Meaning that the meat people are eating was walking around that morning. Even the concept

of frozen foods in some regions produces negative consumer reaction and can prompt questions as to the meat's age and palatability. In instances like this cultural tradition is providing a disconnect.

So, while in many emerging countries consumers certainly frequent "modern" retail outlets, many in those same countries buy their foods through traditional outlets with almost no modern facilities. For instance India, according to the IARW's Capacity Report, has a population of about 1.2 billion people and about 12 million grocery outlets, but less than 1% of those outlets are classified as "modern infrastructure." With increased levels of income and exposure to international food trends, the demand for new items and the need for modern storage facilities is experiencing a ground swell in demand. As communication improves, power is supplied and roads are built, consumers will be increasingly demanding meat and dairy products requiring refrigeration.

WHAT DOES IT ALL MEAN?

Global requirements for cold storage facilities are growing rapidly. Developing nations are at the root of the growth and therefore expansion is taking place in those nations at a much faster clip than in the United States. As incomes rise, communication advances, and infrastructure is put in place, cold storage facilities will be increasingly called upon to fill a role still largely unfamiliar in developing nations. But this will take time and so will the adaptation of consumers eating habits to include chilled or frozen foods which are just as foreign to them as a wet market might be in small town U.S.A. In the meantime, the numbers are counted, the reports are generated and slowly but surely a new age of modern refrigerated warehouses is emerging. **UB**

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**"... a growing challenge
is not in numbering
how much is in
storage but how to
increase the number of
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Cattle herd expansion continues

Following years of drought that brought the cattle supply down to its lowest level in over 60 years, the U.S. cattle industry has been in the process of rebuilding herd numbers—a lengthy process that has only just begun to temper some of the record high beef prices we've seen.

The USDA's National Agricultural Statistics Service released the Cattle report on January 29, 2016. The data showed herd expansion has continued strongly as expected, promoted by profitable prices for cow/calf operations, improved pasture conditions and hay supplies. The following figures reflect the U.S. inventory as of January 1, 2016.



kelareli

All cattle and calves in the U.S. totaled 92 million head, 3 percent above year ago. Revisions made to the year ago figures slightly skewed the year-over-year percentage changes, as the USDA downwardly adjusted the year-ago figure by 657,000 head.

The increase would have been just 2.4% from the original 2015 January 1 number.

All cows and heifers that have calved, at 39.6 million head, were 3 percent above the year ago figure. Beef cows that calved were up 4 percent from last year at 30.3 million.

Beef replacement heifers, at 6.29 million head, are up 3 percent from the year ago, upwardly-revised figure. Compared with the original number, the retained beef heifer number grew by nearly 9%.

The 2015 calf crop was estimated at 34.3 million head, up 2 percent from last year. Calves born during the first half of 2015 were estimated at 24.8 million head, also up 2 percent from the same period a year ago. Calves born during the second half of 2015 were estimated at 9.50 million head, 28 percent of the total 2015 calf crop.

At this time, general industry expectations are for the cattle herd to continue expanding through this year and into, at least, 2017. **UB**

Article contributed by Jamie Chadwick and Curt Thacker
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EU pork exports take advantage of U.S. shortfalls

2015 was eye opening for the U.S. pork industry. With the hog herd having fully recovered from the PEDv outbreak in 2014, the U.S. was left with more meat than ever in 2015, with the industry posting record year-over-year production levels for 41 out of the 52 weeks. At the same time, a skyrocketing U.S. dollar made the country's exports less appealing to many of its trade partners. A slowdown in export interest is not good at any point, but it especially hurts when the U.S. is creating record levels of product. The final straws were trade bans and limitations imposed from two large customers of U.S. pork, China and Russia, due to a mix of politics and controversy over the use of feed additives.

On the global stage, when one door closes, another tends to open. This appears to have been the case with U.S. pork exports. While we lost export volume destined for China and some other trade partners, the European Union was slowly but effectively filling the void. Countries across the EU have benefitted from sales into Asia, among other places, and it is unclear if they will be willing to forego this expanded foothold anytime soon.

In October, the European Union exported a record amount of pork; with shipments to China double that of 2014. The EU pork production sent to China in November represented over 70% of all Chinese pork imports. Meanwhile, shipments to Japan were up 40% year-over-year.



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The results of growing international demand for pork can be seen throughout the European Union. In 2015, German exports to China doubled and their business with Korea is reportedly growing strong. The amount of hog farms in Ireland increased by over 50% between 2005 and 2013, allowing them to be better suited for new sources of demand. The EU just recently signed a free trade agreement with Vietnam which will eliminate tariffs between the two countries on pork shipments over the next nine years. A pork company in Spain, ElPozo, reported sales to Asia up 40% in 2015. Meanwhile, Italian pork production was up 15.4% in the first half of 2015 compared to the previous year.

As for the future, both Europe and China appear to be positioning for an ongoing and expanding relationship. An EU outlook stated expectations for a 27% rise of pork exports from its member nations by 2025. Meanwhile research from China points to continued growth of pork consumption among its populous, through retail and foodservice. Between 2000 and 2015, the growth of pork consumption in China was 4.8% per year, with the amount used in foodservice expanding by over 8% per year.

Sources: European Commission, AHDB, La Verdad de Murcia, CNAgri, GIRA, Eurocarni 

Article contributed by Russell Barton | rbarton@urnerbarry.com

"While we lost export volume destined for China and some other trade partners due to the high dollar and concerns over antibiotic use, the European Union was slowly but effectively filling the void."

Record shrimp refusal rate

Adapted from an article which originally appeared on Seafoodnews.com on January 5, 2016



A record spike in FDA shrimp refusals for much of 2015 fizzled out after antibiotic issues with Malaysian shipments were resolved in the final months of the year.

In December the FDA refused 14 line items of shrimp bound for the U.S., down 13 percent from November. Just three of those shipments were denied entry for illegal antibiotic residues, a 67 percent decline from the month prior.

The December figures are not representative of the record pace the FDA had refused shrimp shipments to the U.S. market through the first eight months of



"Not one shrimp shipment from Malaysia was flagged for illegal antibiotics in December."



©Vladimir

2015. For the year, FDA shrimp refusals are up 74 percent over 2014 figures.

A crackdown on illegal antibiotic residues in 2015 shipments is what drove the increase. About 80 percent of all the rejected shrimp imports were because of illegal antibiotic residues detected in the shrimp.

Specifically, Malaysian shrimp imports were the main violator, accounting for 80

percent of all antibiotic rejections and 64 percent of overall refusals.

In October, during the Global Aquaculture Alliance's GOAL 2015 meeting in Vancouver, transshipment issues were identified as the main reason behind the FDA's sharp rise in Malaysia's shrimp rejections.

