

The Reporter outlook...

A glimpse of things to come

For the past five years, Urner Barry's Outlook Edition of the *Reporter* has strived to supply a thorough summary of the past year and a glimpse into the future of the protein markets that truly matter to the reader.

The latter half of 2012 and the first quarter of 2013 saw fundamental shifts take place within the consumer mindset. When the New Year kicked off with the elimination of a 2% payroll tax holiday for an already financially stretched consumer, the chance of facing an uphill battle right out of the gate was pretty eminent. Combine this with over 23 million American households on the USDA's "SNAP" program as of January and it becomes easier to understand recent conservative purchasing patterns. Include food, healthcare, tuition, and energy inflation and a group in



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Washington who have yet to instill lasting confidence within the populous, and the picture becomes clearer still.

The consequences of these macro factors have affected each protein segment differently. The American consumer

base is diverse and resilient, yet when it comes to dollars and cents the textbook economic laws behind budget lines, substitution, and the relationship between supply and demand become that much more prevalent. Many of the outlook articles contained within this issue of *Urner Barry's Reporter* address one or more of these factors in a fashion unique to their respective market. However, the relationships between some of these protein sectors are perhaps more evident now than ever before. With the consumer actively price hunting, it should be of no surprise that the price trends of pork are mentioned among the chicken outlook and those of beef discussed within the pork article. **UB**

Article contributed by Russell Barton
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Inflation—Why are my wallet and Washington telling different stories?

Inflation is a word thrown around readily whether it is coming from politicians, economists, financial TV shows, or around the dinner table. It can spur visions of wheel barrows full of cash or in the case of Zimbabwe, a 100 trillion dollar bill.

That's trillion-with a "t." Essentially, if cash is distributed at a faster rate than society can produce and consume a good or service, the existing monetary base becomes diluted, resulting in more and more dollar

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A glimpse of things to come: a preview of this year's Annual Outlook Issue.



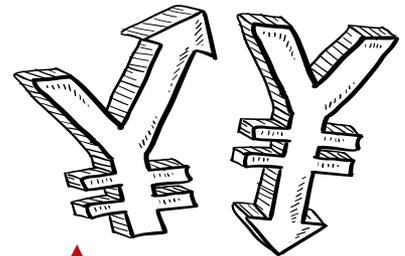
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GAA signs MoU with ASC, GLOBALG.A.P

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Global Aquaculture Alliance



The Global Aquaculture Alliance (GAA) on April 22 signed a memorandum of understanding (MoU) with the Aquaculture Stewardship Council (ASC) and GLOBALG.A.P whereby the standards-setting organizations will work collaboratively to increase efficiency and reduce duplication in the auditing process.

GAA, ASC and GLOBALG.A.P agreed to explore ways to reduce duplication of effort for farms, processing plants, hatcheries and feed mills that undertake certification by more than one of the three organizations' certification programs.

All three certification programs share common elements that address the key environmental and social impacts of aquaculture, yet currently, audits for each set of standards is conducted separately.

The three organizations recognize that by working together they can more effectively promote environmentally and socially responsible seafood farming and processing. The goal of this MoU is to make certification more accessible and create greater value to a greater number of farmers and processors.

This MoU emphasizes that the individual certification programs will continue to operate separately, and the integrity and transparency of the programs will not be compromised by any cooperative actions.

Now that the MoU has been signed, GAA, ASC and GLOBALG.A.P will meet regularly and explore ways to streamline the auditing process.

In addition to reducing duplication of effort in the auditing process, the three organizations will seek to develop common requirements related to feed; to explore common approaches to the management

of certificate information potentially through shared IT platforms; to develop common approaches to auditor training; to develop shared approaches to chain-of-custody certification; and to encourage accurate and objective messaging regarding the claims made for certified aquaculture products.

"The New England Aquarium, which helps seafood buying companies navigate the certification landscape, supports the spirit and intent of this MoU," said Heather Tausig, associate VP of conservation for the New England Aquarium. "By facilitating greater transparency,



Pictured sitting at the table from left to right are ASC CEO Chris Ninnis, Peter Redmond, BAP's VP of business development, and Kristian Moeller, managing director and secretary of GLOBALG.A.P.

alignment, efficiency and collective action among multiple standards, this collaboration helps bolster the credibility and integrity of certification as an important tool for sustainability." **UB**

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Investing in commodities has

Investing in commodities by retail investors has grown since the onset of the financial crisis. The first indication of the growth in popularity has been the fund flows. From June 2006 to the end of 2008, or the start of the economic downturn, dollars flowed out of commodity funds each year. Since then, there have been positive fund flows into the category. As their reputation grows with the retail investors, asset managers have created product to meet their

demand. At the end of 2004, there were only three commodity funds available (either mutual funds, ETFs, or ETNs), which grew to 74 at the end of 2008, to upwards of 200 currently. Finally, the dollars invested by retail investors grew from \$156 billion in November 2008 to over \$500 billion today.

The two most common reasons people invest in commodities are they want to diversify across asset classes, away

from the typical stock, bonds, and cash allocation, and they want to protect against a rise in inflation. There have been numerous studies done on the former that show adding commodities to a portfolio can reduce volatility, increase returns, or both. This is because commodities tend to be low correlating assets to stocks and bonds.

What about the latter, where commodity investing helps protect against inflation. The idea is pretty simplistic. Inflation defined by Merriam-Webster is a continuing rise in the general price level usually attributed to an increase in the volume of money and credit relative to available goods and services. So as prices of raw materials and commodities rise, inflation tends to follow. The chart on the following page shows the broad measure of inflation CPI-U versus the iPath® Dow Jones—UBS Commodity Index Total Return. It shows that commodity prices tend to move in lock step with inflation, hence supporting what most people think. You can see, however, in 2011 where inflation continued to rise at a modest pace and commodity prices slip. Despite \$9 billion of inflows during 2011, concerns over the global economy pushed commodity prices lower.

In addition, not all commodities or indexes are the same. The DJP is one of the most common broad commodity index investors use. The second chart shows the current sector weightings. Even these sectors are broken down more into



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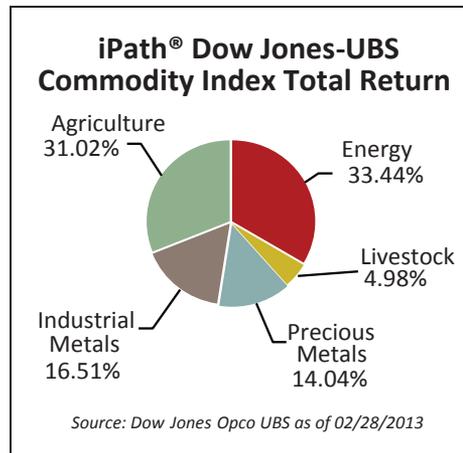
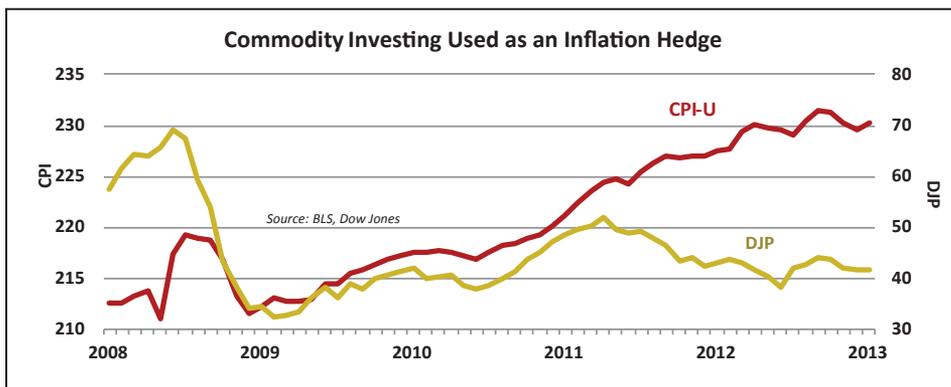
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grown among retail investors

further commodities. It is important to note how different commodities react to inflation as well as how different investment vehicles work. **UB**

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All consumers need to do is cook...

New names make navigating the meat case a whole lot easier



Conita Con Chile
Photo courtesy of the Beef Checkoff Program.

Extensive consumer research conducted over the past 18 months presented a need to revise the existing beef and pork nomenclature as consumers were oftentimes in the dark about the types of meat cuts available to purchase in the meat case. A cross-industry effort was established to increase consumer confidence by simplifying common names for meat and offer shoppers consistent, easy-to-follow preparation instructions.

“A stroll down the meat aisle had become baffling for shoppers looking for a steak. When they would see packages of ‘beef shoulder top blade steak, boneless, flat iron’—they would walk away with an empty cart,” said Trevor Amen, director of market intelligence for the National Cattlemen’s Beef Association, contractor for the Beef Checkoff Program.

So recently the National Pork Board and the Beef Checkoff Program, with oversight from the USDA, worked together to update the Uniform Retail Meat Identification Standards, or URMIS. Though the URMIS system is voluntary, a majority of U.S. food retailers use it.

“We decided to take a deeper look at what would help consumers with shopping for and preparing beef,” Amen said. The result is an aligned perspective regarding on-pack labeling best practices and a revised nomenclature that has been consumer-tested and reviewed by the USDA and the Industry-wide Cooperative Meat Identification Standards Committee (ICMISC).”

URMIS has always proven to be a positive tool for retailers to use in the fresh meat case. With the change in nomenclature the industry hopes to eliminate consumer confusion at the meat case and support their right to know what specific cuts they are purchasing. Furthermore, with URMIS now including recommended cooking methods and a naming system to help better understand the value of each cut, the industry also benefits by having a well-informed, better educated meat customer who can take advantage of a variety of merchandised cuts.

WHERE DID THE COMMON NAMES ORIGINATE?

Common names are recognized by FSIS and used in the label approval process. The standard simplifies cut names, reduces unappealing terms, eliminates

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“A stroll down the meat aisle had become baffling for shoppers looking for a steak...”



Grilled beef steak with peppers.
Photo courtesy of the Beef Checkoff Program.

redundancies and provides a unique name structure for individual meat cuts. The common names URMIS uses are a direct result of extensive consumer research conducted by the National Cattlemen’s Beef Association on behalf of the Beef Checkoff and the National Pork Board. The research indicated that consumers want simplified, shorter meat cut names and seek consistency between retail and foodservice channels.

These new common names consist of two key components: The common name which is a cut identifier or descriptor (e.g. Sirloin Tip, T-Bone, and Tenderloin) and characteristics such as the cut form or shape (e.g. Steak, Roast, Chop and Filet).

Research shows that consumers responded most favorably when the common name was presented on the first line of the label, and characteristics were indicated on the second line. Consumers liked the addition of preparation suggestions so a third line was suggested for use to display recommended preparation method and cooking tips.

WHAT ARE THE COSTS?

The costs will vary depending on how a retailer is managing their in-store scale system. If their scale is managed by corporate, they will need to download the new codes from MeatTrack.com, upload them into their scale management system and send them to all their individual store scales. If a retailer does not have a scale management system, they will have to enter the codes into their scales store-by-store. Some retailers might need to make adjustments to their current scale label to handle two-three line descriptions. All current scales should be able to handle this. The changes to common names should not require scale replacement.

For more information on the URMIS program please visit www.MeatTrack.com and for more details on the consumer research, visit www.BeefRetail.org and www.PorkRetail.org.

By Linda Lindner, Llindner@urnerbarr.com with contributions from the National Cattlemen’s Beef Association and the National Pork Board

The solution is simple
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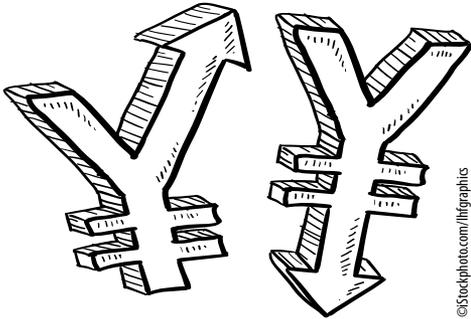
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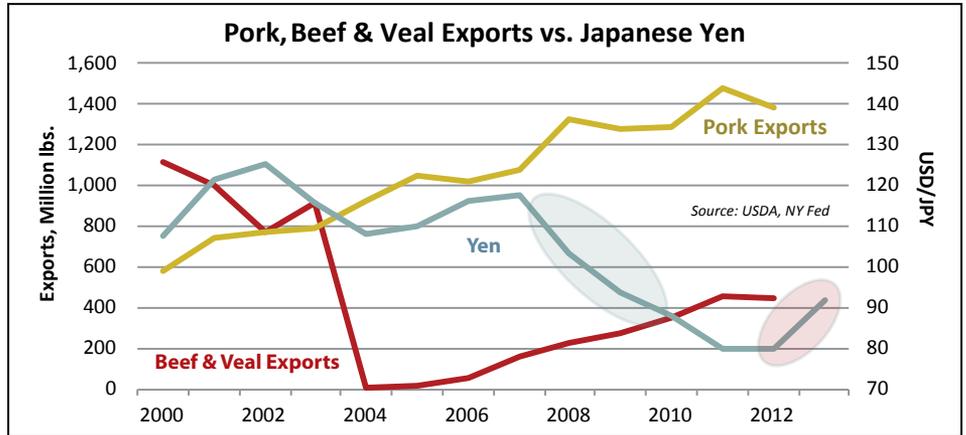
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The story of the devaluing Japanese yen on meat exports, real or conjured?



On the back of the recent export data, where beef and pork set new records in 2012, according to the U.S. Meat Export Federation (USMEF), there remains some talk how the relationship between the Japanese yen and the U.S. dollar will affect trade moving forward between this key export market for the United States.

The volume and value of pork exports set new records in 2012 with 5,383,308



thousand pounds worth \$6.3 billion sent out of the country, while beef set a new record of \$5.51 billion on slightly lower volume of 1.13 million metric tons. To see how important a market Japan is, we delve further into the numbers from the USMEF. Japan was the top export market for pork in dollars at \$1.986 billion, or over 31% of total pork export dollars. Exports of beef to Japan surpassed \$1 billion for the first time since 1993 to \$1.03 billion. This valued the second largest export market for beef.

As you can see from the chart, it appears as the yen appreciated from 2007 through 2011, exports of both beef and pork increased. While 2012 was a great year, the talk in the industry centers around the weakening of the Japanese yen compared to the U.S. dollar in 2013. This phenomenon has occurred mostly because

of policy by Abe Shinzo, who returned to prime minister in December 2012. He is focused on turning around Japan's lagging economy. The yen started the year at 87.119 and reached a low on April 22, 2013 of 99.6030, or a drop of over 14 percent. This makes it more expensive to purchase foreign goods. The currency trade is just one of the things we will keep an eye on with the industry attention it has garnered. By just looking at the enclosed graph, it could be misleading just looking at one factor because there have been many other macroeconomic factors in the past such as trade restrictions, embargos, and in the agricultural world disease that could hurt trade and influence buying patterns.

Some people say everything is a zero sum game though. So while the depreciating currency can certainly hurt the purchasing power of Japanese residents, it only helps those with stronger competing currencies. The Japan National Tourism Organization (JNTO) released a report March 22, 2013 stating that visitors to Japan for February 2013 totaled 729,500 people, up from 547,948 February 2012. In fact, this is the highest ever for the month of February since they starting compiling data according to the JNTO. The spending by these visitors can help stimulate business and offset some of the reduced wages experienced by the devaluation of the yen. **LB**

Article contributed by Gary Morrison
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Competitive marketing challenges are increasing with changes in the marketplace more rapid and dynamic than ever. So, being successful is tougher than ever. Where can you turn for worthwhile insights, outside-the-box ideas, and specific information to better address these changes and challenges? One of the best places is Chicken Marketing Seminar 2013, Sunday evening, July 21 through Tuesday evening, July 23 at the Coeur d'Alene Resort in Coeur d'Alene, Idaho, a short hop from the Spokane, Washington Airport.

Investing your time and effort in this special, one-of-a-kind meeting will return important benefits and significant rewards that will help you better understand the most important food marketing trends and developments. Greater marketing success for you and your business is fundamental to your company's ability to not just survive, but grow.

As a key executive with a poultry company, further processor, food distributor, broker/trader, supermarket chain*, foodservice firm*, allied industry company or related industry/organization, there are many reasons to participate in this year's meeting:

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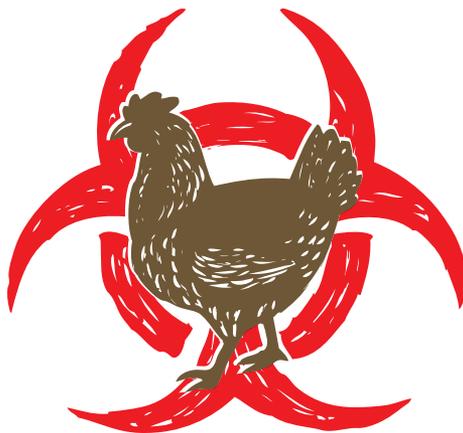
“Is there a doctor in the chicken house?”

For the average person, a list detailing diseases that affect the health of chickens might only come in handy once or twice a year when the answer crew at Jeopardy feels like getting creative. Place the same list in front of a chicken production specialist and it's likely that they will put it to a bit more use.

That is because, as anyone in the business of producing chickens knows, the prevention of disease in the flock is just as important, if not more important, than any other aspect of the grow-out process. As one chicken house operator for a major producer stated, “If you lose one bird to disease, there's always a chance you could lose them all.”

So what types of diseases are out there? Let's take a look.

There are four main types of disease affecting chicken: metabolic and



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nutritional diseases; infectious diseases; parasitic diseases; and behavioral diseases.

METABOLIC AND NUTRITIONAL DISEASES

These are conditions caused by a disturbance of normal metabolic functions either through a genetic defect, inadequate or inappropriate nutrition or impaired

nutrient utilization. These include Fatty Liver Syndrome, Perosis (or slipped tendon), Rickets and Cage Layer Fatigue.

FATTY LIVER SYNDROME

No, it's not the result of a lengthy night of partying. Fatty liver syndrome is a condition that affects only hens, primarily caged layers. It is a metabolic or nutritional disease and is characterized by general obesity with an enlarged, fatty liver that becomes soft and easily damaged.

WHAT CAUSES FATTY LIVER SYNDROME?

The principal cause is thought to be an excessive calorie intake, but it may also be related to calcium deficiency or stress. An incorrect protein to energy balance may also be to blame. This disease has been seen in conjunction with cage layer fatigue.

PREVENTION AND TREATMENT OF FATTY LIVER SYNDROME

Unless caused by calcium deficiency, the main treatment for this condition is to reduce the amount of dietary energy consumed. If a complete layer ration is being fed, additional vitamins can be of benefit. However, control of body fat is the only successful remedy for this condition and is best accomplished by regulation and reduction of total energy intake.

INFECTIOUS DISEASES

An infectious disease is any disease caused by invasion by a pathogen which subsequently grows and multiplies in the body. Infectious diseases are often contagious, which means they can be spread directly or indirectly from one living thing to another. These include Avian Influenza, Avian Tuberculosis, Chicken Anaemia Virus Infection (or CAV), Fowl Pox, Infectious Bronchitis, Infectious Bursal Disease (or Gumboro), and Mycoplasmosis (Air Sac)

Avian influenza or A.I., one of the more newsworthy diseases of late, is a highly contagious viral infection which may cause up to 100% mortality in domestic chickens or turkeys. When A.I. viruses infect domestic poultry, chickens or turkeys, they often mutate and dangerous disease arises,

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which is called highly pathogenic avian influenza (HPAI). The initial infection that causes minimal disease is called low pathogenic avian influenza (LPAI).

BIRDS SUSCEPTIBLE TO A.I.

All commercial, domestic and wild bird species are susceptible to infection with A.I. viruses but disease outbreaks occur more frequently in chickens and turkeys. Many species of waterfowl, especially geese, ducks and swans, carry the virus but generally show no signs of disease. The recent HPAI outbreak in Mexico has seen the H5N1 virus cause disease and high mortality in ducks, geese, swans and other wild birds.

PREVENTION OF A.I. INFECTION

The plans are aimed at limiting possible contact between wild birds and domestic poultry through contaminated water and food supplies and transfer of infection by the mechanical movement of infection on items such as the clothing and footwear of persons and on equipment, containers, vehicles etc. Treatment of surface water by chlorination to inactivate the virus is essential if it is to be supplied to poultry and aviary birds.

PARASITIC DISEASES

Parasitic diseases are infections or infestations with parasitic organisms. They are often contracted through contact with an intermediate vector, but may occur as the result of direct exposure. A parasite is an organism that lives in or on and takes its nourishment from another organism. A parasite cannot live independently. These include Coccidiosis, Cryptosporidiosis, Histomoniasis, Lice and Mites, Parasitic Worms, and Toxoplasmosis.

Coccidiosis is one of the most common and economically important diseases of chickens worldwide. It is caused by a parasitic organism that damages the host's intestinal system, causing loss of production, morbidity and death. A recent estimate put the annual global impact of coccidiosis at more than \$300 million per year.

DISEASE PREVENTION

Chemotherapy has been the main approach for controlling coccidiosis in chickens. Anti-coccidial drugs are usually used preventatively; if a farmer were to wait

for overt signs of disease before treating the flock, morbidity and mortality would be high and the economic damage would already be done. Almost all commercial, intensively farmed flocks are administered anti-coccidial drugs. Also, live vaccines have been utilized for the last 50 years and live attenuated vaccines have become available over the last two decades.

BEHAVIORAL DISEASES

Abnormal behavioral patterns can lead to injury or ill health of either or both of the abnormally behaving bird and its companions. These include Cannibalism (or aggressive pecking).

For the description of this last disease, you might want to avert your eyes. While pecking is the natural means by which poultry investigate their surroundings and establish a stable social order, this behavior can escalate to the stage where birds will literally peck each other to death. This cannibalism is a behavioral problem that often develops into a vice that will persist and spread within a flock. All forms of commercial poultry can experience cannibalism.

WHAT CAUSES CANNIBALISM?

Cannibalism often starts as feather pulling or picking while the birds are only a few weeks old. These behaviors can escalate to aggressive pecking, particularly if injury occurs. Scientific study has shown that any or a combination of stressors can also serve as triggers leading to serious aggressive pecking and cannibalism.

These stressors include crowding, bright light intensity, high room temperature, poor ventilation, high humidity, low salt, trace nutrient deficiency, insufficient feeding or drinking space, nervous and excitable birds (hereditary), external parasites, access to sick or injured birds, stress from moving, boredom and idleness or housing birds of different appearance together.

PREVENTION AND TREATMENT OF CANNIBALISM

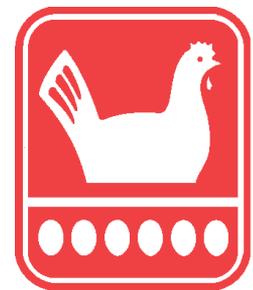
Because it becomes a learned behavior, cannibalism can be difficult to treat once it has started in a flock. Prevention should be the main aim of the poultry producer.

Good husbandry practices should aim to minimize the stressors listed above as potential causes for cannibalism. Some strains of birds have been shown to have a higher tendency towards developing aggressive pecking and so strains that are more placid should be preferred.

The spread of the behavior may be able to be controlled if the injured and the aggressive birds can be rapidly identified and removed from the flock. Provision of escape areas may also help in floor-housed flocks. Other control methods that have been tested include the use of spectacles to prevent forward vision, bits that prevent complete closure of the beak and colored contact lenses to prevent the identification of blood on another bird.

That's it for our view into the world of chicken disease. Of course there are many more diseases to be covered but consider this your crash course. Hungry? No? Well, at least go take some Vitamin E! **UB**

Article contributed by James Serpico



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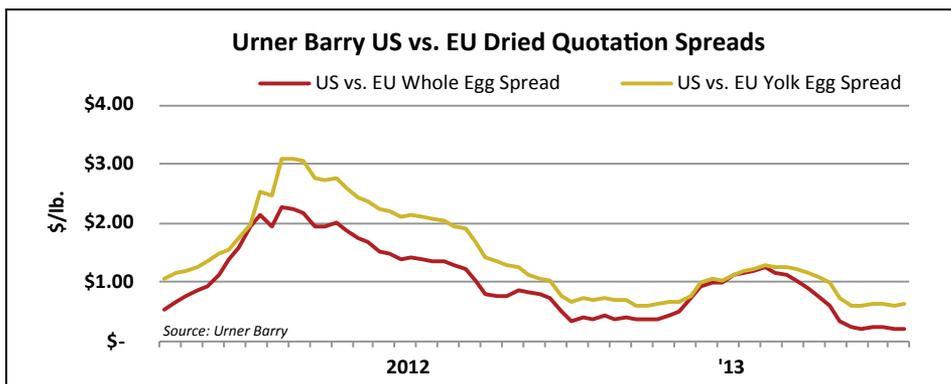
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Egg products still affected by cage ban in EU

The last year or so in the EU has been a bumpy road for egg producers. The beginning of 2012 implemented the 1999 directive banning the use of battery cages across European countries. Producers made adjustments to their equipment, which cut supplies and resulted in breaking eggs more than doubling in price from February to March.

Liquid whole egg and yolk also nearly doubled in value, while dried whole egg and yolk advanced 65% and 73% respectively. End users struggled to source their needs within budget, forcing some bakeries out of business and other major players to look overseas for better opportunity. Values between US and EU breaking eggs reached a differential of more than \$1.40 a dozen. The spread on dried yolk was more than \$3.00 per pound and whole egg equaled a difference of more than \$2.30 per pound. US exporters took advantage of these levels, sending finished



product and even liquid overseas during the early 2nd and 3rd quarters. Some companies even sourced items with egg product ingredients like mayonnaises, salad dressings, and cake mixes to cut costs.

2013 began following a December price decline of nearly 20% through the holiday period. Most felt that there were just too many layers in place now that production standards had been established. Molt and slaughter were expected to take place, leaving many believing the market would at least stabilize ahead of an early Easter.

Prices remained flat through January, but little did anyone know that these would be the peak levels of the year, as of this report. Prices declined during the month of February as birds began to return ahead of Easter, though most felt that business would soon pick up in anticipation for the Easter holiday itself.

To the chagrin of producers and traders, prices not only remained low, they actually continued to slide. During the month of March, enriched colony eggs for breaking depreciated more than 18% from \$0.71 to \$0.57. Raw material costs and availability also pressured egg products. Liquid and dried whole egg declined 36.8% and 28.4% respectively from late January to the end of March. Liquid and dried yolk fell 42.1% and 30% during the same period. Whites were the only item that held much of their previous value, but with restitutions for exports pulled in the beginning of the year, new sales opportunities were limited without negotiation. Liquid came off by 29%, while the dried side saw about 17% come off the top.

Buyers seemed to recall very well the period of high prices during the beginning of 2012. Afraid that they would see a similar type of run up, many bought ahead of the holidays, limiting their exposure to higher prices and greatly reducing spot sales volumes. Producers also recalled the highs and shortages from a year ago. Not only was production maximized, but a number reportedly even over-populated their cages in order to further increase their output. These conditions were particularly true of the breaking egg and egg product categories. Many participants reported average type markets for cartoned eggs in the consumer channel, where barn or cage free eggs have become the norm.

Prices have not seen much of a bounce off these levels and producers are trying to get production back into balance with overall demand. This situation has not only affected the EU trader, but closed the door for many that were exporting egg products into EU countries. The price spread between US and EU dried whole egg is now under \$0.20 per pound whereas yolk is under \$0.70 per pound, values unlikely to spur many new deals across the Atlantic.

The outlook for the EU remains somewhat murky going forward, especially since there are still a few countries which are not fully complaint. Producers will likely have to make the necessary adjustments in order to stabilize prices, particularly as neighboring countries like the Ukraine await opportunities to send breaking eggs and egg products into the country. **UB**

By Brian Moscogiuri
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One door closes, another opens in the shell egg arena



By Brian Moscogiuri
Brianm@urnerbarr.com

The past year has been filled with surprise and uncertainty but also with plenty of opportunity for the U.S. egg producer and processor. Cyclical patterns aside, there were a number of unexpected occurrences which played a role in overall conditions. Market participants noticed the uptick in the amount of volatile periods, but at times were unsure how the overall picture really fit together and why the market did or did not react the way it did years ago. While this can be a result of uncontrollable domestic factors, it can also result from events in the past few years that stemmed from outside our borders which have had echoing influence.

