

Urner Barry's Shrimp Retail Feature Activity Report

A quick overview, and a look at Cooked Shrimp

Six months since the start of the coronavirus pandemic, many of the initial assumptions of what would happen in the upcoming months made by Urner Barry, as well as many in the industry, have materialized to a certain degree. First, with foodservice virtually shut down for several weeks and then reopened at a limited capacity, it was only natural to assume that much of the demand would shift to retail. As such, cooked shrimp was expected to play a big role. Therefore, in this report we focused on retail feature ad activity for cooked shrimp since this category is largely sold at grocery stores, in addition to being one of the categories experiencing large increases in imports relative to the last few years. Shell-on imports have also increased, but not because of an increase in demand, but rather due to other factors that include trade disputes between Ecuador and China, among others.

For this matter we looked at retail feature activity, both in terms of buying opportunities (features X # of stores) and weighted average pricing. From a linear perspective, we have noticed a significant decrease in feature activity while prices have remained relatively steady. Historically, large changes in feature activity have been heavily correlated with important changes in wholesale prices. For example, in 2013, when prices spiked overseas and eventually at the wholesale level in the U.S., retail feature ads decreased considerably, while prices to the consumer skyrocketed as well. This time, prices at both wholesale and retail level for value-added shrimp have remained relatively low, while retail features also remain suppressed. We expect this situation to remain throughout the winter with a potential increase in wholesale prices as replacement costs rise gradually. At this point it is difficult to think what kind of incentives would make retailers increase their feature activity when sales volumes are large, promotions are low, and margins appear to be high.

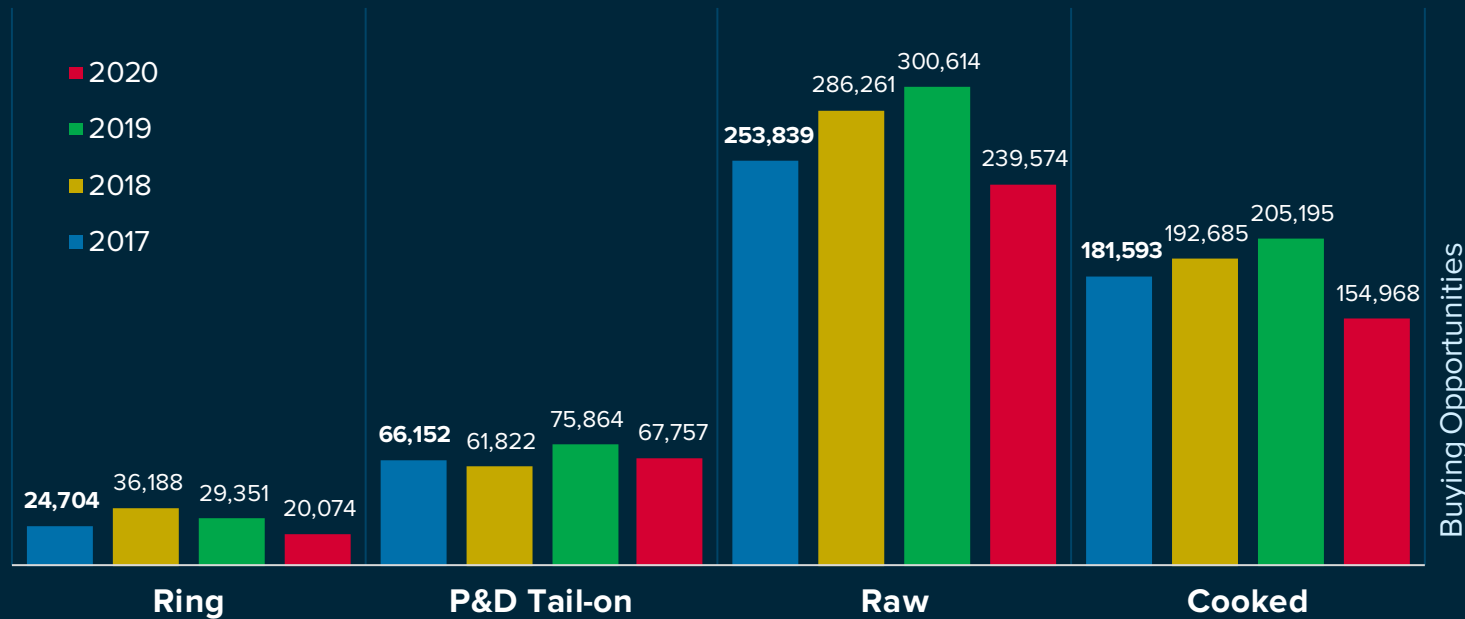
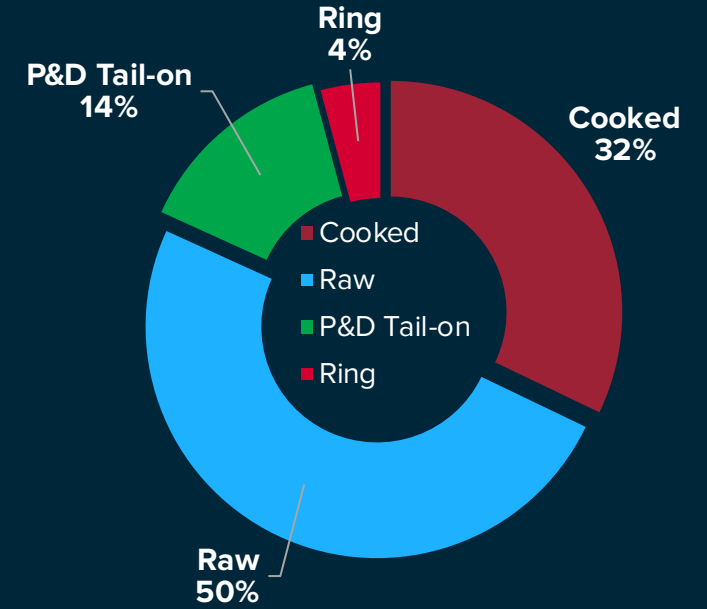
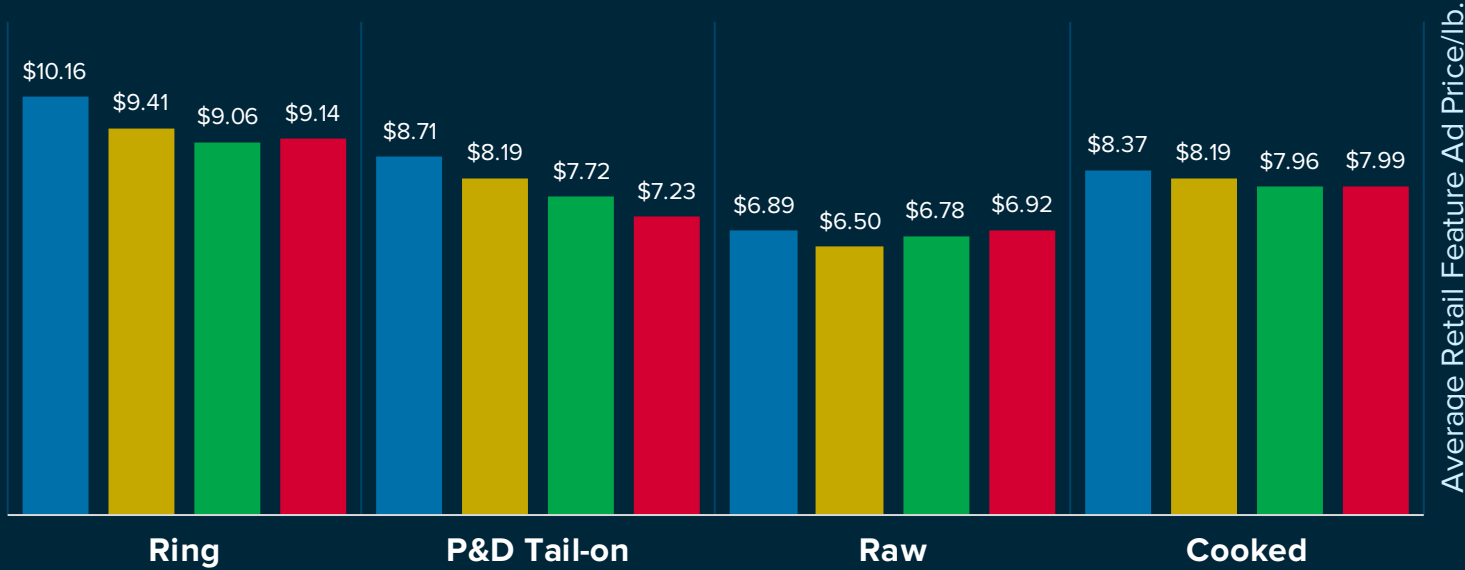
The following charts aim at showing how prices and features have behaved since the last week of February to the first week of November. We chose these weeks to show seasonal increases and decreases in Lenten promotions focusing on how the pandemic has changed retail activity. It is important to notice that in "normal" times, we would be expecting seasonal promotions for cooked shrimp to increase in November, but we have not seen that yet. Whether or not promotions behave seasonally in 2020 like in year's past, we can expect promotions to remain comparatively lower. We will follow this closely as we believe this will be critical in the industry's fight against the ongoing negative impacts of the pandemic.