According Abu Bakar Ibrahim, CEO of Blue Archipelago Berhad, Malaysian

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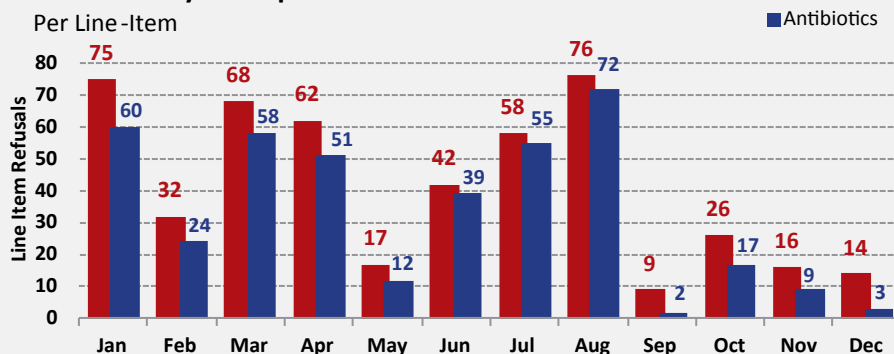
fizzles out to close 2015

officials were working on resolving the transshipping problems.

By September, it appeared Malaysia's corrective measures had taken hold. The FDA's total rejections, and those specifically for illegal antibiotics, fell to their lowest monthly totals all year. Since then, shrimp refusals continued to trend well short of the record monthly pace for the remainder of 2015. Not one shrimp shipment from Malaysia was flagged for illegal antibiotics in December.

The FDA's full year 2015 shrimp refusals will show rejections at significantly higher, record levels driven by an increase in illegal antibiotics Malaysian shrimp. However, a harder look at the data set shows the rejections slowed considerably by September and for the rest of 2015 after Malaysia seemingly resolved the transshipping issues supporting the refusals. **UB**

FDA Monthly Shrimp Refusals 2015



Source: FDA OASIS/Urner Barry's Foreign Trade Data Service

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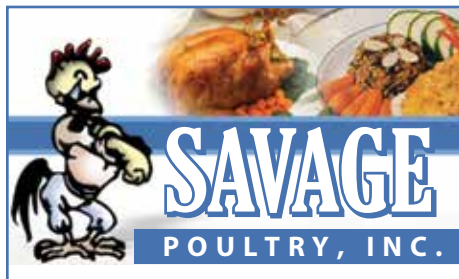


Vineyards are an old-school type of agrotourism still popular today.

Doesn't this face just scream "vacation?"



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Ever travel and wonder what it would be like to live and work in a new place? Do you enjoy eating freshly prepared meats and produce and helping small businesses thrive? If so, you may want to consider becoming an agrotourist!

Though virtually unknown to many travelers, agrotourism is one of the fastest-growing sectors of the hospitality industry. Unlike resort vacations, which offer an insulated, all-inclusive experience independent of the local environment, agrotourism actually gets travelers involved in the local environment, often tending to the local flora and fauna and enjoying the fruits of their labor.

There are many resorts in Central America which offer an experience in partnership with local fisheries or farms. One resort in Belize allows guests to catch their own fish and shellfish and even has guides on staff to help you catch the tastiest local treats. In Panama, some resorts partner with local farms to offer tours to children who will meet and greet the animals, taste fresh and exotic fruits and even sometimes help out on

the farms. However, don't think that this phenomenon is specific to Central America. In fact, these experiences are popping up all over the world, as a sort of next-generation safari.

In the U.S., agrotourism already existed to an extent in the form of Dude Ranches, common in the west and southwest of the country. Now, it is being taken to the next level, with customers being offered even more experiences in the way of cattle herding, milking the cows and other farmland duties. In Arizona and New Mexico you can find small towns that plan their whole experience around jalapeños and other peppers, all trying to compete for the title of heartburn capital of the world (note: this isn't a real title, but it should be).

All in all, if you love nature and fresh fruits, vegetables and meats, consider agrotourism for your next vacation. You might discover something you never knew about your favorite foods. **U**

Article contributed by **Adam Sharkey**
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Foodservice and changing market prices

Commodity food prices are ever changing, riding the tide of supply and demand fluctuations. Meat, livestock and other agricultural commodities are reliant on various factors, some controlled and others uncontrollable. Weather, disease, economics, politics, and management are just a few key market moving components that are ever-shifting and ever-leading—or chasing—the market.

There are two relative degrees of market changes that can affect the level of impact on foodservice differently: long-term versus short-term. In addition, there are seasonal adjustments that affect commodity prices in cyclical fashion.

Significant changes in market values for food items are a defined risk for foodservice profitability. Restaurants have various pricing strategies in place to accommodate fluctuations in the wholesale market. When necessary, some opt to change menu pricing by small, unnoticeable amounts on a frequent basis. Others may keep prices constant for longer periods, though the inevitable change is often more substantial. Buying on a contract basis, for example, can delay a price increase—mitigating potential volatility for a given time period.

In the USDA's December Food Price Outlook, the food-away-from-home (restaurant purchases) Consumer Price Index was up 0.2 percent in November and was 2.7 percent higher than November 2014.

In 2015, Chipotle Mexican grill made the news as the fast-casual chain considered raising prices again on a few menu items, citing sharp increases in beef costs. The move came after the company had already raised nationwide menu prices 6.3 percent the year prior.

Decisions like this are a harsh reality in the foodservice business as operators look to protect the bottom line amidst rising food costs. Anytime foodservice establishments raise menu prices, they run the risk of losing customers. While menu price increases cannot always be avoided, foodservice outlets do have some weapons in their arsenal to combat market swings without passing costs onto the consumer.

When combating high commodity prices, innovation is often key in facilitating menu changes. Perhaps the steak gets smaller, but the side portion of whipped potatoes and creamed spinach gets bigger. Or perhaps the plate itself shrinks in diameter, making humble helpings look heaping. Plating techniques are an essential aspect of the fine-dining sector—combining creativity and aesthetics with savory, enticing entrees results in a unique form of food art. It can also be wielded as a tool in mitigating menu shifts, whether by portion or by price.

Adding value became another trend that can be attributed, at least in part, to market price swings. Gourmet burgers, for instance, became all the rage in recent years as the traditional burger was topped with anything and everything edible. From eggs, onion rings, specialty cheeses, premium buns, pulled pork, mac and cheese, to truffles, caviar and even gold! Restaurant trailblazers have given a whole new meaning to value-added in dressing up this old favorite.

At times, introducing new menu items in lieu of escalating prices on existing options is necessary. Overtime, we've seen this maneuver alter the foodservice industry on both small and large scales. Some industry-wide trends appear to be a direct result of market action, such as the recent everything-chicken craze. As beef prices rose to all-time highs while chicken supplies were more than ample, we saw restaurants replacing promotions, and even some menu selections, with a chicken-oriented equivalent.

In addition, small, upscale eateries have lead the charge in cooking up new, unique inventions. From rebelling against the mainstream meats and serving up lesser-known game species, to preparing under-utilized

cuts of beef and pork, high commodity prices have acted as a catalyst to original contemporary cuisines.

