

URNER BARRY'S Reporter

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Argentina's red shrimp gaining traction in U.S. market



In Latin America, Ecuador is by far the chief farmed shrimp producer, nothing too surprising for those with at least a cursory knowledge of the shrimp business in the U.S. market.

But in the last year or so a coldwater, wild-caught shrimp species from Argentina started making a buzz.

We're talking about *Pleoticus muelleri*, better known as the Argentine Red Shrimp. At the Conxemar Frozen Seafood Trade Show in Vigo last October, an

entire session was dedicated to the fishery. At that time attendees heard that Argentina's shrimp output was up and that demand in the U.S. and China was on the rise.

Later that fall, the shrimp made a big splash in the U.S. market when Red Lobster said it would feature the product on its menu. It was the first time in years the national seafood chain added any kind of wild-caught shrimp to its offerings.

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Protein year in review...

Production, exports, and cold storage inventories

2016 was one for the ages and for a number of reasons—some of which are more obvious than others. For the protein industry, it may not have been a year worth remembering, but it'll certainly be a year never forgotten. Not only were there a number of items that reached record high prices, but there were also several items that plummeted to multi-year lows. The

one common theme, which seems to have played, and continues to play, a major role in all the center of the plate protein markets, is "advancing supply."

Total red meat and poultry production reached more than 97.5 billion pounds in

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AEB's 2017 efforts include marketing plans driving egg demand and increasing consumption.



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One man's innovation and optimism were highly instrumental to the success of H&N Foods.

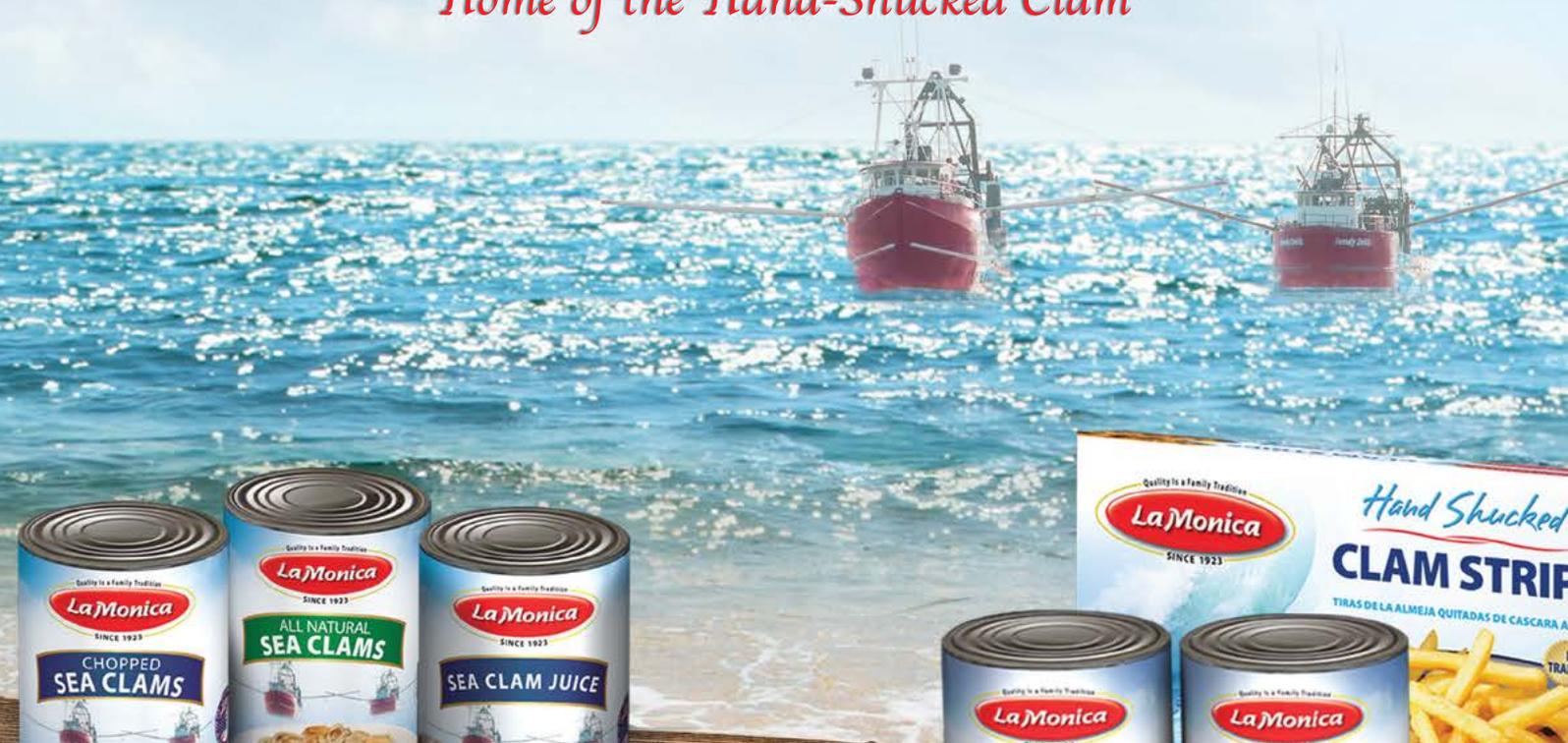
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Center of the plate



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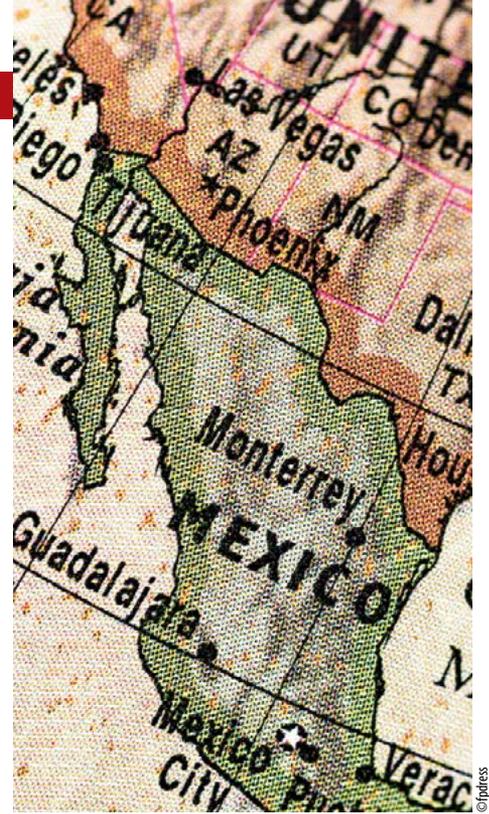
The increasing entanglements of the USA and Mexico

Move over Canada, Mexico is now the number two exporter of goods to the United States. The two countries were roughly tied at the end of 2015, but Mexico eked out a victory in 2016 thanks to a weak peso, a thriving manufacturing economy, increasing agricultural exports and a plethora of other factors. Mexico is also a top destination for U.S. agricultural exports, such as soybeans, corn, turkey, pork, dairy and much more.

One of the most important reasons for this shift has been the inevitable growth of the Mexican economy to match the size of its population. From the sheer standpoint of numbers, Mexico's population is roughly

three times the size of Canada's; it has always stood to reason that its economy, and therefore its exports, would catch up to its size and potential.

As far as Mexico's exports to the USA, some of the biggest non-petroleum exports are automobiles; fresh fruit and vegetables; beer and wine; certain beef products; snack foods; and live animals. 2015 agricultural exports to Mexico topped out at around \$17.7 billion, while USA imports from Mexico came in at around \$21 billion, highlighting the importance of regional specialization (each country produces that for which it is best suited and markets take care of the rest). Major increases in



The USA/Mexico land border is among the longest land borders between any two countries.

cross-border trade have taken place since the implementation of NAFTA, what will happen in the near future has yet to materialize.

So, what does this mean for Mexico? Well, advocacy groups such as Mexican Beef and USAPEEC continue to work towards strengthening the import/export relationship of the two countries. Certainly, Canada being bumped to third place does not mean that they will be cast into irrelevancy. Rather, it means that pro-growth policy and international trade are elevating the continent. **UB**

Article contributed by Adam Sharkey
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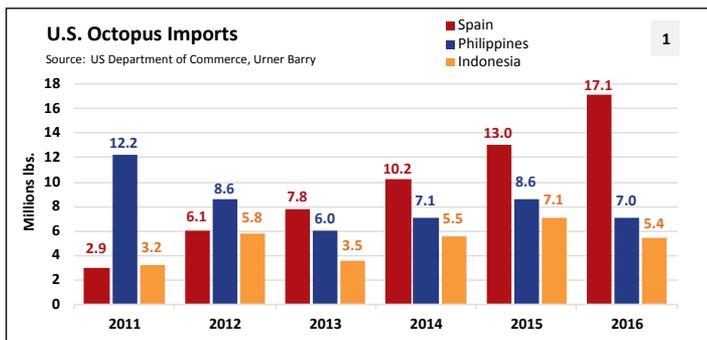
Booming octopus demand by U.S. millennials sends prices higher

By Michael Ramsingh. Adapted from an article originally published to Seafoodnews.com on January 27, 2017



Demand is high for octopus in the U.S. and other major markets since its versatility in the kitchen has made it one of the emerging items in the seafood industry. Like oysters, octopus has become very popular with millennials and is increasingly found on small plate and tapas menus, as well as becoming mainstream as an appetizer. One of the great things about octopus is that people who eat it like the fact that it looks like a sea creature.

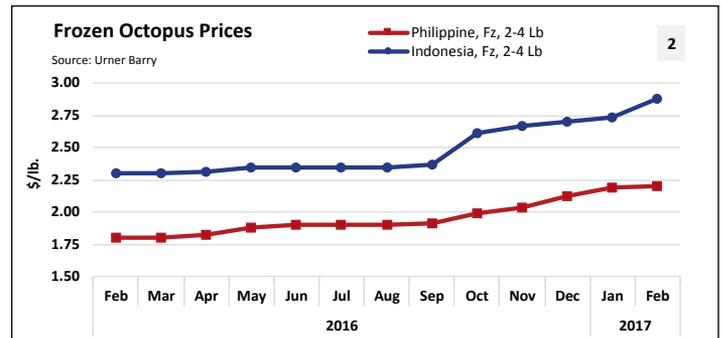
Mike Daniels, VP of Operations and Sales at Sea Port Products, says “Octopus is used in the poke application and is popping up in poke bars in fine supermarkets, fast foods outlets, etc. across the U.S. and especially the West Coast. It is extremely popular with millennials who can build their own poke cups or bowls and have fresh ingredients with no waste or leftovers and have tons of variety. Tako, or wild, cooked octopus, is gaining popularity as a preferred sushi item in the U.S. and is higher priced, but even the Philippine and Indo raw octopus can be cooked and prepared for poke apps as well.”



Spanish octopus is currently the most sought-after in the market according to the industry because of its flavor profile, texture, tenderness and high yield. Demand for Spanish octopus in the U.S. has exploded in the last five years with imports at an all-time record high of 17.1 million pounds in 2016. That figure is up 4 million pounds from 2015 levels. Compare this figure to the 2.9 million pounds of Spanish octopus the U.S. imported in 2011.