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Retail Feature Activity from week 9 to week 46, All Shrimp



Top left: Average retail feature price/lb. by shrimp category during the weeks indicated.

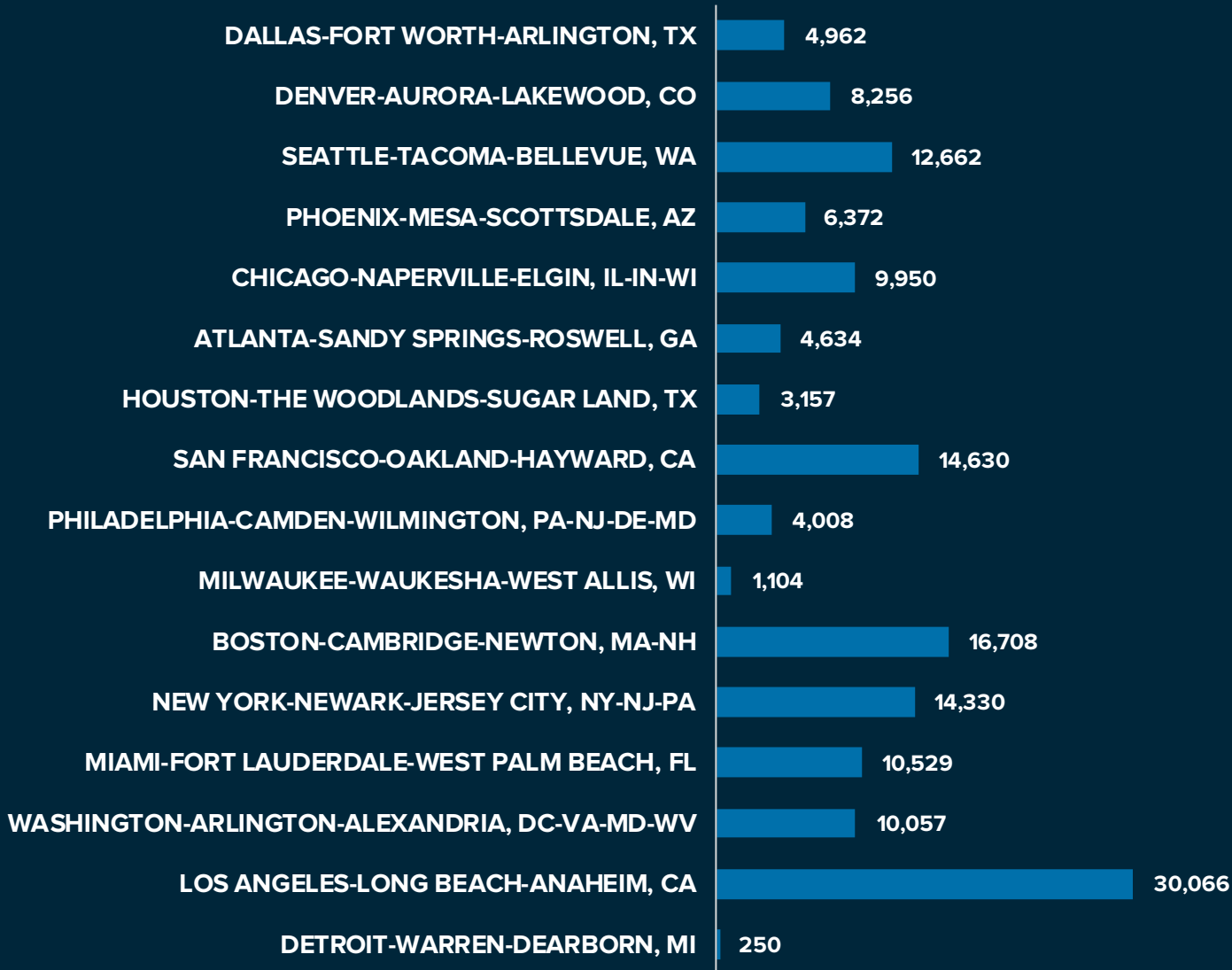
Bottom left: cumulative buying opportunities by shrimp category during the weeks indicated.

Top right: breakdown by category of retail feature activity in 2020.

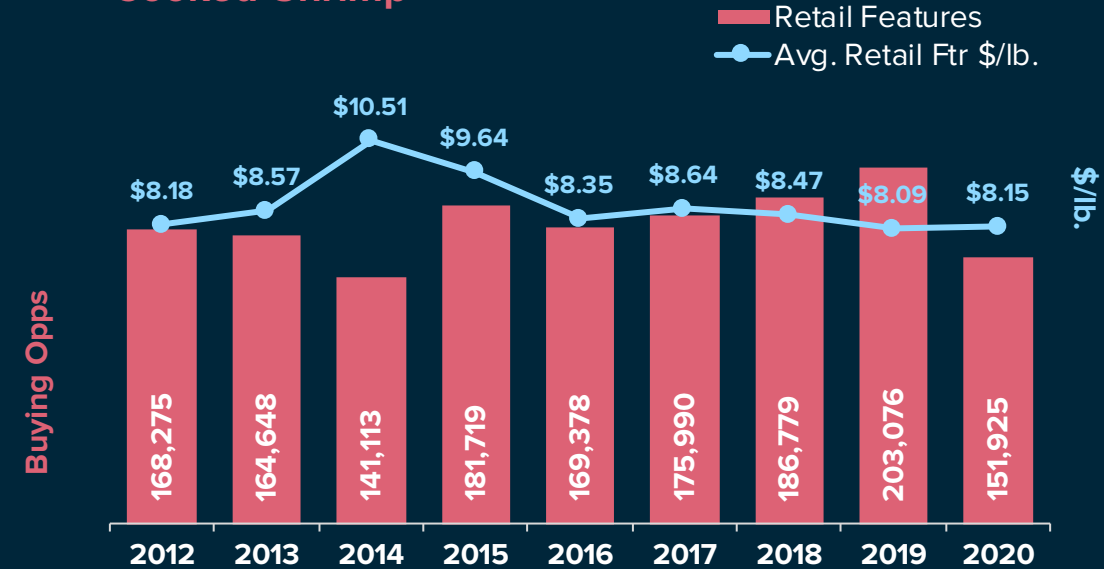
Note: buying opportunities are not to be confused with volume in lbs.; this indicator shows how much an item is "promoted."

Retail Feature Activity from week 9 to week 46, Cooked Shrimp

Cumulative Buying Opportunities



Cooked Shrimp



Average retail feature ad price for cooked shrimp is up slightly from last year; these prices are weighted by the number of features by count size during the weeks specified.

Unlike other years, and as we have been reporting since [March and April](#), the decrease in feature ads is almost entirely caused by the strong demand in retail because of the pandemic.