In 2012, Midwest large eggs averaged \$1.22 per dozen, an increase of 2.5% from the year prior and the previous 5-year average. Looking at domestic supply and demand factors first, conditions seem far from unusual. In every month of 2012, average layers equaled or exceeded the same month of the year prior. The old rule of thumb here was that the marketplace could absorb about 3 million additional layers each year just to keep



pace with population increases, if desired returns were exactly the same as the year prior. Given the changes in production practices which have increased per-bird productivity, this theory is no longer valid. Rate of lay stayed fairly

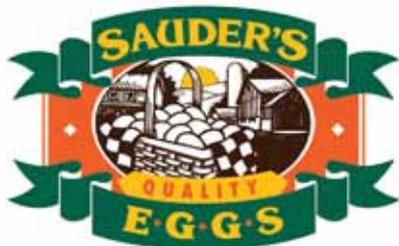
consistent, so supply side economics don't seem to be the driving factors as to why prices tracked higher. In terms of domestic demand, based on our calculations, roughly 244.2 eggs per capita were consumed in the U.S. in the form of shell eggs and egg products, up just slightly from the year prior.

Looking at these statistics alone, it's no surprise that some are perplexed as to what actually drove the annual values higher in the last year. Shouldn't more birds in lay, producing at a similar or better rate, coupled with generally static consumption patterns year over year mean values would be steady to down? Those numbers would suggest so, but weather factors, input costs and timely, unexpected exports played a major role.

The market began the year with typical post holiday adjustments from \$1.65 per dozen at the peak of December 2011, crashing to \$1.09 by mid January. Customary during this period producers adjusted their flock sizes to more seasonally average levels, but consumption patterns never really perked up as anticipated due to the very mild winter temperatures that were observed. The market remained mostly flat and birds began to return to production. It wasn't until early March when Easter market conditions began that prices started to rebound. Easter 2012 was somewhat typical, advancing ahead of the

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holiday but declining the week of, as sales slowed to a halt. Producers seemed slow to make the necessary flock adjustments here, evident in an extended decline which lasted until early May. Sub \$0.90 prices enabled retailers to place attractive features though, helping values rebound to a level just under \$1.10 by late May.

The market again remained flat through the entire month of June, but things soon began to change. Temperatures started to surge around the country, stressing production and even killing a reported 2-3 million layers. This at a time when exports to the EU continued due to their cage issues (see page 14 for more info). Prices surged to \$1.66, the highest point of the year. Production wasn't the only thing affected by the heat however; consumption patterns tailed dramatically and retailers stopped featuring due to unforeseeably high market levels. Birds were soon repopulated, and as the temperatures moderated, production levels returned to normal. Values quickly adjusted from their peaks, receding more than 25% through the beginning of September.

During this same general time period rumors of avian influenza began to leak from Mexico. The situation was slow to develop, but U.S. producers soon began to receive unexpected call for product. News slowly came out that roughly 24 million birds were affected by the situation, in a country with the highest per capita consumption of over an egg a day. This unexpected call and improved demand in early fall domestically, led the market from \$1.20 to \$1.55. U.S. players assumed sales south of the border would be consistent, at least through the rest of the year. Most participants underestimated, however, the price sensitivity of the Mexican consumer. Export buyers pulled out of the market and values on Midwest large again receded to the low \$1.20s.

These levels were short lived as the holidays were quickly approaching and the problems down south persisted. Producers began to take a more confident stance, seeing improved business ahead of Thanksgiving and renewed export call. Values again began to rebound but never really hit the highs most had anticipated. Producers

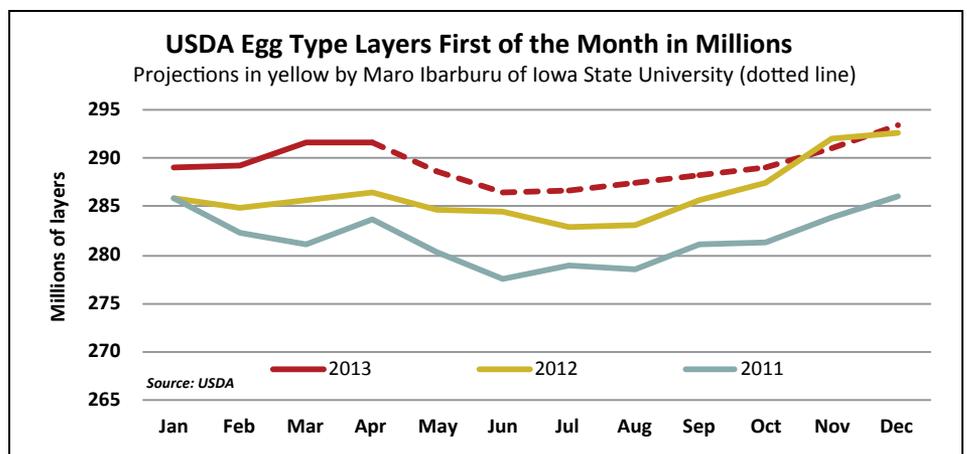
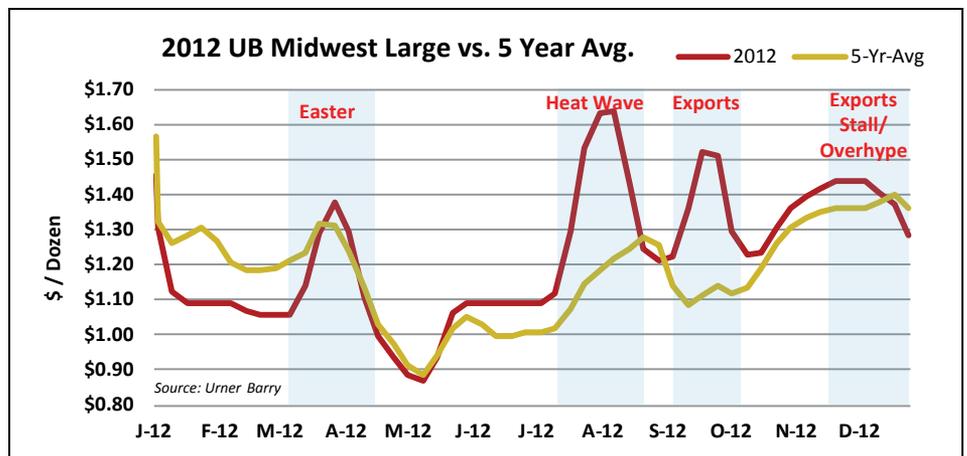
kept birds in play longer than originally planned, expecting holiday and export demand to drive prices higher. Urner Barry quotations hit \$1.44 before exports again stalled and excess birds in lay created an over produced situation into December, sending prices down before Christmas.

World exports of shell eggs hit record levels in 2012, increasing more than 54% against 2011. According to the USDA FAS the total shell egg and egg product export value was \$503,367,000 up 15.6% from record levels in 2011. Exports were vital last year and are likely to be very important again in 2013. This is especially true if layer numbers projected by Maro Ibarburu of the Egg Industry Center hold water. So far every month of 2013 has been associated with higher monthly layer numbers than in 2012, a trend he projects to continue in every month but November of 2013.

Mexico continues to struggle with AI and exports have played a major role in market conditions during periods early this year. The EU seems to have straightened out

“...unsure how the overall picture really fits together and why the market may or may not react the way it did years ago.”

their production issues on the other hand and have actually been over produced since the turn of 2013. Obviously domestic supply and demand will play the main role, but from where we sit right now export factors and production levels look to be the key as to what may make or break the shell egg market this year. These issues can come on suddenly and with little warning, but can tighten inventories quickly and have tremendous affects on prices. The growing concern about food safety and globalization of the industry will make these issues tremendously important now and in the future. **UB**



Consistent cutbacks keeping chicken in check



By Michael W. O'Shaughnessy
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If you happened to miss Urner Barry's Executive Conference in Las Vegas this past April, first of all, sorry, you should never skip a chance to go to Vegas, second, you would be unaware that the chicken discussion during the Poultry Reporters' Roundtable revolved mainly around the industry's consistent effort to restrain production.

In last year's outlook for chicken we stated, "...if production remains culled, the majority of the chicken complex is poised to portray solid undertones." This statement could not have been more true as the chicken complex has performed extremely well since the spring of 2012 in the wake of relatively low levels of eggs set.

As is portrayed in the accompanying chart, these cutbacks began in late April

of 2011 and have continued into the first two quarters of this year. Even as the eggs set figures have been tracked around or above year ago levels, it's important to remember that they are still being recorded consistently below the 200 million mark, a number that typically translates to a healthy level of supply throughout the industry. It's worth noting that the price of corn during the same time period was relatively high, ranging anywhere from \$6.50 to \$7/bushel.

In similar fashion with the reduction of eggs set, the USDA's weekly slaughter report revealed relatively low average head count figures. To be exact, these numbers averaged 1 to 2 percent above year ago levels while they were 9 to 10 percent below those numbers recorded in 2011. Alongside the cutbacks in production, the restraints in head count certainly helped to provide stability to the overall stance of the market.

At the same time supplies were held in check, demand also played its part in the recent health of the chicken market. The avian influenza incident in Mexico certainly influenced business to that area in a positive manner as many U.S. producers shipped product to the southern border in order to replace the large amount of supplies that were lost.

Also playing a large role in this scenario was the competitive position chicken possessed relative to beef. Here, both retail and foodservice outlets featured chicken more prominently than beef as they looked to capitalize on the cheaper prices. This attention resulted in strong price points for a number of items.

The price of boneless/skinless breast meat, in particular, soared in the middle of the second quarter of 2013, reaching \$2.00/pound in early May. Similarly, the value of chunk and trim meat also experienced

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a significant bump with the most recent value of chunk reaching \$1.46/pound and trim elevating to \$1.33/pound.

The one main difference experienced this year relative to last was that the price of wings declined very significantly during 2013 while the 2012 markets were very stable. This scenario had much to do with the fact that wing prices in early January reached a record high of \$2.01/pound. From that point forward, many wing-based restaurants focused more on promoting a boneless wing. The exceedingly high level of wing storage stocks undoubtedly played a significant role in this development as the April report put them at 131% above year ago figures.

WOG
An abbreviation for a chicken packed without giblets.

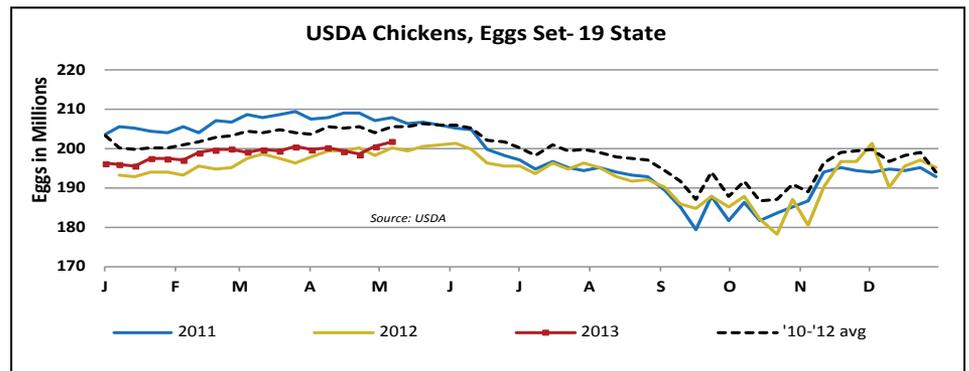
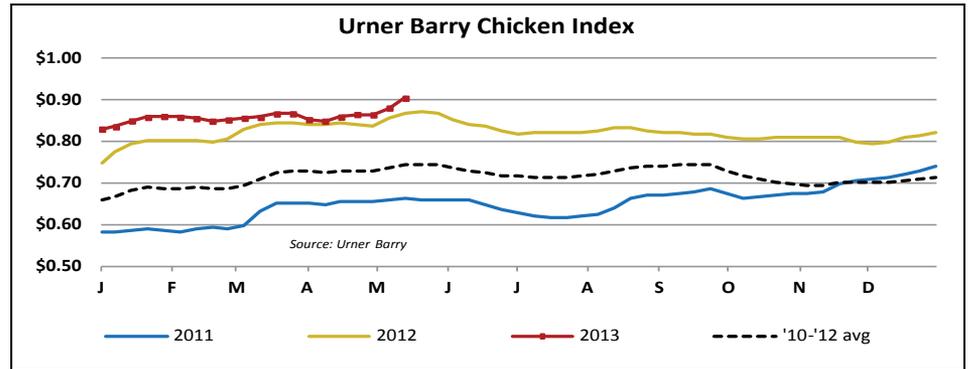
Urner Barry's quotations for WOGs were fairly seasonal for most of 2012, up until the last quarter that is. At that

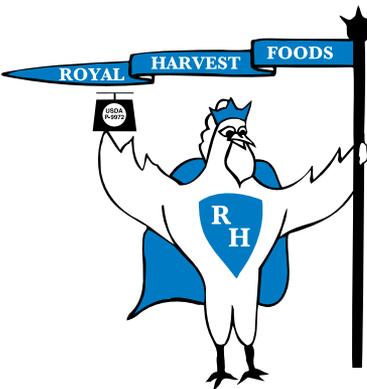
time, these markets moved higher at a rapid pace reaching \$1.00/pound to finish the year. The price of WOGs then proceeded to dip a bit but then quickly rebounded reaching \$1.05/pound in early May.

Regarding dark meat, these quotations remained relatively flat for the bulk of the year but it is also worth noting that most of these items entered the month of May at higher values than usual given the time of year. Relatively active export demand has certainly been a contributing factor here. Total exports through March 2013 realized a one percent increase year-over-year. Noteworthy here is the fact that Russian trade certainly rebounded a bit compared to the last few years as the most recent USDA report revealed a 36 percent advance over 2012. With the being said, it's also worth mentioning the issues the U.S. has had with China have resulted in significantly lower exports to countries like Taiwan and Hong Kong.

Looking ahead, if the last few years are any example, the continued industry effort to restrain production will certainly remain paramount to the health of the chicken market. With that in mind, it will be all the more important for industry players to

keep a close eye on input costs such as corn and transportation as the continued high price of these items has surely influenced producers as of late. **LB**





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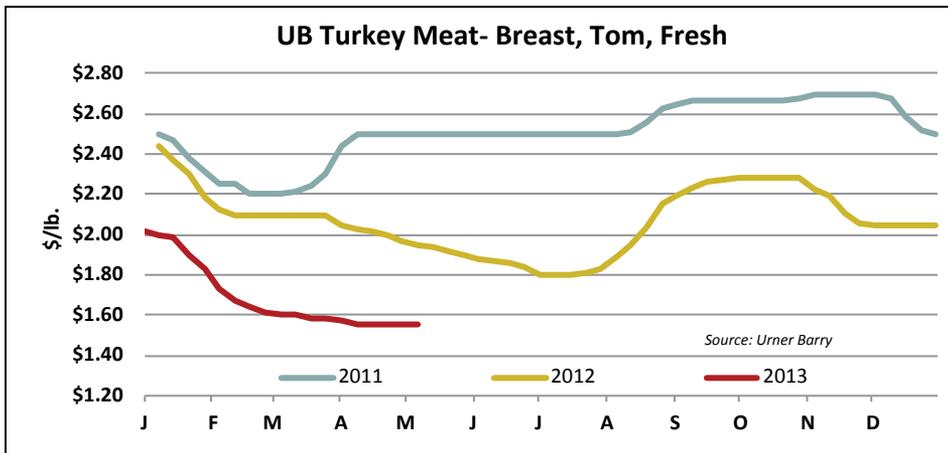


By Russell W. Whitman
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As we look at today's turkey industry, the current situation as well as what lies ahead, it's important to take a look back at where it's been. At this time

last year the turkey industry was in an expansionary phase. The lack of supply that had been hallmarks of the previous two years began showing up in the form of advancing storage stocks and its impact on market values was unmistakable. Advances in eggs set were followed a few weeks later

by higher placement figures and items such as thigh meat, drums, wings and whole birds, which had enjoyed such visible market strength started to feel a bit under the weather. Breast meat movement was subject to moody economic swings and previously manageable storage holdings were starting to build.



The latter half of 2012 was, in fact, a difficult year for players on either side of the negotiating table. There was almost no ability to predict the course the market would take at any given time due in large part to the variety of internal and external influences in play. Perhaps most dominant was the agonizing, on-going battle of food and fuel where feed costs advanced to previously unheard of levels and put pressure on commodity sellers to garner top dollar or suffer significant losses. The forecast production growth of two to three percent for the year wasn't especially alarming. But, when considering it against the advances in RTC tonnage of two to three percent during both 2010 and 2011, an additional two or three percent would bring the industry to within about 100 million pounds of the record-setting production levels experienced in 2008; a course it would rather avoid. When combined with the negative impact of the United States and world economies, the playing field started to stack up against the processor. Thus far in 2013, increased production, albeit at a moderating pace, is still influencing growth in supply while the domestic and international economic climate continues to stifle movement.

And so it continues today. The present market foundation has its roots in 2012 and, although the overall picture is probably worse than what the pundits were saying at the start of the year, it isn't altogether unexpected. When approaching early year negotiations, what seemed clear to all involved was that buyers were in no hurry. Most indications hinted at reasonable patterns but prices which would not be as strong as during 2012. One of the main focuses in talking about price possibilities were the freezer stocks. Storage holdings continued with the trend

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“So far this year demand for finished goods is not easily defined and few expect that to change given the economic climate...”

they had established at the close of 2011. The year opened with total holdings up about 20%, the bulk of which were in whole turkeys. For those paying attention, the whole bird figure represented a year on year increase of 37 million pounds; 63 million pounds over 2011. Not surprisingly, that course changed direction only slightly by the end of March when whole bird figures were 32 million pounds above 2012. The other significant departure from last year was within the breast and breast meat category which represented an advance of a little more than five million pounds.

Market conditions, as alluded to, were less than favorable. Turkey processors, who had struggled to clear the “input cost hurdle” in the previous two years weren’t bashful about asking strong prices...but they didn’t get them. It was proven early on that the competition would be fierce. Not only traditional competition but from last year’s whole birds as well. That positioned sellers to be aggressive and accepting of prices not especially to their liking. Whole birds seem to have found market bottom on January 7 at \$1.01, \$.02/lb. below 2012. Spot offerings of whole birds continue to be at least adequate and, as opposed to 2012, processors are slow in developing confidence. Market performance has been so unexceptional that values have not advanced since hitting their low in early January! Additionally, pricing for the fall months is taking shape at reduced points than in 2012. Breast meat started the year seeking solid ground and is still searching. Although beginning pretty much as expected, the market continues to find only a little traction; an alarming situation for processors who are experiencing severely

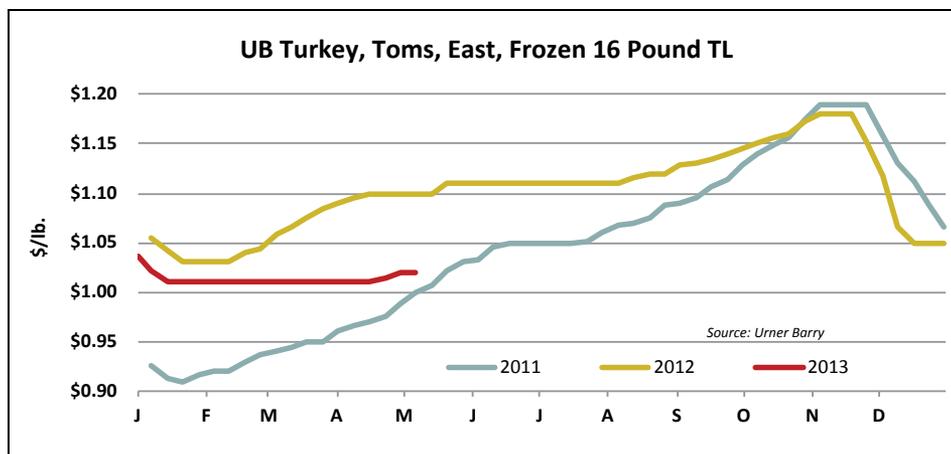
high costs of production. Absent buyer demand in the wake of less than seasonal finished goods movement is frequently cited. A long, cold winter appears to have contributed excessively as well. This has led to increased bone-in breast production in a substandard foodservice environment. Thigh meat’s position has largely been a solid one but towards the close of the first quarter was increasingly subject to pressure from cheap hams.

During the first quarter, tonnage and market activity in the export arena continued to flourish but without the excitement associated with the prior 12 months. As opposed to 2012, where exports during each month of the year broke the prior year’s record-setting levels, so far in 2013 the actual February export volume of U.S. turkey declined by two percent with a corresponding decrease in value of about three percent. When January and February’s export volumes are combined however, YTD turkey exports advanced shy of one percent to set yet another year on year record. During this time frame, and for all prior time frames, Mexico continued to be the U.S. turkey industry’s most significant partner accounting for more than 50% of total exports. Stemming additional product flow however was the availability of cheap pork hams which is always a viable temptation for Mexico’s finished goods providers who are always seeking the least cost alternative to supply economically burdened consumers with quality protein. The most recent news reports involving the China bird flu scare suggest that the industry will see a decline in shipments, of not just turkey but all U.S. poultry, when the March and

April export figures are revealed. In the meantime the export markets remain a bright spot for an industry otherwise void of much inspiration.

Looking into the balance of the year a cautious industry mindset is in place, but one that becomes more optimistic with time. Consistent demand for parts largely due to anticipated continued good export demand and domestic grinding requirements is expected to keep prices relatively stout and product moving well. The million dollar question going forward will be focused on the breast meat situation. As of this writing values are well below costs of production and demand remains very disappointing. Expansion plans within the industry for early 2014 are concerning to observers currently struggling to attract buyers. So far this year demand for finished goods is not easily

Continued on page 68



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King crab and Snow crab, similar story to 2012



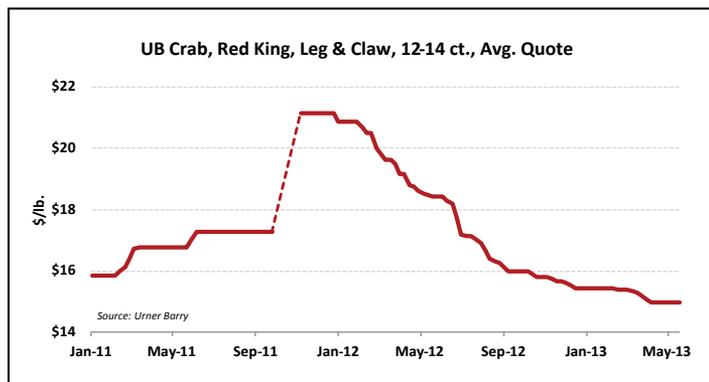
By Janice Brown
Janice@urnerbarry.com

KING CRAB

Imports start 2013 lower than 2012. As of March 2013, king crab imports are down 17% compared to levels from a year ago. Russia, in particular, is seeing lower imports and is presently 23.4% under YTD levels. On the other hand, 2012 did end the year 9.8% over 2011 for overall imports of king crab into the United States.

	2009	2010	2011	2012
Total king crab imports	34,887,876	22,143,051	18,771,084	20,622,275
% change	~basically no change from 2008	-36.5%	-15.2%	9.8%

Pricing, since about the beginning of 2012, has seen a precipitous drop. Even though 2013 is experiencing lower imports, the market has not responded and pricing is lower than the three-year average for most sizes.



It should be understood, however, that this market is coming down from all-time high prices. For example, 12-14s, hit an all-time high on December 29th 2011 of \$21.50. As of the beginning of May 2013, the market average is \$14.95; a \$6.55 decrease.

The quota in Alaska's Bristol Bay is virtually the same as in 2011 at 7.8 million pounds. In comparison to previous years, the quota remains historically low. A decrease in usage continues to be a trend and a soft undertone continues in both the red and golden king crab market.

A 47% quota reduction was issued for the 2011 season. Since 2008, the fishery has seen an overall decline of 62%.

	2008	2009	2010	2011	2012
Bristol Bay Red King Crab Quota	20.3 million lbs	16 million lbs	14.8 million lbs	7.8 million lbs	7.8 million lbs.

With the exception of 16-20 reds, which did see increases thus far in 2013, the balance of the red and golden king crab markets have remained steady to weak.

The brown/golden king crab market has followed a similar trend to the red king crab market. Many sizes are below their three-year averages.



SNOW CRAB

As of this writing, Newfoundland and Gulf quotations have just been reinstated. Only 5-8s and 8-up crab are presently being quoted. 4-up and 10-up crab remains too unsettled to establish quotations. As the season continues, the market will paint a clearer picture. The overall market remains unsettled with offerings varying widely from seller to seller. Buyers are very cautious and only satisfying immediate needs as the market waits for new crab to flow down from Canada into the U.S. market.

The opening quotations for both 2012 and 2013 seasons are \$1.20 - \$1.25 less than 2011 for 5-8 Newfoundland clusters. The market is not responding with an over active demand. Demand is currently reported as moderate. In comparison to previous years, 2013 pricing is the 3rd highest seen in the past 6 years.

2008	2009	2010	2011	2012	2013
\$4.05	\$3.15	\$3.80	\$5.95	\$4.70	\$4.65

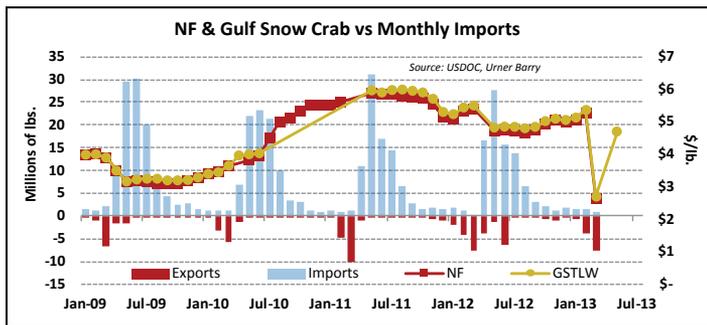
Another factor in the Canadian snow crab market this year is an increase in quota in the Gulf of St. Lawrence, most of the increase is in AREA 12. The quota is increasing from 22,007 to 25,573 tons. The Newfoundland quota, on the other hand, is down slightly, 1% to 52,000 tons.

Overall, however, Canada will have the opportunity to harvest more snow crab this year than in 2012.

One of the biggest factors in the Canadian snow crab market is Japan. A big concern for the Japanese this year is the weakness of their yen. In 2012 Japan paid on average 81 yen per Canadian dollar for crab; this year it could be closer 100 yen per Canadian dollar. As of this writing 1 CAD = 98.73 Yen. Reportedly, demand for snow crab is quiet in Japan.

Good weather to begin the season is also producing high catch rates. Canadian processors are extremely busy packing crab as opposed to previous years when ice and bad weather hindered harvesting. This is not the case for the opening in 2013 and it will be interesting to see how this different situation affects the remainder of the season.

The Canadian snow crab market will remain a fluid situation. The market has many outside factors that can affect supply and demand.



The Alaskan opilio market thus far in 2013 is similar to 2012 to slightly higher. Both these years are much lower in pricing than compared to 2011. Right now the weekly average on 5-8s is \$5.32 which is only \$0.02 higher than the same time period in 2012 and \$0.90 lower than 2011. Looking over the past 5 years, the present market remains higher than the levels were in 2009 and 2010, \$3.67 and \$3.82 respectively.

The quota this year in Alaska was cut by 25% to 66.35 million pounds compared to 88.89 million pounds the previous year. Despite the record-breaking ice that delayed the opilio season last year, harvesters did catch 100% of the 2011/2012 quota. Both 5-8 and 8-up crab is available from Alaska. Current demand for opilio ranges fair to moderate. The market trended lower to help promote movement; a few sellers reported that they would like their inventories to be light before the rush of Canadian snow crab hits the U.S. market.

The crab market in 2013 has some similar undertones to 2012. Both red and golden crab pricing saw continued softening thus far in 2013. Although imports are lower and domestic catch is about the same as last year, the undertone in the king crab market is about steady. Canadian snow crab and Alaskan opilio pricing is similar to 2012; the undertone is currently unsettled as Canadian product flows into the U.S. market. The amount of Canadian crab Japan buys this year is up in the air and will be something marketers will watch closely from this point in 2013 on.