Urner Barry prices for Spanish octopus are strong. Part of this is because the U.S. is not the top market for octopus sourced from Spain. The U.S. trails the EU and Japan for influence in this market. Sources peg the share at 85 percent for the EU and Japan, and 15 percent for the U.S. Additionally, production from Spain’s winter season, which runs from December through February, is reportedly poor. Before Spain, the Philippines traditionally served as the U.S.’s key octopus supplier. Here the U.S. does

command the market share, accounting for about 70 percent of exports from the Philippines annually.



Prices for octopus from the Philippines are strong for all sizes. This has been a function of high demand and supply shortages. Total octopus imports the U.S. receives from the Philippines were down 18 percent in 2016 to 7 million pounds, a difference of about 1.5 million pounds from 2015.

Philippine production was particularly short on octopus 4-6 pounds and smaller, which are the preferred sizes for U.S. buyers.



These items are currently commanding premium levels over 8 pound and up sized items, which is unusual for this market, according to sources.

Indonesia is another notable octopus supplier to the U.S. market. Like Spain, the U.S. lags behind the EU and Japan for market share here. Similar to the Philippine imports, octopus shipments to the U.S. from Indonesia were

down 23 percent. Consequently, Urner Barry prices are up with supplies limited and demand strong.

So while demand for octopus in the U.S. is booming, production declines have limited supplies. This has pushed up prices in all octopus categories in the U.S. for this emerging seafood item. **UB**

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The 2016 election and the restaurant industry

Prior to the 2016 presidential election, restaurant attendance was said to decrease. Popular chains such as McDonald's, Wendy's and Starbucks placed blame on the presidential election for the lack of traffic to their restaurants.

The reason behind the lack of consumer traffic and slow same-store-sales growth was said to be the uncertainty of the election's outcome at the time. Some believed that Donald Trump did not disclose enough information regarding his policies during his campaigning. This led consumers to become more financially cautious as they feared for their financial future.

Other reasons for declining restaurant attendance were said to be falling grocery prices and increasing menu prices. Restaurants expected to see sales start to slowly grow following the election.

The question at hand is, did consumers start to dig into their pockets after the outcome of the election and dine out? Danny Meyers, founder of Shake Shack, stated that people were starting to come back to restaurants as part of their "election recovery" process. Both those who were pleased or displeased with the results

of the election dined out because it was a place where people could gather to discuss.

Restaurants, including Chipotle and McDonald's, had their stocks climb following the election results. Reason being that they believe Trump would be against increasing the federal minimum wage which in turn would not increase restaurants' labor costs. Also, many believe with Trump's initiative to repeal the Affordable Care Act, many restaurant chains would not be required to provide healthcare for employees.

It is believed that the combination of lower food prices and lower worker wages could result in attractive menu promotions, bringing more diners out to eat. **UB**

Article contributed by Nicole Christie | nchristie@urnerbarry.com



"The reason behind the lack of consumer traffic and slow same-store-sales growth was said to be the uncertainty of the election's outcome at the time."

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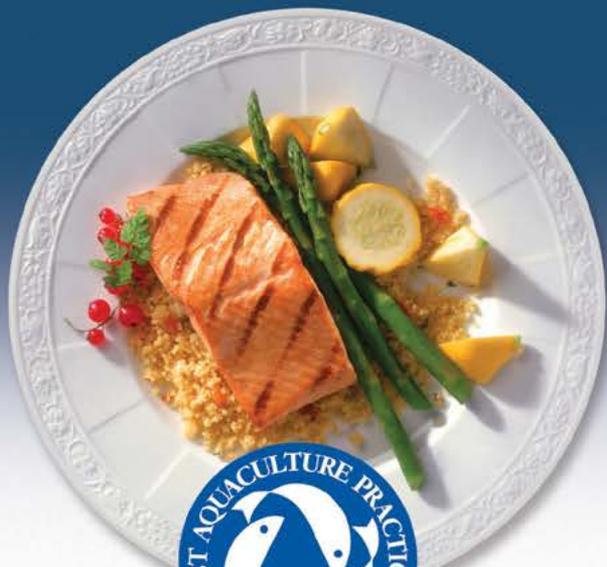
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Seafood executives descend on Bay Area for NFI's Global Seafood Market Conference

In January, Urner Barry's seafood staff, along with 400 industry executives, attended the National Fisheries Institute's (NFI) Global Seafood Market Conference (GSMC) held in San Francisco.

This year, the event was held at the Westin St. Francis Hotel in the downtown Bay Area. This marked a return trip to California for the GSMC since it visited Santa Monica in 2013.

The conference, which doubles as the NFI's annual meeting, provides attendees with an overview of the most commercially-traded seafood species in the U.S. market.

Breakout sessions featured in-depth panel discussions for shrimp, finfish, salmon, shellfish and pelagics.

Urner Barry's seafood market reporters Jim Kenny and Angel Rubio reprised their roles as panel analysts.

This year Kenny was part of the Bivale & Molluscan Shellfish panel, which discussed key market trends for mussels, oysters and clams. Meanwhile, Rubio provided his expertise as the panel analyst for the

premium finish session, discussing mahi, barramundi and toothfish, among other fish species.

Presentations also discussed a bevy of topics with direct and indirect implications to the seafood trade. Domestic and global economic trends, food consumption patterns, and alternative protein markets were just a few of the topics discussed at the GSMC.

Speakers included Duane Lenz from Cattle-Fax, Warren Solocheck from the NPD Group, Christian Lawrence and Gorjan Nikolic from Rabobank and Michael Swanson from Wells Fargo.

The GSMC also celebrates the graduation of the NFI's Future Leaders

Class where this year, Urner Barry's Seafood Market Reporter Nicole West was recognized for completing the program. West was the sixth Urner Barry staffer to complete the program.



Nicole West was the sixth Urner Barry staff member to graduate from the National Fisheries Institute's Future Leaders Program. Pictured (left to right): Urner Barry President Paul Brown, Nicole West, Jim Kenny.

Next year's GSMC will return to the InterContinental Miami Hotel in Miami, Florida which is scheduled for January 23-25. **UB**

Article contributed by Michael Ramsingh
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Urner Barry Seafood Market Reporter Angel Rubio was Panel Analyst for the Premium Finfish Breakout Session.



Urner Barry Director of Business Development, Jim Kenny was Panel Analyst for the Shellfish Breakout session.

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Restaurants that exist to serve food strictly via delivery

A gourmet meal in my pajamas? Yes, please! Virtual restaurants are predicted to be one of the hottest 2017 food trends. With

Uber changing the way food was delivered in 2016, virtual restaurants are looking to take the trend one step further. Eateries

such as *Munchery* and *Green Summit* have adopted this trend which serves gourmet meals to the diner's front door. This concept satisfies the needs of diners who have a refined palate but want to eat dinner at home.

revenue. On the contrary, delivery-only locations still incur costs, yet they are considerably less to employ runners for delivery, chefs and kitchen crews, as well as "to-go" containers and good ingredients.

Of course pleasing customers is still top priority for these chefs, but virtual chefs are finding this harder to do with their customers dining at home. If something goes wrong in a restaurant, the chef can remedy a meal immediately or a manager can offer a discount or free dessert. The inability to quickly fix a problem with a meal that a customer is eating at home becomes a major issue.

In a similar fashion, some startup apps are allowing home chefs to share their meals with local strangers. The home cook prepares a meal then sells their food to those nearby who purchase off an app such as *Umi Kitchen*, NYC. Similarly, underground boarding homes have started to pop up—mimicking Airbnb but for the food industry. This idea allows home chefs to connect with tourists and locals to dine. In Los Angeles and San Francisco, a service called *VizEat* connects locals who want to host dinner parties to visitors looking for a local meal or locals wanting to connect to others in their area.

You might be thinking, what is the benefit of becoming a virtual restaurant? Conceivably, the main attraction is that failure is easier and cheaper than opening a brick and mortar location. If the restaurant should fail, there is no re-organization of the business plan or restaurant space, minimal laying off of staff to cut costs and no media judgment. It's simply the removal of an app!

The benefit for diners? That it is easy, quality food in your jammies on your couch! This trend will be a fun one to follow in 2017, stay tuned!**u**

Article contributed by Meghan Miick
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offer delivery, but knew the food from his brick and mortar restaurant's menu would never travel well. So he created a delivery-only restaurant, *Ando*, where the diner uses *Ando's* app to have David's chef-inspired meals cooked and delivered to their door. His menu contains dishes such as Vegetable Bibimbap and Cheesesteak Egg Rolls.

One major benefit in being delivery-only is having lower overhead costs, i.e. rent, compared to a brick and mortar location. A virtual restaurant does not need trendy décor in a prime location because customers don't need to see or find you! Likewise, the square footage needed to host diners at tables, can now be used to run a multi-functional kitchen to produce

“A virtual restaurant does not need trendy décor in a prime location...”



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Millennials' influence trickles UP, so their preferences affect everyone. By serving up content and messages in digital, bite-sized tidbits, AEB positions them as the *eggsperts*, impressing their friends and families.



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¹AEB.org/Strategic Plan ²TinyURL.com/AEBExport

As Chairman of the American Egg Board (AEB), I am beyond proud of the nimble, collaborative marketing plans that have already been launched against AEB's 2017 Strategic Plan. Additionally, long-term domestic consumption is trending upwards. Demand at retail and Per Capita Consumption are strong: two factors at the heart and core of AEB's mission to drive demand of eggs and egg producers.

Because of a renewed strategic focus on growth areas and the dynamic leadership AEB's CEO Anne L. Alonzo and her team's talents, I am confident that there are no boundaries for AEB's reach in 2017.

We're already delivering MORE through focused, responsive and opportunistic marketing than ever before. Count down 5 ways your AEB is targeting its 2017 marketing.

Best,

Blair Van Zetten,
AEB Chairman, Oskaloosa Food Products, Iowa



SOCIAL MEDIA SUCCESS @ IPPE

On Feb.1 from 11 am to 3 pm, Aeb, the egg inflatable, appeared at AEB's booth and connected with IPPE attendees through photo opportunities via a custom Snapchat filter and both Facebook and Instagram tags with the Incredible Egg. #putaneggonit ... literally!



NOTE: The AEB, including its Egg Nutrition Center, is rolling down the road to a new office. As of 2.13.17, please address all correspondence to: 8755 W. Higgins Road, ste.300, Chicago, IL 60631. The numbers remain the same, P: 847.296.7043; F 847.296.7007.

India drives U.S. imports to all-time record volume in 2016

By Michael Ramsingh. Adapted from an article originally published to Seafoodnews.com on February 7, 2017



Although December 2016 shrimp imports were down 3.4%, annual imports for 2016 were 3% higher than last year establishing a new record import volume of 1.33 billion pounds of shrimp.

The figure was up three percent from 2015, which represents a four million pound rise in volume. (CHART 1)

This makes 2016 an all-time record for total shrimp imported to the U.S. in a single year.