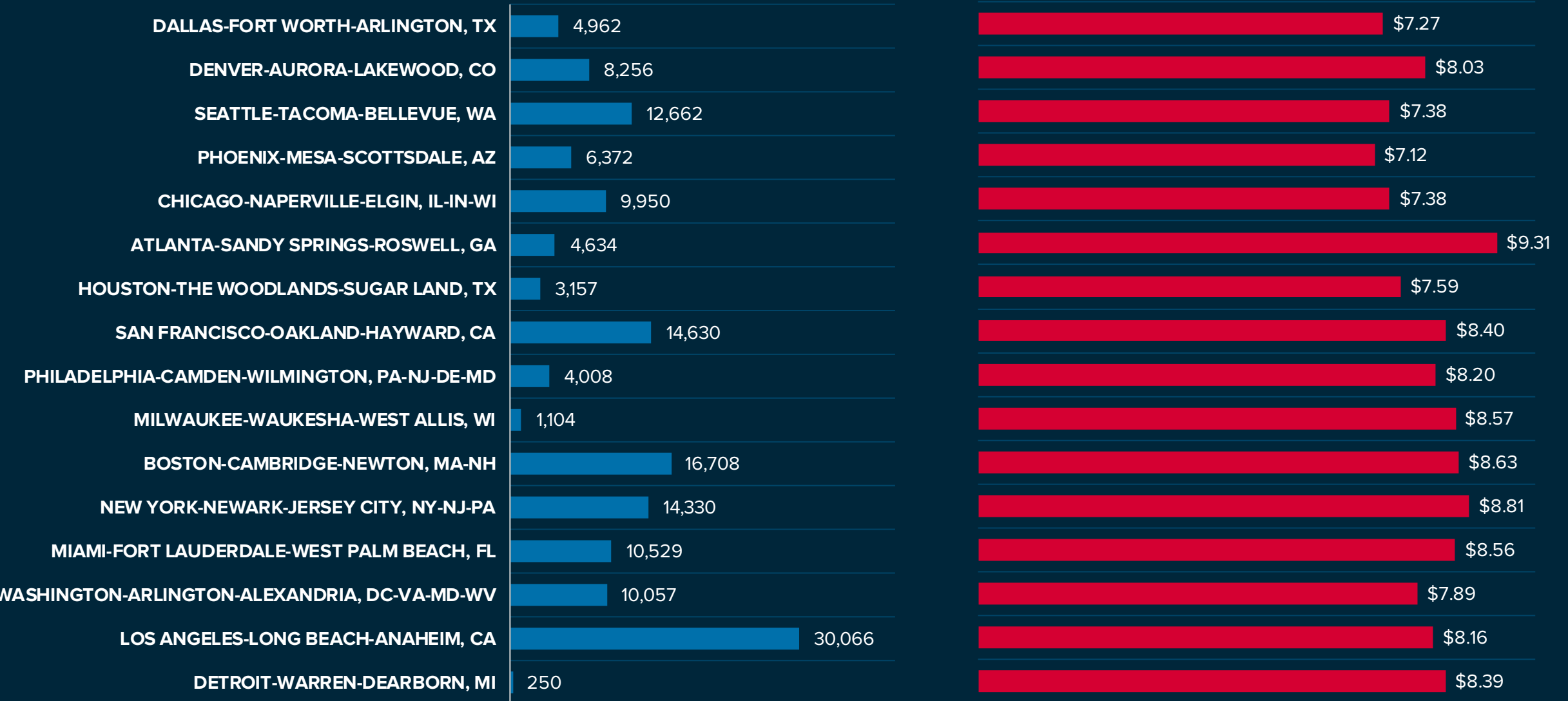
While this is widely known, we believe it is important to quantify it, as well as follow the trends going into the winter.

This could prove pivotal in the long-run in case preference and accessibility remain somewhat strong as we head into the tail-end of the pandemic.

Retail Feature Activity from week 9 to week 46, Cooked Shrimp

Cumulative Buying Opportunities

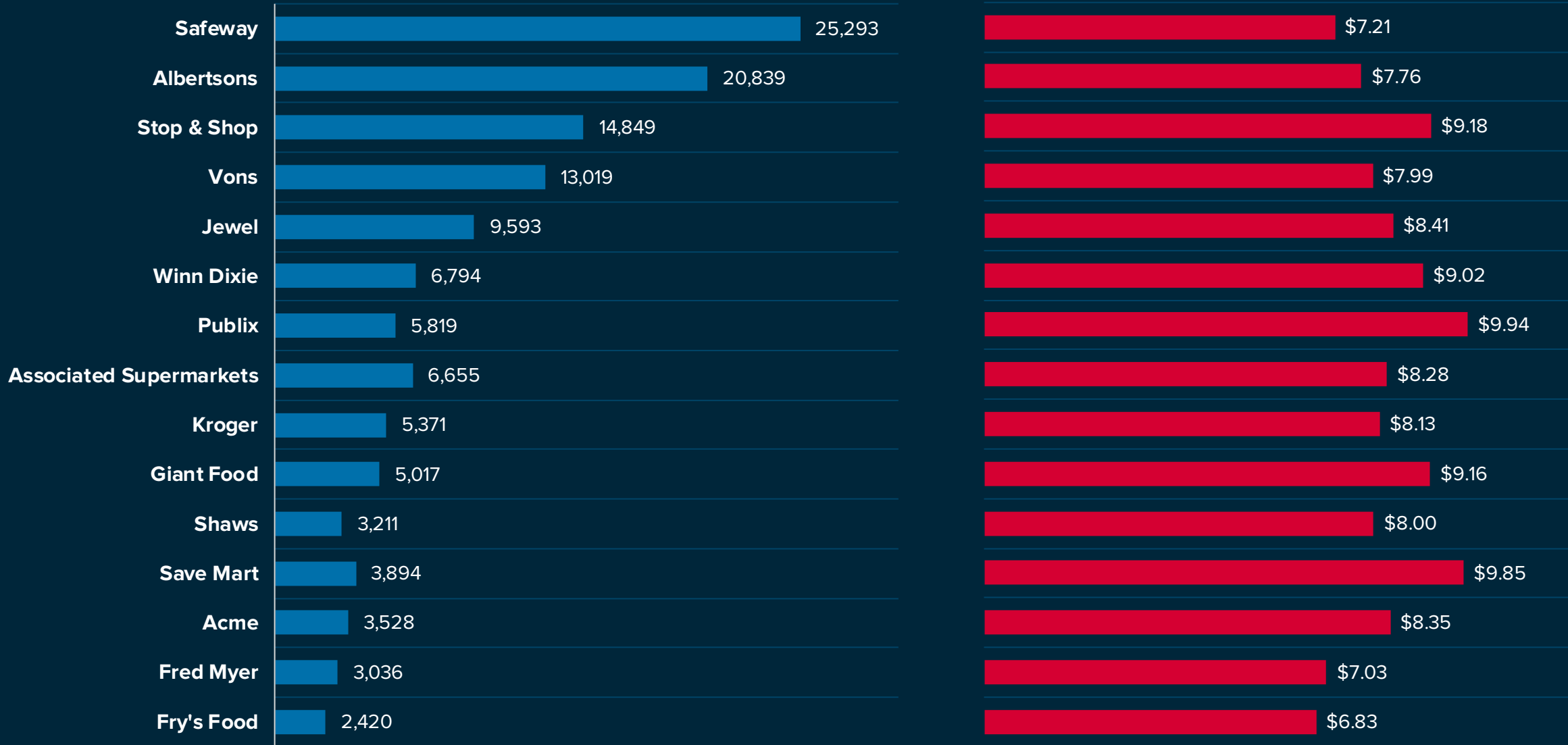
Average Feature Price/lb.