CRAB MEAT

By MaryAnn Zicarelli
MaryAnn@urnerbarry.com

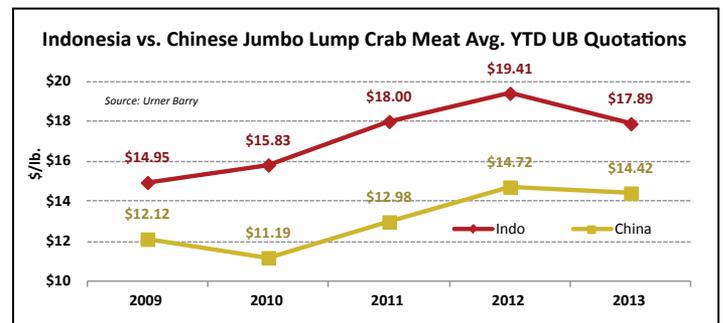
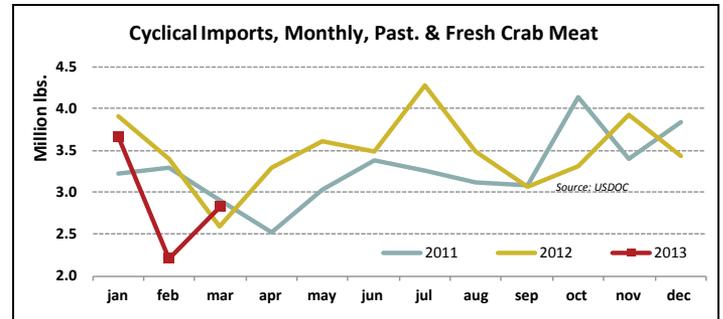
Crab meat – A Changing Market

Crab meat imports are on the decline. Declining natural resources, smaller-sized crabs and in some cases, the lack of buying interest in the U.S., contributed to the recent declines.

As of February 2013, YTD imports of fresh and pasteurized crab meat were down by nearly 20% as compared to 2012 YTD totals. The 42% decrease of imports

coming from China contributed to 867,391 pounds less crab meat alone while the largest exporter to the U.S, Indonesia, showed a 15% deficit in their YTD totals for 2013 from 2012 which equates to another 393,774 lbs. less meat here in the U.S.

Continued on page 25





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Record high imports



By: Angel Rubio
Arubio@urnerbary.com

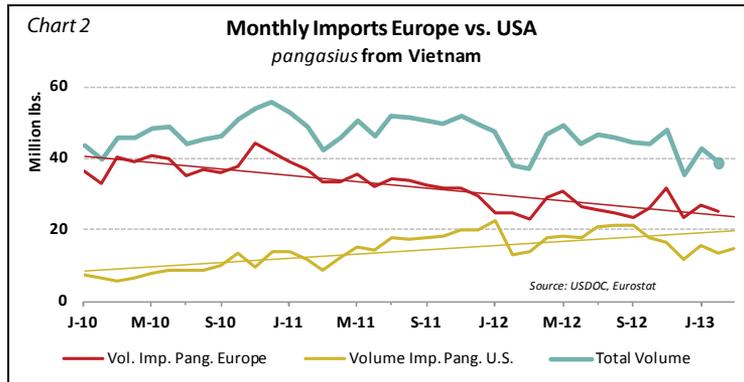
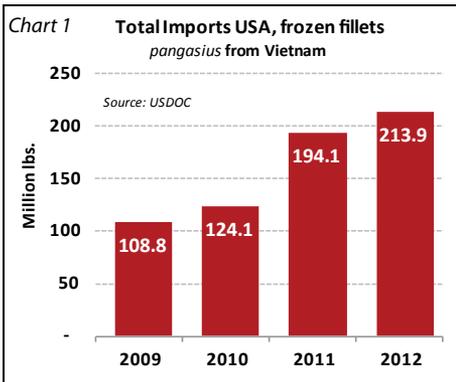
A couple of years ago, *pangasius* or swai was definitely not a species that people knew about. Today, it is offered in supermarkets virtually everywhere in the U.S., and most of the time, it is not only an alternative, but a valuable protein. Over 98% of all imports of this specie come from Vietnam, and imports of pangasius frozen fillets

reached another record in 2012, totaling 213.9 million pounds, suggesting an increase in consumption once these figures are released in the upcoming months (chart 1).

Imports of *pangasius* frozen fillets were nearly two thirds of total imports of frozen fillets of tilapia, a fish that people are certainly familiar with. This is quite astonishing taking into account that a

few years back, *pangasius* was probably not on people's mind when deciding what to cook for dinner. But this fish is also quite popular in Europe, with this destination being the #1 export market. However, shipments to Europe over the last few years have been declining, while exports to the U.S. have been increasing (Chart 2).

Imports of *pangasius* ended 2012 on a record high; a downward trend in imports during the last quarter of 2012 could signal a change (Chart 3). To start with, January 2013 imports were notoriously lower when compared to January 2012, falling over 30%. However,



imports in February and March were the highest recorded for those months. Yet, when looking at YTD figures, imports are over 12% lower when compared to last year

Yet, amid the big increase of imports of *pangasius* fillets from Vietnam, we must mention the ongoing battle between Channel Catfish farmers in the U.S. and imports of this siluriformes that cannot be called "catfish." The interesting part is that in March 2013, the 8th administrative review for duties of *pangasius* revealed an important surge in the level of duties owed to Catfish Farmers of America. Retroactive duties were imposed to many packers in Vietnam, as well as shipments from that moment going ahead. This happened exactly when replacement costs reached the lowest point since January 2008, averaging \$1.33 per pound according to the Department of Commerce (DOC). However, early in May, the USDOC announced that the calculations previously released contained errors and published new higher duties.

As expected, when the duties were released in early March, the market in the U.S. jumped virtually overnight around 15



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cents, according to our quotations. Even with the new higher duties announced early in May, offers have remained steady at listed levels.

DOMESTIC CATFISH
Imports cause stability in domestic fillet market yet create all-time highs for nuggets.

By Maryann Zicarelli
MaryAnn@urnerbarry.com

The market for domestic catfish has been stable for fresh and frozen fillets. Prices have hovered above 2009 and 2010 yet

fall below 2011 and the first half of 2012. Unwavering prices have been a result of predictable supply and demand. Processors have kept closer inventories since the

demand for fillets dwindled in 2009 and 2010. Tight supplies that caused market

Continued on page 26

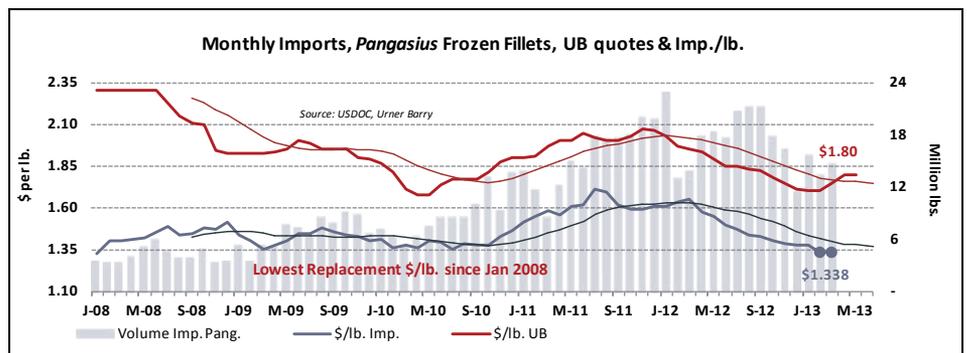
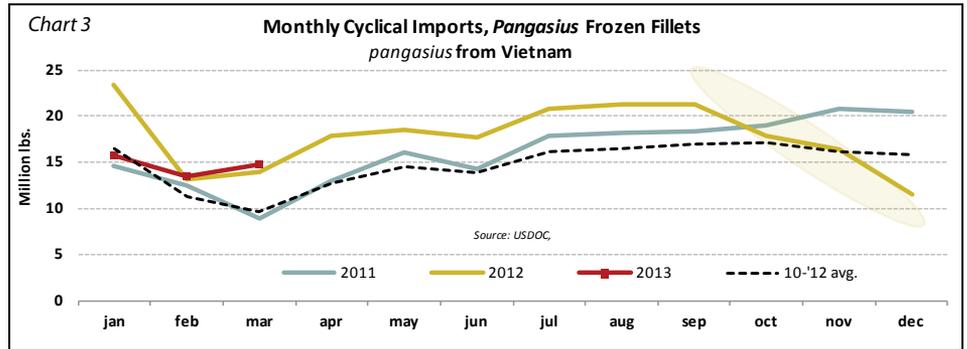
Crab

Continued from page 23

In 2013 the gap between Indonesian crab meat prices and Chinese was less than in the previous three years. Buyers' interest in Chinese jumbo lump crab meat increased in 2010 when they were able to satisfy inventory needs at \$4.64 less than the cost of Indonesian jumbo lump. Price breaks became an attractive option particularly during the recession of 2010 and 2011. The narrowing gap in price break has been said to slow demand for Chinese meat especially for those buyers who favor *pelagius* (blue swimming crab from Indonesia) over *haani* (red swimming crab from China) with the current price gap reported at \$3.47. Other grades follow suit with jumbo lump showing similar price gaps.

Crab meat trading has become a moving target for both importers and buyers. A shift in demand has been seen not only with choice of country of origin, but buyers also have a choice of grade. Since price points for jumbo lump, super lump, lump, backfin, special and claw vary, replacement from higher to lower cost grades has been evident which has created some challenges for importers to keep balanced inventories on all grades.

Other countries who export blue swimming crab to the U.S. include Philippines, Thailand, Venezuela and Vietnam. Vietnam also produces Haani. Collectively, their contribution to the U.S. market does not equal that of Indonesia and China combined. **UB**



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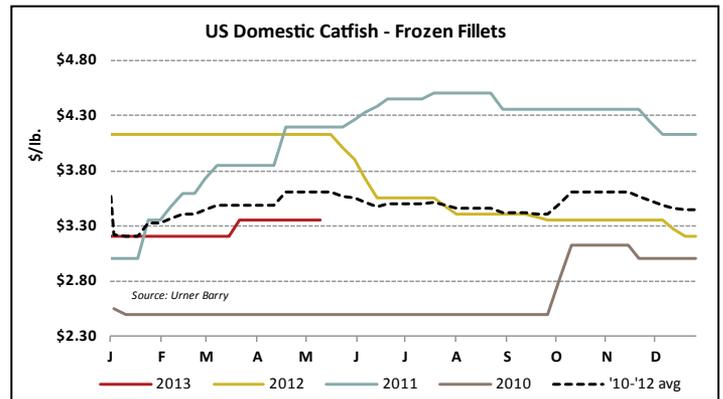
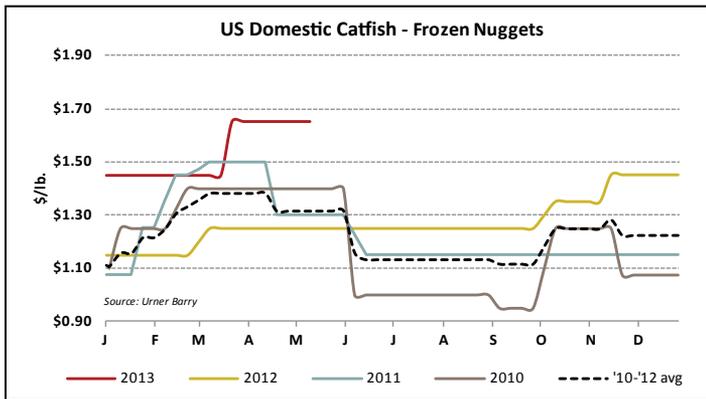
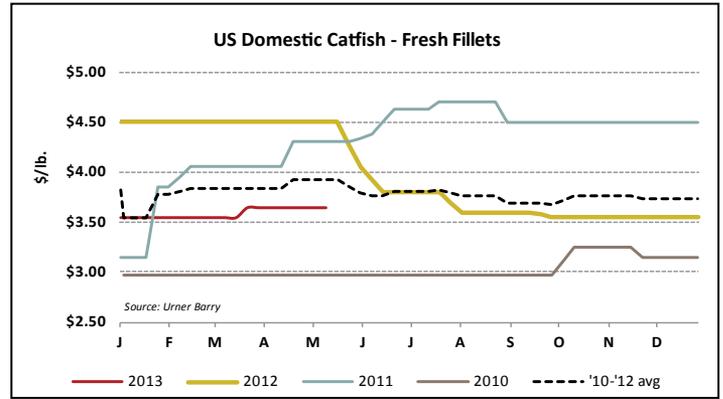
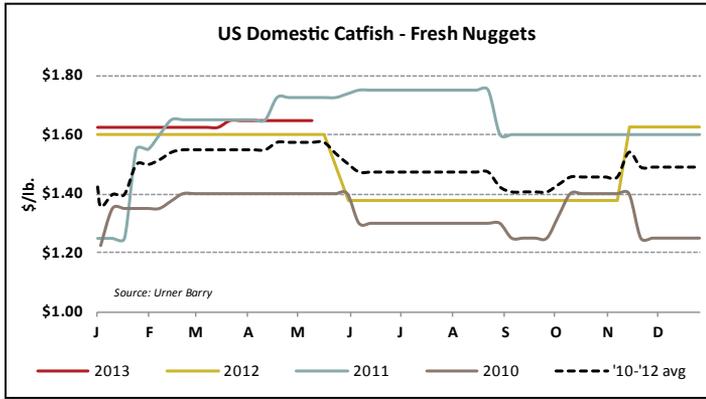
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Continued from page 25

prices to spike back up in 2011 and 2012 are now in better balance with demand.

The demand for nuggets (both fresh and frozen) continued to be active and in many periods during 2012 and 2013 exceeded the available supply. Frozen nugget prices reached an all-time high in March 2013 and continued to trade at about \$.40 higher than the four year average through May 2013.

Nugget production has declined due to the decreased demand for fillets. Two nuggets are produced from each fish. With less need for fillets, processing has declined leaving less nugget production. Since nuggets are not produced overseas, like fillets, the demand for domestic product remained active. **UB**

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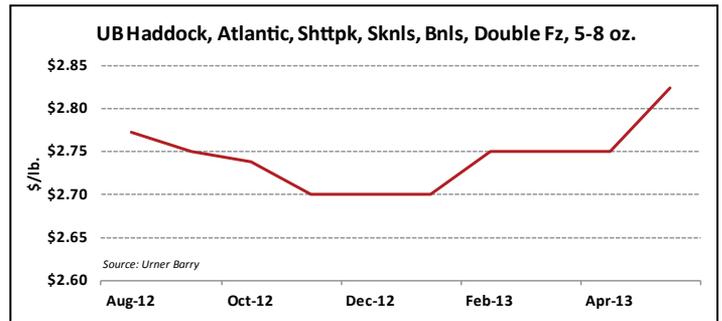
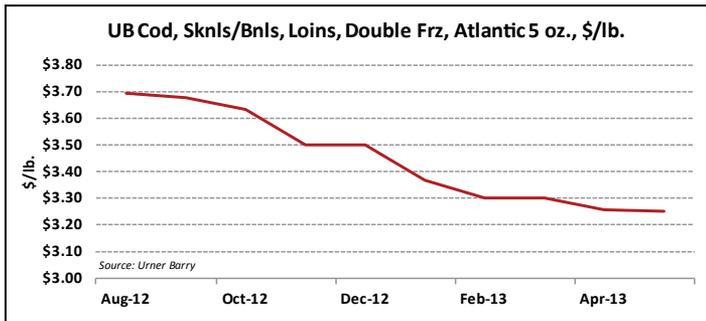
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“Tight supplies that caused market prices to spike back up in 2011 and 2012 are now in better balance with demand.”

Atlantic cod quotas reach record high



By Paul Brown Jr., Pbrownjr@urnerbarry.com

COD

Following a record increase to the Barents Sea quota in the 4Q of 2012, Atlantic cod continues to be ample, and is putting downward pressure on cod markets.

Back in October, Russia and Norway raised the Barents Sea cod quota 249,000 tons to over 1 million tons for the 2013 season—an all-time record for the fishery.

Since then cod prices have eroded due to a global supply glut. For example, dock prices for Alaskan Pacific cod dropped \$0.10 cents in January with one Alaskan seafood firm blaming the global cod supply for the lower prices.

However, the cod is large and therefore smaller loins and fillets may not see the lower values initially expected. Also changes in the various cuts increasingly can be seen in the market. One major company indicated that in the first quarter selling prices for cod fell faster than did their replacement values, putting pressure on margins.

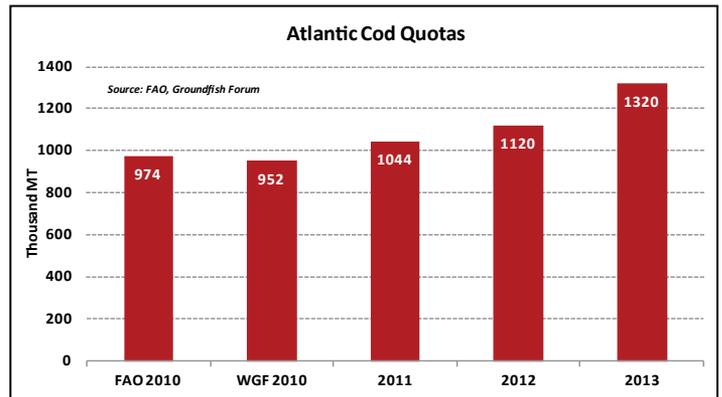
Pacific cod will be ample, as the weakening of the Japanese Yen will further constrain Japanese cod purchases from Alaska.

HADDOCK

Unlike cod the haddock quota in the important Barents Sea has been cut. Haddock prices have begun to move higher and supplies are tight.

ALASKAN POLLOCK

Alaskan Pollock demand remains active, especially for deep-skin product. The prevalence of smaller fish this year has led to an ample production of surimi and fewer fillets than companies may have liked to produce. Fillet demand has remained strong in most markets. **U**





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Boom and bust, lessons learned



By: Angel Rubio
Arubio@umerbarry.com

Two years ago we asked: “Where is the Mahi?” Then last year, there was simply too much of it.

But in 2013, it appears the lessons of the boom and bust from the past two seasons have been noted and the situation improved.

However, to understand what has appeared to be a rollercoaster-type market for U.S. mahi, the industry has taken note of some trends that have developed in the past two years that may explain the state of the U.S. mahi market since 2011.

During 2009-2010 fishing season from Central and South America, which runs approximately from October to March, the U.S. imported record amounts of mahi product (chart 1).

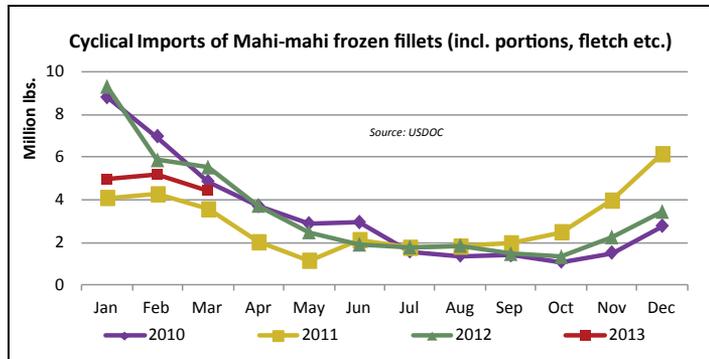


Chart 1. Cyclical Behavior of Imports of Mahi-mahi frozen fillets.

For example, according to the U.S. Department of Commerce and in-house calculations, imports of frozen fillets—which includes portions and fletches—reached 45.5 million pounds during that season; a record high (Chart 2).

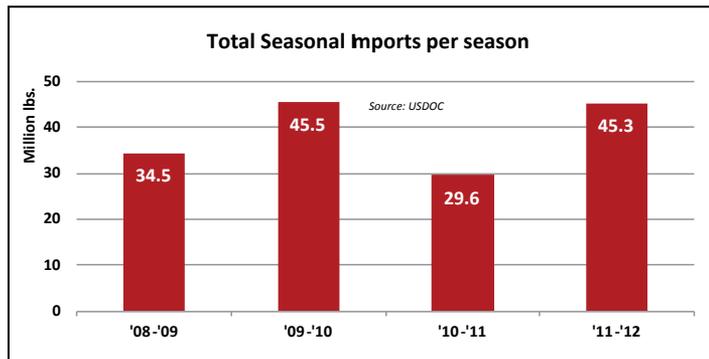


Chart 2. Total Imports per season. From October to September.

Prices remained steady at the port of entry as well as for trading within the U.S., which are depicted through Urner Barry's quotations (chart 3).

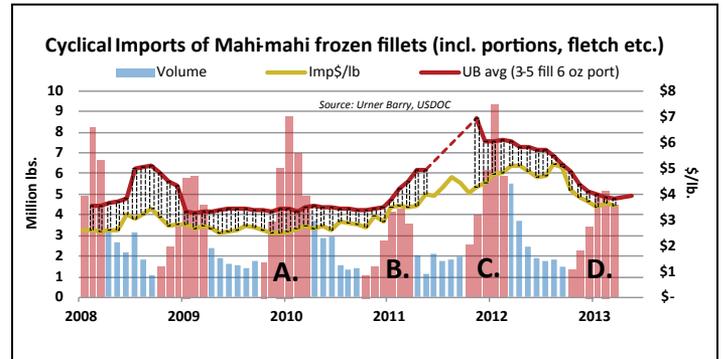


Chart 3. Linear Imports, Import Price/lb., and Urner Barry quotations (avg. 3-5 skin on, and 6 oz. portions). Columns in red represent season's peak imports.

Regarding landings and production, the 2010-2011 season turned out to be disappointing, with imports declining dramatically from the previous seasons. However, importers who took strong buying positions ended up in a rather peculiar, yet relatively good position (Chart 4), given that import costs and prices in the U.S. began rising amid a scarce supply. Those few importers with product were able to command a premium throughout the whole season—about seven to eight months just prior to the next season. In fact, there was a time that product was so short in the U.S. that Urner Barry's quotations had to be removed due to the lack of product available for the spot market. But this boom in prices was followed by a significant bust.

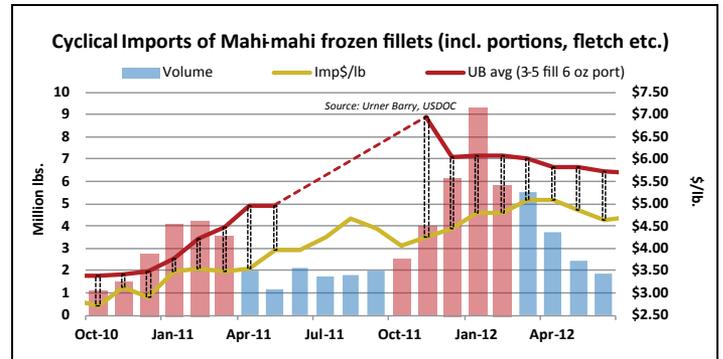


Chart 4. Linear Imports, Import Price/lb., and Urner Barry quotations (avg. 3-5 skin on, and 6 oz. portions). Columns in red represent season's peak imports. Period covering from October 2011 to June 2012.

In 2012, imports surged dramatically due to a good fishing season; raw materials were readily available and packers were producing fillets, portions and fletches in very large quantities; in fact, the 2011-2012 season saw imports fall 176 thousand pounds shy from the all-time record. Yet, prices were holding high from the 2010-

2011 season, and—as per basic economic fundamentals, holding demand constant—near-record imports would cause these higher prices to drop, and so they did. Yet, prices didn't drop in the U.S. and abroad until later on, mainly due to two reasons: The first lies in a situation where high 2012 prices persisted through the first months of that year since inventories were nil prior to the aforementioned import surge. Secondly, high asking prices persisted across the supply chain—from prices at the beach, to prices to the importer and so on; in other words, prices were “sticky” as many importers owned product at a level higher than the market was willing to pay.

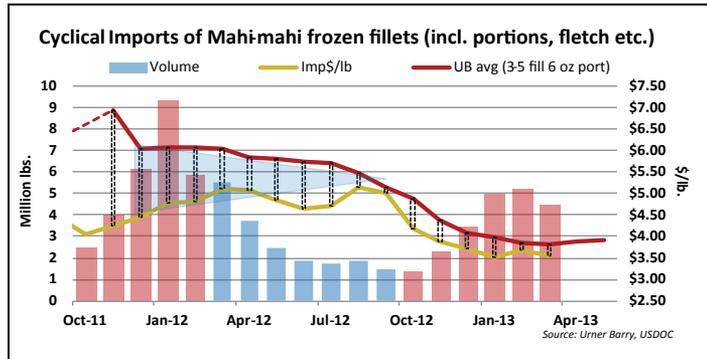


Chart 5. Linear Imports, Import Price/lb., and Urner Barry quotations (avg. 3-5 skin on, and 6 oz. portions). Columns in red represent season's peak imports. Period covering from October 2011 to March 2013.

So it appears last season's bust was a result of comparatively high prices for a long time. The high costs incurred throughout the industry had unintentionally caused demand to decline. Higher prices discouraged buyers and mahi was taken off menus, offering sheets, etc. In September 2012, the import price per pound and Urner Barry's quotations reached the smallest spread since Urner Barry began quoting portions back in 2008, suggesting a downward adjusting market; and indeed, replacement costs—import price per pound—moved lower all the way to January 2013 (Chart 6).

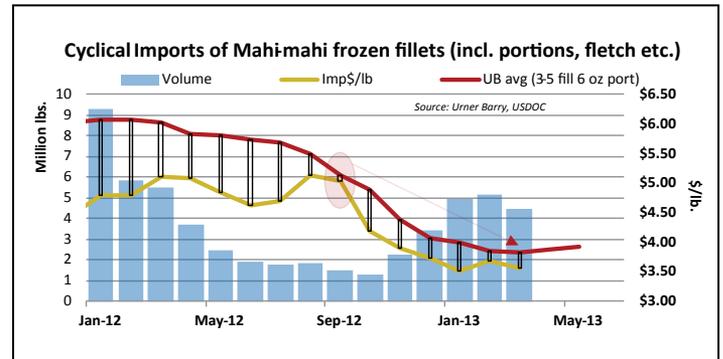


Chart 6. Linear Imports, Import Price/lb., and Urner Barry quotations (avg. 3-5 skin on, and 6 oz. portions). Period covering from January 2012 to March 2013.

Continued on page 30

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Mahi outlook... continued.

Continued from page 29

Amid decreased demand, UB quotations trended downward due to product holders offering consistent discounts aiming to get rid of high cost inventories. As the current season approached, older inventories continued to be discounted and so did offerings from overseas. Furthermore, assuming inventories were held for nine months or more from the 2011-2012 seasons, at current prices, these would reveal a net loss even without counting holding costs, which may vary from seller to seller (Chart 7).

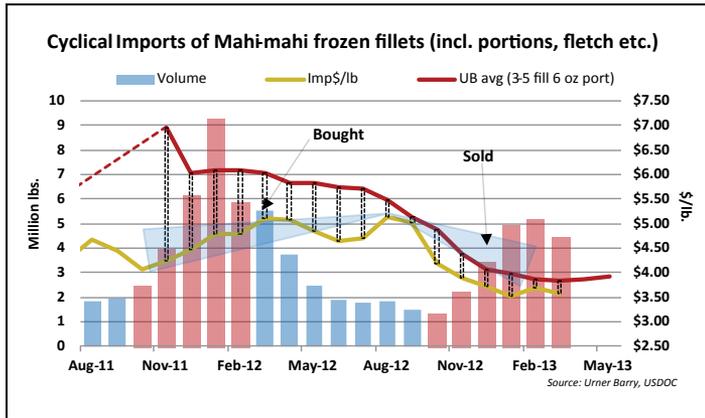


Chart 7. Linear Imports, Import Price/lb., and Urner Barry quotations (avg. 3-5 skin on, and 6 oz. portions). Columns in red represent season's peak imports. Period covering from August 2011 to March 2013.

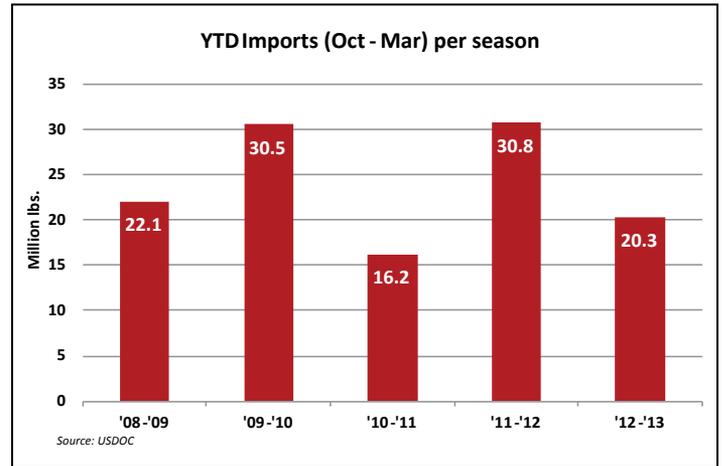
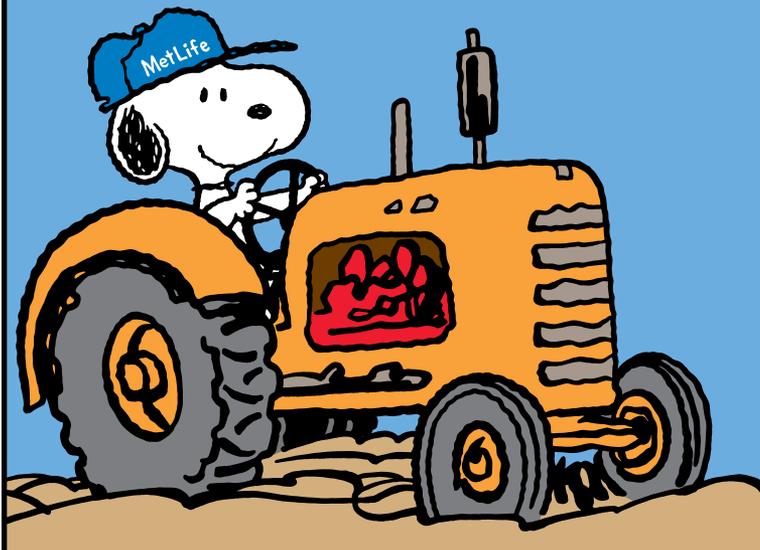


Chart 8. YTD Imports per season. From October to March.