Market volatility has become almost commonplace in today's industry, and the ripple effects of commodity price swings reach far and wide. The foodservice aspect especially is exceptionally vulnerable to these changes, but has demonstrated a remarkable ability to alleviate the impacts by implementing some of the strategies above. Perhaps someday, restaurants will abandon the long-lasting laminated menu in favor of the old bistro-style (and easily changeable) chalk board menu. **UB**

Article contributed by **Jamie Chadwick** | jchadwick@urnerbarry.com



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"Significant changes in market values for food items are a defined risk for foodservice profitability..."

Sales commitments finally emerge



Cobia are raised in low density pens, at least six miles off the coasts.

Farmed cobia in the U.S. market broke out in 2015 and early 2016 highlighted by increased overseas production, a couple sourcing agreements and the introduction of a responsible farming standard.

Bearing the scientific name *Rachycentron canadum*, Cobia is a wild migratory fish. It's a popular game fish found in the Gulf of Mexico, the southeast U.S., down the central and South American Atlantic coast, as well as in Southeast Asia and Indian Ocean waters along the Middle East and India.

Ten years ago the first edition of Urner Barry's *Commercial Guide to Fish and Shellfish* suggested cobia had "great potential" as the next aquaculture fish. In 2007, a joint study "Aquaculture of Cobia (*Rachycentron canadum*) in the Americas and the Caribbean" was published by the University of Miami Rosentiel School of Marine and Atmospheric Science and Open Blue Founder Brian O'Hanlon that identified cobia as a commercially viable farmed fish.

"Due to its extraordinary growth rate, overall aquaculture performance and market demand and price, cobia is one of the species identified as having the greatest potential for commercial aquaculture throughout its distribution range in tropical regions of the western hemisphere, particularly in the Americas and the Caribbean countries," the study said.

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for farmed cobia industry in 2015

Cobia's fast grow out period means a single fish can reach market size in as little as eight months, the fish can grow up to 100 pounds if given the chance. It also boasts a good fish-in, fish-out feed ratio. Chefs favor the fish for its versatility in the kitchen.

Up until recently, the fish languished as more of a market non-starter in the commercial seafood industry, rather than the next darling of the aquaculture world.

Since the 2007 study, however, O'Hanlon's Open Blue operation off the coast of Panama has grown into the largest farmed cobia production facility in the world. The operation was profiled by CNN's Sanjay Gupta for its open fish farming method, which raises the fish eight miles offshore, in low-density pens that never touch the ocean floor. The fish is also praised for naturally high levels of Omega-3 fatty acids.

By 2014 Open Blue was distributing cobia to Wegmans, JJ McDonnell and major restaurants including Le Bernardin and Craft in New York City, among others.

Meanwhile, Ecuador's Ocean Farm SA broke into the farmed cobia business stocking its first open net pen with 100,000 fingerlings in April 2015. By July, Ocean Farm reported good growth rates and yield. In October, Tropical Aquaculture was the exclusive distributor of fresh, farmed raised cobia from Ocean Farm to the U.S. market. In January 2016, Pennsylvania-based Liberty Seafood struck a sourcing

agreement with Ocean Farm to bring flash-frozen cobia to the market under its Nature's Seas brand. Liberty plans to rapidly expand the natural cobia line to foodservice and retail sectors across North America. The company said the cobia is sashimi quality and ideal for foodservice and retail re-freshing.

Market penetration for farmed cobia is also likely to benefit with the Aquaculture Stewardship Council's decision to add a cobia farming standard to its certification scheme that designates responsible farmed fish management.

"It is thanks to the remarkable commitment of the 100s of people who put in so many hours over the last few years, to the multi-stakeholder dialogues, that we have such a robust standard for responsible cobia farming," said Bas Geerts, ASC Standards Director. "Our next step is to develop the audit manual and then we are ready for pilot testing."

Additionally, fish farmers in the Indian state of Kerala announced a plan to diversify their seafood exports with a turn to more cobia farming. Under the plan, the Rajib Gandhi Centre for Aquaculture (RGCA) wants to produce as much as 90 metric tons of cobia annually for export.

"Cobia, with white flesh is a much-sought after fish in the U.S. and Europe and lends itself well for grilling and fillets. It is a delicacy overseas just like seer fish is in India," YC Thampi Sam Raj, project director of RGCA, told the Economic Times in January 2016.

Cobia's commercial emergence took a bit longer to materialize than industry observers expected. But in 2015 and early 2016 increases in responsible, farmed output along with



NOAA

Cobia can reach market size in as little as eight months.

additional sourcing commitments put the fish on track to reach more consumer plates in the months and years ahead. **LB**

Article contributed by Michael Ramsingh
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Wing sauces: the hard data

Everyone who makes wings has their own recipe. Maybe it's a family tradition, an offshoot of one they found online, or an attempt to recreate the perfect wing they had at a restaurant one night. Most of these wing recipes wind up in one place: the Internet. After searching the web for 100 different wing recipes, we broke them down by their main ingredients. While some were hardly surprising, a few sauces were interesting and unique. Hopefully, this data will allow for some scientific inquiry into the art of wingsmanship.

THE BIG ONES

When searching for wings, a few things pop up again and again. Hot wings are clearly here to stay, with buffalo sauce and different kinds of peppers coming up 14 and 23 times each. Garlic and soy sauce both had 15 mentions. Soy sauce served as the base for most Asian flavors, and garlic was present in nearly every recipe—although only a major flavor player in a few. Honey, barbecue sauce, and mustard all had around 10 or under mentions as well, rounding out the classic wing lineup.