The importance of Indian shrimp imports to the U.S. market cannot be overemphasized. Although total imports were up 4 million pounds, Indian shrimp exports to the U.S. were up 40 million pounds for the year, a 13.5% increase. (CHART 2)

Monthly shipments were exceptionally strong in the second half of the year, corresponding with India's seasonal harvesting schedule.

Thailand also posted a notable hike in shrimp imports to the U.S. Shipments from Thailand were up 10 percent for the year to 178.9 million pounds.

Another bright spot for U.S. imports was wild-caught red shrimp from Argentina. Imports were up over 50 percent for the year.

Meanwhile, shipments from Ecuador finished the year down 14.6 percent. The decline in the U.S. market share for Ecuadorian shrimp is mostly because of heavy competition from Chinese buyers.

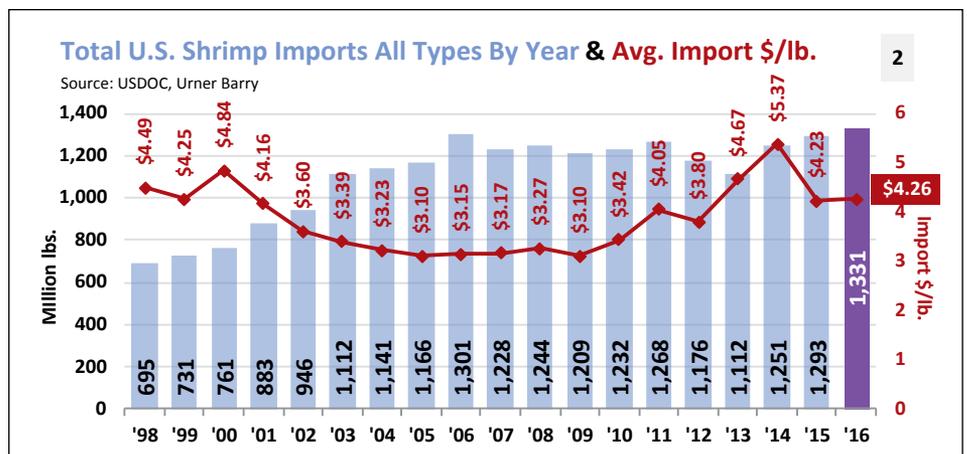
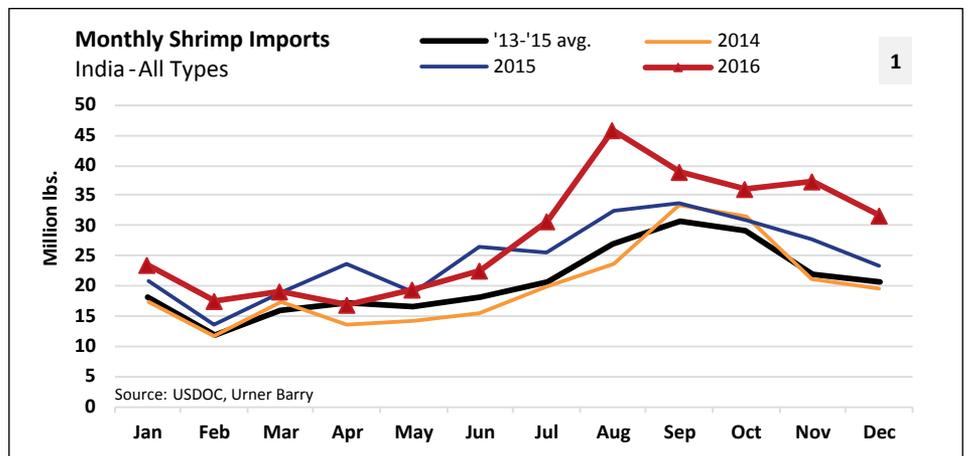
Elsewhere, Mexican imports also concluded 2016 down about 10 percent. This was anticipated because of disease issues as well as higher domestic shrimp consumption among Mexican consumers.

Overall by category, HLSO imports were 2.5% higher for the month and 3.5% higher for the year. Peeled imports were 12.6% lower in December but 4.3% higher annually. Cooked imports were higher both for the month and the year while breaded imports were lower. **UB**



India was by far the U.S.'s top shrimp supplier to the market in 2016.

Aquaculture Stewardship Council



“The importance of Indian shrimp imports to the U.S. market cannot be overemphasized.”

Pacific halibut fishery

The Pacific halibut fishery is managed by the International Pacific Halibut Commission (IPHC). The IPHC, which was originally called the International Fisheries Commission, was established

“... Pacific halibut is viewed as a high-valued groundfish.”



International Pacific Halibut Commission

Commercial halibut fishing.

in 1923 by a convention between the governments of Canada and the United States of America. Its mandate is conservation through research and management of the stocks of Pacific halibut (*Hippoglossus stenolepis*) within the convention waters of both nations. Under the management of the IPHC, the Pacific halibut fishery, which was once an overfished and deadly fishery, has turned into a sustainable well-managed fishery.

In the U.S., fishermen have an IFQ (individual fishing quota) which is a set amount of fish allowed to be caught by each fisherman throughout the course of the season. Canada, however, runs under an IVQ (individual vessel quota) in which each licensed vessel has an individual quota. Over the course of time these quotas have come to be viewed as commodities, and can be sold for large sums of money as Pacific halibut is viewed as a high-valued groundfish. Typically,

quota share value rises and falls with abundance or total catch limits. During times of relative scarcity, quota share prices are higher.

Each year the IPHC meets to set the quotas and start dates of the seasonal fishery. For 2017 the Pacific halibut season is set to open on March 11th and end November 7th with a total allowable catch of 31.4 million pounds, a slight increase from 2016. The U.S. will receive a majority of the share with 23,950,000 pounds and Canada will have the remaining 7,450,000 pounds. Last year the total removals of Pacific halibut were approximately 42 million pounds, which includes sport and personal use, wastage from lost gear and injuries releasing undersized halibut in the directed fishery, and research mortalities, along with bycatch. **UB**

Article Contributed by Nicole West
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Podcasting – a six-month retrospective

When Urner Barry first announced the podcast, it was an experimental little program the company was going to do to try to give customers easy access to the type of discussion and market expertise that many subscribers don't have time to get during the day by talking directly with market reporters. With a little practice editing the audio and learning the particularities of the recording equipment, UB was off to the races on two great weekly podcasts.

But what is podcasting? Well, think of podcasting like a radio show. However, instead of live broadcasting, you can download a podcast at home while on WiFi and play it at your leisure on the go. The idea came from mp3 players and has now made a comeback on mobile phones and laptop computers with a variety of podcasting apps. Organizations far and wide have their own podcasts that range from anything from the audio of normal



Urner Barry's Market Digest produces a weekly podcast that discusses trends on the different protein sectors.

daily programming, to specialty episodes designed for podcasts.

Urner Barry's Market Digest was born as a talk show to discuss trends on the meat, poultry, egg and allied side of the market. News, facts, figures, numbers and more

are highlighted on this show. A different sector or topic has so far been covered on each show, often cycling back to eggs, pork, poultry and beef to check in with the main markets. Other topics like live cattle and hogs have also been covered and more markets and trends will be explored as they develop and become topical.

Seafood News Roundtable was born of the UBMD prototype and is a weekly interview show during which the headlines of the week are highlighted. In some weeks, a special interview session will be featured as a way to talk about a particular market with one of the market reporters. Back in December, Urner Barry's President, Paul Brown, came on the show to recap shrimp import numbers and that was one of the most popular episodes to date.

As this show grows and develops, Urner Barry would like to take time to thank its listeners for the motivation to continue to innovate and expand our offerings. Our mission to provide timely, accurate and unbiased information never stops. We hope those of you that haven't had a chance to check out our weekly podcasting programs will do so on ubcomtell.com, foodmarket.com or seafoodnews.com. If you need assistance listening to podcasts on your desktop computer or mobile phone, feel free to contact us at urnerbarry.com or (800) 932-0617. **UB**

Article contributed by Adam Sharkey
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An advertisement for FOA & SON CORPORATION. The background is a high-angle photograph of a large, multi-story building with many windows. The text is overlaid on the image. At the top, it says "GOING BEYOND INSURANCE TO SERVE THE NEEDS OF THE FOOD INDUSTRY". Below that, it lists several services: "PRODUCT RECALL & CONTAMINATION", "RECALL/CRISIS RESPONSE & LOSS CONTROL", "OCEAN CARGO, STORAGE & TRANSIT", "REJECTION/LACEY ACT", and "PRODUCT LIABILITY". At the bottom left is the FOA & SON logo, which includes the year "1861". To the right of the logo is the company name "FOA & SON CORPORATION" and "International Insurance Brokers". Below that is the corporate headquarters address: "Corporate Headquarters, 122 East 42nd Street, New York, NY 10168". At the bottom, it provides contact information: "For more info, contact: Michael Lieberman, SVP - Food Industry Insurance Division, Michael.Lieberman@FoaSon.com (212) 432 1234".

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Boston seafood show founder and longtime industry advocate Ken Coons passes away

By John Sackton, Editor SeafoodNews

Kenelm W. Coons passed away on Friday, February 3, 2017 after a three-month illness. Ken will be deeply missed for his kindness, compassion, and humor. He was a great listener and gifted story teller with an inquisitive spirit, keen mind and quick wit.

Ken was a well known advocate for U.S. seafood.

After graduating from Harvard College (A.B. '53), he served two years of active duty in West Germany. He then began his professional career, embarking on a series of packaged goods marketing positions, including introducing General Foods' Cool Whip desserts.



Kenelm W. Coons — 1931-2017

He later moved to the mid-Atlantic and worked marketing Doxsee clam products, which introduced him to the seafood industry. He then worked for a diversified fish and shellfish company in Rhode Island. After earning a Masters in Marine Affairs at the University of Rhode Island in 1978, he was named Executive Director of the recently formed Rhode Island Seafood Council. Two years later, he helped found and was named the Executive Director of the New England Fisheries Development Foundation, later renamed the New England Fisheries Development Association (NEFDA). He held this position in Boston for two decades.

Ken was one of John Sackton's mentors in the Seafood Industry. "Ken hired me as program director for the New England Fisheries Development Foundation, which was my second job in the seafood industry after leaving the same Marine Affairs program at URI," said Sackton.

While at NEFDA Ken partnered with the Canadian Consulate in Boston to found the Boston Seafood Show. That show was eventually sold to Diversified Communications after the Foundation felt professional management was needed.

NEFDA also ran a popular Fish School for a national audience aimed at educating new seafood buyers. Gene Connors, who became the seafood guru for Hallsmith Sysco in New England, was a New Bedford Fisherman who led the quality training at the fish school.

NEFDA was chosen by FDA and USDA for a trial project to introduce the HACCP system of sanitation and, with Saltonstall-Kennedy Funds, focused on promoting under-utilized species, utilization of fish waste, and programs to enhance seafood quality. The Foundation ran a series of quality improvement projects for ground fish in New England including an attempt to introduce European style boxes for holding and offloading cod and flatfish in New Bedford.