Currently, the 2012-2013 season appears to be showing signs of a market that is correcting itself, probably reaching its bottom—particularly after seeing falling prices from November 2011 to March 2013. Imports, however, from October 2012 to March 2013 are the second lowest when compared to the previous five seasons (Chart 8), which could suggest some sort of support to current pricing; in fact, prices in the U.S. have already started to move up, but only modestly. Still, sellers in the U.S. are fearful that high prices could discourage demand just like it did last year, where many lost more than their shirt. **UB**

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Farmed salmon market: bigger and better?



By Janice Brown
Janice@urnerbarr.com

2012 marked an all-time high for salmon imports from Chile. Chile exported 159,992,756 million pounds, 71.3% more than in 2011. Overall, the U.S. imported 204,346,351 million pounds, 39.9% higher than 2011, and an all-time high; it is 7% over the previous high of 190.4 million pounds seen in 2008. It is clear that salmon fillets from Chile have returned to the U.S. market.

2013 appears to bring on a new challenge... how does Chile keep pace with what was seen last year in the market? 2013 is off to a pretty good start. March YTD figures show that the U.S. has imported 48,486,963 million pounds from Chile; this is 36.4% over 2012, a year in which, as stated before, set an all-time record. Will Chile keep pace for what appears to be a growing demand? The answer to that is hard to determine.

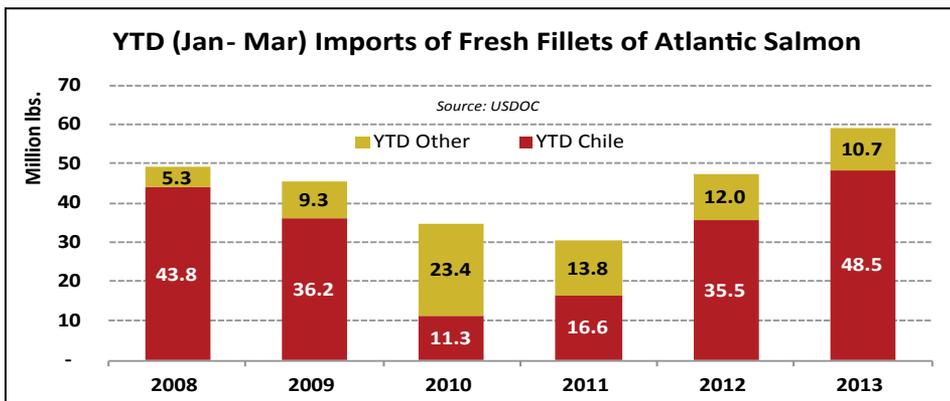
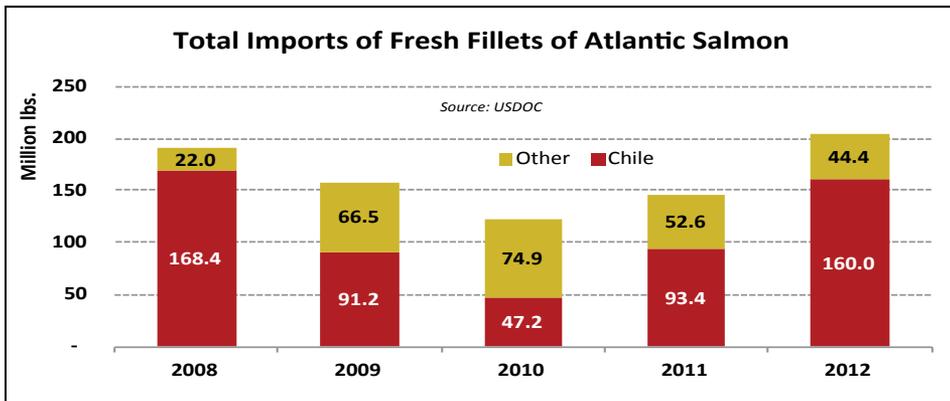
With all-time highs recorded in imports, supply and demand fundamentals would

suggest lower prices—everything else equal. 2012 did see lower prices than in 2011. Pricing in 2012 averaged \$3.42. Going into the beginning of 2013 a rally took place in the Chilean fillet market which continued straight through Easter. The average in January 2013 of 2-3 pound D-trim Chilean fillets was \$3.47, in February 2013 it was \$3.93, and in March 2013 it climbed to \$4.63; \$1.17 in 13 weeks. The situation described would make sense if the salmon market saw a large drop off in imports from Chile, however, the opposite was true. Imports from Chile reached all-time high and overall 48.4 million pounds of fresh fillets were imported YTD for 2013.

Where did all of that volume go? I think we can speculate that it went into the retail market. After conversations with many market participants, it was reported that during Lent large retail and wholesale contracts were put in place. 2013 Urner Barry retail features saw an increase of the number of features when compared to the same time in 2012. The number of farmed salmon retail features from January 1st through the first week in May was up 27% when compared to the same time last year.

It is not a direct correlation, but March 2013 imports are up 24.6%. Even though overall imports of fresh fillets are up 24.6% as of March 2013, the overall spot market for farmed salmon did not see a decrease in pricing potentially due to the fact that the contract market, consisting of retail, wholesale, and foodservice outlets, absorbed the volume.

If supplies remain at all-time highs throughout the year, will Chile have the same number of contracts to absorb this volume of fillets? This answer is yet to be determined. The summer will present a few challenges. Wild salmon season will begin and the farmed market will compete for retail attention. Also, smaller cases of ISA (Infectious Salmon Anemia) have been reported in Chile, thus causing harvesting of smaller fish which will not be available for harvest later in the year.



Continued on page 32

Salmon outlook... continued.

Continued from page 31

The overall market for farmed salmon is in a more positive situation than several years ago. Imports are strong and pricing has advanced from 2012 levels. The next several months will be interesting to watch as the market will respond to competition from the wild salmon sector and, historically speaking, the "summer doldrums" where the market does tend to trend lower.

WILD SALMON

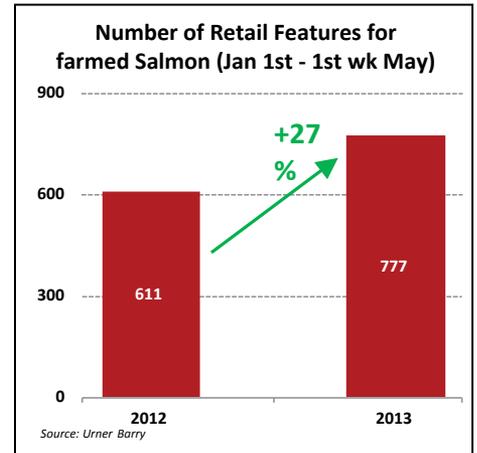
The 2013 season kicks off again with California Kings returning to the wild salmon scene. As of the middle of May, landings have been spotty, but more are expected.

Last year, the 2012 Alaskan salmon season saw many species fall under projections, ex-vessels prices saw a decline from 2012 and totaled \$506 million according to Alaska Department of Fish and Game. This is a decrease of around \$135 million dollars.

Seafoodnews.com ran a story on November 30th, 2012 by Laine Welch which stated,

"Alaska's 2012 salmon harvest and value came in well below last year, dropping 21 percent and 30 percent, respectively. According to preliminary state tallies, the value of the salmon catch totaled nearly \$506 million at the docks this summer on a statewide catch of 124 million fish. That compares to a 2011 take of 177 million salmon valued at just over \$641 million... The only region that saw an increase in overall salmon value was Prince William Sound. All other regions dropped considerably." **UB**

Below are the projections for this year.



Alaska Wild Salmon Harvest Projections and Actual Harvests*

	2011 Projections	2011 Actual	2012 Projections	2012 Actual	2013 Projections
King	122	468	120	349	110
Sockeye	44,734	40,024	38,371	35,402	34,260
Coho	4,612	3,444	4,327	3,133	3,904
Pink	134,544	116,133	70,191	68,025	117,822
Chum	19,478	17,004	19,044	20,166	22,748
TOTAL	203,490	177,074	132,053	127,074	178,844

*in thousands of fish. Source: Alaska Department of Fish and Game



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Tuna prices come down from record highs



By Angel Rubio
Arubio@urnerbarr.com

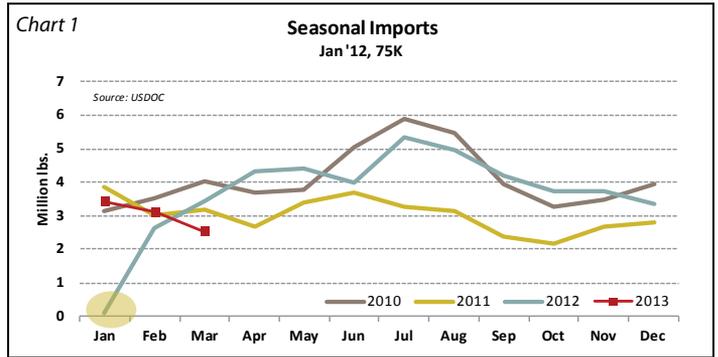
FROZEN TUNA

Similar to Mahi two years ago, availability of frozen tuna steaks, loins, and saku blocks came almost to a complete halt in January 2012; prices spiked and the market was basically dry. Last year's outlook focused on FDA rejections being one of the primary reasons for a slowdown in imports. This year, the focus is basically on plentiful availability as imports gradually recuperated; and collapsing prices. But, before we go into detail about what has happened over the past few months and what the market is signaling for the upcoming months, let's look back briefly at 2012.

During the last six months of 2011, many exporters were becoming discouraged at rising FDA rejections. Allegedly, this was one of the main reasons behind gradually falling imports and rising prices. However,

by January 2012, imports of frozen tuna fillets, which include commodity products like steaks, loins, and saku blocks, were virtually nil (chart 1). During the first quarter of 2012, the monthly average for the first three months of the year was 40% below the monthly average of the first three months in the past three years. This means there was a big decrease in supply in addition to a dismal 76 thousand pounds imported in January versus an average of 3.5 million in the previous four years (chart 2).

As replacements spiked, so did selling prices in the U.S. Tuna disappeared from many menus, and availability was poor. Prices commanded high premiums, to the



point that the market was no longer able to quote a benchmark price, and Urner Barry quotations were removed. So, those who had inventories to leverage the scarcity that occurred during the first six months of the year were probably very happy with the outcome. Also, this brought an opportunity for many to invest in the market, buy product overseas and bring it to the U.S. where they could get a rather attractive price (chart 3).

But like in sports, some will win big and sing a victory song while others will lose and probably cry. As this market became attractive, many importers jumped into the boat and began buying heavily. This means that demand from importers surged, which had the unintended consequence of rising replacement costs (chart 3). As these rose, so did availability in the U.S. The problem with this is that total imports in 2012 in fact ended above 2011 imports and above the four-year average, which caused prices to adjust lower (chart 4).

Therefore, by the time Urner Barry relisted quotations in September 2012 for steaks and loins—saku block is not an actively quoted item yet—prices only trended one way: down. Interestingly enough, a month into relisting quotations, USDOC figures revealed that import prices had peaked in August, just one month prior to relisting Urner Barry quotations. Since then, Urner Barry quotations have dropped on average 4.3% per month, while import prices only 3%. This suggests that there is a blatant need for many sellers to discount product in order to move inventories. And we can see this by noting that a nine month-moving average for monthly imports shows—

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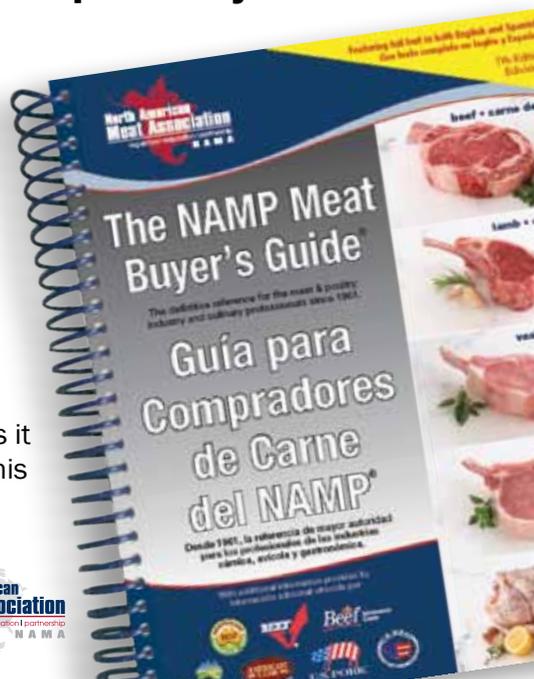
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assuming inventories rotate within this time frame—the highest level in the past three years was reached sometime between November and December 2012 (chart 3).

At the moment the frozen fillet—again, it includes loins, steaks, etc.—market continues to adjust lower, both in the U.S. and abroad. Availability has improved substantially and buyers in the U.S. are putting yellowfin tuna back on the menus and trading lists. And this market is once again priced below the fresh whole fish tuna market (chart 5, fresh whole fish is an avg. of Urner Barry's quotations for #1, #2+ and #2 domestic and imported).

FRESH TUNA

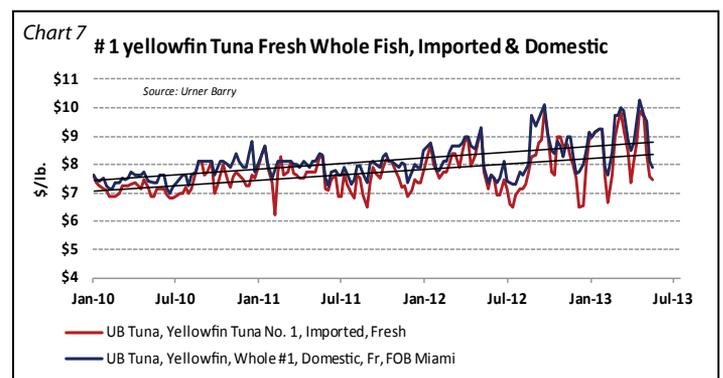
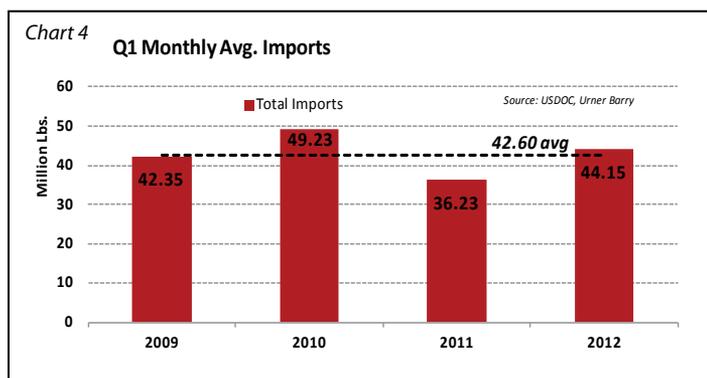
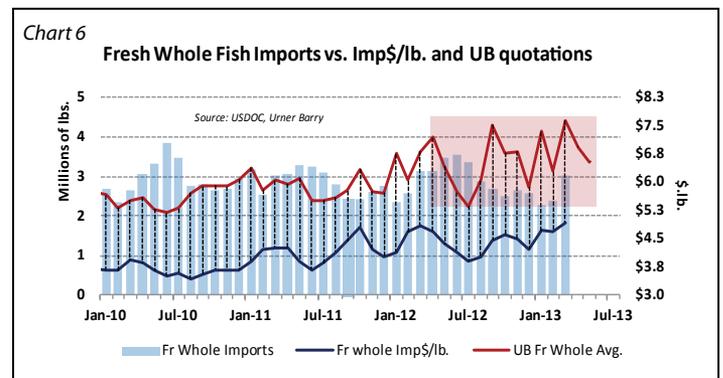
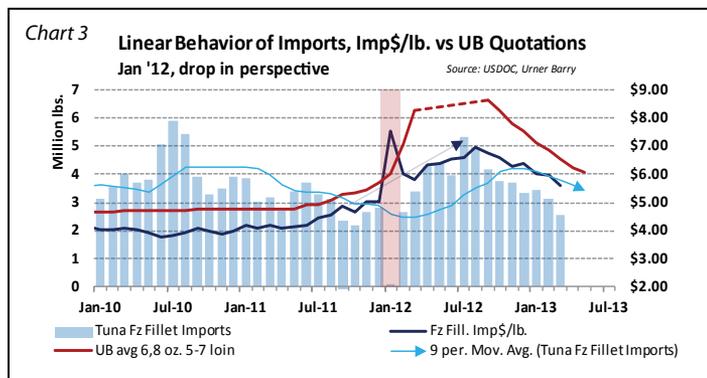
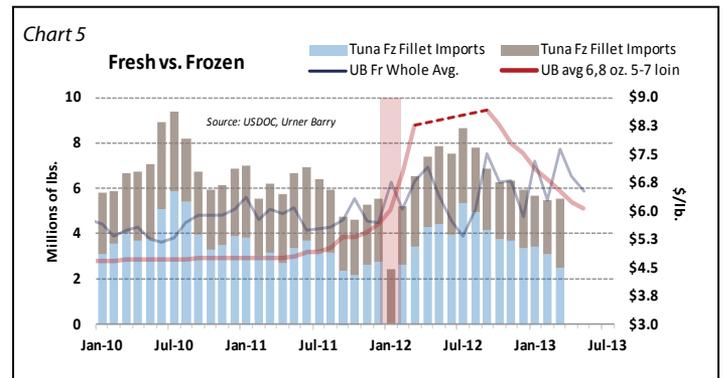
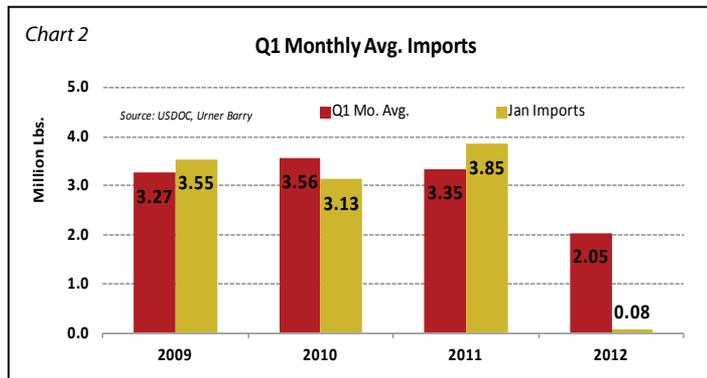
By MaryAnn Zicarelli, Maryann@urnerbarry.com

When talking about the fresh market, erratic prices were evident during 2012 and through May 2013 (Chart 6). The main contributor to the unpredictable market has been the inconsistency in supply. The catch has been unusually off in both domestic and international waters. Feast or famine describes landings and

the supply of fresh yellowfin tuna. In addition to the challenge of landing tuna, market value is highly tied to the quality of each individual fish. Number 1 grades trade at higher prices. During many periods in 2012 and 2013, the overall supply may have been adequate, however, the amount of premium grade, #1 tuna were short which further drove market prices to an all-time high.

Taking a closer look at the market for yellowfin, whole # 1 domestic and imported, fresh tuna, the first spike in price was evident in February and March of 2012 and then trended lower—with prices falling more in line with three-year averages by June. July 2012 began another spike in market price and September 2012 hit an all-time high before retreating back towards the three-year average prices. 2013 began with weak market prices, yet still hovered above the three-year average before yet another escalated price in February. Prices as of May 2013 remain above the previous four-year average.

If unpredictable supply continues, peaks and valleys in the prices could continue their current trend. **UB**

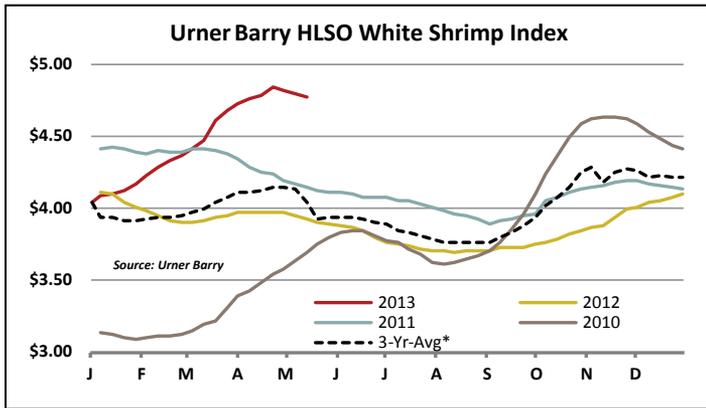


Shrimp prices trended higher in Q1

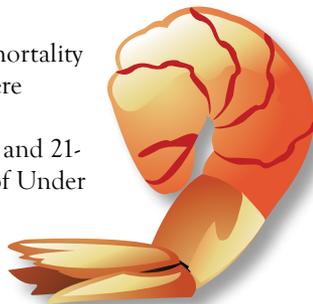


By Paul Brown Jr.
Pbrownjr@urnerbarr.com

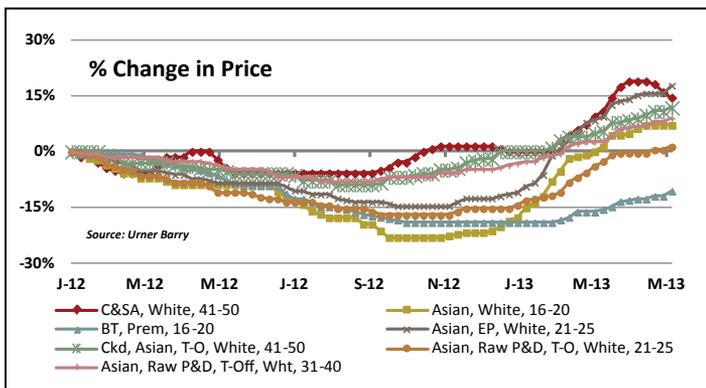
Urner Barry's White Shrimp Index reflects what the shrimp market has been doing recently. 2012 saw shrimp imports decline 7.2%, the first year-over-year decline since 2009. The decline was led by sharply lower imports from Thailand, the United States' largest supplier of shrimp—especially value-added shrimp. However the Index does not tell the whole story.



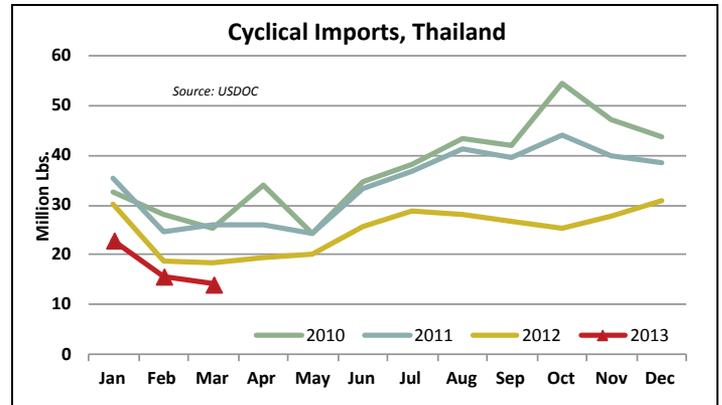
As Thailand and other supplying countries' imports were curtailed by production problems, most notably, EMS (early mortality syndrome), Indian shrimp imports were increasing dramatically. However, this increase was mostly in two sizes 16-20 and 21-25 count, with a significant amount of Under 15 and 26-30 count as well. This had a significant effect on the market as prices were generally driven down particularly on large shrimp.



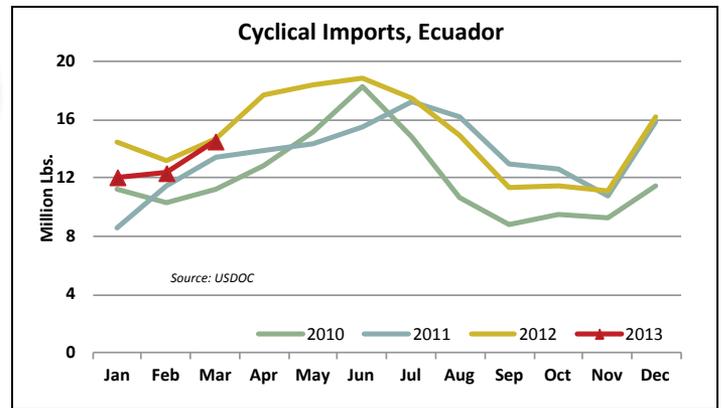
The following chart of representative shrimp items shows the spread that opened up between larger and smaller count shrimp in the last quarter of 2012. Now as inventories have come into better balance, those spreads are beginning to close. This trend could repeat itself this year as large count shrimp are again available first from India followed by smaller counts from other areas including Thailand.



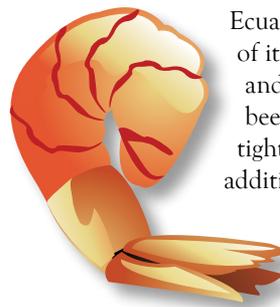
Now let's look at the top 5 shrimp supplying countries to the United States.



As stated Thailand imports have been down significantly mostly due to EMS disease. There is now an understanding of EMS and Thailand is confident that solutions can be put in place. But stocking of shrimp has been delayed and densities are lower. It is expected that while production in Thailand will improve in the second half of the year; annual production will likely be lower than a year ago. Thailand's shrimp imports are mostly value-added with much of the product bound for the retail segment.



Ecuador is a key supplier of shrimp, much of it for the foodservice sector. Production and imports of shrimp from there have been heavy. However, due to the worldwide tightening of the shrimp supply in 2012, additional buying pressure was put on the Ecuador supply especially from Asia. So market prices generally strengthened through all of 2012. Recently, those quotations have weakened—mostly due to buyer resistance to the higher prices that have resulted in a quieting of U.S. demand and a slowing Asian demand.



Continued on page 38



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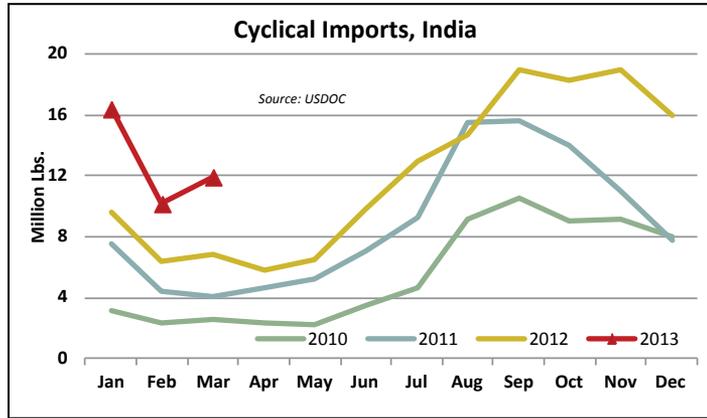
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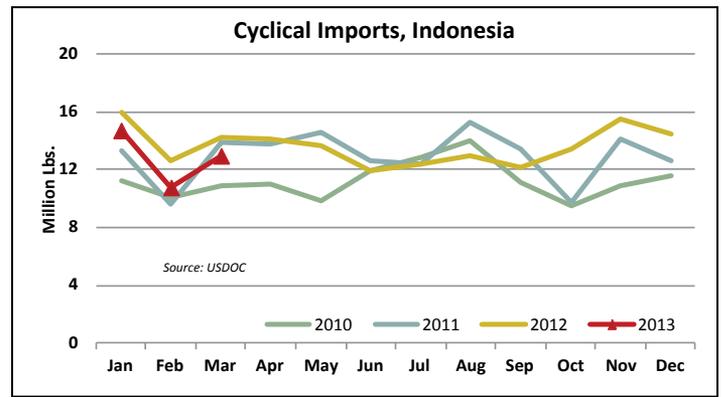
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Shrimp outlook... continued.