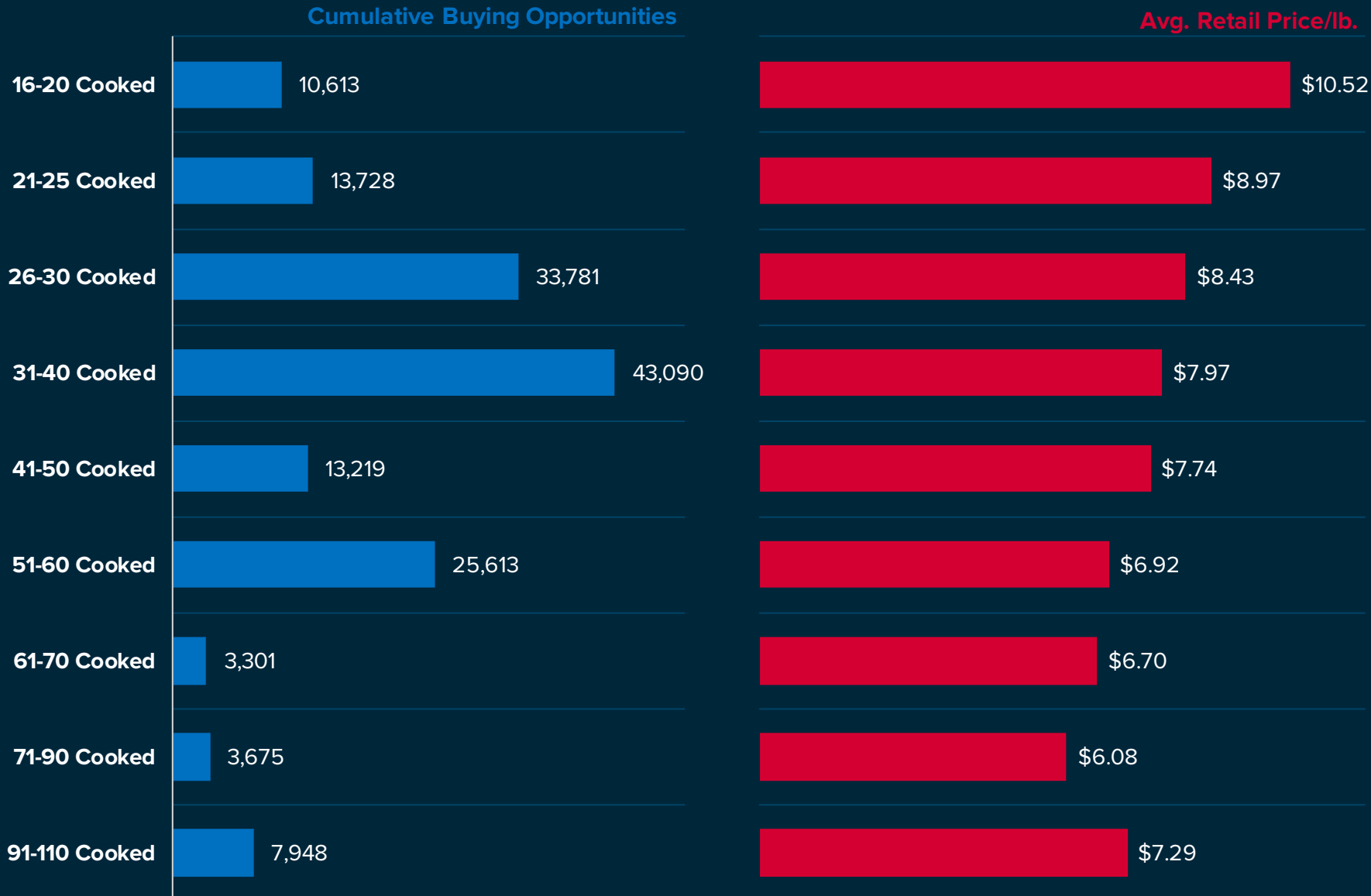
Retail Feature Activity from week 9 to week 46, Cooked Shrimp

Cumulative Buying Opportunities

Average Feature Price/lb.



Retail Feature Activity from week 9 to week 46, Cooked Shrimp



As we can see, promotions center around medium to larger-sized shrimp, accounting for nearly two thirds of all cooked shrimp item feature ads. 51-60 are the main promoted cooked shrimp for smaller shrimp, accounting for roughly 17 percent of all cooked shrimp retail ads.