Other initiatives included developing a domestic market for Rhode Island-caught Loligo squid and establishing the hagfish fishery in Gloucester, MA.

Ken was appointed by the Secretary of Commerce to the National Fish and Seafood Promotion Council and was elected its first chairman. At this time he was also named Man of the Year by the National Fisheries Institute (NFI). Ken firmly believed that the seafood industry needed generic marketing programs, and championed such programs in Washington DC.

Ken was a frequent spokesperson for the seafood industry in broadcast and print media.

After he retired, and John Sackton founded SeafoodNews, Ken became an associate editor.

"I have enjoyed working with Ken immensely over the years," said Sackton. "He was unflinchingly optimistic and had an extremely broad range of seafood interests. He also loved to cook seafood, and we would often exchange recipes and compare our various dishes and how we cooked. Ken brought me back a specialty whole fish poacher from Paris after one trip, for example."

Ken was friends with George Berkowitz, the Founder of Legal Seafoods, and Julia Child, whose hugely popular cooking shows educated a generation of Americans about French cuisine.

"One of the wonderful things Ken did was arranging for Julia Child to come teach a cooking class on fish to the NFI Future Leaders group that was meeting in Boston," said Sackton. "Ken organized the whole thing at the BU Culinary School. It was a

wonderful evening for the 20 NFI Future Leaders who cooked an entire seafood meal in a commercial kitchen with such a famous culinary star.”

Ken always kept an eye on menu trends especially as they related to seafood, and enjoyed writing about chefs and culinary tastes.

Relating to his time with SeafoodNews Sackton said, “it was truly a gift that in the last 13 years Ken was able to contribute to SeafoodNews. His broad experience, commitment to the industry, and wide range of seafood interests was a perfect fit. When we first started, it was just Ken and I doing all the writing and editing,” said Sackton.



Moving to Annapolis in 2004, Ken and his wife Deborah enjoyed a decade of cruising Chesapeake Bay aboard their aptly named Bristol 29.9 Loligo.



Ken was also thrilled when one of his sons, Chris, became the U.S. Senator from Delaware. As a professional journalist, Ken joined the National Press Club in Washington DC, and served on one of their scholarship committees. Ken was always a supporter of younger journalists, and took an especially helpful role with new hires for SeafoodNews. He maintained an active interest in international affairs and domestic politics as well as the food world. He introduced all of his grandchildren to his love of seafood and sailing.

Ken was born July 5, 1931, in Cambridge, MA, the son of the late Quentin L. and Persis (Wallace) Coons. In addition to his wife Deborah, Ken leaves three sons, Thomas W. Coons (Jeanne) of Newark, DE, Sen. Christopher A. Coons (Annie) of Wilmington, DE, and Stephen K. Coons of Annapolis, MD; daughter, Lisa Griffith-Fintl (Helmuth) of Oestrich-Winkel, Germany; two stepdaughters, Blair B. Slaughter (David) of Cockeysville, MD, and Barrie B. Jansen (Thomas) of Moncton, N.B., Canada; brother, William W. Coons, of Newburyport, MA, and nephew, Jeffrey (Mary) Coons, of Smyrna, GA, and nine very special grandchildren. **UB**

“I have enjoyed working with Ken immensely over the years”, said John Sackton. “He was unfailingly optimistic and had an extremely broad range of seafood interests.”



Consumers clash over key food issues

Among the vast network of social media platforms, there are a lot of misguided notions fueled by inaccurate information. From fake news to junk science, it can be difficult to sort out the truth from all the noise.

So how does the majority of the American public view hot topics in the food industry?

Pew Research Center recently published survey results, titled "The New Food Fights: U.S. Public Divides over Food

"...a sizeable portion of consumers remain ill-informed on a wide range of issues."

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Science." The survey showed differing views on the benefits and risks of organic foods and GMOs as Americans report a higher priority for healthy eating.

The survey found that 55% of Americans believe organically grown produce is healthier than conventional varieties, while 41% said there is no difference.

The survey also reported 39% of Americans consider genetically modified (GM) foods to be worse for health than other foods—a sizable minority, Pew reported. In fact, 48% of adults said GM foods are no different from non-GM foods, and 10% say GM foods are better for health.

In addition, the report indicated that people with a deep concern about the issue of GM foods are particularly skeptical of information from food industry leaders about the health effects of GM foods and see more industry influence on science research findings than do other Americans. Just 21% of those who are deeply concerned about the issue of GM foods trust food industry leaders "at least some" to provide full and accurate information about the effects of GM foods, and 79% do not trust information from food industry leaders "too much" or "at all."

In addition, just 19% of Americans say scientists understand the health effects of GM foods "very well," and 35% believe scientists do not understand the health effects "at all" or "not too well."

Most Americans perceive considerable disagreement in the scientific community, despite a 2016 report from the National Academies of Sciences, Engineering and Medicine that highlighted consensus among scientific experts that GM foods were safe. Only a minority of Americans say that almost all or more than half of scientists agree that GM foods are safe to eat, according to the Pew survey.

Another interesting point in the survey showed that 21% of those who care a great deal about the issue of GM foods



follow diets that are at least mostly vegan or vegetarian.

Pew observers, according to the report, worry that the back and forth of conflicting reports on the health effects of food and drink in the media confuses the public, or worse, fosters distrust in health and nutrition science.

Pew's research shows that there is still division among public perceptions of key food issues and science. If science and industry experts fail to ease the minds of skeptical consumers, then what does it take?

This is a theme we see often in the food industry when combating false information and trying to communicate with consumers more clearly and efficiently. Digitally jumping on bandwagons and engaging in heated online debates across social media has unfortunately become a fast-moving vehicle for misinformation. Despite the industry's best efforts to dispel myths and confusion about production practices, a sizeable portion of consumers remain ill-informed on a wide range of issues. Understanding the source of the confusion and skepticism can help start the conversation and build more effective and transparent communication efforts from the farm to the table. **UB**

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

Source: Pew Research Center. Survey conducted May 10-June 6, 2016. "The New Food Fights: U.S. Public Divides over Food Science."

Surging late year beef and pork exports positive for the protein markets

In the final set of data for 2016 compiled by the U.S. Meat Export Federation (USMEF), U.S. red meat exports continued to surge as the year progressed behind larger domestic supplies, softer prices and a more favorable U.S. dollar for much of the year compared to last year. Month-to-month growth since the middle of the year has become the norm. The highlight of the latest report for December was the second consecutive record monthly volume for pork exports. Beef also showed a strong month, however, outpacing year-ago levels by around 20 percent in both volume and value.

For the beef and beef variety markets, exports to Asian markets reversed from a down year in 2015. Japan and South Korea led these markets with year-to-date volume figures up over 26 and 42 percent, respectively. For the year, export volume

was 258,653 metric tons to Japan, the leading export market. Beef exports to South Korea set a value record of \$1.06 billion, breaking last year's total of \$810.4 million in the first 11 months only.

Our second largest trade partner in terms of volume, Mexico, also strengthened in volume, up 7.45 percent. South Korea, Canada and Hong Kong/China rounded out the top 5. U.S. beef exports are 11 percent higher at 1,187,105 metric tons. This translated into \$6.3 billion in sales so far. (CHART 1)

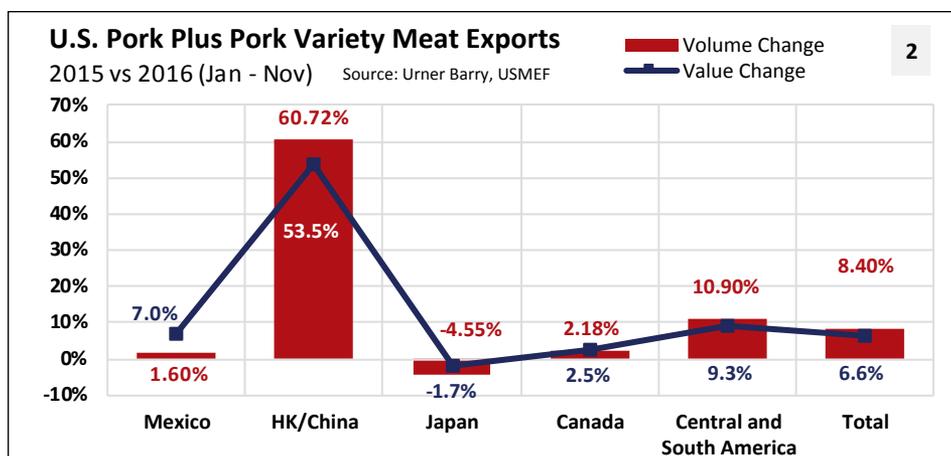
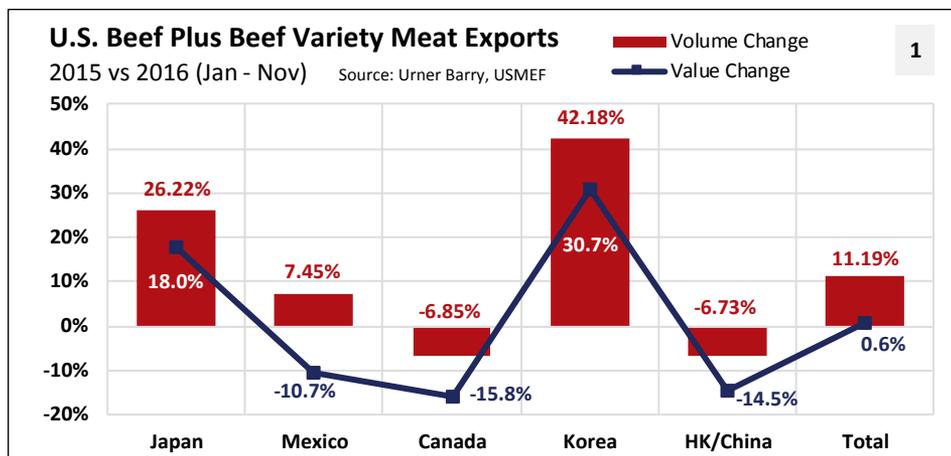
Led by strong Hong Kong/China trade, as well as continued strength from Mexico and Japan, U.S. pork producers (CHART 2) realized strong sales. U.S. pork exports to the Hong Kong/China region increased 61 percent in volume to 544,943 metric tons, an increase of 53 percent

in value. Despite being slightly higher in volume to leader Mexico and slightly lower to third place Japan for the year, pork exports strengthened again in December.

All these factors contributed to year-to-date figures over last year. Volume shipped out of the country increased over 8 percent to 2,311,277 metric tons. The value of this product was \$5.9 billion or over 6 percent higher than last year.

The export markets are important to the United States to maintain stable prices amidst supply expansion. Without growing exports, look for additional price pressure and more competition for consumers. **LB**

Article contributed by Gary Morrison
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Urner Barry releases new seafood products and services in time for Boston show

It was a busy year for new product development from Urner Barry's Seafood Department since the last North American Seafood Expo in Boston.

A host of new products and series of upgrades to our suite of online services were available at Urner Barry booth #364 at the Boston show and booth #6-842 in Brussels during the Seafood Expo.