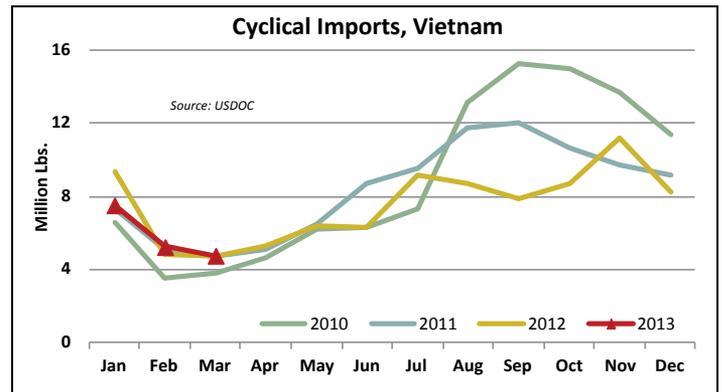
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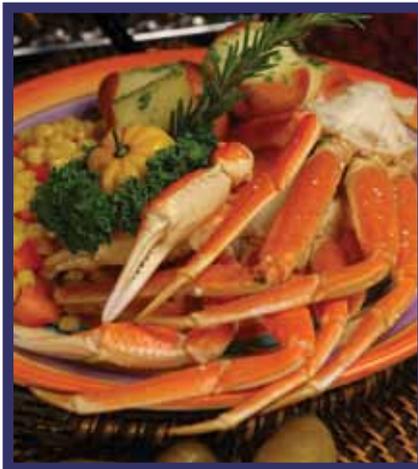
India, over the last several years, has moved from black tiger production to white shrimp production with great success. Their shrimp exports to the U.S. have grown substantially, and 2013 is continuing that trend. As stated, India's imports are centered on larger count shrimp in HLSO, easy peel, and peeled shrimp forms with very limited cooked shrimp production. As seasonal production ramps up the market may become somewhat unsettled especially given the historically high starting prices.



Indonesian shrimp imports improved in 2012 after several years of production issues.



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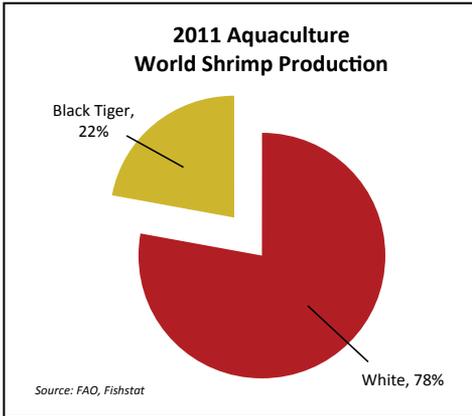
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Vietnam shrimp production has suffered from many of the same problems as Thailand. While still a very important black tiger producing country, white shrimp are beginning to dominate. FAO stats from 2011 point out how dominant aquacultured white shrimp production is worldwide. Some estimate that current black tiger production is no more than 15%.



“2012 saw shrimp imports decline 7.2%, the first year-over-year decline since 2009.”



So what can we expect for the rest of 2013? Currently the shrimp complex has mostly firmed through the last half of 2012 right into 2013. However, recently we have seen some weakening in the Latin American HLSO market as

buying interest has waned due to the high prices. Shrimp imports are likely to be seasonally good in the second half of 2013 as additional production areas come on line, but imports are unlikely to fully recover.

Large white shrimp production in India seems to be on track and supplies should improve shortly. Value-added production from Thailand, destined for retail, appears will rebound to a degree in the second half of the year.

Supplies of black tiger shrimp may increasingly be limited and at a premium as white production continues to dominate the market.

Adding to uncertainty in the market, on May 28, 2013, and not determined at the time of this writing, the Department of Commerce is scheduled to make its preliminary determinations on whether shrimp producers in China, Ecuador, India, Indonesia, Malaysia, Thailand, and Vietnam received countervailable subsidies, and if so, in what amounts. **U**

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Lobster tales



By Paul Brown Jr.,
Pbrownjr@urnerbarr.com

WARM WATER LOBSTER TAILS

Supplies of warm water lobster tails, *Panulirus argus*, in 2012 were down almost 8% from 2011. Imports from Brazil were down sharply while imports from the Bahamas were up significantly. Honduras imports were about even while Nicaragua was down 10%.

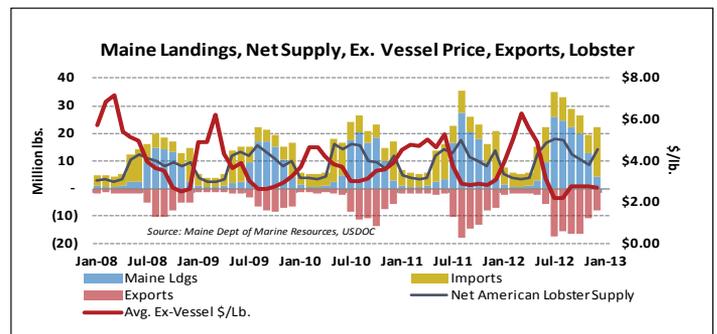
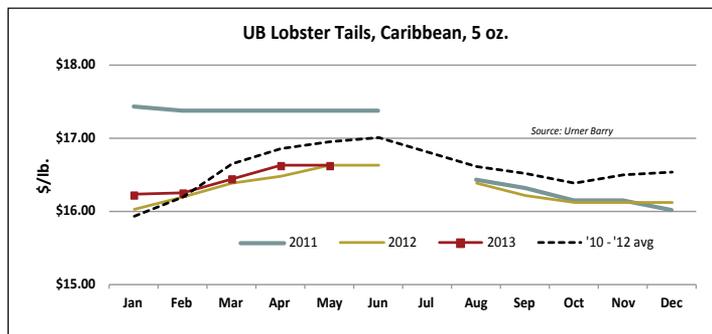
For the first quarter of 2013, tail imports are 4% higher with Brazil, Honduras and Nicaragua posting gains while Bahamas was lower.

For most of 2012 the warm water lobster tail market has been fairly stable. The season began in June or July and quotations moved somewhat higher toward the end of the year and into the first quarter of 2013. Production will resume in

Brazil June 1, followed by the Caribbean countries after July 1.

AMERICAN LOBSTER TAILS

The North American lobster tail market was interesting in 2012. The spring season in Canada began in May and the market established a level. Maine production began early and Canadian production continued heavy resulting in ample supplies and a declining market throughout the summer.



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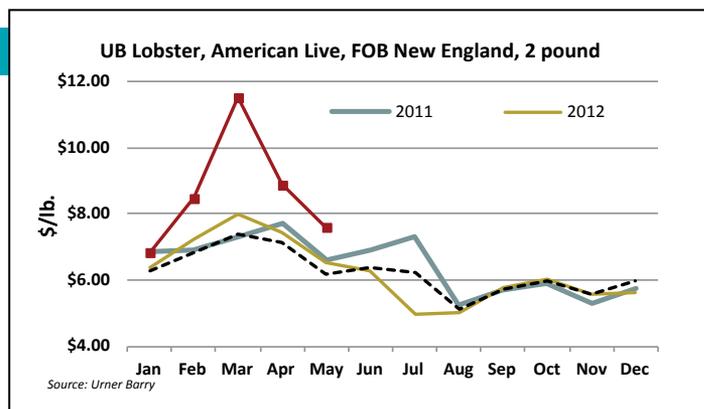
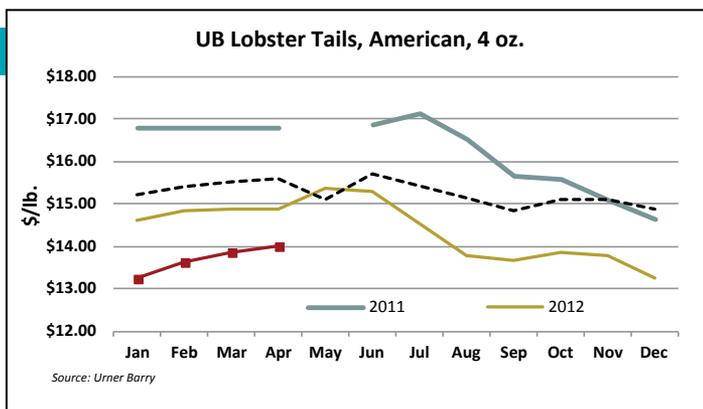
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In the first quarter of 2013 the market rebounded somewhat based on limited off-season inventories. May 1 began the Canadian season. Processors, wary of last year's high prices at the beginning of the season and the precipitous decline that followed the record catches, have offered lower boat prices. Although the season began with good catches, Canadian boats were tied up at the docks as fishermen were unhappy with the price. However, fishing has resumed and tail and meat production should improve. Good catches of lobster are again expected this year.

**AMERICAN LIVE LOBSTER:
An unusual set of events; Record landings and record high prices.**

MaryAnn Zicarelli, Maryann@urnerbarry.com

All-time record landings were reported in 2012. During the height of this heavy production, prices tumbled to record lows in July and August of 2012. As landings began to moderate, market prices increased in September and October before leveling off through the end of the year.

January 2013 marked the beginning of a significant spike in market price, and by mid-month prices reached an all-time high and continued to escalate from there. FOB New England selects (2-3 lbs.) peaked at nearly \$12.00/lb before descending towards previous average market prices. As of May, 2013, market prices were averaging around \$7.70 for selects; still higher than the four-year average.

So what caused market prices to soar during a year of record landings?

“As the off-season for most fisheries approached, small inventories were quickly depleted.”

Throughout the northeast, much of the enormous catch remained in local markets due to the quality. Shippable product was absorbed by buyers in other regions of the U.S. and in Europe leaving little product in inventory. As the off-season for most fisheries approached,

small inventories were quickly depleted. Record supplies had now proved to be short. Typically, lobster traders will tube or pound live product to meet the needs of buyers during the off season. In 2013, inadequate supplies were reported in many tubes and pounds. **UB**

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Record imports...again



By Angel Rubio
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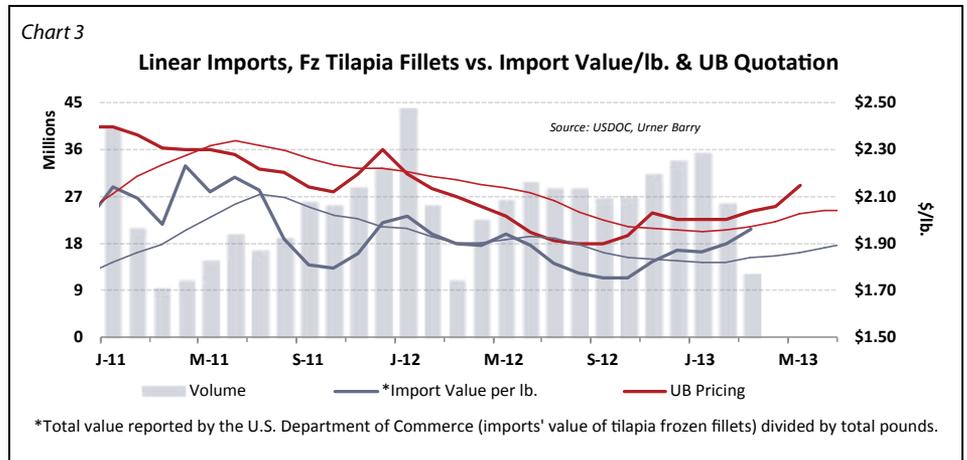
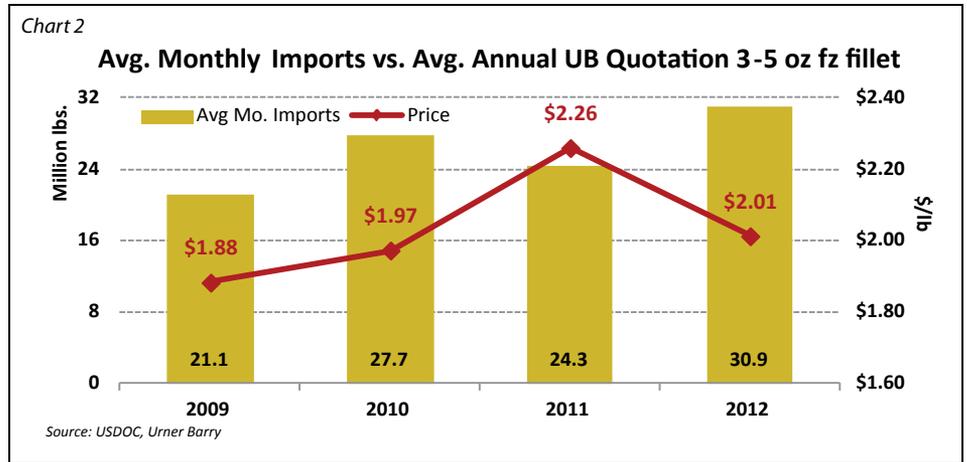
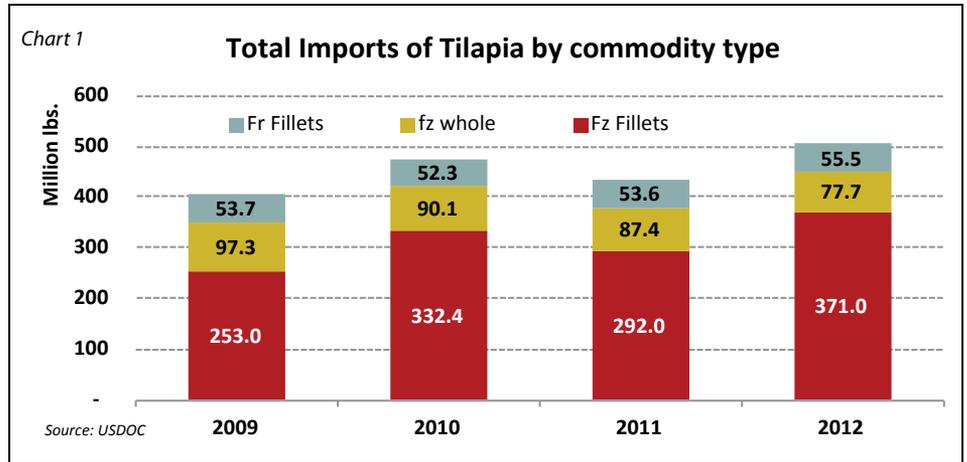
Imports of tilapia continued to grow to a new record high in 2012 despite growth rates for this market slowing down significantly in 2008 and 2009—with 2011 even contracting. However, 2012 could mark the rebirth of tilapia frozen fillets and it probably won't be because the American consumer prefers tilapia for its mild taste; rather because tilapia continues to be a relatively inexpensive protein that yields high value for a cash-strapped consumer.

Total volume of imported tilapia in 2012 reached 504 million pounds, an increase of 16% over the previous year and a 6% boost over 2010. Such surge in imports was led by frozen fillets, which managed to advance by 27% in 2012 reaching 371 million pounds. This figure is nearly one-third of all types of shrimp imports and more than half of

all salmon imports. As a result, it is likely that tilapia will regain its #4 spot in the top ten most consumed seafood species in the U.S. in 2012. In addition, it is important to mention that imports of tilapia frozen fillets hit a record high at the same time imports of pangasius frozen fillets also did. So, if tilapia is to maintain its position in

the market, it should pay close attention to imports of frozen fillets of pangasius, which made more than two-thirds of all tilapia frozen fillet imports in 2012.

We generally focus on the frozen fillet market because this commodity type makes up for more than 73% of total



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tilapia imports into the U.S. Still, fresh fillets do hold their own market niche and accounted for 11% of total tilapia imports—or about 55 million pounds in 2012. Additionally, frozen tilapia whole fish represented 15% of total imports—about 77.8 million pounds in 2012—and, similar to fresh fillets, this market found its niche years ago primarily with Hispanic and Asian consumers.

The frozen fillet market has experienced several changes over the past few months. To begin with, monthly imports in 2012 averaged nearly 31 million pounds, an increase of six million more pounds per month when compared to 2011. If all else is equal, then 27% more frozen fillets would have resulted in almost a similar drop in price. But things are seldom equal. Prices did, however, fall 11% in 2012 with respect to 2011 with a clear downward trend noted throughout the first three quarters of the year (chart 2).

However, overseas replacement costs—or the import value per pound—began trending higher in September 2012 for product that was bound to arrive into the U.S. in late October and throughout November. According to importers, it takes approximately 6 to 8 weeks for product to get to the U.S. after an order is placed.

Chart 3 illustrates replacement prices and Urner Barry quotations; volume is also added in order to show the amount of product entering the U.S. per month. However, many sellers found themselves in a disadvantageous situation when they placed their purchase orders overseas when inventories in the U.S. were plentiful. The surge in orders from importers trying

to secure enough product for the 2013 Lenten season and Chinese New Year prompted overseas packers to raise prices as demand increased.

As for Lent, demand was rated active but existing inventories kept prices in the U.S. (Urner Barry quotations) generally steady until March, when a slight uptick in price occurred as inventories began to deplete gradually. Consequently, prices began rising again in late April, a result that can be attributed to higher replacement costs in China—a likely situation as inventories and raw materials run seasonally low between March and May. So, sellers in the U.S. had the option of either replacing

“...tilapia continues to be a relatively inexpensive protein that yields high value for a cash-strapped consumer.”

product from China at the seasonally highest price point of the year; or raise prices for currently held inventories—thus slowing down product movement—to wait for the next set of Chinese harvests in hopes for prices overseas to come down. In theory, both options would lead to higher prices in the U.S. but as mentioned before, variables remain seldom equal. **UB**



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Shifts in net supply result in



James P. Kenny
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I dislike the use of the term “new normal,” but a historical look at scallops clearly indicates that the market is trading in a new range. From 2001 to 2004, dry 10/20 count domestic sea

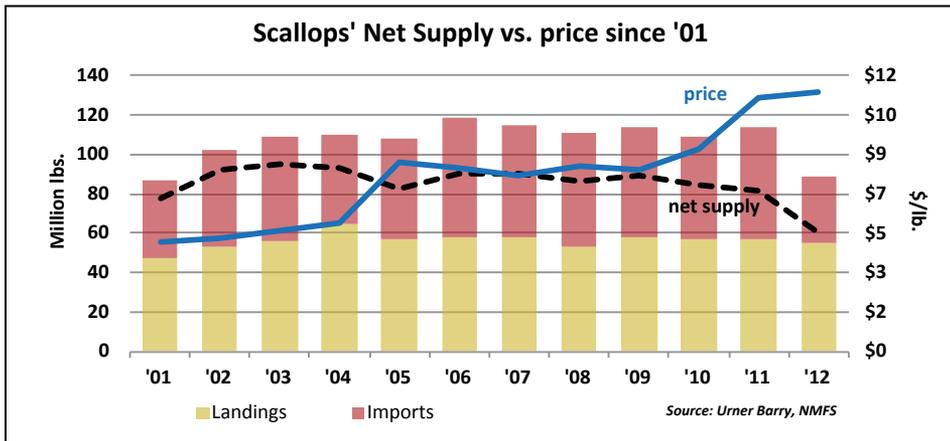
scallops traded in a band of \$4.30-6.75; then, from 2005-2010 that range extended to \$6.75-10.10; and now, 2011 to the present, that range is \$10.10-12.20.

The shifts in trading range coincide with significant changes in net supply. In the early 2000s, through sound management

and the resultant rebound in landings, net supplies grew to 95 million pounds. In fact, average landings increased 150 percent on average for the 4-year periods 1997-2000 to 2001-2004.

Then, between 2005 and 2010, net supplies shrunk to the 82.6 to 90.6 million pounds range which caused the market to trade in an elevated range. The 2004 to 2005 shift alone was an 11.3 percent decline in net scallop supply. While average landings proved to be largely reliable during this time period, and imports increased on average 19 percent, exports shot-up 106 percent. U.S. origin scallops were being increasingly exported at the expense of our net supply.

Another shift between 2009 and 2010 resulted in a nearly six percent decline in net supply; this started the market moving. In 2011, net supplies fell to 82.1 million



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new trading ranges



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pounds; and in 2012 to a troubling 60.5 million pounds. This one-year change signified a 26 percent decline in net scallop supply. Again, average landings were basically unchanged, but this time imports declined 22 percent and exports continued to grow another 16 percent.

THE MARKET

In 2012, the market for U.S. landed scallops was largely prototypical; however, there was a difference in pattern between dry and processed sea scallops. Market prices began to ease at the opening of the 2012 season, and continued to decline through early summer, but as the industry quickly realized there would be insufficient supplies, the market turned... at least the market for dry scallops. Buyers of premium, dry scallops readily accepted price increases rather than facing the consequence of not having scallops to offer. Conversely, a ceiling seemed to develop for the processed variety. It's been suggested that more "price sensitive" buyers have been driven away from the marketplace, resulting in a declining demand for processed products.

Market values for Canada origin products were generally stable, though at elevated levels. While the bulk of the 2012 catch was reported to be more towards the upper end of their spectrum, 10/20 and 20/30 counts; supplies of these too have eroded

and market prices have ranged full steady to firm. Supplies of both 30/40 and 40/50 count sizes were limited.

IMPORTS

Scallop imports fell considerably in 2012. Overall, imports were off 39 percent or 22.4 million pounds. In particular China (-65%), Canada (-12%), Peru (-60%), and Mexico (-82%) have all shipped far fewer scallops to the U.S. this year than in 2011. Meanwhile, Japan has exported a more traditional volume of scallops to the U.S. after a disruptive 2011. Japan has increased shipments 70 percent, to a more significant 8.5 million pounds.

EXPORTS

2012 scallop exports were off 11 percent from a record-high 32 million pounds in 2011. European buying slowed, led by declines in shipments to France (-21% or 1.5 million pounds) and Belgium (-32% or 1.3 million pounds). Sales to Hong Kong were also off (68% or 1.2 million pounds). Shipments to Canada were up, 18 percent or 1.4 million pounds. Currency devaluation, especially in Euro countries, weakened their buying power and desire to import from the U.S. In the case of Hong Kong, better availability from the Asia region lessened their dependency on U.S. origin scallops.

EFFORT AND WHAT'S COMING

Looking ahead, the FY2013 scallop season is already underway, but there is plenty of change in store for the fishery. Framework Adjustment 24 to the Sea Scallop Plan was approved at the November 2012 meeting of the New England Fishery Management Council and expected implementation was May 2013. The action sets specifications that include adjusting the days-at-sea allocations, general category fishery allocations and the area rotation schedule for 2013.

Each year, fishing vessels are assigned both days-at-sea and a number of access area trips. In the last five years, vessels have been assigned between 32 and 37 days-at-sea, and four to five access area trips for a total haul between 52 and 62 million

"It's been suggested that more "price sensitive" buyers have been driven away from the marketplace..."

pounds. However, for FY2013, the rules have been substantially revised because the overall sea scallop catch is expected to be nearly 30 percent lower than in recent years due to lower biomass in the scallop rotational access areas.

While vessels will be allocated similar open area effort levels, 33 days-at-sea for full time vessels, only two access area trips will be allowed at a reduced limit of 13,000 pounds compared to four trips at 18,000 pounds in 2011 and 2012. This action could effectively reduce the potential scallop take from 62 million pounds in FY2012 to 43 million pounds in FY2013. **U**

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Exports continue to drive pork market



By James P. Kenny
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“Unlike in 2011, pork exports in the latter half of 2012 and the beginning of 2013 showed that when soft, they can drive down the market as fast and efficient as they can propel it on the way up.”

INTRO

Similar to 2011, exports continued to drive the pork market in 2012 and into the first months of 2013. However, unlike 2011, pork exports in the latter half of 2012 and the beginning of 2013 showed that when soft, they can drive down the market as fast and efficient as they can propel it on the way up. This, along with a high stakes election, East Coast “Super Storm,” high gas and corn prices and overall global economic worries will be the ongoing theme used to explain volatility seen

throughout 2012 and the various avenues that compose the pork market.

REDUCED HOG PRICE AND HERD

In 2011, the bellwether Iowa-Minnesota live hog market area saw livestock trade in a range of \$52.33 to \$79.72/cwt and end the year 10.8 percent above where it began. In contrast, 2012 saw the same market ranging between \$47.12 and \$76.89/cwt, peaking in mid-summer, and returning to a level by the end of December .5 percent below the beginning of the year.

The United States inventory of all hogs and pigs on December 1, 2012 was 66.3 million head; down slightly from last year and down 2 percent from September 1, 2012. The breeding inventory on December 1, 2012 was 5.82 million head; up slightly from last year and the previous quarter. Market hog inventory, at 60.5 million head, was down slightly from last year and down 2 percent from last quarter.

The total number of hogs under contract owned by operations with over 5,000 head, though raised by contractors, accounted for 47 percent of the total United States hog inventory, up 2 percent from last year.

PORK PRODUCTION

The 2012 federally inspected hog slaughter, at approximately 112.3 million head, represents a gain of 2.1 percent over 2011, compared to a .59 percent gain between 2011 and 2010 totals. This resulted in gains of federally inspected production of 2.18 percent compared to 2011, a year-over-year gain .73 percent greater than the difference

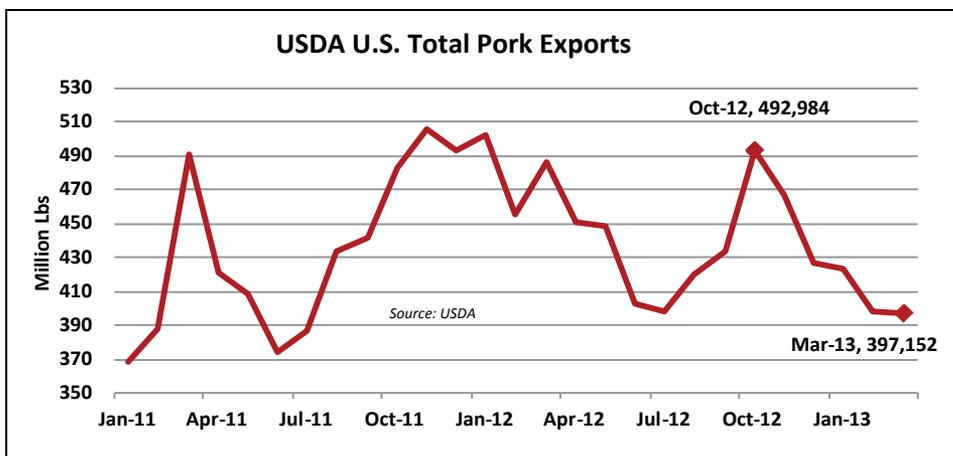
between 2011 and 2010. Average dressed hog weights were nearly identical between 2011 and 2012 at 206 lbs for the year. Sows comprised 2.68 percent of the slaughter, compared to 2.75 percent in 2011. With softer late-year exports and an increase of 2.1 percent in slaughter, it becomes easier to understand the lackluster year that 2012 became.

EXPORTS

To more accurately frame what happened in pork exports since a year ago, we need to divide the time period into two. We will first discuss year-over-year changes, followed by the period of October 2012, or the recent peak in pork exports, through February 2013 because there are starkly different stories told between the two. Total exports in 2012, at 5.38 billion lbs, was 3.66 percent over 2011. However, following a decline from all-time-highs in Chinese exports and economic slowdowns among other major trade partners, total pork exports declined by 95 million lbs or 19.34 percent between October '12 and February '13. For the first two months of the year, 2013 saw a substantial 136 million lb deficit in exports compared to the same period a year prior. Mexico and Canada reflect similar import volume situations. Year-over-year, they gained 12.09 and 15.86 percent respectively, from 2011 levels. From October however, exports to these two countries fell 23.69 and 11.92 percent or 25.4 and 6.2 million lbs respectively. Still reeling from the highs in 2011, exports to China dropped 4.23 percent year-over-year and 1.5 percent from October.

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In recent years, China has been the featured country, either for positive or negative reasons, when we discussed pork exports. However, due to bold economic policies beginning in September, Japan has become just as interesting of a case study. Long the leader in pork export value, Japan saw a 6.85 percent decrease in year over year exports and an 18.7 percent decline from October '12 to February '13. This decline in exports is of particular interest due to substantial losses in the value of the Japanese Yen during the same 4 month period; losses amounting to 21 percent by February. Aggressive policy stances taken by the Bank of Japan which act much like Quantitative Easing (QE) in the U.S. indirectly devalue the Yen in an attempt to spur domestic growth. The negative effect of such a policy however is that for Japanese importers, purchasing power of the Yen just decreased substantially, making the process of importing U.S. pork less appealing. This looks to be just the beginning of a new chapter in pork exports, and the industry should be watching closely as we move forward.

With domestic production up and exports trending down in 2012, it should come of little surprise that U.S. pork imports were throttled back from 2011. Total pork imports were .22 percent less year-over-year, while imports from Canada and Denmark dropped 1.48 percent and 7.23 percent respectively from their 2011 totals.