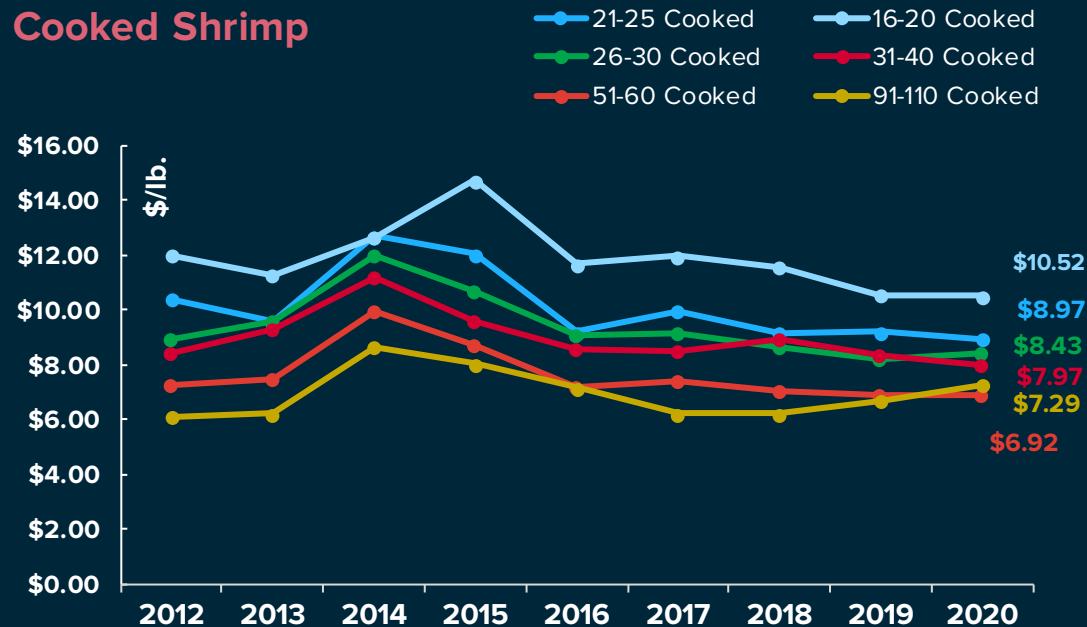
Pricing has remained relatively steady since at least 2017, and it appears that the optimal price oscillation is somewhere between \$6.90 and \$8.50.

Average Retail Feature Ad Pricing trend from week 9 to week 46, Cooked Shrimp

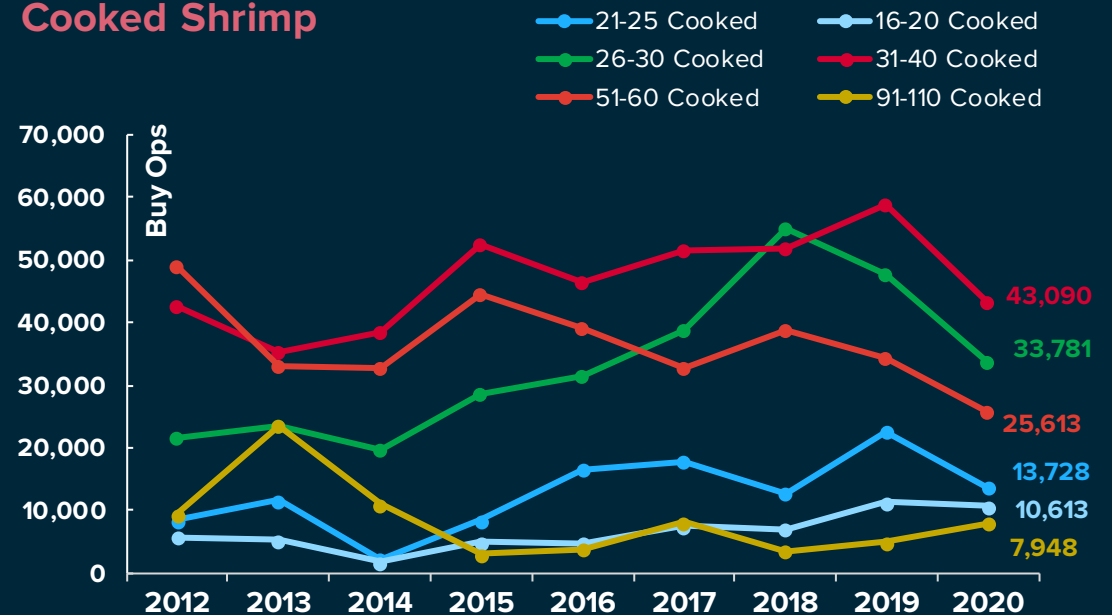
We can clearly see that depending on the year, certain sizes will be promoted more than others. Of the main items above mentioned, retail ad activity has contracted relative to medium and larger sized shrimp. This could be attributed to a combination of factors that range from: gradually lower prices from overseas and thus lower U.S. wholesale prices; more availability of larger sized shrimp as farmers prefer to produce larger sizes; and U.S. consumer preference for larger shrimp, among others.

For instance, when prices skyrocketed from 2013 into 2014, promotions plummeted for all sizes. As wholesale prices declined gradually thereafter, promotions for medium to smaller-sized shrimp increased substantially. As overall prices settled, we began to see feature activity increase substantially for larger sized shrimp (26-30) compared to smaller sized shrimp (51-60).