INTERESTING FLAVORS

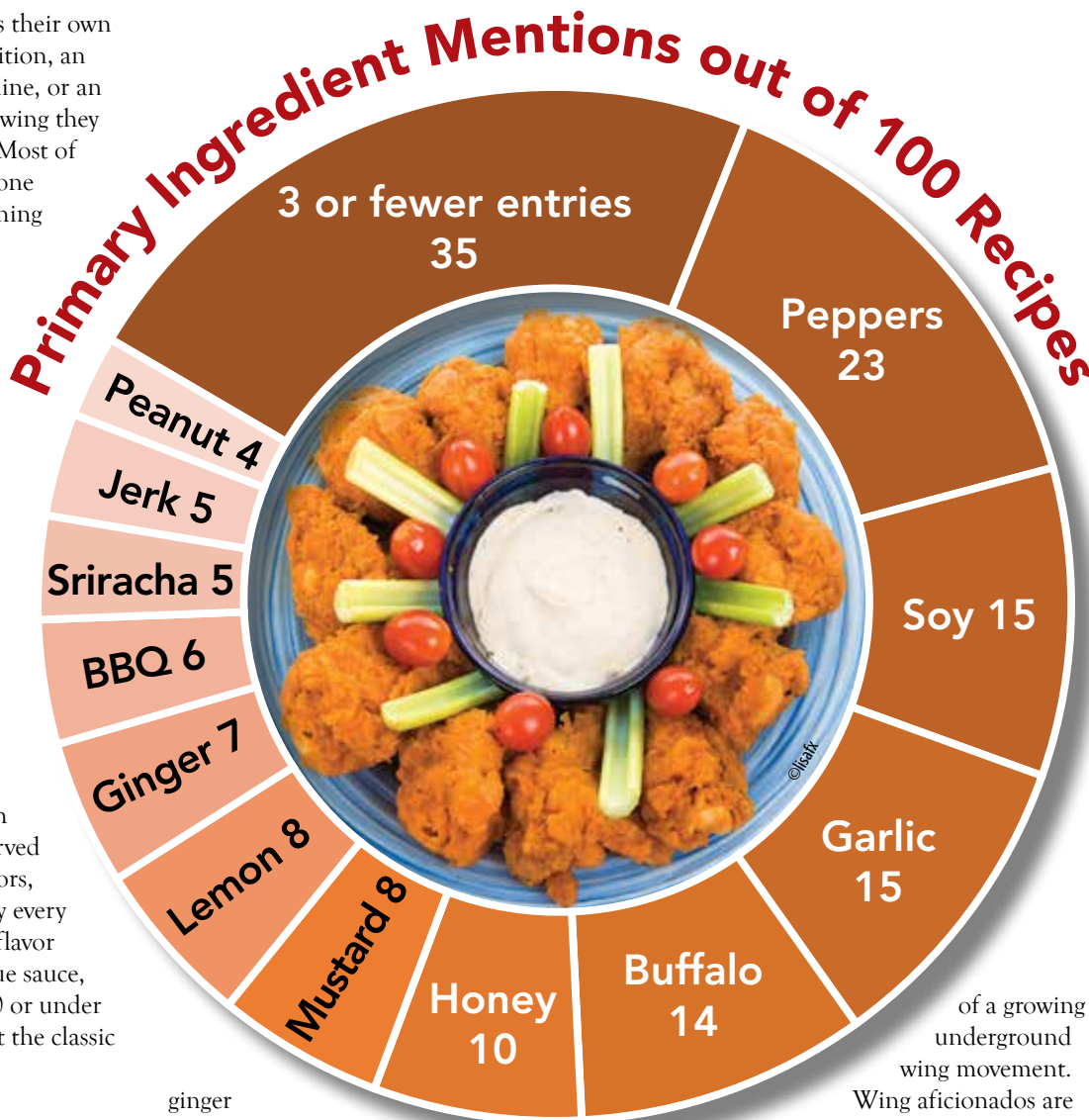
While peppers had 23 mentions, there were a whopping 35 ingredients mentioned 3 times or less. Recipes with flavors like

ginger and apple bourbon offered a new wing experience, and an apricot preserve-based glaze had glowing reviews from nearly everyone who made it. Another wing was brined in a famous cola drink before cooking, lending it a unique tang. Seasoning commonly used for seafood dishes made the list twice, including one recipe where it was the only non-chicken ingredient. Other interesting offerings included a pineapple honey glaze, oyster-soy sauce, and a pastrami dry rub that resulted in "A nice chicken wing" that tasted "nothing like pastrami."

While the major sauce players in the wing world will likely stay on top, these innovative, original recipes are the sign

of a growing underground wing movement. Wing aficionados are looking for the one wing to rule them all and pushing the envelope of what can be put on a wing. These small-time wingsmiths might be a good place for big wing kitchens to find up-and-coming sauces and rubs.**UB**

Article contributed by Jake Muldowney
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Chicken of the Sea Frozen Foods is nearing \$1

In March 2016, Chicken of the Sea Frozen Foods (COSFF) will head to Boston for the Seafood Expo North America, marking the 10th anniversary of the company's founding. In that time, COSFF's business has grown primarily through organic activity as well as two M&A

moves that diversified its portfolio of seafood offerings.

By the end of 2015, COSFF's sales neared \$1 billion. The company now employs over 100 workers split among four

offices in North America. The company, which at one point almost exclusively sold shrimp, is now an industry leader in the shrimp, crab meat and lobster categories. COSFF's sales in each of these categories were the best in the company's history in 2015.

In addition, COSFF now offers a variety of finfish products and plans to expand the portfolio further in 2016. The company also has plans to expand its value-added seafood offerings, particularly at the retail and club store level.

Ten Years of Perpetual Growth

COSFF was founded by Bryan Rosenberg and two longtime industry colleagues, Paul McCarthy and Brenden Beck in February 2006. At the time, Thai Union Public Company Limited (TU), one of the largest seafood producers in the world which owns shelf stable canned tuna brand Chicken of the Sea International (COSI), wanted to further expand its footprint in the shrimp category.

Rosenberg assumed the role of President; McCarthy was named Executive Vice President, with Brenden Beck serving as Senior Vice President, Sales and Marketing. These are the roles still held by the three founding principals. Other key senior leaders including current VP Finance, Bee Onaree and Director, Business Development, Rob Kragh were also part of the original team.



The partnership agreement with Thai Union allowed the principals to operate the company apart from TU's shelf stable COSI tuna brand. COSFF's primary focus was to bring Thai Union's extensive perishable seafood supply chain into the U.S. market through larger scale national accounts.

"The team that has been selected to lead the company has a dedication to customer service that will prove valuable to retailers, foodservice operators and distributors, and other business partners," Thiraphong Chansiri, Thai Union president, said at the time.

One month later COSFF hosted its first booth at the Boston Seafood Show (now Seafood Expo North America). Rosenberg recalls only having mock ups of potential products during the first show. At this point they were a shrimp business with a brand synonymous with canned tuna.

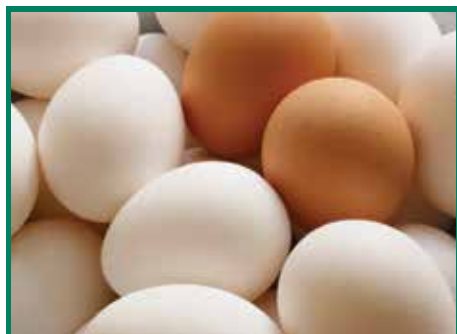
But the company knew it couldn't function solely on shrimp sales. Since COSFF's founding, the wholesale shrimp market in the U.S. posted several production fluctuations and extreme market volatility, with record highs diving back to multi-year low levels.

During COSFF's first Board of Directors meeting at its debut Boston Seafood Show, just one month removed from its founding, Thai Union agreed to give COSFF distribution rights for its crab meat business.

"About a year earlier, our shelf stable sister company had rolled out a line of COS-branded crab meat with the hopes of building distribution for TU factories, who had traditionally shipped the product to other U.S. importers," Bryan explained. "The inventory wasn't moving and we were excited to have something to sell...anything to sell. Once they agreed, I remember



Pictured From Left to Right: Chicken of the Sea Frozen Foods' Three Founding Principals: Brenden Beck, Bryan Rosenberg and Paul McCarthy.



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billion sales milestone ten years since founding

feeling like the dog that caught the car—now what do we do!!?”

Today, COSFF is the largest importer of crab meat in the U.S.