The number of hogs sent to the U.S. from Canada declined from 2011; losing a notable 2.46 percent. Feeder hogs made up the largest portion, comprising over 84 percent of the total. The number of slaughter ready hogs imported

from Canada represented 14.24 percent of the total, down from 15.74 percent last year.

In 2012, disappearance, or what is left when you subtract exports from the total pork produced and imported into the United States, rose by 2 percent or 300 million lbs from 2011.

WHOLESALE PRICES FALL FLAT

The pork cutout—a composite of pork cuts, trimmings and variety meats – fell short of the record levels seen in 2011. In 2012, Yellow Sheet cutout values ranged between \$76.06 and \$98.70/cwt, averaging \$84.44/cwt. This average was roughly 8.9 percent under that of 2011 yet 9 percent above the five-year average. The lack of a strong Chinese presence is especially evident in the reduction in cutout values, as at their peak, China was importing a record breaking amount of 3-piece carcasses, or nearly the entire hog which helped to push up values for almost every cut.

With exports to Mexico and China lagging 2011, ham values in 2012 failed to keep pace with the previous year. That, combined with only average sales for both Easter and Christmas resulted in bone-in hams ranging between \$61 and \$85/cwt; averaging \$73.86/cwt. This figure is 11.19 percent below 2011's average price yet 5.2 percent above the 5-year average.

During the summer of 2012, pork bellies made an attempt at reaching the record

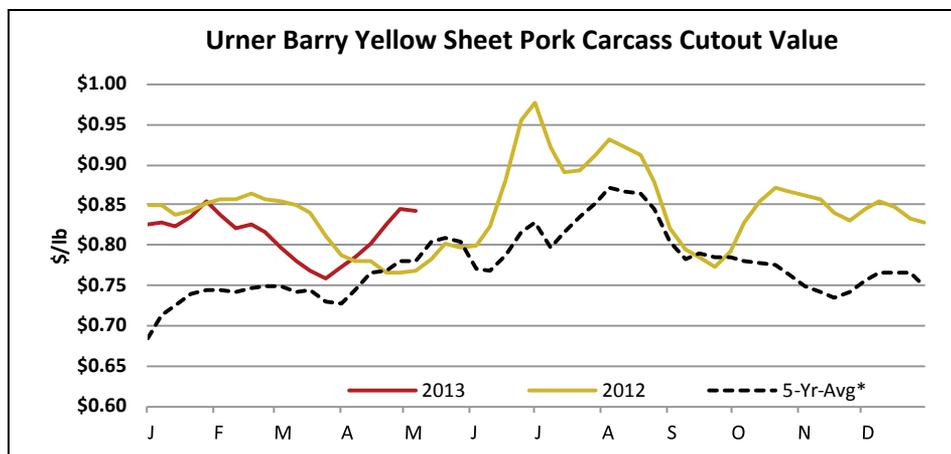


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high of \$160/cwt seen in 2011 and 2010, yet came short by just \$5/cwt. The theme of coming just short of 2011 extended throughout much of the year for bellies. All primary sizes ranged between \$85 and \$155/cwt, averaging \$119.35/cwt. In 2011, they ranged between \$100 and \$160/cwt, averaging \$125.25/cwt or 4.71 percent above 2012.

Like hams and bellies, sausage making materials fell far short of 2011 levels due to much of the same aforementioned macro factors. Fresh 42 percent trim ranged

Continued on page 48



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between \$32 and \$65/cwt, averaging \$46.54/cwt while fresh 72 percent trim ranged between \$47 and \$85/cwt, averaging \$88.55/cwt. Compared to 2011, 42 and 72 percent trim averaged 23 and 25 percent lower respectively.

When looking at representative items in the retail pork complex for 2012, each had averages that were below 2011 levels, but higher than the 5-year averages. Retail pork products fell victim to a series of factors like soft exports, lack of featuring, and weak consumer demand. Product values

in the back-half of the year experienced some of the steepest declines in the last 10, as the complex was particularly hard hit in quarters three and four by a series of factors. In the back-half of 2012, pork production was up two percent compared to a year ago. In addition to more pork, income insecurity caused by major events like "Super Storm" Sandy, a presidential election, and the looming expiration of the payroll tax holiday created economic uncertainty and scuttled demand. Loin meat is a perfect item to study for a look into consumer demand as this remains the dominant fresh pork product at retail. From a June high, pork loin prices fell

29 percent, where they would normally decline 19 percent; butts lost 18 percent where the norm is 10. Sparerib values were also led lower, but in more typical fashion. Additionally, spareribs enjoyed some Q4 support in the form of orders that needed to be processed and frozen for future delivery. During Q1 2013, especially weak were butts and spareribs; butts are a significant export item, and felt the full impact of the decline in overseas orders; and spareribs, which are generally consumed away from home, felt the weight of a dull economy.

With hog prices remaining elevated compared to wholesale values in the first half of 2012, the Dow Jones Estimated Pork Packer Margin Index remained in the red until the first weeks of August. During this time, the index posted an all-time low of -\$22.44/head in early July. On average, standard operating margins in 2012 were -\$2.284/head, 128% lower than the 2011 average of \$8.08/head.

LOOKING FORWARD

According to the USDA, March 1 inventories of all type hogs are larger than a year ago, which is expected to result in a roughly one percent increase in 2013 commercial pork production; from 23.251 billion pounds in 2012 to 23.505 billion pounds in 2013.

The USDA adds that due to relatively low exports in January and February, and expectations for continued weakness in a number of markets, USDA lowered its 2013 pork export forecast to 5.2 billion pounds, 3.3 percent below a year ago.

Larger numbers, the resultant increase in pork production, and a weak foreign demand for U.S. pork products, makes for a rather neutral outlook. The average base cost of a live hog in 2013 is expected to fall in the range of \$58.00 to \$60.00/cwt; compared to an annual average of \$60.88/cwt in 2012 and \$66.11/cwt in 2011.

Considering these factors, wholesale values, or the cutout, are expected to see limited growth compared to last year. According to our partnered forecasting service Obsono LLC, the pork carcass cutout is expected to rebound roughly 1.6 percent on average year over year. **LB**

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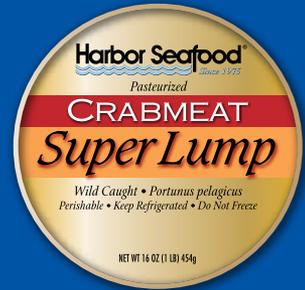
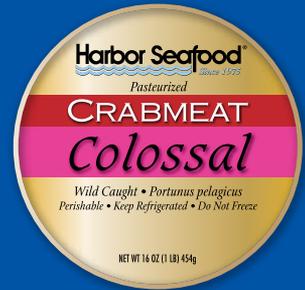
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Past, present, and what is the outlook?



By Bruce Longo
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and Gary Morrison

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Before we take a peek at the boxed beef market for the remaining months on the 2013 calendar, let's look at the definition of the word OUTLOOK according to the Merriam-Webster Dictionary.

Definition of the word: OUTLOOK.

- 1: a place offering a view
b: a view from a particular place
- 2: point of view <a positive outlook on life>
- 3: the act of looking out

The objective of this OUTLOOK will include some focus on definition number three, the "act of looking out" or what could be considered "a forward look" at beef markets. Definition number two

shows a sample of a point of view by listing <a positive outlook on life>.

There may be many folk in the industry who would think that the word "positive" may not apply to what has happened in beef markets over the past, what is currently occurring with beef fundamentals, and what will the future hold with beef markets?

As the boxed beef market is about to enter into the second half of 2013, let's take a moment and reflect on the past. Over the last 12 to 15 months, beef markets saw extreme precariousness. Extreme weather incidents played a large role with supply trends of both cattle and fabricated beef products. Consumer demand has waned as households found dispensable income had not increased. Cautious spending at retail and foodservice has hovered over beef markets for some time now, as the domestic economy struggles for recovery.

Export markets saw growth develop at times in areas such as Asia, while also seeing pullbacks materialize as some foreign countries implemented regulations forbidding U.S. product containing beta-agonists. Let's not forget about LFTB-Lean Fine Textured Beef or "pink slime" as named by some.

Last year's Summer 2012 Boxed Beef Outlook in *Urnner Barry's Reporter* had a keen focus on LFTB, which at time of publication was the main storyline within beef markets. While talk of "pink slime" has subsided a bit, the decline in production of LFTB certainly has left its mark within the industry. An estimated additional 1.5 million cattle are needed to fill the gap left by the disappearance in supply of LFTB that was utilized in the processing manufactured blended ground beef. Finding the additional cattle comes at a time when cattle supplies have dwindled due to both drought conditions in cattle



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producing regions that prompted herd reductions, as well as cattle owners mired in poor economical times.

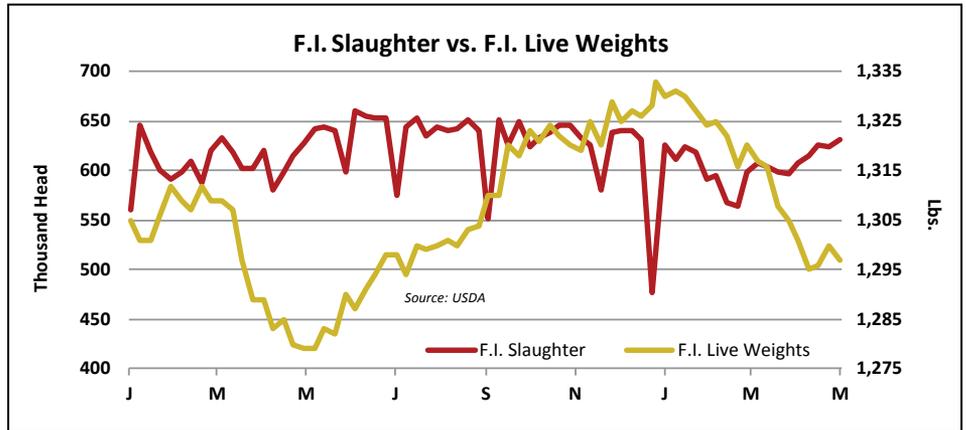
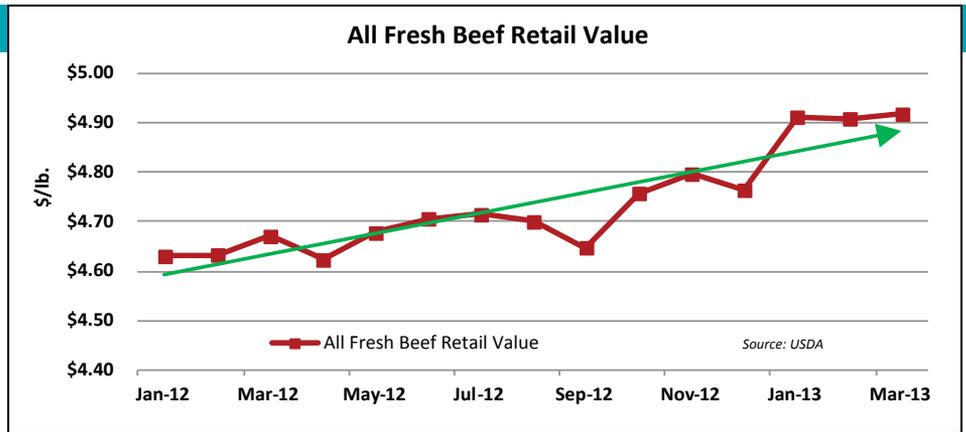
Struggling economical signals is not something new to beef, cattle and associated protein markets. Since the October of 2008 crash of the U.S economy, domestic households spending for beef has dwindled. The cautiousness displayed by the shopper was seen as a reaction to several factors. Notwithstanding the financial quagmire presented by the Wall Street Market crash in the fall of 2008, consumers have seen additional pressure placed on their household budgets.

The price of beef at the retail counter continues to escalate, with the average price of a pound of beef at the supermarket hitting a reported historical high at \$5.30 according to the March 2013 USDA report. As 2013 opened, the government increased the Social Security Tax by an additional 2%. Trading down to less expensive protein would be a course of action for many households given the increased tax rate.

How about the foodservice segment of the beef market? Restaurants continue to struggle to find expansion after the crash of the U.S. economy. Dining out appears as more of a luxury event for the family, choosing to cook more meals at home.

How about the beef processing portion of the beef industry? What has that segment of the industry had to endure? Drought has unquestionably made its presence known within the cattle industry. The drought of 2011 developed in the southern plains. Not only has the lack of moisture lingered since the summer of 2011 over cattle pastures located in the southern states, but drought conditions have migrated north. Summer of 2012 had severe drought conditions permeate the Great Plains region, where a large portion of cattle are raised.

For several years there was talk of overcapacity within the packing sector of the beef market. The pullback in consumption of beef, (U.S. per capita consumption of beef has fallen below 60 pounds per year which could loosely relate to “declining demand for retail



beef”), along with the downsizing of the cattle herd, had analysts projecting some processing plants could close due to unfavorable market conditions. The sustained drought in Texas forced one of the major U.S. beef processors shutter a plant in northwest Texas in the early stages of 2013, citing unfavorable market conditions which included the lack of supply.

The rate/pace of the Federally Inspected Slaughter has slowed given the availability, or lack thereof, of cattle coming out of feedlots. Government reports have detailed the downturn in feedlot placements, attributed to herd contraction. In the final months of 2012, projections for Q1 and Q2 cattle supplies were bearish, with thoughts that total commercial beef production in the beginning of 2013 would come in nearly 6% lower on a year-over-year basis. What has developed in the first half of 2013 was contrary to the outlook seen prior to the start of 2013. While the rate of slaughter slowed, commercial beef production did not retreat as cattle weights during Q1 and Q2 2013 averaged nearly 18-20 pounds heavier than the same period in 2012. Market analysts have looked at the back half of the 2013 calendar and are projecting Q4 2013 may in fact be the

time period where supplies of cattle and beef land nearly 6 percent lower when contrasted with the same period in 2012.

Some export markets have been and are able to sustain a friendly position with U.S. beef processors, while some foreign outlets have adopted a “hands off approach.” Japan is now accepting beef products from cattle less than 30 months of age, rather than the protocol that was in place that stated under 21 months. This has resulted in a yearly increase of 28% export volume to Japan. Other markets such as Russia have implemented regulations currently prohibiting beef containing Ractopamine, (a beta-agonist that promotes lean muscle growth in livestock). Overall beef export market volumes have grown slightly in 2013, but processors are benefiting from the increased value of their export product as they see a nearly \$9 improvement in the 2013.

Let’s summarize this OUTLOOK by asking the questions: Will the Boxed Beef market see a POSITIVE OUTLOOK in the near term future? Will the Foodservice sector realize any expansion? Can Retail business for beef improve? Will the fundamentals allow for a positive OUTLOOK for beef markets? **UB**

Buyers bolstering boneless inventory



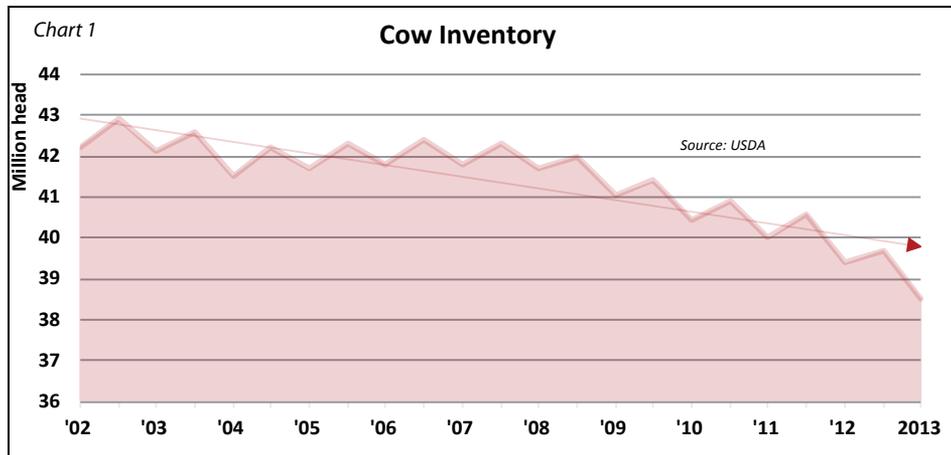
By Joe Muldowney
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IMPORTED MANUFACTURING BEEF

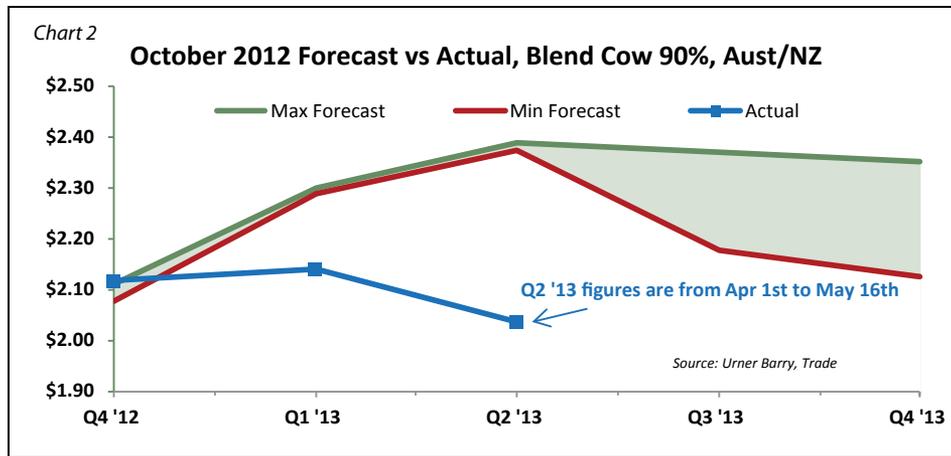
The United States gets much of its lean imported manufacturing beef from

Australia and New Zealand. In addition to product from Oceania, the U.S. also sources lean manufacturing beef from countries in Central America. This product is used in the production of ground beef patties and processed foods including roast beef, beef jerky and meatballs to name just a few. In many

instances, imported manufacturing beef is used interchangeably with domestic lean beef coming from dairy and beef cows. A change in the price of imported can affect fresh and vice versa. Fatter imported manufacturing beef competes primarily with product coming from U.S. domestic-fed cattle slaughterers.



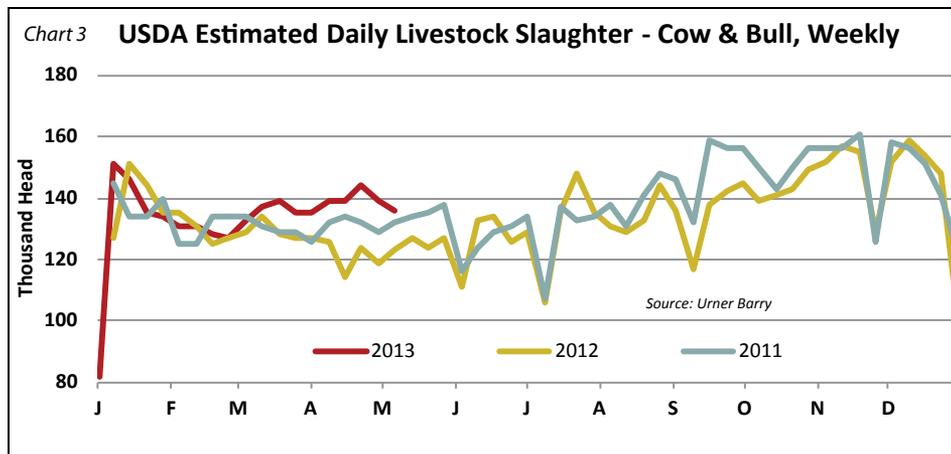
(Chart 1) In Q3 of 2012 there was a developing concern that years of liquidation of the U.S. cow herd, resulting from poor returns and drought, would reverse itself in 2013. U.S. cattlemen would be retaining cows and heifers for breeding and this would limit the supply cows offered for lean beef production. The expectation was for sharp increases in the market price of both domestic and imported lean beef (Chart 2). It was hoped that imported beef would help fill the shortfall of U.S. domestic product.



Looking at Blend Cow 90%, which is a benchmark item for imported beef, we see that imported beef trading levels for 2013 have failed to achieve some of the lofty expectations that existed last year. Why did this happen?

A COUPLE OF REASONS -

Last year when users saw the sharply higher forecasts, they began to stockpile frozen beef—both domestic and imported. Indeed, prices for imported beef were advancing in Q4 2012. Overseas packers were contending with flooding, ideal grazing conditions and year-end holiday production schedules.



Other factors were also supporting the market - China's beef prices were advancing as the country cracked down on the illicit "grey market" channel where product that might not otherwise be permitted into the country, enters via from places like Hong Kong and Vietnam. By some accounts, as much as one third of China's foreign beef supply was entered through these grey market channels. As the crackdown squeezed the countries supply and pushed beef prices higher, China looked to Australia and New Zealand to help fill the void. This beef might have otherwise been shipped to the USA.

more bearish than bullish

For U.S. FOB buyers, the top of the 2012 Imported Blend Cow 90% market came in December at \$218/cwt. In addition to the yearly high, this price also represented an all-time high. Trading levels in Q4 2012 were indeed several percentage points over 2011 price points. It appeared that things were developing just as forecasted and the lean beef markets seemed poised to push even higher.

Q1 2013 was a different story. Lean beef prices were unable to build on the highs they put in late in 2012. Processors were working through inventory that they loaded up on during Q4 2012. This kept spot needs to a minimum. Consumers also found themselves with less money in their paychecks due to a payroll tax increase that was implemented in January 2013. The New Zealand beef production season started earlier than normal which made Kiwis aggressive sellers as they worked to reach target sold levels (Chart 3). In March, U.S. domestic cow slaughter, while varying widely from region to region, saw an overall increase. This added even more supplies to the market and kept a ceiling on prices.

With the market failing to perform as expected, U.S. buyers became extremely cautious which exerted even more downward pressure on price. For most of Q1 2013 the trend was a declining one. In mid-February, prices fell below 2012 levels. The downward trend continued, and by mid-April, prices fell below 2011 levels.

As we move through the month of May, buyers remain slow to react as the downward market has rewarded cautious and hand-to-mouth purchasers. Bulls continue to express some optimism that a seasonal decline of New Zealand slaughter and increased grilling activity might eventually reverse the trend and set the table for a volatile summer.

DOMESTIC BONELESS

Domestic fresh 90s opened the first quarter of 2013 at significantly higher price levels when compared to previous years. Tight supplies of cows were once again considered the leading cause for the firmer market. The average price for the

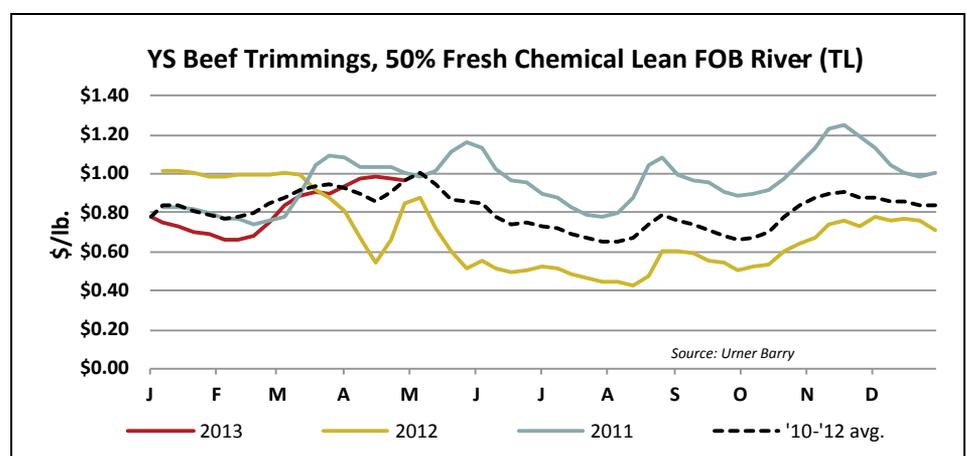
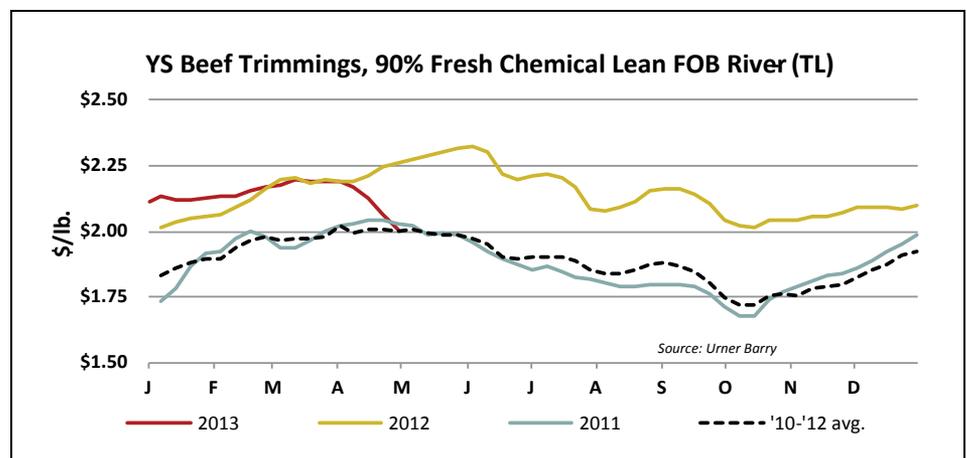
month of January 2013 was \$214.73/cwt; \$9/cwt higher than January 2012. Cow and bull slaughter levels were higher in January, March and April when compared to last year. The monthly average price the month of February remained significantly higher than 2012 levels. March and April experienced a decline which was largely attributed to the non-fed slaughter being larger than expected. The outlook moving forward is mixed as so many outside factors are impacting this market such as imported beef prices, currency exchange rates and more.

Fresh 50s opened Q1 of 2013 with prices trending slightly lower at a discount compared to previous years. The average price in January 2013 was \$74.39/cwt—roughly 26.5% lower than 2012 and down 12.06% relative to the four-year average. While prices declined significantly in January, February and March, prices did rebound in April. The average price for

“With the market failing to perform as expected, U.S. buyers became extremely cautious which exerted even more downward pressure on price.”

the month of April was \$98.16/cwt; likely a result of heavy discounting on leaner boneless beef. Traders are keeping a close eye on the cattle slaughter and buyers continue to take a cautious approach to the market as prices typically trend lower into the summer.

Uncertainty still lingers around both the domestic and imported beef markets. Unanswered questions still remain when dealing with the domestic economy, product availability, currency fluctuations, etc... How will all of this affect availability and pricing move forward? **UB**



Lower-priced proteins silencing the lamb?



By Bill Smith
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Seasonal demand for the lamb typically peaks at holidays like Easter, Thanksgiving, and Christmas. The lamb industry continues to struggle with the fact that lamb is not normally seen on the nightly dinner table of the average American family.

For most of Q1 2013, after the monthly average price fell each month in 2012, carcass prices have been fairly steady. Using the 65/75 weight selection as a benchmark, the average monthly price was down 25% for the month of January. On average for the first quarter of 2013 prices were down 22.5% compared to 2012. Price ranges between the different weight selections remained evident as supplies of the heavier

selection were more readily available than the lighter ones.

The boxed cuts were under pressure as packers struggled to deal with limited demand and ample supplies. Prices were generally lower throughout the first quarter.