Urner Barry's COMTELL was upgraded with a customizable notification system that delivers commodity intelligence reports and market quotations to you as they are released.

Plus, plans are nearly complete for a full revamping of the COMTELL News display.

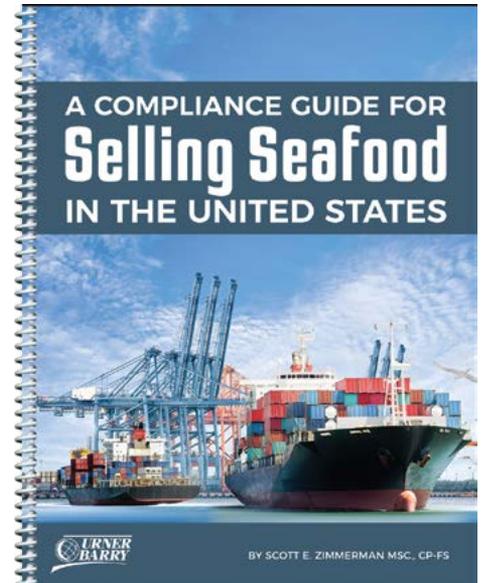
"Subscribers will enjoy a more organized and easier-to-navigate news experience

catered to your needs. Users can take advantage of a new tile view that facilitates improved graphical content. At the same time, we will maintain views that emulate a newswire, so you can quickly find recurring stories," said Russell Barton, COMTELL Product Manager for Urner Barry.

More ways to digest Urner Barry's market news are available with the launch of a weekly podcast series and The Seafood News Roundup Video.

Aside from these upgrades, Urner Barry's lineup of books and posters was also updated.

In an all-new and expanded format, the second edition of the widely-acclaimed *Tuna Grading and Evaluation* by Robert DiGregorio offers completely new and up-to-date facts and statistics regarding all aspects of the tuna business. This second edition is also now available in a fully-translated Spanish version. The edition boasts a comprehensive layout that includes recent tuna stock assessments from all over the world. Chapters have also been expanded to discuss various tuna ailments and fishing regulations. The second edition also features



A Compliance Guide for Selling Seafood was released at the re-launch of the SIW series.

completed HACCP forms for reference. Additionally, the book has been updated with information on the scientific studies of mercury in tuna; worldwide fishing techniques; and the latest advancements in tuna aquaculture.

"This book is essential for everyone, not only the tuna business but the seafood industry in general," said Urner Barry Tuna Book Product Manager Nicole West.

URNER BARRY Seafood Import Workshop Series



Meanwhile, Urner Barry's series of Compliance Guides will also be updated in partnership with Scott Zimmerman, the founder and CEO of Safe Quality Seafood Associates.

The first book in the updated

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COMTELL has been upgraded with a customizable notification system.

series is titled *A Compliance Guide for Selling Seafood in the United States* and was released in mid-February.

“This manual summarizes the critical compliance topics facing the seafood industry, providing processors and distributors with a starting point from which you can prepare, manage and create your own unique compliance programs needed to comply with federal authorities in food safety, trade, and sustainability issues,” said Zimmerman.

The release of the *Compliance Guide* coincided with the re-launch of Urner Barry’s Seafood Import Workshop series. This popular series educates seafood industry professionals that have a vested interest in learning about the best industry practices that keep seafood business compliant with the latest regulatory standards required by federal authorities and industry stakeholders.

The series was held at Urner Barry’s headquarters in Toms River, NJ and

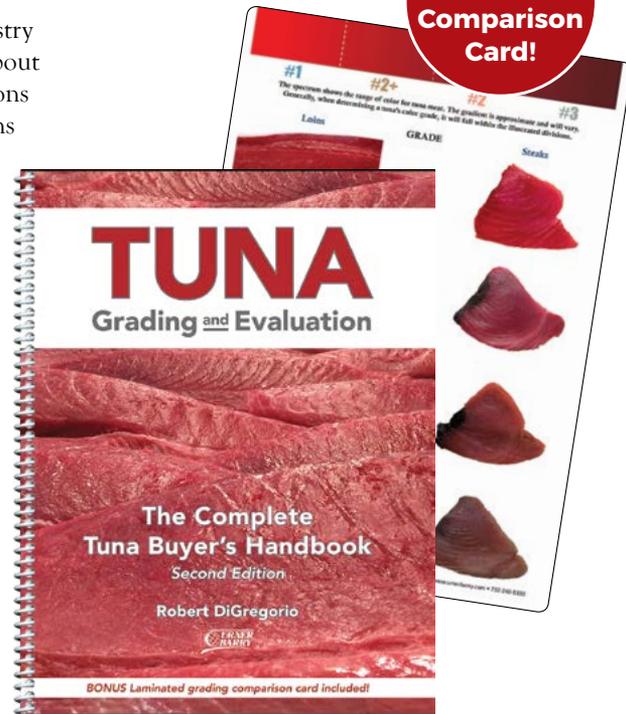
featured an esteemed panel of industry experts. Attendees were educated about avoiding automatic seafood detentions by the FDA; creating effective actions plans; navigating the latest federal changes at Customs, and protecting their seafood businesses from risk, among other key topics. Look for future Workshop dates in the coming months.

Finally, Urner Barry’s series of Seafood Wall Charts will also be expanded, look for new species posters in 2017.

Visit shop.urnerbarry.com or call 732-240-5330 to learn about the changes to Urner Barry’s seafood products lineup in addition to more services available for those operating in other protein industries. **UB**

Article contributed by Michael Ramsingh
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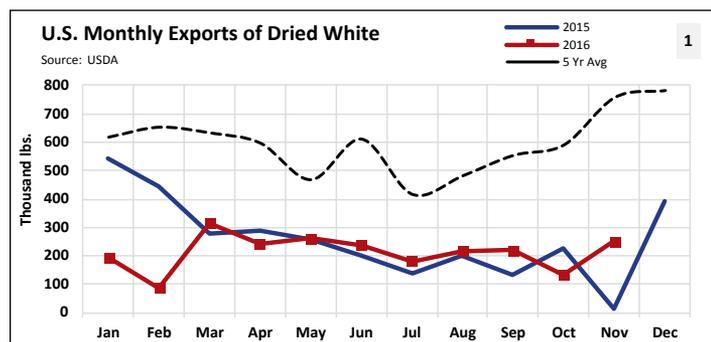
Egg white demand remains slow to recover

Every egg produced contains roughly a third yolk and two thirds egg white by volume. Years ago, egg whites were little more than a by-product of separation for yolk. Processors jokingly recall “pouring egg whites down the drain” during parts of the 1980s and 90s when the market was so saturated with product that they were barely able to get \$0.10 per pound for liquid.

Following the Great Recession, egg whites experienced a bit of a renaissance. U.S. consumers began to see whites as a healthy and affordable source of protein. Egg whites benefited from the trends toward clean labels and increased demand for gluten-free products during the period. Manufacturers of consumer goods saw egg whites as a cheap and clean binding option, including them in anything from deserts and candies to seafood products. Consumption of eggs in general also became “good for you” again, after years of being associated with cholesterol risks. Liquid white prices saw steady increases from 2009 through 2013 when their value essentially doubled.

Quick service restaurants jumped on the bandwagon around this time, offering egg whites on their breakfast menus and promoting on a national stage. Urner Barry’s liquid quotations hit a record \$1.26 per pound in 2014, but returned to around \$0.60 by the start of the following year. Prices would again hit record levels in 2015, this time motivated by shortages relating to avian flu. Urner Barry’s liquid quotation peaked at \$1.82 in August. Dried egg white inventories hit record lows, while prices for albumen powder reached nearly \$18 per pound.

What was once a cheap binding ingredient quickly became unaffordable for some manufacturers. The unprecedented price levels and supply uncertainty forced buyers to find alternatives, particularly if egg whites weren’t a touted ingredient on their labels. As the U.S. layer flock recovered from HPAI, so did egg white production. Demand has been slow to follow suit, as buyers have been hesitant to resume normal usage. International users faced similar issues, forcing them to find alternative ingredients and/or suppliers. YTD exports of dried egg whites are down 63% from the 5-yr-average through November of 2016. (CHART 1)



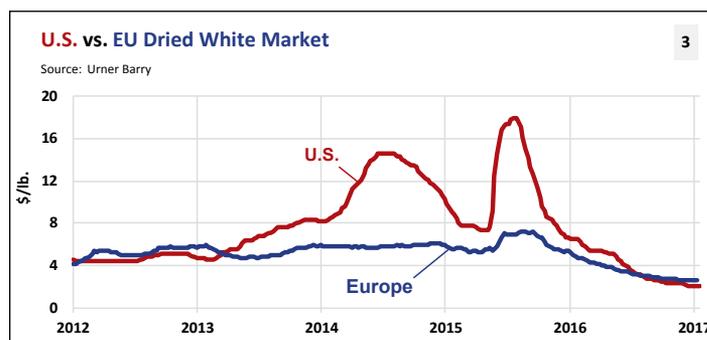
The situation has sent prices tumbling from 2015’s record highs to 10-yr-lows and has created a surge in dried albumen inventories. The USDA reported total stocks in the category at 10.845 million pounds for December 2016, the highest level seen since 2002.

“The situation has sent prices tumbling from 2015’s record highs to 10-yr-lows...”

Processors have been working tirelessly to recapture lost business, but users have been cautious given the recent volatility. Buyers have the leverage as the marketplace has become extremely competitive.(CHART 2)



Industry participants hope price conditions will help to jumpstart demand. Current lows could motivate new retail promotions and menu innovations in the foodservice sector. Manufacturers may also find new uses for whites at these levels, especially given inventories and the continued consumer push for clean labels and ingredient transparency. U.S. egg whites are also competitive in the international marketplace. For the first time since 2013, U.S. dried egg whites are cheaper than European dried white powder to begin 2017. (CHART 3)



Egg whites came into their own over the last decade after being little more than a byproduct for yolk separation in years prior. Many of the fundamental drivers which created that move remain in play, but demand has been slow to recover after the two major supply shocks and subsequent cost peaks. Prices are now the cheapest they’ve been in a very long time and shortages have turned to surpluses. Processors are attempting to manage outputs as best they can while waiting for users to come back off the sidelines. **UB**

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

Counting cattle



© Jarchel/istock

The National Agricultural Statistics Service (NASS), a sector of the United States Department of Agriculture (USDA), released the annual cattle inventory report on January 31, 2017. The report showed inventories of all cattle and calves up 2% from the previous year, at 93.6 million head.

In terms of cattle herd expansion, we look at the figure reported for beef replacement heifers, which was 6.42 million, up 1% from a year ago.

In addition, the NASS report showed all cows and heifers that have calved, at 40.6 million head, up 3% from the 2016 figure. Beef cows were up 3% at 31.2 million head, while milk cows were up just slightly from the previous year.

The 2016 domestic calf crop was estimated at 35.1 million head, up 3% from last year's calf crop. 25.6 million of the calves in the U.S. were born in the first half of 2016, up 4% from the first half of 2015.