Over the next several years COSFF grew quickly, servicing large retailers and national accounts. In 2009, Rosenberg became President of another TU subsidiary, Empress International, a NY-based shrimp importer that specialized in Latin American and Asian shrimp for the wholesale and broadline foodservice channels. By the end of 2010, the two companies had merged.

“It was a true example of the whole being greater than the sum of its parts,” said Rosenberg.

The Empress merger served as a catalyst for COSFF, and the company quickly became a major player in the U.S. seafood market.

In February 2015, COSFF again diversified its offerings, this time into the lobster and shellfish business with the acquisition of Orion Seafood International. Orion spent 25 years cultivating its business into one of the world’s premiere lobster suppliers and a market leader in snow crab. The acquisition gave COSFF a team of established experts and two more offices: New Hampshire and New Brunswick, Canada.

“The two companies will be well positioned to further develop the shellfish category, a market in which our group has a strong fundamental interest,” Rosenberg said of the Orion deal.

What’s next for COSFF? “More of the same,” Rosenberg commented. “There are a lot of growth opportunities for us in our core categories—and we’re just dipping our feet into finfish. We’ll put more effort there as well in 2016.”

Catch up with Rosenberg and the COSFF team at Booth 519 during the Seafood Expo North America March 6-8. **U**

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



Chicken of the Sea Frozen Foods’ booth at the Seafood Expo North America 2015, show in Boston.

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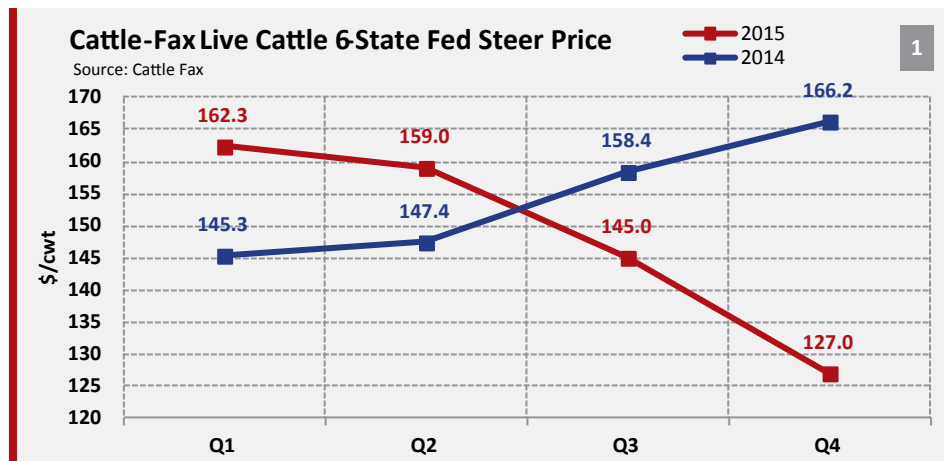
Q4 2015 unkind to livestock producers; could affect future output plans

Cattle feeders and hog producers began 2015 on a high note as both sectors generated profits on their animals in January, but by the final quarter of the year returns showed losses for most hog producers and huge deficits for cattle feeders.

The fourth quarter of 2015 was a prime example of how quickly the market outlook for livestock can change. In this case, prices for cattle as well as hogs fell more than had been expected and hit multi-year lows.

For cattle feeders and hog producers alike, decisions on the number of animals to be fed for marketing during a certain period are made several months in advance. These decisions are typically based on the market indicators present at that time and include factors such as the price of young

replacement animals, feed costs and the projected market value of the animals when they reach slaughter weight, which is usually based on futures prices in the forward contracts.



On June 1, 2015, futures prices for October live cattle closed at \$153.85 per cwt and December settled at \$155.05. On that same day, October lean hogs closed at \$73.525 and December hogs were at \$69.775.

Those prices projected only modest losses for livestock feeders during the final quarter, a period that typically has the lowest hog prices of the year due to seasonally expanded supplies. However, the cash cattle and hog markets for October through December in 2015 were far below what had been projected on June 1.

Cash cattle prices during the final quarter averaged slightly under \$127 per cwt, according to the Cattle-Fax 6-state fed steer price index, a difference from the June 1 futures forecasts of about \$27.50 per cwt, or roughly \$357 per head for a 1,300 pound steer (chart 1).

Cattle feeders with no price protection measures in place lost from \$400 to as much as \$650 per animal at times during the fourth quarter, according to industry analysts.

Meanwhile, in the hog sector, cash prices for October through December averaged slightly under \$59 per cwt but for November and December were only about \$52.50. For the quarter, cash prices averaged nearly \$13 per cwt, or about \$28

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"A combination of factors ... weighed on the livestock markets overall. There was simply too much protein available."

per head, below the June 1 projections while November-December cash markets came in roughly \$19 per cwt, or about \$40 a head, under June 1 forecasts (chart 2).

According to the Iowa State University's calculations for livestock feeders' returns, farrow-to-finish hog producers, or those who raise their own pigs, lost money on hogs in February, March and April then again in November and December. The heaviest losses were in the final two months.

The Chicago Mercantile Exchange's lean hog cash index began the final quarter of 2015 at \$73.06 per cwt and ended the period at \$52.87, a decline of \$20.19, or nearly 28%. The index for Dec. 31 was also the lowest since October of 2009.

A combination of factors including larger-than-expected hog supplies, growth in broiler production, smaller exports overall due to a strong dollar along with bans on imports of U.S. poultry imposed after the outbreak of highly pathogenic avian influenza, along with resistance by retailers and consumers to the high beef prices weighed on the livestock markets overall. There was simply too much protein available.

The late-year price slides may result in the tempering of herd expansion in cattle and cause some hog producers to further trim their farrowing intentions for the late spring and summer (chart 3).

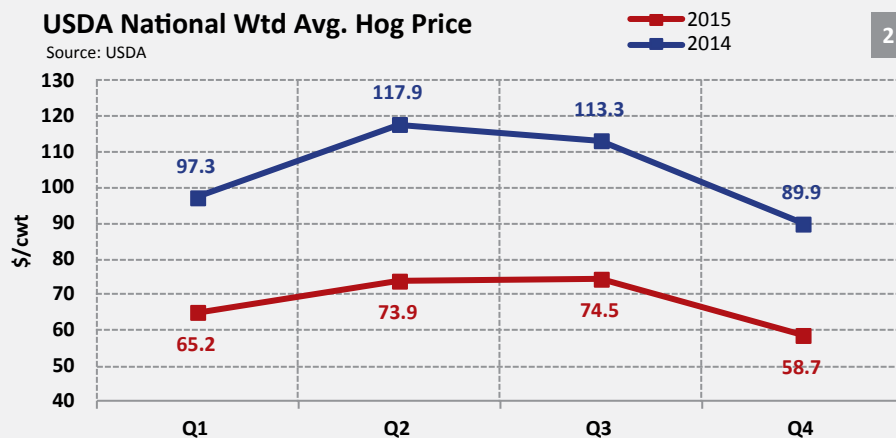
USDA's quarterly hogs and pigs report in December showed smaller farrowing intentions than a year ago but those were largely offset by improved sow performance. So, to pull production down any further would require even fewer sows be bred.