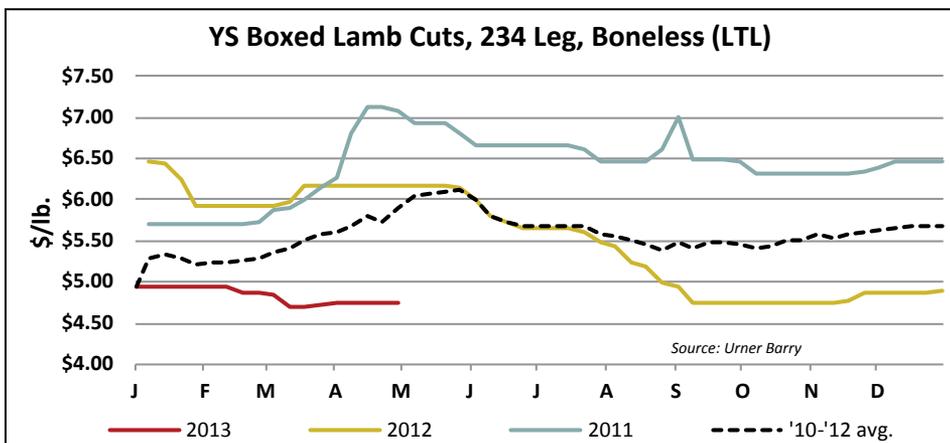
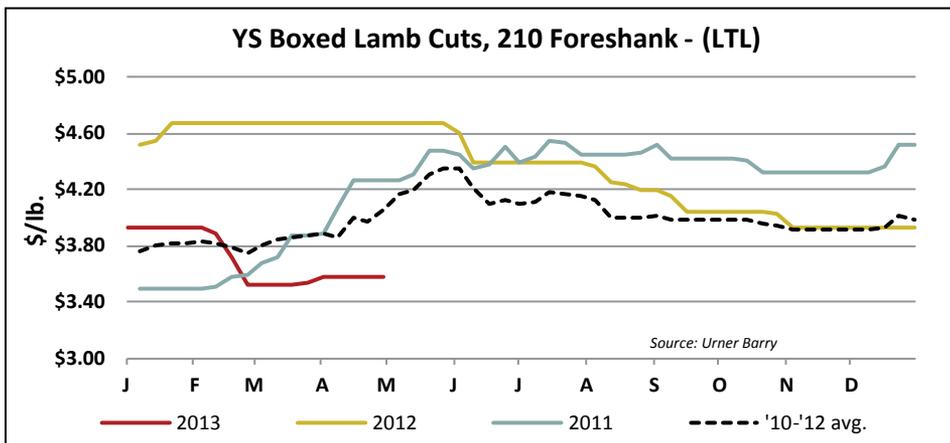
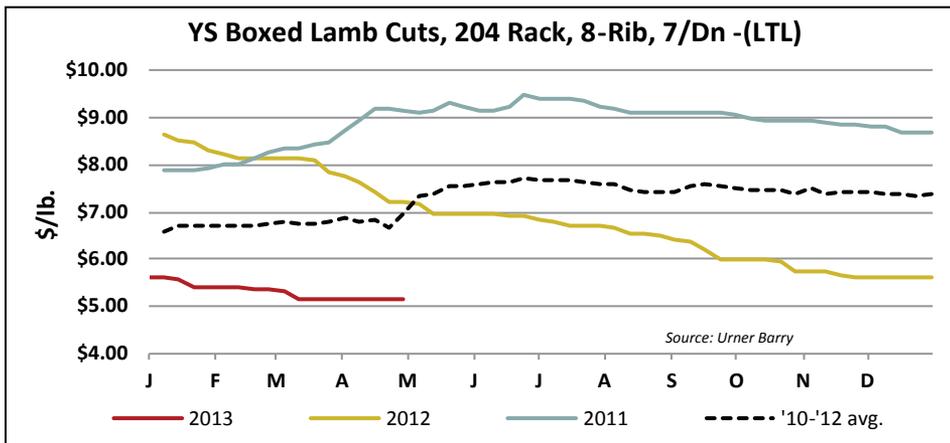
Foreshanks trended lower for the majority of Q1. In fact, Q1 2013 depicted an average monthly price decline of roughly 20% compared to Q1 2012. More readily available supplies and limited demand are apparently the main contributing factors for the discounted price levels this year. Sources are optimistic that demand will improve moving forward.

Shoulders opened 2013 with prices for January at lower price levels relative to January 2012 and that trend continued for the rest of the quarter compared to 2012. The average price for the shoulders in April 2010 was \$2.31/lb, April 2011 \$3.13/lb; April 2012 \$2.45/lb; April 2013 \$2.30/lb. A lot of participants questioned when this trend would change?

Racks started Q1 with prices at a significant discount when compared to last year. January, February and March average monthly price levels were all down about 32% compared to equivalent time period for 2012. April's monthly average price of \$5.50/lb was also lower than 2012 but only 27% lower. The heavy discounting was largely attributed to cutbacks in demand.

Leg prices were consistently lower throughout the first quarter of 2013. Percent changes when comparing monthly price levels of 2013 to the respective 2012 month ranged from down 17% in February to down 22% in both March and April.

Progressing further into 2013, most traders are expecting both the lamb carcasses and boxed cut values to be steady to weaker. Buying interest is reportedly the major concern. Lower-priced proteins will continue to be a hurdle for the lamb complex. Supplies of domestic lamb, availability of imports and economic conditions are several issues the lamb industry will need to watch for as 2013 progresses. **UB**



Grease lightening

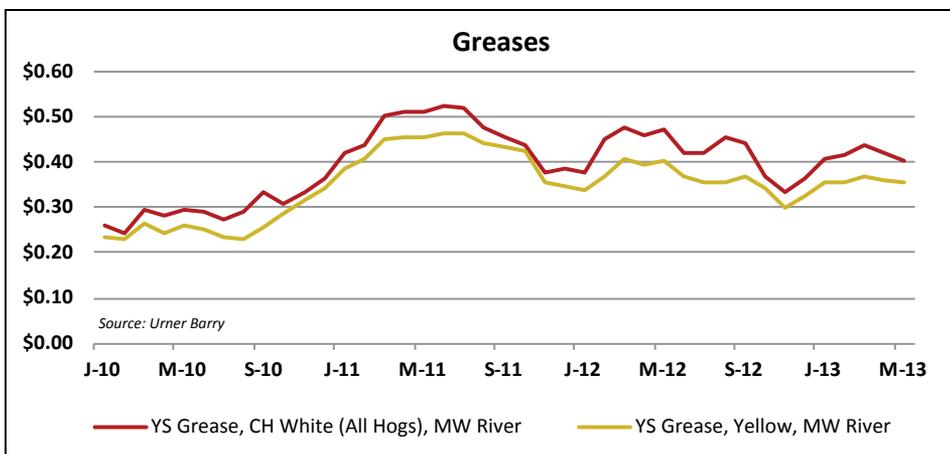
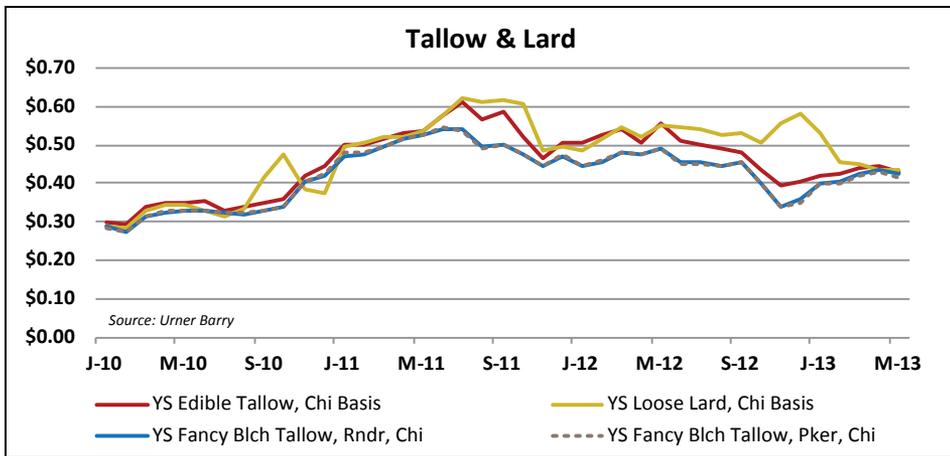


By Bill Smith
Bsmith@urnerbarry.com

As 2011 experienced historical high prices on the edible side of by-products, 2012 and throughout the first quarter of 2013 had both edible tallow and loose lard trading at discounts. Edible tallow started the first quarter of 2013 off with mostly steady price levels but at a discount when compared to 2012. Loose lard, was mixed, January was up roughly 9.5%, whereas February, March and April were each down. Weakness in both of these markets was largely attributed to uncertainty surrounding demand. Aspects to keep an eye on moving forward would have to be production levels, feed demand, biodiesel production and government regulations to name a few.

Inedible tallow and grease price levels so far in 2013 were down slightly in comparison to 2012 prices. Q1 2013 monthly average prices for both renderer and packer tallow were down each month of the first quarter relative to 2012. When looking at the four-year average, prices are still up (between 11-17%). Choice white and yellow grease followed a similar pattern compared to 2012 where prices were down (with the exception of January); however, relative to the 4-year average, prices were up considerably.

Concerns for the by-product market moving forward are generally consistent with last year. Topics like availability of product, demand from the biodiesel sector, government regulation and more apparently are not going away anytime soon. The affect these types of issues will have on the market as we move forward are still largely unclear. **UB**



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A common challenge is the basis for a great relationship...

National Turkey Federation Calls for RFS Reform



Jim Mason, Chairman of the Virginia Poultry Growers Cooperative, on Capitol Hill as a representative of the poultry industry.

*Contributed by the
National Turkey Federation*

On a hot spring day, outside of the United States Capitol, an unlikely group of supporters joined Representatives Bob Goodlatte (R-VA), Jim Costa (D-CA.), Steve Womack (R-AR), and Peter Welch (D-VT), at a press conference to announce the introduction of the “Renewable Fuel Standard (RFS) Reform Act” to the House of Representatives. If passed into law, this new, bipartisan legislation would eliminate the corn based ethanol mandate, reduce the overall requirements of cellulosic ethanol not filled by advanced biofuels, and rescind the requirements to blend 15-percent of ethanol into the fuel supply.

What made the day special was that it was not just animal agriculture organizations like the National Turkey Federation (NTF), who have been hurt by the RFS’ impact on the feed supply, supporting Mr.

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Goodlate and his colleagues at the event. Taxpayer advocates, anti-hunger groups, environmental organizations and other public interest groups are strong backers of the bill.

“One might wonder what brought this coalition together,” said NTF President Joel Brandenberger. The answer is that corn-based ethanol is not simply hurting the animal agriculture industry, it affects every American. In the grocery store and in their businesses, the price of corn is hurting our economy.”

Damon Wells, NTF’s Senior Vice President of Legislative Affairs said, “When so many different voices come together to sing the same tune, that tends to get Congress’ attention, as it should with RFS reform. Too many people and business sectors are hurting from this one law. Since the RFS’ enactment in 2005, NTF realized the devastating impact it would—and still—has on the turkey industry. The new legislation gives NTF another platform to fix what has proven to be a severely broken policy.”

The RFS already is diverting more than 13 billion gallons of corn—40 percent of the nation’s supply—to ethanol, and that mandate will increase to 15 billion gallons by 2016. While the RFS is causing food prices to soar, it is not benefiting drivers either because it is a less efficient fuel when blended with gasoline. Unfortunately, the hardships have not resonated with the EPA, who is requiring refiners to blend 1.75 billion gallons of cellulosic ethanol—which currently does not exist—in 2014. If refiners do not meet the mandate, they face fines, which are inevitably passed on to consumers at the pump.

The RFS has hurt the turkey industry by increasing the cost of feed by over \$1.9 billion last year alone. NTF Chairman John Burkel, who is also a turkey grower, put it this way, “Since the RFS was first instituted in 2006, a total of five turkey companies have either gone out of business or filed for Chapter 11 protection. In every instance, the company cited high corn prices and the RFS as a major contributing factor in their decision.

We want to find a mutually workable solution for our industry and ethanol producers, but that solution has to start with an honest recognition of what the current policy has done.”

Jim Mason, Chairman of the Virginia Poultry Growers Cooperative, spoke at the press conference as a representative of the poultry industry. He said, “I want to thank Congressman Goodlate and the other co-sponsors of the RFS Reform Act who worked so hard to get us here. Everyone in the poultry industry should support this legislation, and finally right this wrong.”

At this writing, H.R. 1462 is before the House Energy and Commerce Committee and Congressman Goodlate has 28 co-sponsors, but is seeking more. NTF encourages all members of the poultry industry to support Congressman Goodlate in his efforts to reform the RFS by asking your members of Congress to sign-on as a co-sponsor, and by letting your representative know you want them to vote ‘yes’ on RFS reform. **US**



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Colonial Williamsburg, Virginia

© Steveheap | Dreamstime.com

Colonial Williamsburg was the thriving capital of Virginia when the dream of American freedom and independence was taking shape. In its formative years, from 1699 to 1780, Williamsburg was the political, cultural, and educational center of what was then the largest, most populous, and most influential of the American colonies. Historians agree that it was in Williamsburg that the fundamental concepts of responsible leadership, a sense of public service, self-government, and individual liberty—were nurtured and eventually became the cornerstones of the then fledgling republic.

Today, after extensive restoration which was enabled by the liberal philanthropy of John D. Rockefeller, Colonial Williamsburg stands as a testament to generosity of spirit, uncompromising

ethic and a strong desire to ensure that the courageous ideals of the patriots who helped create the American democratic system live on for future generations.

In colonial times, similarly to today, Williamsburg's restaurants and taverns were part of the fabric of society providing ample opportunities to share a delicious meal, spin a few tales and enjoy a cold tankard of a favorite beverage.

The USA Poultry and Egg Export Council will be flocking to Williamsburg this June for their Annual Meeting. So as to ensure that no one comes or goes on an empty stomach, *Uner Barry's Reporter* took up the challenge of calling on a few locals and doing some research of our own to compile a "go to" list of some of the finest eating establishments in town. You can tell them the *Reporter* sent you!

CHOWNING'S TAVERN

If listening to the sounds of an 18th century sing along while enjoying classic colonial cuisine is your cup of tea then look no further than Chowning's Tavern. There is nothing typical about this tavern. Originally opened by Josiah Chowning in 1766, who wanted to appeal to the "ordinary sort," this one-of-a-kind tavern offers menu items that are anything but ordinary. From Welsh rarebit to southern favorites like Brunswick stew and Virginia pulled pork sandwiches; this menu aims to please. You will enjoy the feast in front of you as well as the entertainment that fiddlers and servers in 18th-century costume provide.

FOOD FOR THOUGHT

This eatery has become a favorite neighborhood restaurant. Equally satisfying for lunch or dinner, Food for Thought offers something for every taste whether family or a group of friends. For American history buffs, the restaurant's owners have adorned its interior with quotes from

famous Americans and word games on the tables to stimulate conversation. It's easily located on Richmond Road in "the hotel and restaurant strip."

CHRISTIANA CAMPBELL'S TAVERN

Noted as George Washington's favorite for seafood, Christiana Campbell's Tavern is as alive today as it was in the times of the founders. Menu items feature crab, shrimp, fish, and scallops—all items that were familiar to 18th-century Virginians. Some of the more unusual dishes come straight from colonial cookbooks. The Tavern is decorated with the aesthetics of the 18th century. Once inside you'll feel like you've been transported in time to where the local gentry dined on delicious food in the midst of lively conversation and political discussion.

THE TRELIS RESTAURANT

Standing as a monument to regional cuisine, the Trellis Restaurant is at the forefront of modern American dining. With a focus on local, responsibly raised products and small scale, artisan farmers,

the menu brings the very best of the region to your table with outstanding flavors and beautiful presentation.

BERRET'S SEAFOOD RESTAURANT AND TAPHOUSE GRILL

Only one block from the Historic Area of Colonial Williamsburg Berret's Seafood Restaurant and Taphouse Grill has been voted by locals as "Best in Williamsburg" for over 10 years. The chefs actively seek out the freshest in regional seafood and produce. The restaurants proximity to the York and James Rivers, Chesapeake Bay, and offshore Atlantic waters provide a variety of fresh seasonal catches. For the unfortunates who wish not to eat seafood, equal care is taken with their steaks, chops and poultry entrees.

TRADITIONS

USAPEEC attendees will find Traditions, at the Williamsburg Lodge, featuring classic southern and Chesapeake cuisine fused with modern flavors. Passionately crafted by Executive Chef Rhys Lewis, starters include she crab soup, Eastern



© Jennifer Russell | Dreamstime.com

Shore oysters, and an innovative twist on the "BLT." Enjoy distinctive main dishes and pair them with something from the extensive wine list. **U**

Article contributed by Russell W. Whitman
Rwhitman@urnerbarry.com

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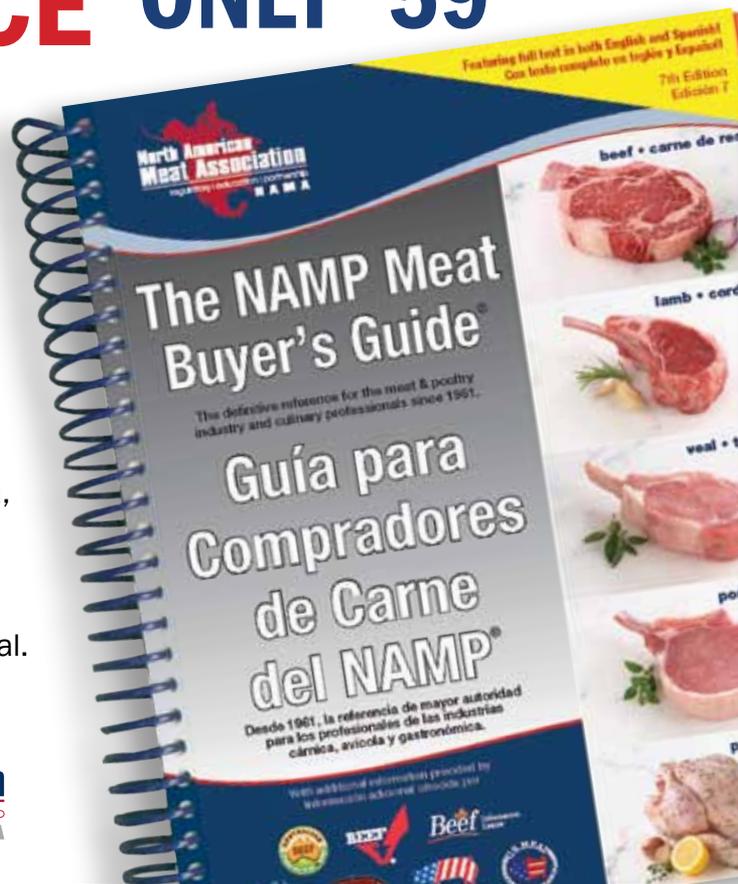
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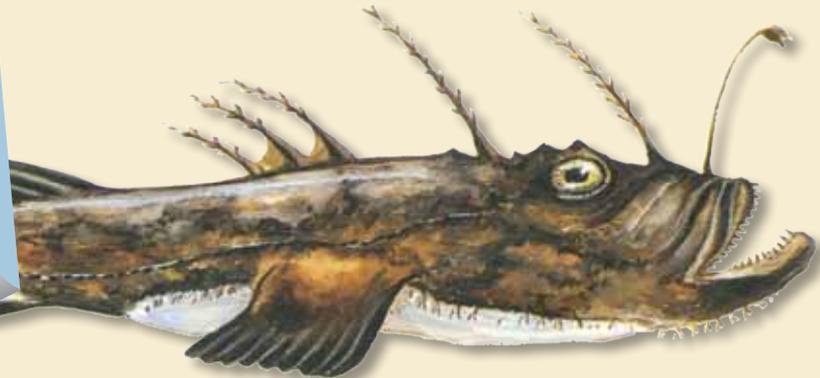


Monkfish

Fish and shellfish species identified at your fingertips...

This two-page spread is a sample from *Urner Barry's Commercial Guide to Fish and Shellfish*, the essential reference for the seafood industry professional. Complete with detailed descriptions specific to the species, each entry provides the user with all the vital information necessary to purchase, sell and consume both imported and domestically available seafood.

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Lophius americanus

Specifications

Market name	Monkfish
Scientific name	<i>Lophius americanus</i>
Common name	Goosefish
Market name	Monkfish
Scientific name	<i>Lophius piscatorius</i>
Common name	Monkfish

Description

Monkfish are found in the North Atlantic. *Lophius americanus* (Atlantic) is found in the eastern North Atlantic southward to North Carolina, while *Lophius piscatorius* (Pacific) is found in northern European waters. The names monkfish and goosefish are approved by the FDA. The fish is also called anglerfish, frogfish, sea devil, ocean blowfish, bellyfish, and allmouth. The French name lotte is also sometimes used. The monkfish is a large, deep sea fish with an enormous head that is mostly mouth and has sharp teeth. It has an irregular dorsal fin, the first part of which extends over its head from which it dangles a lure-like appendage to entice its unsuspecting prey. It is perhaps the ugliest fish in the sea and for that reason is sometimes used whole in the display case to attract attention.

Nutrition Facts

Serving Size: 3.5 oz

Amount Per Serving

Calories 76 **Calories from Fat** 13.7

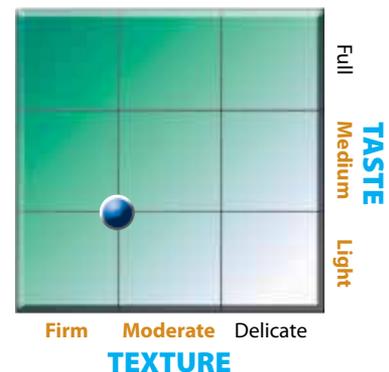
% Daily Value*

Water	83.24g	
Total Fat	1.52g	2%
Saturated Fat	0.3g	2%
Cholesterol	25mg	8%
Protein	14.48g	29%
Iron	0.32mg	2%
Sodium	18mg	1%
Omega-3	N/A	

*Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs.

Eating Qualities

Only the tail section of the monkfish is eaten. Typically skinned and filleted, the white meat is low in fat, firm, dense and sweet; consistent with lobster tail meat. These large fish provide very big, versatile, meat fillets which can be prepared in a wide variety of ways.



Fish Fact

Although known as “poor man’s lobster” for its firm, sweet, white meat; monkfish’s popularity has increased and this fish can truly stand on its own.

Fishing Methods

- Aquaculture
- Dredge
- Gillnet
- Harpoon
- Hook
- Seine
- Trap
- Trawl

Monkfish are a fairly fast-growing, bottom dwelling fish that reach maturity in about three to four years. They may live to 10 years or more, grow in length to three or four feet, and reach 50 pounds, however, most fish caught commercially are about two feet in length and weigh between seven and 15 pounds.



Skin-on monkfish tail.

Prior to the 1990s most monkfish were landed as by-catch from other species but, with their growing popularity and the decline of some species, they have become a targeted catch. Fishermen typically cut off the tail portion, throwing the huge head and body back into the sea.

The only edible parts of the monkfish are the tail and liver. Livers are exported to Japan for an expensive sashimi called ankimo. Tails have a number of layers of skin and membrane, which are usually removed by peeling them back from the cut (head) end. The tails provide good, white, meaty, firm flesh, versatile for use in a variety of fish recipes and as an extender for lobster and scallops. Monkfish tails are packed whole with the skin, or skinless. Alternatively, fillets are prepared by cutting the skinless tail in half lengthwise and removing the central cartilage. Fillets are always totally boneless. Monkfish should be individually wrapped for protection. Supply is never abundant, however, it is usually obtainable most of the year, fresh or frozen.

PACK DESCRIPTION

IQF
1/5 kg, 1/10 kg, 1/20 lb

IPW
1/5 kg, 1/10 kg, 1/20 lb

PRODUCT FORM

Fresh
whole (tails),
fillets (tails)

Frozen
whole (tails),
fillets (tails)

There are similar species all over the world. It has been imported from New Zealand, for example, although the species there, *Kathetostoma giganteum*, is actually a totally different family. This species contains pinbones. The imported fish tends to be a darker color than domestic monkfish and less acceptable, but it is substantially cheaper than domestic and is marketed on that basis.



Global Supply

TOP COUNTRIES:
United States
France
United Kingdom
Spain




AEB's reclamation of Easter as THE

Contributed by Joanne C. Ivy, CAE
President & CEO, American Egg Board

Building on the efforts of 2012, the American Egg Board (AEB) launched a sizable campaign to reclaim Easter as THE egg holiday that yielded impressive results. AEB's Easter program generated more than 175 million total impressions. Public relations efforts alone garnered 105 million impressions this year, including social media, topping last year's program by more than 50 million.

Egg sales for the period also were very positive. Egg market prices increased +33% in March, according to Urner Barry. USDA announced major improvement in shell egg clearance this year vs. Easter 2012, and this Easter topped the Thanksgiving 2012 selling period in shell egg clearance. Nielsen's All Outlets Combined scan data, which includes Food, Drug, Mass including Wal-Mart, Convenience Stores,



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The AEB's 36th Annual Commemorative Egg was presented to First Lady Michelle Obama.

Dollar and Club Stores (Sam's and BJ's), shows that equivalized dozen egg volume was up +1.8% for the four weeks ending March 16 vs. the same period a year ago. The equivalized dozen egg volume for the four weeks ending April 13 was up +.05% vs. the same period a year ago. Nielsen reports that egg volume is up +1% so far this year.

The egg markets remained strong this Easter for the first time in years, and the AEB played an important role in the shift. However, the holiday wasn't lost over night. In 2014 and going forward, AEB will continue working toward reclaiming Easter as THE egg holiday.

Through a surround-sound approach, AEB reached consumers and the media at numerous points leading up to Easter. These efforts included:

- Press kit highlighting egg decorating and hard-boiling tips from HGTV's Sabrina Soto
- Step-by-step egg decorating slideshow from hard-boiling to the finished product, featuring designs from Sabrina
- Easter consumer survey to gauge knowledge of hard-boiling, favorite egg

dyeing methods and Easter activities for leverage in traditional media

- Easter Eggs-stravaganza sweepstakes on Pinterest encouraged users online to repin their favorite egg designs and Easter recipes
- Skit about hard-boiling, egg decorating and the Easter Jingle airing on "Jimmy Kimmel Live!"
- Easter Jingle promotional segments on "Mike & Mike in the Morning" and "Nick Cannon's Countdown"
- Easter hub on the Facebook.com/ IncredibleEdibleEggIncredible
- Variety of "Wake up to Eggs" advertisements with nutrition and Easter messages in print and digital media.

On Friday, March 22, "Jimmy Kimmel Live!" aired a 60-second skit with AEB's Easter messaging including hard-boiling directions, egg decorating and the Easter Jingle being sung. The skit appeared on the show's YouTube page for 30 days, and on the day it aired, the integration was viewed more than 35,000 times. AEB actively promoted the video via social media and IncredibleEgg.org. The integration included two 10-second bumpers and AEB's logo inclusion in the show opening saying American Egg Board sponsored the episode.

Traditional media garnered more than 95 million impressions with a mix of online, magazine, newspaper and broadcast placements. Highlights include:

- Fox & Friends segments with Sabrina Soto, featuring egg decorating and centerpiece design
- Jimmy Kimmel Live! skit with Guillermo and Yehya hard-boiling and decorating eggs
- "USA Today Snapshots" used two Easter survey stats about favorite Easter activities and percentage of people who dye a dozen or more eggs a year in an egg shaped image, citing AEB.

egg holiday yields impressive results

- USA Weekend interview with Mitch Kanter, featuring nutrition tips
- PhillyBurbs.com referenced National Egg Salad Week, mentioned AEB stats and a link to AEB.org
- Detroit Free Press featured an egg salad recipe
- Fremont Tribune featured recipes for leftover eggs, including an egg salad recipe.
- Womans World Giveaway featuring nutrition messaging and link to Incredible Edible Egg Facebook page for Easter tips
- San Diego Union-Tribune article with Sabrina Soto photos/tips, hard-boiling how-to and driver to Pinterest contest.

Bloggers rallied around Easter, driving readers to the Easter Facebook coupon and garnering more than 950,000 impressions. AEB earned nine million impressions by engaging fans and sharing tips on AEB's social channels, including Facebook, Pinterest and Twitter. Topics included frequent posts of egg decorating tips and recipes as well as a coupon drop. On Pinterest, a contest ran March 18-March 28 that was hosted on the Incredible Edible Egg Facebook page, encouraging cross-promotion among fans. Tweets by Sabrina brought even more attention to AEB's efforts including egg dyeing ideas, recipes and more.

Keeping the Easter momentum going, National Egg Salad Week also received coverage in outlets including:

Across almost every department, Easter-related outreach was planned. The Good Egg Project was no exception. AEB's second Virtual Field Trip in partnership with Discovery Education

was held two weeks before Easter. Elementary school students across the country received a behind-the-scenes look at Willamette Egg Farms in Canby, Ore.

More than 181,900 students and teachers participated for the 35-minute farm tour that featured the father-and-son team of Gordon and Greg Satrum. More than 14,000 viewers tuned in from North Carolina, 13,000 from Florida and 9,400 from Pennsylvania. One-million-plus teachers in the Discovery database received this information. Their students learned about different farming practices and saw how eggs are processed and shipped. Greg answered student-submitted questions live.

Additionally, online the Good Egg Project Education Station will host a variety of educator resources, including educational videos and lesson plans developed for



"Jimmy Kimmel Live!" aired a 60-second skit with AEB's Easter messaging including hard-boiling directions, egg decorating and the Easter Jingle being sung.

grades 3-5 with adaptations for students in grades K-2. This fall, look for middle school lessons and videos on the site. Both of AEB's Virtual Field trips are in Discovery's top five most-popular virtual field trips along with segments on NASA, Mythbusters and Osama Bin Laden's assassination.