Cooked Shrimp



Cooked Shrimp

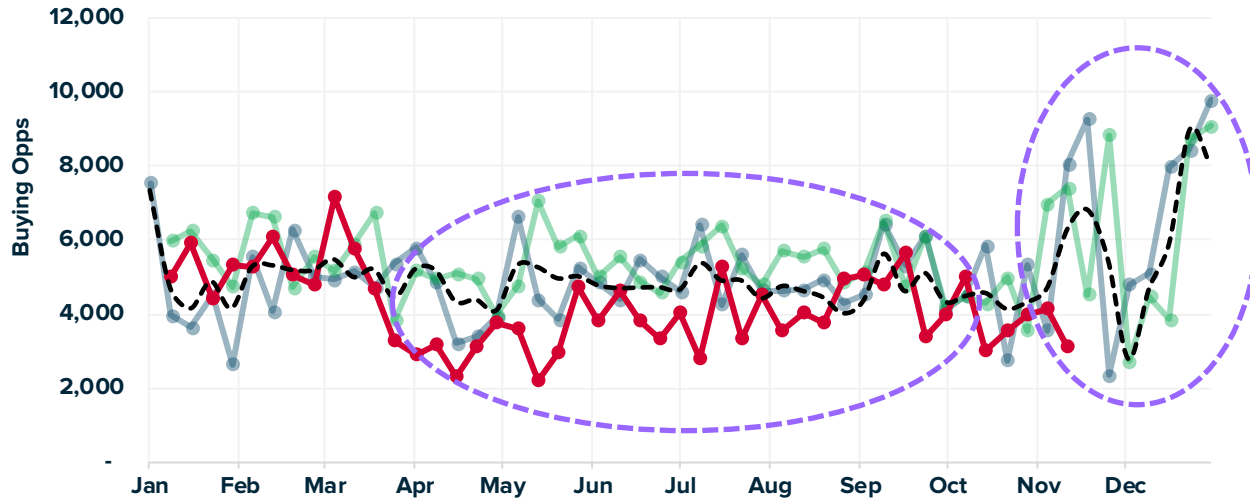


Retail Feature Activity

Cooked Shrimp

Source: Urner Barry Consulting

—●— 2018 —●— 2019
 —●— 2020 - - - 5 Yr. Avg.

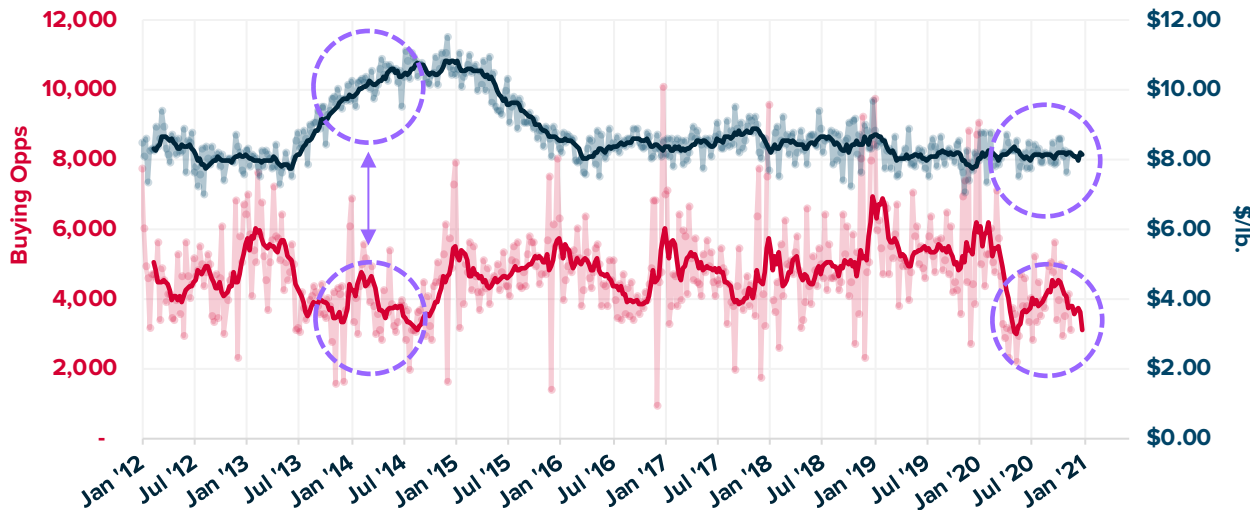


Retail Feature Activity

Cooked Shrimp

Source: Urner Barry Consulting

—●— Total Features Cooked
 —●— Features 6 wk
 —●— Avg. Retail Ftr \$/lb. Cooked
 —●— \$/lb. 6 wk