Some analysts predict that the March hogs and pigs report will reflect further pull backs in farrowings for March through August, compared with the Dec. 1 data. **UB**

Article contributed by Curt Thacker
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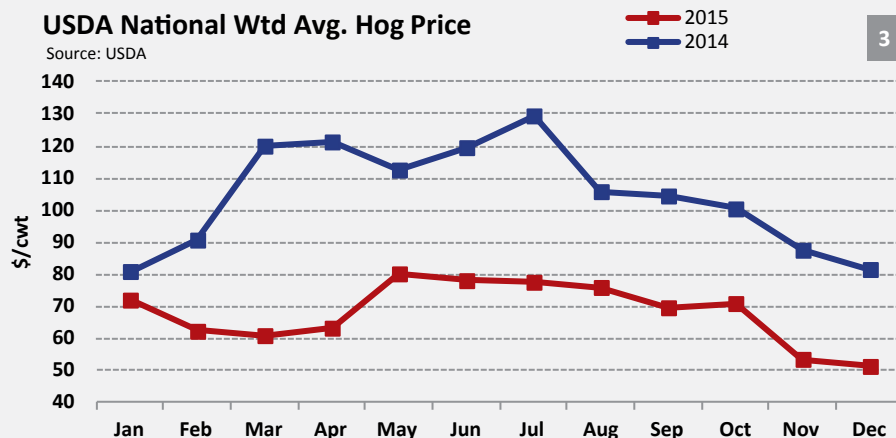
USDA National Wtd Avg. Hog Price

Source: USDA



USDA National Wtd Avg. Hog Price

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Urner Barry's Seafood Reps Visit

October is a month in which multiple seafood expos and trade shows occur around the world. For years, Urner Barry has had the honor of being invited to some of them, and 2015 was not the exception. Angel Rubio, Urner Barry's Chief Market Analyst had the chance to visit Conxemar's annual event in Vigo, Spain. In 2015, Conxemar (Spanish Association of Wholesalers, Importers, Manufacturers and Exporters of Fish products and Aquaculture) and FAO (Food and Agriculture Organization of the United Nations) hosted the International Fisheries Stakeholders Forum, and the 20th Anniversary of the Code of Conduct for Responsible Fisheries with the help of Spain's Agriculture Ministry.



This event gathered close to 120 government officials from 63 countries, including the European Union Fishing

Commissioner; CEO's of the largest fisheries and aquaculture companies around the world; academics, NGO's among others. The goal was to discuss FAO's Code of Conduct for Responsible Fisheries, world production, exports, seafood consumption, as well as the



John Sackton

challenges for the industry in the near to long-term future. Besides Angel Rubio's attendance to the show, SeafoodNews editor John Sackton was also invited and presented on certifications, eco-labeling, and the cost of marketing involved with the latter.

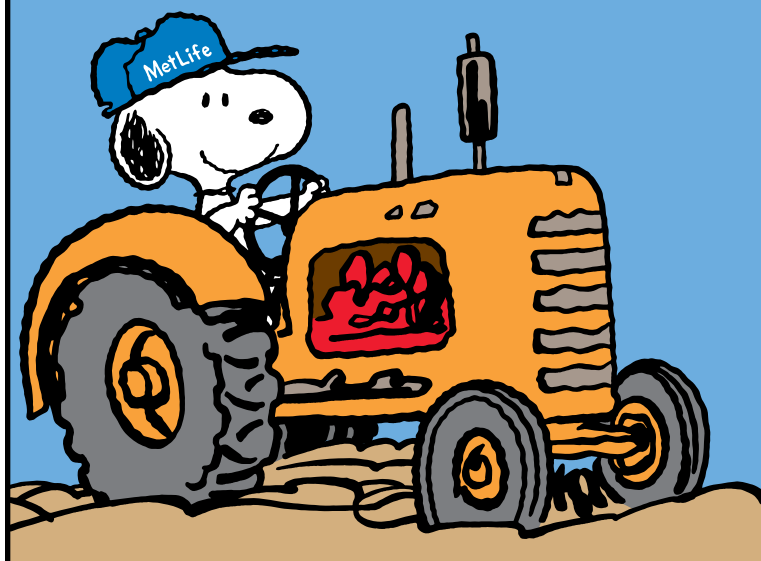
Another event which Urner Barry also had the honor of attending took place in Guayaquil, Ecuador. Known as AquaExpor, this show is organized by



Ecuador's National Aquaculture Chamber, or CNA, an association which represents aquaculture producers in that country. Co-organized with the "Escuela Superior Politécnica del Litoral" both organizations hosted the "XVII Ecuadorian Aquaculture Conference & AQUAEXPO 2015" that took place at the hotel Hilton of Guayaquil October 19th-22nd. This annual conference and commercial exhibition is one of the most important aquaculture events in the Americas providing support to the aquaculture sector of Ecuador and Latin America.

Ecuador is one of the world's largest exporters of farmed-raised shrimp in the

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world, which makes this annual conference and commercial exhibition event a highly regarded one for aquaculture producers, buyers and researchers.

The three-day conference included the participation of a selected panel of national and international experts, who presented the latest information and research results on topics related to advances in nutrition and feeding practices, innovations and trends in shrimp farming, shrimp



Angel Rubio

genetics, diseases prevention, markets and economic efficiency, as well as mariculture.

Here, Urner Barry's Chief Market Analyst Angel Rubio

presented the state of the shrimp market in the U.S., explaining price variances and

fundamental insights about supply and demand.

Finally, Mexico's Panorama Acuicola Magazine, a widely read publication in Latin America, Europe, and the U.S. celebrated its 10th anniversary of its trade show known as the International Aquaculture Forum, which took place in Guadalajara, Mexico on November 4-6th 2015. The theme of this year's event focused on sustainability and how to use this as a tool to promote and attract market's preferences. This show gathered producers, packers, entrepreneurs, government officials, among others, to discuss the current market situation and what lies ahead.

Though the conference tackled many different topics, this year it heavily focused on tilapia production, where Mike Picchietti, a well-known pioneer in



tilapia production called it the "food of the future." During a series of various presentations, Urner Barry's Chief Market Analyst Angel Rubio also had the opportunity to present on the U.S. tilapia and pangasius market. This is important since Mexico is one of the largest producers of tilapia in the world, but also one of the largest consumers.

Salvador Meza, president of Panorama Acuicola Magazine closed the event by communicating that we should focus our food production towards farm-raised seafood in order to release the oceans from the pressure of over-fishing and aggressive fishing methods that affect the eco-system. **UB**

Article contributed by Urner Barry Staff
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West Coast Dungeness crab fishing delayed during key holiday sales season

Dungeness crab fishing in California, Oregon and Washington was delayed in early November and through the New Year in 2016 for high levels of toxic



California Department of Fish and Wild

domic acid. California's Dungeness season was put on an indefinite delay for high levels of toxic

domic acid that rendered the crabs unsafe for human consumption. The delay caused a shortage of live Dungeness crab during the lucrative holiday season sales period.