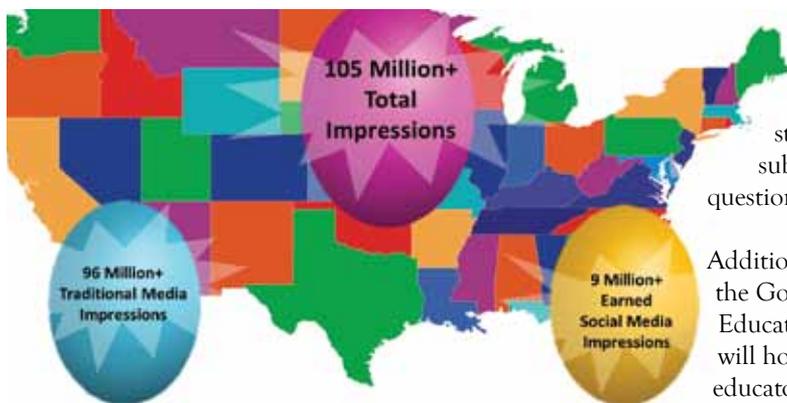
Building on the momentum created during the efforts to take back Easter, AEB continued its partnership with NBC Universal. Two 30-second, PSA-type segments were filmed at Midwest Poultry Management with Bob Krouse in April. Each segment focuses on America's egg farmers' partnerships with Feeding America and Share Our Strength. Viewers in nine major cities, including San Francisco, Los Angeles, San Diego, Dallas-Fort Worth, Chicago, New York, Philadelphia, Washington, D.C. and Miami, will see these spots.

The airing of these segments will coincide with the launch of AEB's Share Our Strength partnership and the launch of the revised pledge: "I pledge to end childhood hunger." This partnership will earn more than 14 million impressions.

If you would like more information on AEB programs or recent results, please do not hesitate to contact me by phone, 847.296.7043, or by email, jivy@aeb.org. **UB**



Easter egg case ad. A variety of "Wake up to Eggs" advertisements was featured in retailers' egg cases.



AEB's National Easter Chart.

Branded beef business model



By Anthony Pannone, Certified Angus Beef

Being good at what you do every time is no accident.

“My dad said anyone can sell something once,” Prof. John Siebert told his ag business class. “It’s selling something multiple times to the same person that takes a lot of work and expertise.”

On March 19, the Texas A&M agricultural economist asked four links in the Certified Angus Beef® (CAB®) brand supply chain to share their experiences: CAB president

Chef Ric Rosser is hands on about understanding the beef cuts featured on the Saltgrass Steakhouse menu. He has participated in meat cutting sessions and a trends panel at the brand’s Educational and Culinary Center in Wooster, Ohio.

John Stika; rancher James Henderson of Bradley 3 Ranch; Joe Boutte, director of business development for Houston-based Freedman Meats Inc.; and Ric Rosser, concept/executive chef for Saltgrass Steakhouse and West Coast Claim Jumper.

Stika kicked off the forum, describing how CAB functions in a segmented industry.

“We don’t own any cattle. We don’t own any steaks, or roasts or ground beef. What we own is a building in Wooster, Ohio, three minivans, and this logo,” he said pointing to the CAB crown jewel.

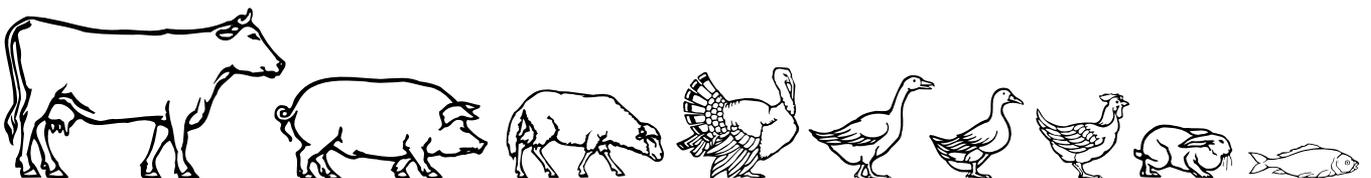
“Everything that this brand is based on is determined by the value we create in your minds, or the minds of consumers,” Stika said. “Whether they’re at foodservice or retail, it’s the trust that they have that this brand is going to deliver beyond expectations for taste and quality.”



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highlighted in Texas A&M class

CAB has added value to the breed since 1978, but also helped create “Angus confusion,” he allowed.

“McDonald’s, Domino’s, Arby’s and other Angus beef programs—out of the leading brand’s success, Angus has become the embodiment of quality,” he said.

Siebert described the brand’s influence as a constant flow. “Picture Certified Angus Beef’s finished-product creation working like a stream of water,” he said. “This is called the food marketing chain. Upstream are the seedstock producers of high-quality Angus genetics.”

James Henderson is upstream, literally in the Panhandle’s High Plains near Memphis, Texas, where his family’s Bradley 3 Ranch has operated for 50 years.

The registered Angus business has created far-reaching impacts on all cattle ranching, he said noting CAB’s first live-animal requirement: “How many black breeds of cattle did we have in 1978? Angus and Brangus were the two black breeds. Now, how many do we have today? All of ’em,” he said.

“Because that’s where the economics have said, that’s where the money is.”

To achieve success in the future, Henderson said it’s all about creating relevance.



Chef Rosser welcomes those who raise high-quality cattle for the CAB brand to visit any of the Saltgrass Steakhouse locations.

“Our challenge is, how are we relevant in 2032 when we’re trying to sell something to your kids? The challenge is to make sure we produce cattle that add value to the supply chain.”

Henderson’s relevance is evident to CAB-licensed distributor Boutte, who has managed the flow of beef from rancher to plate for 25 years. After Henderson spoke, Boutte shook his hand.

“We thank you, and all the work you guys do because we buy and expect it to be there,” Boutte said.

“You guys have performed and given us good quality beef.”

He highlighted the importance of the beef aging process, saying it allows his product to reach its optimum flavor profile, even though that inventoried meat is a huge investment.

“In my years of selling CAB, I would sample product—and the best thing I could do at that point was just be quiet,” Boutte says. “I’ve sold more by being quiet than I ever thought. The product sells itself.”

Chef Rosser represented the end-user, where value is ultimately added.

“Things I need from a good quality cow or steak are, I need more of it and I need it to be smaller,” he said. “That goes contrary to what James [Henderson] spoke of because he needs his to be bigger so he can make more money, and I need it to be smaller. I think there’s probably middle ground there.”

He said he lives a different life than most chefs, paying attention to weather and different markets because “they affect the overall economics of this business.”

“Producers take 22 months to get it to me, and I can screw



Certified Angus Beef Executive Chef Ric Rosser.

it up in 12 minutes, so I ask the cow-calf producer to focus on their 22 months, and I’m gonna focus on my 12 minutes,” he said, noting he sold 2.5 million 16-oz. ribeyes last year.

“The cool thing about being Ric Rosser is that I don’t have to worry too much about what I do to my steak, because it’s a good quality steak,” he said. “We shifted to CAB in 1981. Before then the world didn’t exist; we served horrible steaks, and our complaint levels were high. When we moved to CAB our complaints literally dropped off the face of the earth.”

He stressed that he’s not a paid advertiser, just a brand believer. And that’s why Siebert became so interested in the non-profit that consistently creates profit for partners that he decided to invite them to class.

“CAB is a completely unique organization in that all participants along this stream—by following their own best interests—ensure that downstream users get exactly what they want: a great eating experience,” the professor said. “I admire the fact that CAB has created over \$300 million in premiums received by beef producers. Without CAB, beef producers would have less income.” **UB**

Managing Today's Opportunities, Turning Potential into Profit—Urner Barry Celebrates 37th Annual Executive Conference

This past April in Las Vegas' Caesars Palace, Urner Barry celebrated its 37th annual Executive Conference and Marketing Seminar. Nearly 400 egg, poultry and red meat executives arrived to participate in the three-day event that was filled with plenty of entertaining as well as educational and engaging forums.

Industry executives from around the country had the opportunity to meet and greet with colleagues in preparation for economic and market-related discussions focused around this year's conference theme of "Managing Today's Opportunities, Turning Potential to Profit." Overall attendance at this year's conference was one of the highest in show



history. 10% of this year's attendees were new to the event and many expressed how much they enjoyed gathering with their peers and being presented with so much innovative material that is still inspiring discussions. In fact, many attendees have noted Urner Barry's show is a unique experience compared to other industry events as it offers market news and

information that is generally not observed at other major industry shows.

"This year's Conference exceeded all expectations and had a perfect blend of motivational, keynotes, fact-filled presentations and informative discussions," said Urner Barry's Senior Vice President Richard Brown.

General Sessions featuring conference guest speakers which included former NBA player "Mr. Accountability" Walter Bond and CEO of Comeback America Initiative David Walker were just two of the highlights of the gala. Mr. Bond

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Urner Barry's 'Person of the Year' awards



2013 EGG PERSON OF THE YEAR

Urner Barry's Rick Brown with Elliot Gibber, Randy Pesciotta and Brian Moscogiuri

Always a highlight of Urner Barry's annual Executive Conference and Marketing Seminar is the annual Person of the Year Awards Ceremony. These awards are presented to individuals from within the poultry and egg industries that have made outstanding life-long contributions to the betterment of each industry. Recipients have time and again proven themselves to be honorable in their business practices and trusted friends to the industry with a universal respect they have earned from their colleagues.



2013 POULTRY PERSON OF THE YEAR

Steve Willardsen (center) with Urner Barry's Russ Whitman and Michael O'Shaughnessy

Urner Barry named Elliot Gibber of Deb-El Food Products and Steve Willardsen of Cargill as the respective 2013 Egg and Poultry Persons of the Year.

Urner Barry's Egg Person of the Year, Mr. Gibber is President and CEO of Deb-El Food Products where he grew his

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For 37 years Urner Barry's Executive Conference has been THE place to gain a great education while networking among industry peers and even have a little fun doing it!! This group knows all about having fun! (L to R) Sher Marshall, Interra International; Carl Abbot, Land O' Frost; Dan Lightle, Cooper Farms; Jeff Sveen, Dakota Provisions and Roger Wellman, Cooper Farms.



Egg-cited to be at the Executive Conference are (L to R) Dick Brownell of the California Egg Marketing Association, NuCal's Gary Foster and Jim Ford of Coast Packaging.



Friends of a feather hanging together under a beautiful Las Vegas skyline! (L to R) Chan Windham, House of Raeford; Ron Ramstad, Emil's Gourmet; Chad Van Kley, Michigan Turkey; and Blake Corbell, Boar's Head.



Rumor had it that it was Emily who carried this team to victory! The winning golf foursome consisted of (L to R) Thomas Isaf, Interra International, Ryan Downes, Farbest Foods; Ted Rueger, Eastern Poultry; and team captain Emily Souders of Farbest.

"Outstanding job by everyone at Urner Barry. The event was well organized, informative and, moreover, FUN!!! It was a great networking opportunity as well and we look forward to next year."
 —Mike Cilurso / Cook International / Agent of NS Foods

"Another wonderful event. Well done. This year's conference was one of the best yet."
 —Carl L. Abbott, Vice President Commodities & Procurement, Land O' Frost, Inc.

"What a fantastic conference!!!"
 —Chad Gregory, President and CEO United Egg Producers

"Nice job again this year! Excellent choice with Walter Bond!! Kudos to the UB staff for bringing in another great keynote speaker!!"
 —Ryan Downes, Farbest Foods

"It was a great conference – especially for someone new to the industry. I enjoyed meeting folks from the industry and the fact-filled presentations. It was nice getting to know you and I look forward to the next event."
 —Robert Morris, Senior Vice President & General Manager, Dolco Packaging, a Tekni-plex Company

"A terrific event and one I look forward to attending again."
 —David Froscheiser, JD, ChFC, CLU, CMS Account Executive, Holmes Murphy

"Thanks for a wonderful conference. You do a great job of managing all the activities and keeping everyone on point."
 Del Farrer, Henning Construction Company



(L to R) Chuck Kendrew, Filet of Chicken; Don Ellen, Sanderson Farms; Thierry Murad, AJC International; and Marty Gautreau, Filet of Chicken take pause from their undoubtedly "heated" market discussion.



(L to R) Lawrence Wholesale's Scott Hunt, along with Chuck Bules of OK Foods and Max Liszt also of Lawrence Wholesale, smile for the camera during Urner Barry's opening cocktail reception.

Executive Conference

Continued from page 66

primarily spoke to the group about having a successful business, stressing attention to detail and appearance, while all the while making eye contact as part of success. He also stated to the executive conference attendees that they hire based on potential, and that it's their sound leadership that will spur it.

Another presenter, equally engaging and thought provoking, was David Walker, CEO of Comeback America Initiative. Mr. Walker stated that the biggest deficit this country has is in leadership, especially in Washington. He then described six key principles for financial reform.

After a full morning of keynotes, attendees headed over to Dragon Ridge Country Club to participate in the annual Golf Outing. The day concluded with an awards dinner where Urner Barry named its 2013 Egg and Poultry persons of the year. This year's honor for Egg Person of the Year was given to Elliot Gibber, President and CEO of Deb-El Food Products, and the Poultry Person of the Year was awarded to Steve Willardsen, President of Cargill Value-Added Meat and responsible for Cargill's U.S. turkey operations and cooked meats businesses (see accompanying story on page 66).

The event's second day proved to be exciting with excellent presentations from many top professionals in the protein industry plus Urner Barry's own Egg Reporters delivering a Reporter Roundtable session. The lineup consisted of guest speakers in joint sessions on a variety of topics. Greg Tyler of USAPEEC, Brett Stuart of Global AgriTrends and Elliot Gibber of Deb-El Food Products discussed how rising global food demand is outpacing production growth on the export panel. Kevin Good of CattleFax followed up with a grain outlook and Bruce Axtman of Neilson Perishables Group discussed consumer trends. The Joint Sessions concluded with Cesar de Anda of the International Egg Commission talking about current conditions in Mexico.

Breakout sessions for eggs and poultry also enlightened guests. Egg sessions featured Joanne Ivy of the American Egg

Board with her topic "Shell Eggs Take Back Easter," followed by Anders Wurcel of SANOVO International providing a European cage ban and market update. The egg sessions wrapped up with Urner Barry's Egg Reporters' panel discussion. Poultry sessions highlighted how animal rights issues affected animal protein with Chad Gregory of United Egg Producers. Also included was Urner Barry's Poultry Reporters' panel discussion, and finished with Kevin Good of CattleFax giving the protein market forecast.

The conference concluded with a cocktail party for all attendees where we heard many comments such as how the conference had the ability to look at bigger issues affecting

Awards

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company worldwide as a major player in the egg products business. Additionally, he has been chairman of the United Egg Association and is actively involved in numerous non-profit organizations. He has lent his egg product expertise to the American Egg Board as a Further Processor Advisor and as a member of the Food Technology Advisory Council to help shape marketing messages to promote U.S. egg products to food product manufacturers. Deb El is also a member of USAPEEC.

Under Elliot's leadership, Deb El has a strong track record of giving back to the community. Elliot is actively involved in numerous non-profit organizations, including Yeshiva University, who in 2008 awarded Elliot with an Honorary Doctorate degree. Elliot is the proud father of six children (two of whom are active in the business) and numerous grandchildren.

Urner Barry's Poultry Person of the Year, Mr. Willardsen, is President of Cargill Value Added Meats and is responsible for Cargill's U.S. turkey operations and cooked meats businesses. He served as Past Chairman of the Board of Directors of the National Turkey Federation and as past Chairman of the Board of Directors for the US Poultry and Egg Association. He served on both Boards for many



Henning Construction's own Jeff Henning and Executive Conference veteran Blair Van Zetten of Oskaloosa Food Products spend some quality time.

the industry and how Urner Barry has a unique outlook in this business.

We'd like to thank all those who attended this year's conference and we look forward to seeing everyone at the Bellagio in Las Vegas May 4-6, for the 2014 Executive Conference. **UB**

years. He is also a past Board member of Wichita City Downtown Development Corporation. Steve also served last year as Chairman for Cargill's United Way Campaign for its multi species meat businesses headquartered in Wichita, Kansas. Steve and his wife Cheri have 7 children and 12 grandchildren.

Turkey

Continued from page 21

defined and few expect that to change given the economic climate that requires consumers to stretch their dollar as far as possible. While turkey is moving well as a rule, items utilizing whole muscle are not, so in trying to analyze the next several months assumptions must be made that this situation will not be much different. That's where forward observations of likely production trends come into play. Declining first and second quarter egg sets are forecast to produce placements that when projected should start to show up in the form of lower slaughter figures by mid-year. We suggest that the current USDA projection of a bit more than three percent for 2013 will be adjusted lower. This is mostly a function of the March announcement that House of Raeford will shutter its Raeford, NC turkey processing facility as well as the significant (six percent) decline in YTD eggs set already on record. **UB**

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Urner Barry would like to sincerely thank our generous sponsors for their continued support. Their involvement has enabled our event for the past 37 years. We recognize their contributions are imperative in providing the industry with this high quality event that not only offers one of the best networking opportunities to the industry, it also presents exceptional educational and motivational content. Our deepest gratitude and we look forward to 2014!

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Inflation

Continued from page 1

bills required to buy the same product. Official U.S. data tells us that the year-over-year inflation rate for March was 1.5%. However, my wallet (as well as those of most other consumers), may say otherwise.

First, let's address what keeps this economy churning—people spending their wages. Bearing in mind a 1.5% increase in official

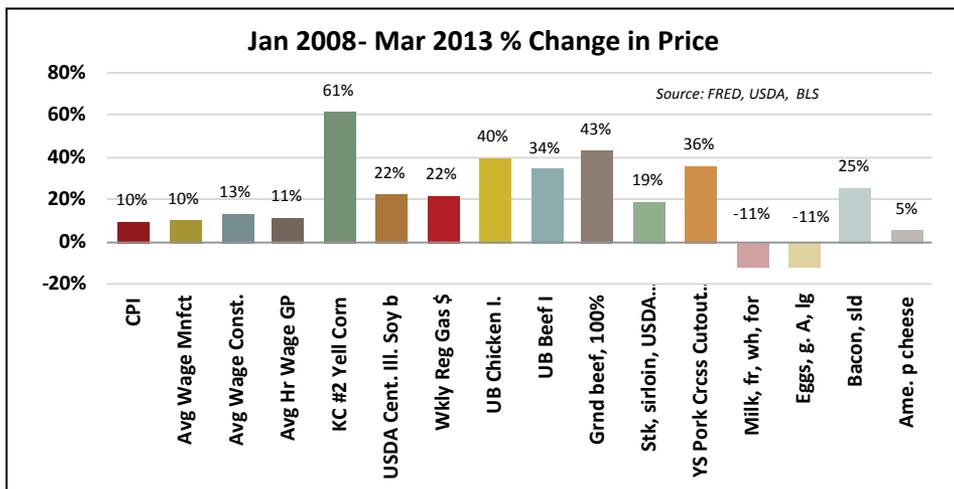
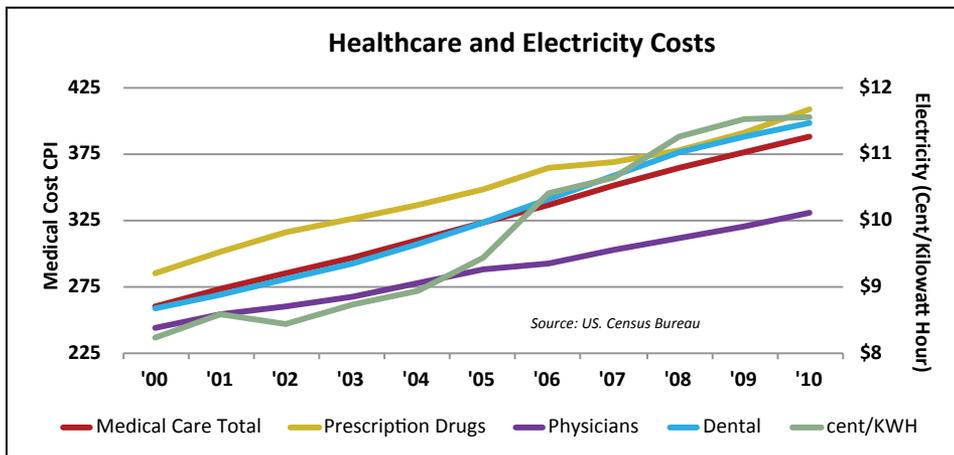
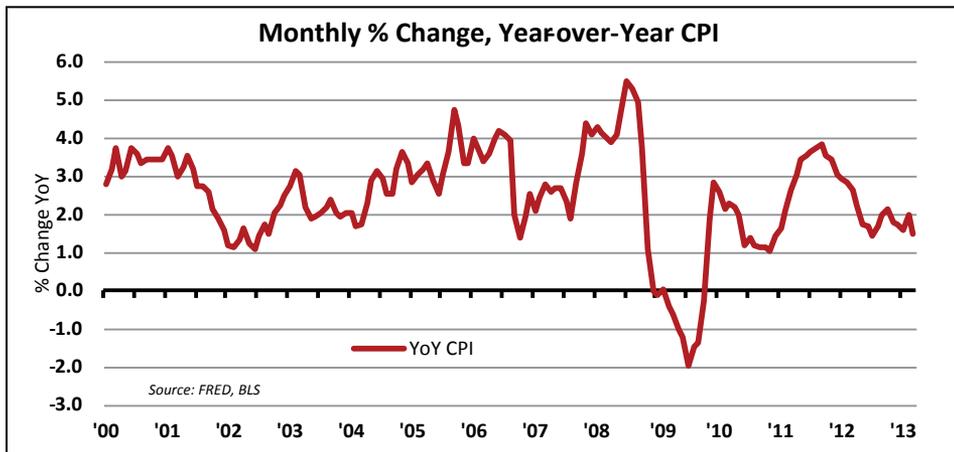
consumer prices from last March, wages need to keep pace or you will begin to see cash-strapped consumers. On any campaign trail worth its salt, you will hear endless speeches about manufacturing and construction jobs. For an individual in these professions who does not hold a supervisory role, average wages increased by 1.1% and 1.4% respectively from March of 2012. For an individual in a goods-producing job, the Bureau of Labor

Statistics estimates wage growth at 1.39% during this time. So wages are failing to keep pace—but what about the cash flowing out of our wallets?

For many, the basic costs of living in the United States include food, gas, healthcare and shelter. When talking food costs, there is a reasonable chance that it involves corn or soy prices somewhere in the production chain. From March 2012 to March 2013, Kansas City Number 2 Corn rose 14.39% while the price of USDA Central Illinois Soybeans gained 9.92%. From January of 2000 to March of 2013, while the CPI gained 37.24%, corn appreciated by a staggering 275.86% while cash market soybeans, with slightly less data available, appreciated by 121% between 2007 and March of 2013. On a retail level, on a March over March basis, whole milk declined 1.94%, Grade A large eggs gained 8.51%, 100%-beef ground beef gained 10.48%, bacon declined .39%, American cheese lost 2.53% and a USDA Choice boneless sirloin gained 6.08%. Since 2000, whole milk is up 23.2%, Grade A large eggs are up 97.44%, 100%-beef ground beef is up 124.68%, bacon is up 66.62%, American cheese is up 9.47%, and a boneless USDA Choice sirloin is up 54.88%. Out of the six of these randomly selected staple food items, half gained more than the inflation rate year over year and 2/3rd exceeded the gain in inflation since 2000.

Last March was a difficult time for gas prices. Spring weather came early and multiple cases of downed refineries resulted in gas prices averaging \$3.85/gallon on a national basis. This year was improved, albeit marginally, with national gas prices averaging 3.66% lower or \$3.71/gallon. From 2000 to March of 2013 however, gas prices are up 187.9%.

Now let's briefly turn to healthcare costs as the latest Census Bureau statistics are only up to 2010. From the period of 2000-2010, total medical care costs for an individual rose 48.94%, prescription drug costs were up 42.9%, physician costs up 35.4% and dental expenditures up 54.26%. Each of which appreciated faster than the official inflation rate and equally important, faster than the wage growth for that period.



Finally, there is shelter, or home prices and everything involved with maintaining a home. Home prices are perhaps the most pertinent measure of an individual's wealth, as for many, a home is the largest investment of their life. Housing, especially in the period immediately following the recession, is a unique case where acute deflation is just as, if not more damaging to an individual's financial well being as inflation. While general inflation continued to trudge along throughout

this period, home prices plummeted, essentially cutting the net worth of many individuals by a substantial portion. Without inflation in this sector, those who can still remember their home valuations in 2006-2007 undoubtedly feel less wealthy now and will be less apt to expend any excess money.

While this article barely scratches the surface of price behavior in recent years, it should be of little surprise given what

it has covered that the protein industry is experiencing an American consumer more conservative now than in the past. In the last decade or so, we've felt steadily increasing prices while wages struggled to keep pace. Throw in an extended housing crisis and a less than ideal global economic climate and you have a recipe for lackluster protein sales. **UB**

Article contributed by Russell Barton
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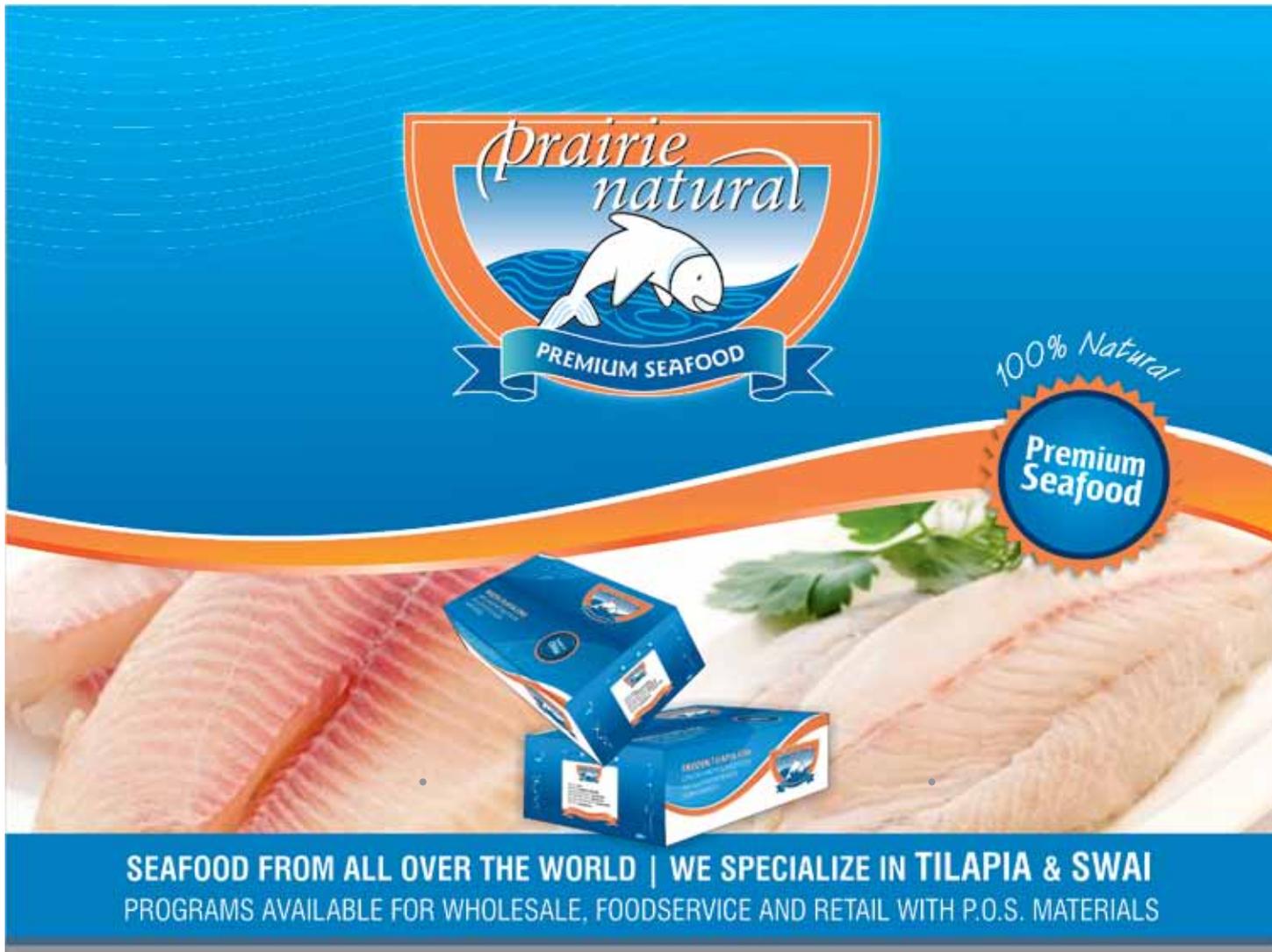
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