In the last issue of *Urnner Barry's Reporter*, we analyzed cattle expansion and current factors affecting the cattle cycle. Cattle producers have seen decreased profitability recently, which would signal a reduction—albeit a gradual one—in the cow herd. In January 2015, beef replacement heifers were reported at an increase of 4% from the year prior. Then in the 2016 annual report, the increase in replacement heifers was 3%. The January 2017 report's more modest 1% increase indicates that while herd expansion is still in play, we are certainly seeing a slowdown in herd growth efforts.

Luckily for livestock producers, ample corn supplies for the 2016-2017 crop year have helped to mitigate losses by lowering input costs to raise cattle. Should the grain situation change in the coming years—feed costs rise, less forage availability, weather concerns, etc. — we could see a more rapid commencement for herd expansion. **LB**

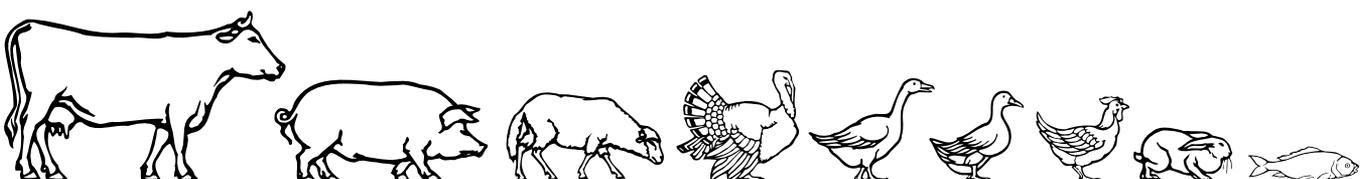
Article contributed by **Jamie Chadwick**
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Expanding world trade requires looking beyond production data for supply indicators

The expansion of world trade, which for certain commodities has been rapid in recent years, means that export and import data, changes in population and other factors beyond production are increasingly important factors when projecting domestic supplies and prices.

The change in ownership of some major companies from U.S.-based firms to those of other countries may add yet another dimension to the uncertainty of domestic supply availability over time, depending on a number of factors.

Over the past 10 years, some of the largest U.S. meat companies were sold to foreign companies. In 2007, Brazil-based JBS purchased Swift and Company and in 2008 it bought Smithfield Food's beef operations, then in 2009 acquired controlling interest in chicken processor

Pilgrim's Pride. Cargill's pork group was purchased by JBS in 2015.

Pork giant Smithfield Foods was sold to Chinese firm Shuanghui International Holdings in 2013. Smithfield Foods is the largest hog producer and pork processor in the U.S. After recently purchasing Clougherty Packing LLC from Hormel Foods, Smithfield Foods can now process approximately 119,000 head a day, which is over 25% of the nation's current capacity.

Some livestock producers and food industry sources have expressed concerns about the increasing foreign ownership of firms within the U.S. animal protein industry. Others have said that as long as the companies follow the laws, guidelines and protocols of the U.S., there should be no difference between them and U.S.-owned firms on the impact of the livestock

"Some livestock producers and food industry sources have expressed concerns about the increasing foreign ownership of firms within the U.S. animal protein industry."

and meat markets, food safety issues, and consumer satisfaction.

Pork and poultry production in the U.S. has grown significantly since the turn of the century but so too have export sales, especially for pork. The graph illustrates the growth of U.S. pork sales internationally. (CHART 1)

Pork exports for 2017 are projected to be up 4% from 2016 and more than quadruple those of 2000. The net supply of pork available domestically, accounting for production plus imports minus exports, has risen gradually due to the growth in output but makes up a smaller percentage of production. (CHARTS 2 and 3)

Some analysts look for further growth of export sales to China, aided in part by the ownership of Smithfield Foods by a Chinese firm. That ownership may open pathways to markets otherwise difficult to attain, they said.

"I tend to think the foreign ownership improves export opportunities," said Dan Vaught, analyst with Farm Journal. "A big key to future export growth to China pivots on the ractopamine issue. Does Smithfield Foods enjoy a major advantage in shipping ractopamine-free meat? Or will they push for acceptance of treated meat down the road? I think they could open that door if they wanted to, but I'm not sure they'd view that as being in their best interest."

"For me, the main factor comes down to policy," said Bob Brown, private analyst in Edmond, Okla. "Yes, Smithfield may have better contacts in China than before but the policies that govern support of China pork producers or that govern food prices and availability to their own populations can trump anything to do with contacts.



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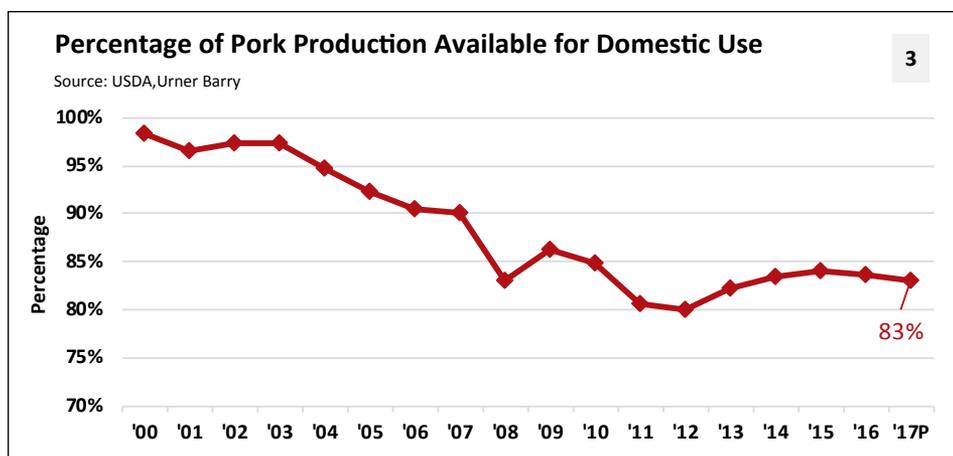
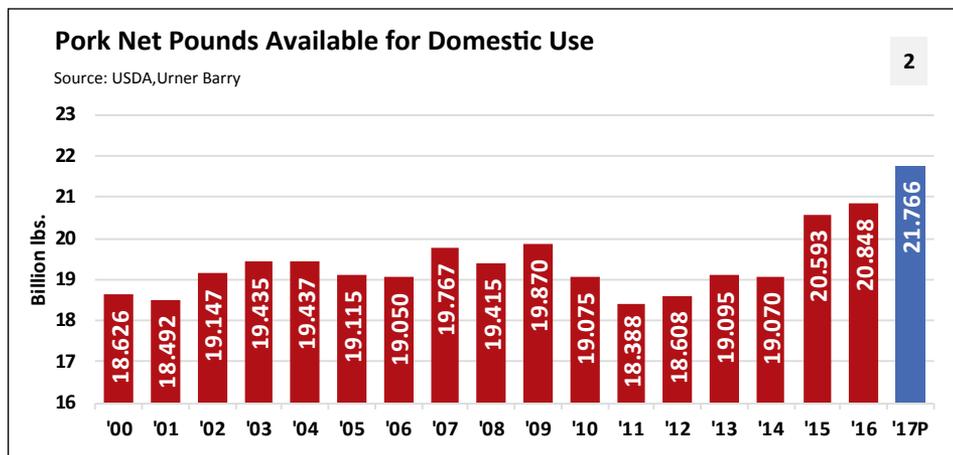
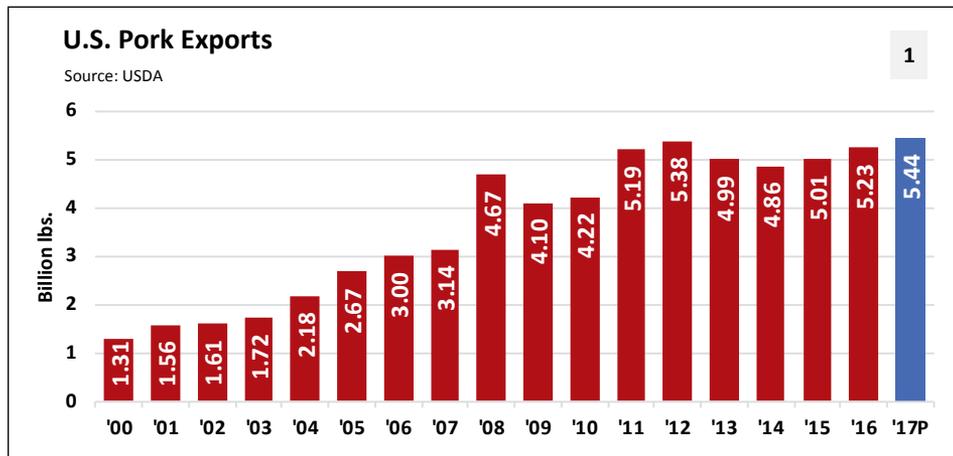
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Also, larger country to country relations surely can make or break any trade advantages even a Chinese owned company might have, which comes down to policy. Other China policies that mandate only imports of ractopamine-free pork and the like may be better transmitted back to a company that has Chinese ownership which may give it a leg up on USA competition for that market.

Industry participants and analysts will keep a close watch on future export sales trends. The pork industry, especially, will need to further boost export sales since some new processing plants will be coming on stream later this year and in 2018, which is expected to boost overall output. **US**

Article contributed by Curt Thacker | cthacker@urnerbarry.com



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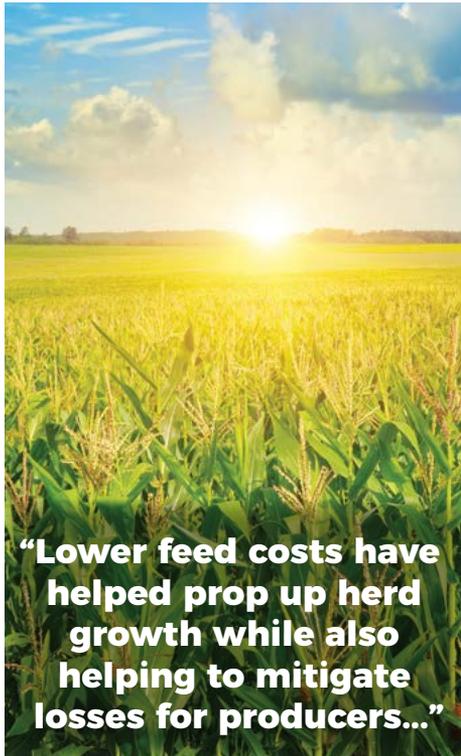
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The 2016-2017 grain situation



“Lower feed costs have helped prop up herd growth while also helping to mitigate losses for producers...”

In the USDA's National Agricultural Statistics Service report on Annual Crop Production, data confirmed industry expectations of a record large yield and production for both corn and soybeans in 2016.

The U.S. produced 15.1 billion bushels of corn in 2016, which is an 11% increase over 2015, though down 1% from the forecast in November. Corn yields were estimated at 174.6 bushels per acre, 6.2 bushels above the average yield the year prior. The November forecast called for just over 175 bushels per acre. Harvested area was up 7% from the 2015 crop year and just slightly below the November forecast, at 86.7 million acres. In addition, corn stocks were reported 10% higher at 12.4 billion bushels as of December 1, 2016.