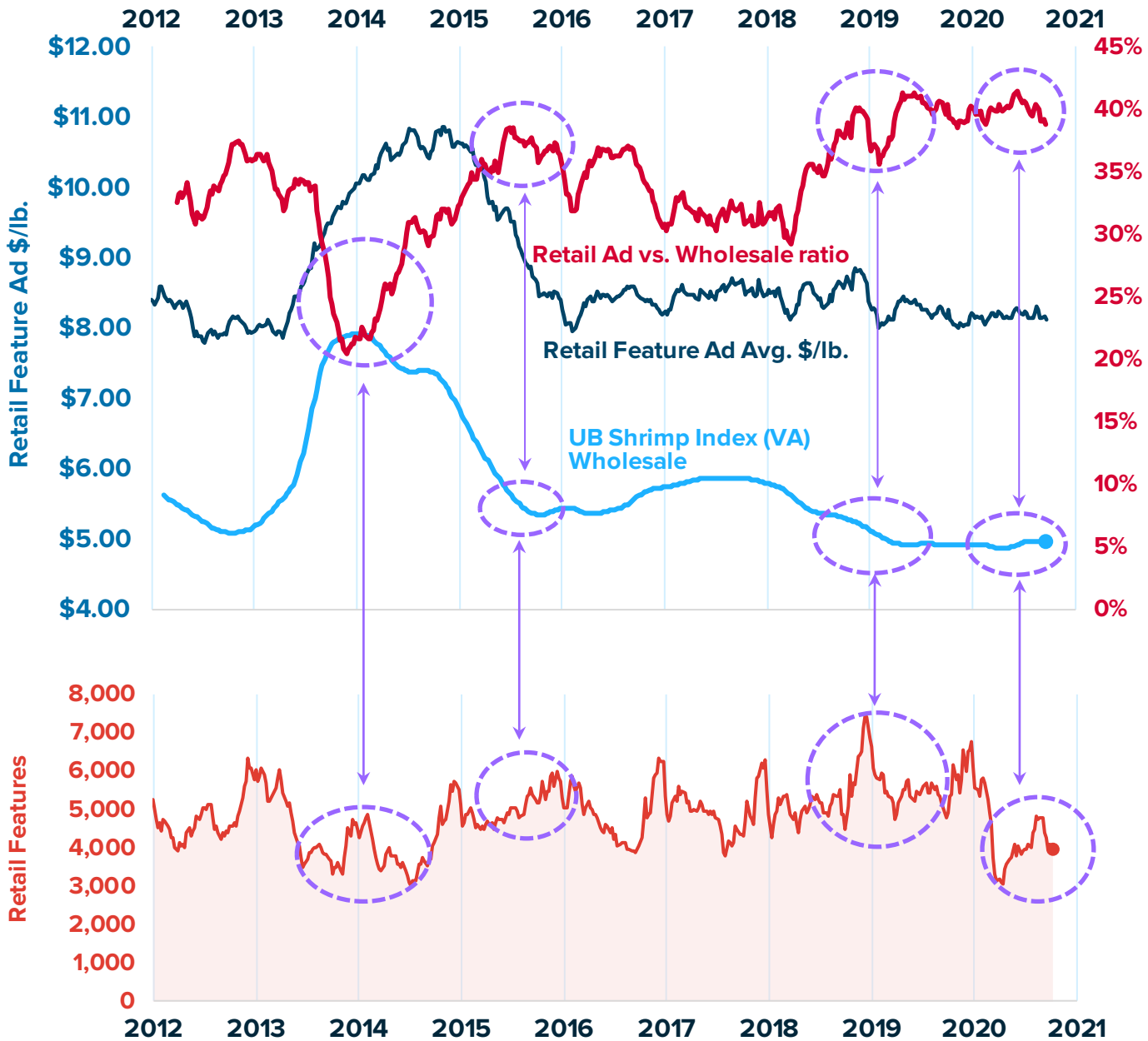


Seasonal and Linear behavior Retail Features, Cooked Shrimp

The charts on the left illustrate cyclical behavior of weekly retail ads for all cooked shrimp. This chart clearly illustrates the seasonal increase in promotions towards the end of the year. It will be interesting to see if these promotions follow seasonal behavior seen in the past; we suspect there will be some of that, but to a much lesser extent.

From a linear perspective, we can notice that the overall average retail price has remained quite steady since at least 2017. We have also seen that when feature activity falls, prices have historically moved in the opposite direction. This occurred because of a shock to the market, just like in 2013 with the EMS supply shock. This year, however, retail activity collapsed and has remained comparatively low while pricing to the consumer has remained virtually unchanged. Similarly, wholesale prices have remained mostly steady. We suspect replacement costs overseas will increase due to an increasing demand for this type of product; however, due to the growing capacity overseas, we believe the increase in these replacement costs will be moderate.

Cooked Shrimp vs UB VA Shrimp Index



Wholesale vs. Retail

The chart on the left illustrates wholesale prices using Urner Barry’s value-added shrimp index and both average retail ad prices and buying opportunities for cooked shrimp. This chart shows how when wholesale prices rise (light blue line), feature activity declines (bottom orange shaded area/line). Retail ad prices (dark blue line) would react differently to wholesale prices at different times, but at an average of 12 weeks, we noticed a strong correlation between features and an in-house estimated margin, which is built using a smoothed and delayed ratio between retail feature prices and wholesale prices. In other words, prior to the pandemic, one would expect retail feature activity to remain strong amid relatively low wholesale prices, and steady to marginally lower retail ad prices to the consumer. What we are seeing now is record high margins for retail ads while feature activity remains low. We believe this data suggests retailers do not have as much of an incentive to increase promotions much more than their current levels due to optimal sales volumes and margins for product **not** sold on feature ads. In very simplistic terms, margins and volume sales are “good” for retailers whether an item is promoted or not.

About Urner Barry Consulting

Urner Barry Consulting provides tailored solutions to identify growth opportunities within the fast-paced protein commodity sectors. Combining the expertise of our analytical team, our warehouse of proprietary and trusted data, and unparalleled insight into market forecasting, UBC will not only pinpoint developing global trends but assist you in knowing exactly when and how to adopt them to maximize your return.

The market perspective offered by our economists and data scientists is one-of-a-kind given Urner Barry's longevity and standing as one of the leading intelligence providers. Customers gain a meaningful understanding of the factors, strategies, and outlooks on specific datasets that impact their business now and in the future. With access to worldwide correspondents, UBC has a pulse on the ground at all times within our global network.

Our hand picked team of analytical experts partner with clients and equip them with the tools necessary to innovate their brand and successfully act on the global trends of the protein marketplace. Our experts will review your vision and foreseeable challenges, take a look at emerging trends within that commodity space, hone in on your target market, discover potential growth opportunities, and utilize our data warehouse to supplement the solutions we uncover.



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