High toxin levels were the result of an algal bloom. The bloom formed after a large pool of exceptionally warm water, called "the blob" sat off the West Coast for 18 months.

Fishing did resume shortly after the New Year for Oregon and Washington's commercial fishermen. Fresh crabs hit processors by the first week of January. However, as of this writing California's commercial season remained indefinitely closed.

Prior to the reopening, retailers were forced to plug inventories with frozen Dungeness product. Some stores were able to offer some fresh crab from Canadian sources in British Columbia but at a price premium. The delays ultimately cut the available supply of fresh and live Dungeness crabs during the holiday season, a key period for the industry.

By late December, Dungeness crab meat prices at local markets around Oregon were reported at \$30 per pound, primarily for picked meat from frozen sections.

Meanwhile, fishermen and processors agreed to an opening price of \$2.90



California Department of Fish and Wild

per pound for new season crab. That price is 20 cents less than last year, primarily because of the detection of domoic acid.

In California, the recreational fishery around the central and southern parts of the state did open in the first of week of January. At the time tests showed domoic acid levels were falling, which left open the possibility that commercial crabs from California could be available in time for Super Bowl demand, around the first week of February.^{LB}

Article contributed by Michael Ramsingh
mramsingh@urnerbarry.com

Dungeness crabs caught in Oregon.



Oregon Department of Fish and Wildlife



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Egg prices retreat

Continued from page 1

Prices throughout the egg and egg products arenas surged to all-time highs.

Egg product buyers were forced to compete for any availability, with some having seen contractual suppliers directly impacted. A number of product users either implemented usage reduction tactics or switched to an egg replacer. Industry sources reported that egg product usage was down as much as 30% domestically in some cases.

Major QSR chains were generally covered, while others cut back on egg offerings and reduced breakfast schedules.

Exports, which hit record highs in both 2013 and 2014, were also directly impacted, as state by state bans were issued and international buyers sought more affordable pricing and availability from global competitors.

Meanwhile, producers scrambled to get facilities cleared, approved, and repopulated.

Urner Barry's Egg Index (chart 3) peaked at just over \$2.50 per dozen in August. From there, prices slid more than 50% as demand shifted and production slowly rebounded. In an attempt to increase

their outputs, some producers double and triple molted their flocks, filled previously unused facilities, increased efficiencies and ran extra hours. Processors also began importing shell eggs to break from both Mexico and Europe, with the latter sending in more than 100 containers a week during peak shipment periods. Meanwhile, retail prices soared across the country and egg featuring was reduced to a minimum, tempering consumer demand.

Prices rebounded from October lows into the winter holiday season, advancing almost 44%. This upward momentum was short-lived however, due to demand destruction across the marketplace and continued advances in layer numbers. From late November highs, the index fell 57% through the second week of the new year, bottoming 72% below the all-time high previously hit in August.

According to the USDA, U.S. producers added 13 million layers from June lows through December (Chart 4). Meanwhile, domestic egg product usage and exports remain hindered by HPAI related price hikes. Shifts on both the supply and demand side have sent egg and egg product prices back toward 5 year average levels as we begin 2016, much like we saw in some of the other protein markets over the last few years. Processors are attempting to regain traction in the domestic

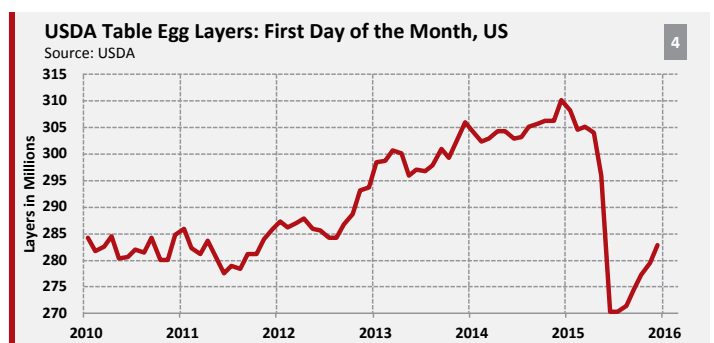
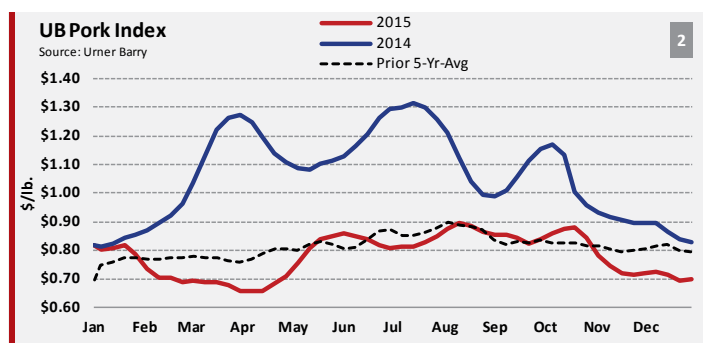
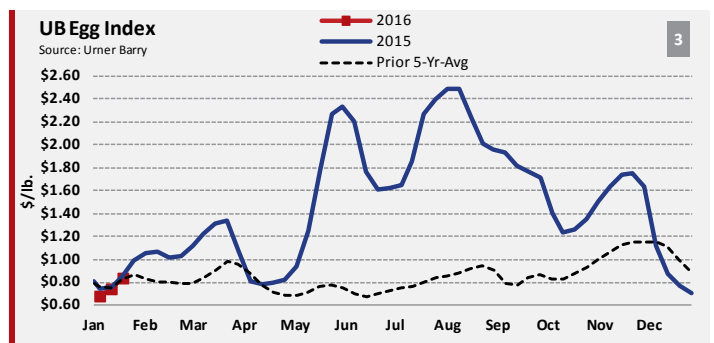
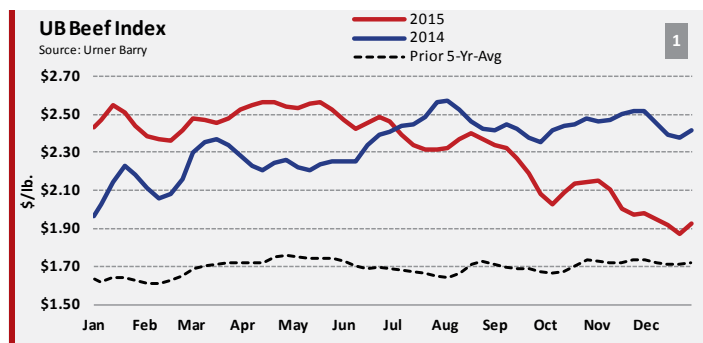
"Shifts on both the supply and demand side have sent egg and egg product prices back toward 5 year average levels as we begin 2016..."

marketplace and reopen international channels. Lower prices are also giving retailers an opportunity to adjust shelf prices from recent highs and even begin featuring again.