Soybean production totaled a record 4.31 billion bushels, up 10% from 2015. Soybean yields were estimated to be 52.1

bushels per acre on average, a record high and an increase of 4.1 bushels above the 2015 yield. Initial November forecasts were only modestly higher for production and yields. Harvested area was 82.7 million acres, a new record up 1% from the previous year. Soybean stocks were reported at 2.90 billion bushels, up 7% from 2015.

The markets viewed the January 12th production data as somewhat bullish, despite setting records, due to the slightly higher forecasts put out in November. This caused futures markets at the time to advance, especially for soybeans.

The 2016 growing season was ultimately a favorable one, with ample rain and moderate temperatures in key crop areas contributing to the record yields.

Abundant grain supplies have succeeded in lowering input costs for livestock producers in recent years. The cattle industry has especially recovered from the most recent drought that decimated domestic herd numbers. Lower feed costs have helped prop up herd growth while also helping to mitigate losses for producers over the past year as prices for livestock have fallen.

In early January, Cargill reported higher earnings aided in part by record U.S. corn and soybean crops, met with robust demand stemming from domestic and international growth in livestock production and reduced South American competition for exports.

Looking ahead, planted area for winter wheat harvested in 2017 is estimated at 32.4 million acres, down 10% from a year ago and 18% below 2015. This would be the second lowest acreage for winter wheat on record, according to the USDA. Some analysts believe that soybeans will likely gain most of the lost winter wheat acres this spring.

The USDA will release the Prospective Plantings report, reflecting intended acreage for the 2017 growing season for corn, soybeans and wheat on March 31st. **UB**

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

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Consolidation in convenience stores

Convenience stores are everywhere. If you've ever been on a quintessential American road trip, you've stopped at the roadside "Fill'er Up" to get gas, grab a snack and get onto your next stop. But they're not just on highways; convenience stores line just about every multi-block square in the populated parts of the country. You might not even realize how prevalent they are because they are simply everywhere, with too many local, semi-local, multistate and national chains even to name. Recently, a lot of these chains have started to merge or consolidate and some smaller chains have been growing into regional powerhouses. So, we ask the question—why?

First, let's define what we mean by a convenience store. A convenience store may refer to a gas station with an on-site store or a store with an on-site gas station. The difference is pure semantics, but they can affect the size of the store, the types of snacks and drinks that are available and other aspects of the business. While many of these chains sell gasoline, many do not. The largest convenience store chain, 7/11, has stores in some states with gas stations but a great many of their stores do not.



©koya79

"Don't tell me this wouldn't become your favorite thing very quickly."

Other local chains also may provide fuel depending on location or on the age of the property—with smaller, plaza-based stores not having the space for a gas station.

So, what prompted us to write a story about your typical Grab 'n Go joint? Well,

there are actually some interesting trends going on in this market right now, and no company highlights this better than Couche-Tard.

Couche-Tard is a fairly famous convenience store brand in Canada, but the holding company owns over 16,000 stores across North America, Europe and parts of Asia. It is the second largest c-store company in the world and recently began a project to consolidate a lot of local brands that had been built or acquired under one overarching brand (in North America and Europe). Now, some of the stores will remain under other banners and Couche-Tard will remain the name in Quebec where the name is very established (at least, that's what the company is saying so far). But, the brand under which the

company is looking to consolidate is one you may have seen before—Circle K.

While this company grew through acquisition (even acquiring a few dozen stores as recently as this past summer) and joint ventures, others are growing differently. Regional c-store powerhouse Wawa is now in six states and the District of Columbia, and Quick

Chek has also undertaken an expansion under a new store design that includes gas stations and original items. Other stores all over the country are undertaking similar projects, like Speedway, Love's, and more. Some of these stores are teaming up with snack and drink companies to



©eatcute

offer original items and flavors to encourage customers to come in and grab a bite on their lunch hour.

So, you might ask, how much money could there be in these convenience stores? And what could possibly be the benefit of having such a large footprint?

Well, and this is purely speculation, the next step in this industry may be delivery by drone. And, a large footprint means you can put out an app that can service more people in more places offering a consistent experience to customers all over the country (and possibly the world).

Essentially, what many of these companies may be trying to do is prepare for a far more competitive marketplace if, in a few years, we have custom submarine sandwiches flying around overhead. If I can get a personal pizza flown to me by one company, it might make less sense for me to go to another local chain to get a similar product. If the largest chain will deliver chips and an iced tea to me by drone, it might not make a difference that it's a mile and a half away compared with the local chain on the corner.

This is certainly speculation, but it's not far from the realm of possibility. The FAA and the NHTSA are already working together on drone safety regulations and autonomous driving/flying. The technology is not perfect, but companies that prepare for it now will not have as steep of a learning curve. So, next time you see a c-store pop up on your local highway, know that you may be looking at the perpetuation of a grand vision for the future of snacks and drinks. **UB**

Article contributed by Adam Sharkey
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Demystifying foodie culture

For many of us, meals are a welcome distraction from a day at work, an opportunity to unwind and spend time with those we care about, or a rushed affair as we look to curb our hunger while staying ahead of a busy schedule. For others, however, the meal is something else, something more. Enter the foodie, one for whom food is more than simply taste and nutrition, one who enjoys the culinary arts how another would an opera or Botticelli painting.

The foodie entered the public consciousness alongside the hipster, and the two groups are similar in many ways—the most dedicated foodies would never describe themselves with that term. But whether one self-identifies as one or not, foodies can be defined by a few shared traits. They avoid chain restaurants to patronize smaller, lesser-known eateries.



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They'll also often disdain traditional fine-dining experiences, instead opting for more experimental and ingredient-driven cuisine. Foodies prefer to live in cities, and like to make use of the dining variety cities provide. Some foodies keep lists of

restaurants they want to visit as they seek to sample all the tastes their area has to offer. Foodies will often blog about their eating, analyze their meals, or keep a food journal—and they **always, always** take pictures of their food.

Foodies are often young people who spend more than their peers on their dining budget, treating dining as a hobby; they'll often forgo expenditures in other parts of life to save up food money. Many cities have clubs for foodies, such as the New York Burger Club, whose members state their mission as “to enjoy and review every burger in New York City.” These clubs bring to light an important aspect of the foodie lifestyle, socialization. Eating together is already a social activity, and when food itself is a hobby as well, the sense of community around the table rises. Some foodies will host dinner parties in their homes, where they prove that they can create edible art as well as appreciate it.

Physical foodie gatherings are just the tip of the iceberg; however, the real demesne where foodies reign is social media. Blogs, Instagram accounts, and Facebook groups abound. A foodie's Instagram likes and Pinterest pins are marks of status and legitimacy, and some foodie-focused Facebook pages enjoy millions of followers. Numbers like that lend some serious weight to the movement. Foodies are a big community focused entirely on exploring new foods, and are willing to spend big money doing so. If one can take a bite out of the foodie market, they'll stand to benefit in a big way. **UB**

Article contributed by Jake Muldowney
mail@urnerbarry.com

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NYC's newest meat startup featured on Fox 5

New York's newest startup may be a novel undertaking in the "city," but it's a carefully crafted idea whose time has come in a business that is certainly not new to Vincent "Vinnie" Pacifico. Mr. Pacifico has been in the meat business since 1975. Since that time, hard work, foresight and a little good fortune have placed his meat and food distribution companies near the top of the pack realizing revenue in excess of \$1.5 billion last year.



In a segment recorded this January for Fox 5 New York's *All Business with Alison Morris*, Mr. Pacifico said that his latest venture is like a "...little art form, (it) is special and it's fun."

New York Prime Beef was launched last June offering the best in the beef business direct to the consumer. Each piece of meat is cut to order, bagged, sealed, hand-wrapped and even signed by the butcher himself before being sent fresh, not frozen, to its destination. Beef graded by the USDA as "Prime" is considered to be in the top 2 percent in the country.

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New York Prime Beef boasts a newly constructed, state of the art dry aging facility.

and you will be connected directly with the cell phone of Mr. Pacifico's partner Josh Tanner!

Besides having some of the best meat in the business and the passion to make it happen, Vinnie says that all he wants is a "wow." He continues by saying "What we're doing is different and I know we are doing it better because people tell us we have the best steak on the planet." **UB**

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



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USDA statement demystifies the sell-by date

Best before. Best by. Sell by. We see these terms and dates on almost every food item we purchase. For years, though, there's been confusion as to what these phrases really mean. Should you drink milk a few days past its date? What about the dates on soda cans, or potato chips? On December 14th, 2016, the USDA laid down the law, explaining exactly what's meant by these dates and how they relate to food safety.

If you're not buying infant formula, it's important to know that there's no legal requirement for food to bear a date. The Food Safety and Inspection Service (FSIS), instead recommends that manufacturers apply dates in an effort to cut down on food waste. *Sell-by* dates are used to tell stores how long a product should be displayed, while *Best* and *Use-by* dates mark the end of a product's "peak quality" period. According to the USDA, any food that isn't showing signs of spoilage is okay to sell, donate, or eat, whether its date has come or not. On the other side of that same statement, if food appears spoiled or unwholesome, even before its date, it should not be sold. These dates are therefore an indicator of food quality more than safety, which is best determined with a simple test before eating: If it looks bad, smells bad, or tastes bad, it's probably bad to eat.

While the federal government doesn't mandate dating on anything but infant formula, some states have requirements of their own for manufacturers to fulfill, especially with regard to eggs. Eggs often reach stores within a few days of being laid, making them more freshness-sensitive than some other foods. Many states require a *Sell-by* or *EXP* (expiration) date on the carton, which is the last day a store can sell the eggs. After this date, eggs will be good for three to five weeks as long as they're correctly refrigerated. For those curious



"Best and use-by dates mark the end of a product's peak quality period..."

about exactly when their eggs were packed, a three-digit number on most packages between 001 and 365 indicates the exact day the eggs were washed, graded, and packed. For USDA grading approval, the sell-by date on eggs can't be more than 30 days after packing.

Still have food safety Questions? The USDA has several sources available to assist:

- Call the USDA Meat & Poultry Hotline toll-free at 1-888-MPHotline (1-888-674-6854).
- The Hotline is open year-round and can be reached from 10 a.m. to 4 p.m. (Eastern Time) Monday through Friday.
- E-mail questions to MPHotline@usda.gov.
- Consumers with food safety questions can also "Ask Karen," the FSIS virtual representative. Available 24/7 at AskKaren.gov. **US**

Article contributed by Jake Muldowney
mail@urnerbarry.com



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Pork bellies... Is it real or fake news?