2015 was yet another example of unexpected supply issues impacting commodity protein prices, and the residual affect these highs have on both demand and production. Though these issues have a ripple effect throughout the supply chain, it doesn't seem to take very long for the markets to find some sense of balance.

All this said, the industry continues to monitor the lingering threat of AI, especially given January's outbreak in select Indiana turkey growing facilities. **UB**

Article contributed by Brian A. Moscogiuri
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Salmon

Continued from page 1

pounds in the last three years, or 35 percent.

Unlike Chile, the 2015 increase in Canadian whole salmon shipments to the U.S. was a rebound for producers after two straight years of sharply lower production; a loss of over 80 million pounds of whole fish weight. Canadian whole salmon shipments as of November 2015 are up about 75 percent from this time in 2014; 65 million pounds higher.

The decline in Canadian whole salmon shipments in 2013 and 2014 kept prices high as overall volumes continued to surge. Chart 2 shows import prices per pound reported by the Department of Commerce, in addition to Urner Barry's fresh salmon index. Both are up between 20 and 40 percent when Canadian shipments were short. Meanwhile, overall volumes from Chile, Norway and other sources kept growing.

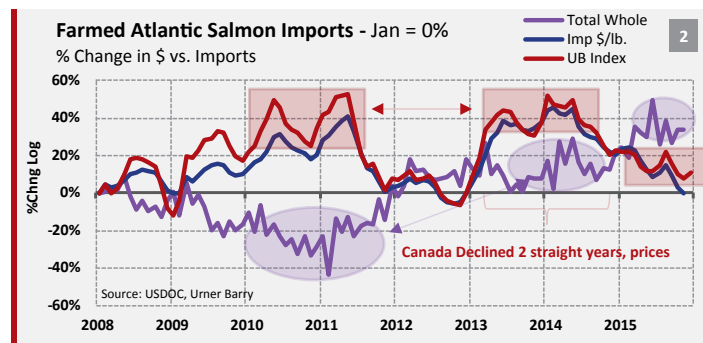
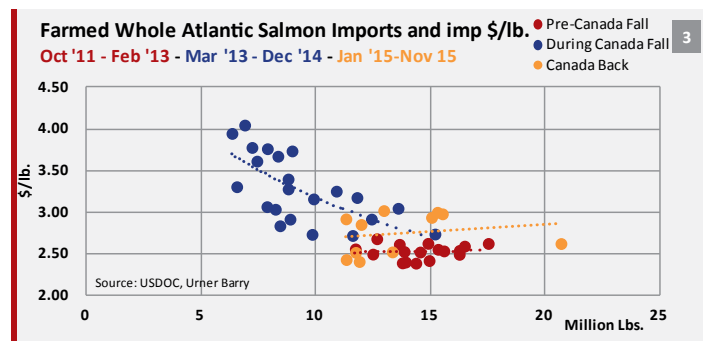
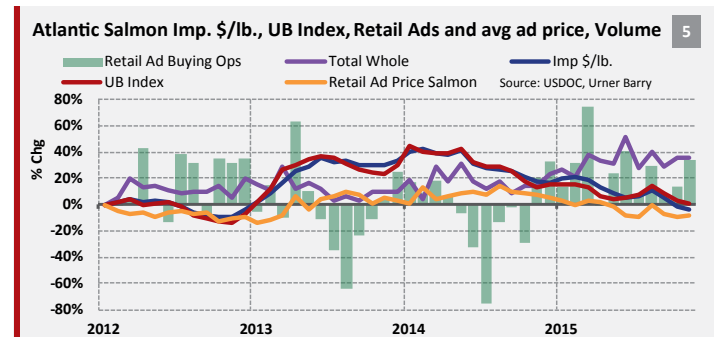
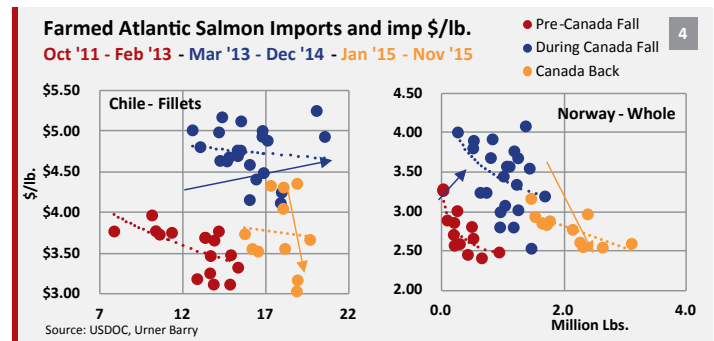


Chart 3 shows a clear relationship between the volume of Canadian salmon available to the U.S. market and overall salmon prices.



The red dots indicate relatively stable import prices per pound for Canadian salmon when imports averaged around 15 million pounds per month before production declined. The blue dots show quotes increasing steadily as cutbacks curbed monthly import volumes. The yellow dots show the market correcting back down as Canada's production and imports came back to normal levels in 2015.

Similarly, charts 4 and 5 show how prices and volumes for Chilean and Norwegian imports trended before Canada's production decline (red dots); in the middle of the shorter years (blue dots); and during the 2015 rebound (yellow dots).



The story here is how Chilean and Norwegian prices were relatively stable before the Canadian production decline (red dots); they advanced during the Canadian drop-off (blue dots); and fell back on the recovery of Canadian shipments (yellow dots). Also note how Norwegian and Chilean import volumes advanced as Canadian production declined and recovered. Norway has gained a currency advantage as the U.S. dollar has strengthened against

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Farbest Foods	5	North American Meat Institute (NAMI)	52	Westside Foods Inc.	71
Foa & Son Corporation	63	NuCal Foods	62	Win Transport	27
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the NOK, meaning they can continue to profitably ship salmon to the U.S. even as U.S. prices decline.

The combination of record salmon fillet imports from Chile and shipments from Canada saturated the U.S. market. This pushed prices into a tailspin for the latter part of 2015 (yellow dots).

The charts also suggest—given higher volumes and lower prices—that demand expanded at a lower pace than shipments did in 2015.

Meanwhile, retailers dropped feature promotions during the Canadian shortage and consequently higher prices. By 2015, however, grocers again perceived salmon as a value item and cranked up retail promos between 40 and 75 percent—averaging 30 percent more in 2015. Both wholesale and retail ad prices declined in 2015 as these promotions increased (chart 5).

In our view, the crux of lower wholesale prices in 2015 was the return of Canadian

"By 2015, however, grocers again perceived salmon as a value item and cranked up retail promos between 40 and 75 percent..."

whole salmon production and imports to their normal levels in the U.S. market while Chilean imports continued to increase to record volumes year by year. Lower prices in the U.S. were a market reaction to higher volumes from its main suppliers. If anything, Canada's two-year production decline appears to have kept U.S. prices higher even as import volumes set record levels, a situation that has now reversed. **LB**

Adapted from a story originally published to Seafoodnews.com on January 8, 2016



Article contributed by Michael Ramsingh
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Volume 11, Number 2 • Spring 2016

Urner Barry's Reporter (ISSN 1944771X) is published quarterly by
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