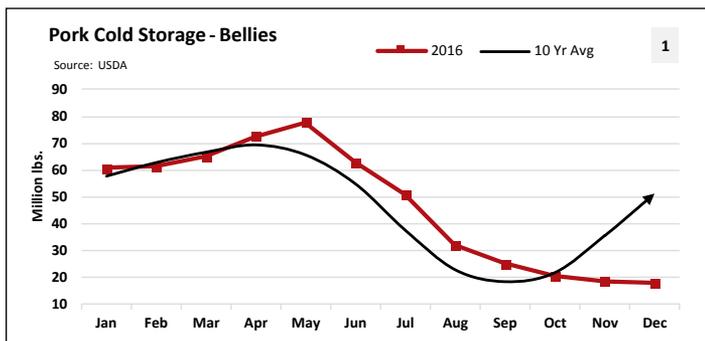
"The USDA's December cold storage report showed that this was the lowest December figure on record for bellies in cold storage."

Bellies have made the news in a big way recently, leading to fears over a "bacon shortage" and various media outlets debating if the whole ordeal is real or fake news. Here we will try to lay out some facts about the situation.

First, the reason why we hit the news in the first place is cold storage. There are some exceptional factors going on here:

- The USDA's December cold storage report showed that this was the lowest December figure on record for bellies in cold storage.
- Prior to 2016, we have never had a year where the December figure was lower than November.
- Prior to 2016, only once (1977) have we seen a year where November was lower than October.

» So, we have been using all the fresh product produced, PLUS additional frozen product since May. We are not typically in a net-withdrawal state, in terms of freezer inventories, after October. (CHART 1)

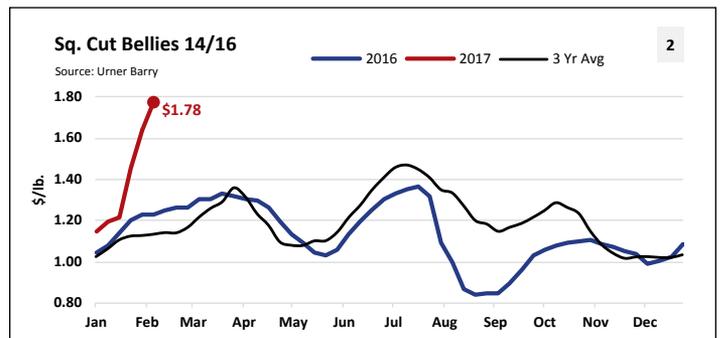


So why is this happening? There is an export element but, generally speaking, it seems to just be exceptionally strong domestic interest from retail/foodservice as well as a growing amount of internal usage.

- Prices leading into the fourth quarter of last year were at multi-year lows, with a 14-16lb skin-on belly trading between \$84 and \$85/cwt in the beginning of September. This seems to have resulted in strong orders for the rest of the year when we would typically be winding down demand and producing more than we could utilize.
- With all the fresh being utilized, there was little to no excess that could be sold to the freezer, resulting in the depleted stocks that we see today.



» With production declining in a seasonal fashion and fresh usage remaining very strong, prices have skyrocketed. (CHART 2)



- Exports are noteworthy because November was a record high for the total export figure. However, this encompasses all items, including bellies so it is difficult to pinpoint that more bellies did or did not leave the country in Q4 than previous years. For example, the total figure could have pushed into record territory primarily due to record exports to Mexico, which would mostly be composed of ham or picnic sales. Exports to Mexico have been at all-time high month-over-month values since August.

It should go without saying that the cold storage reports in the coming months will be watched very closely. With demand for fresh product clearly still quite strong through January and carrying over into February, as indicated by the price movement, it is in question just how much, if any, bellies have been added to the freezer over that time. Exactly what this means for bacon prices in the summer has yet to be determined and consumers may need to decide on an individual basis the price that they will not exceed for their favorite burger topper. But fear not, we will not run out of bacon. **UB**

Article contributed by Russell Barton | rbarton@urnerbarry.com



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Squid skyrockets as U.S. consumers indulge

Squid, often referred to as calamari on restaurant menus, is a cephalopod mollusk with eight arms, two tentacles and a tubular-shaped body. It is a wildly popular item in the U.S., with menu penetration hovering around 25 percent, according to Datassential Menu Trends. It will occasionally appear as an entrée ingredient, but calamari is most commonly found on menus in the form of a fried appetizer. Current per capita consumption in the U.S. is estimated to be a quarter of a pound.



Grilled calamari.

Global squid production was steadily increasing between 2009 and 2014, allowing markets to easily develop and/or expand. However, while official FAO data isn't available, a combination of individual country reporting, private reporting and anecdotal reports suggest sharp declines in 2015 and 2016 landings.

This decline in global catch, and competition from foreign markets like Asia, sent buyers scrambling to locate sources of production for the built-up appetite for squid products in the U.S. This action caused the price to import to rise swift and sharp. The import price has risen 34 percent in the 12 months from December 2015 to December 2016.

Market participants see the shortage itself as a short-term issue, but are concerned that the price spike could have longer-term implications in the event menu penetration declines. The fishery is sensitive to the shift in ocean temperatures brought-on by El Nino, but that is expected to change. It also benefits from the squid's short lifespan; marketable squid generally live only 12-14 months, meaning the squid population can, and does, change quickly.

Interestingly, import volume is up during this period, crossing the 160 million pound mark for the first time. This action is testament to the fact that Americans have an undeniable love affair with calamari; one which has expanded beyond

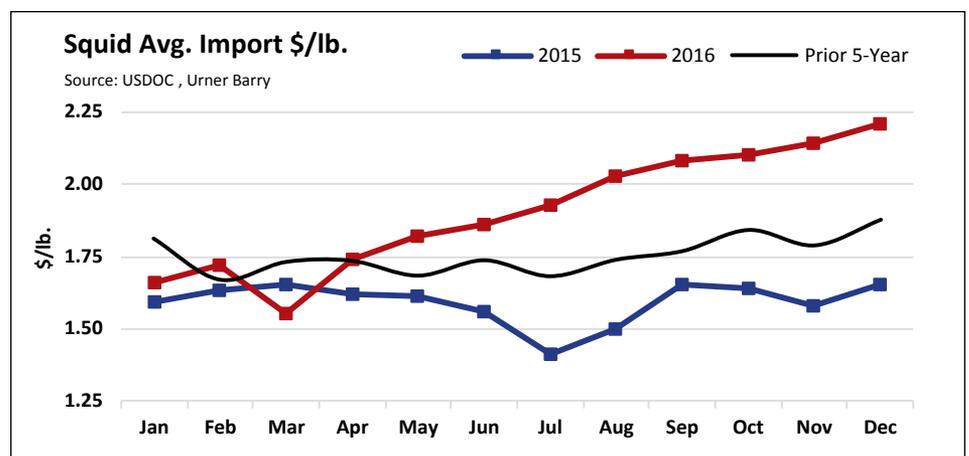
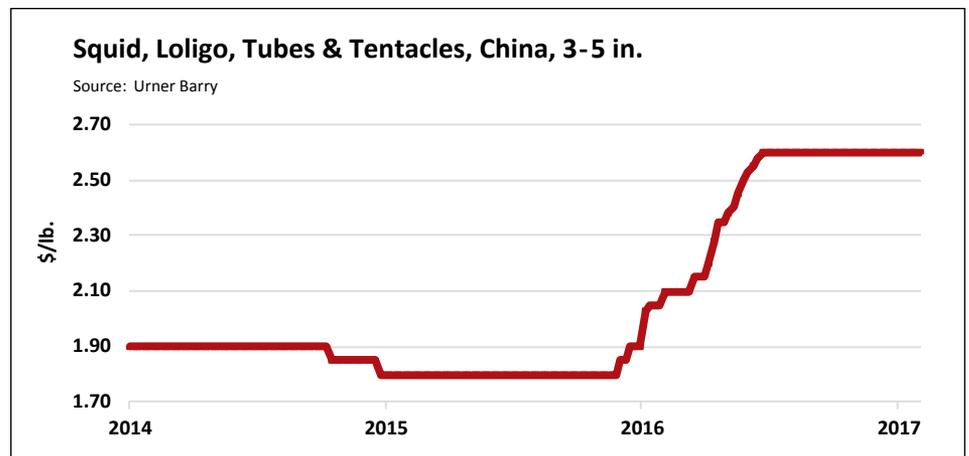
fried in recent years to include burgers, sandwiches, tacos, and in pasta dishes. Squid is increasingly recognized as an easy to prepare, healthy, high-protein, low fat, great tasting option.

The effect on market price in the U.S. has been just as dramatic as the impact on import price. A look at the bellwether Loligo item, 3-5 inch tubes and tentacles from China, shows a spike in the same

12 month period of 42 percent; the market went from \$1.75 to \$2.50 per pound.

So far, there doesn't appear to be any demand destruction occurring. However, this will be an item that will be watched closely and there's hope the 2017 season will realize real recovery. **LB**

Article contributed by Jim Kenny
jkenny@urnerbarry.com



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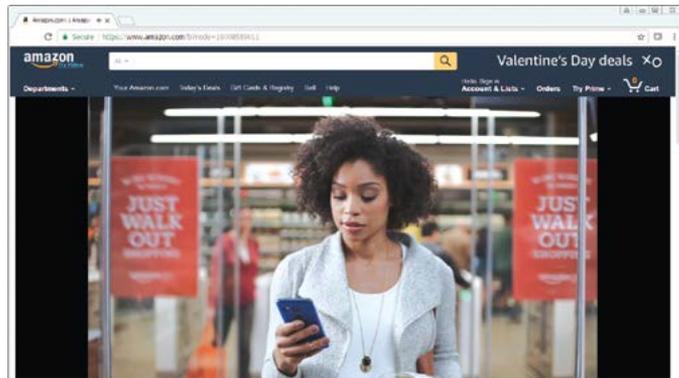
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Hassle-free grocery shopping with Amazon Go

Amazon has done it again! The company has blown our minds once more and by creating grocery shopping technology that our world has never seen before. With the Amazon Go app, the customer never has to wait in line and has no checkout after shopping at the Amazon supermarket! Amazon uses computer vision, sensor fusion, and deep learning that mimics the technology in self-driving cars.

So how does this work? Amazon offers a wide selection of grocery items, well-known brands, and ready-to-eat breakfasts, lunches, dinners and snacks in its 1,800 square foot space. The store also has meal kits with ingredients needed to make a meal for two. The shopper can browse the store like any other market with Amazon's technology detecting when

products are taken from or returned to shelves then keeps track of them in a sort-of virtual cart. The customer just scans their app on the way in and when done shopping, they can leave the store and Amazon will charge their account and send a receipt for purchases. This shopping experience is currently being tested with Amazon employees in Seattle, Washington. To participate in the shopping experience, the customer would need an Amazon account, a compatible smartphone and the free Amazon Go app.



This technological innovation could potentially add even greater value to shopping experiences. With the app enabled in the supermarket, every step taken or action made would generate data for Amazon. After learning the customer's habits, Amazon would be able to extend discounts on frequently viewed or purchased items, notify the customer if their milk is expired at home or if they might be running low on an item such as toothpaste, based on purchase frequency. If you have a peanut allergy, you can upload that allergy into the app and when you pick up an item that could contain peanuts, you would be alerted. Wow!

The current retail store in Washington will open to the public sometime in mid-2017. Though there have been rumors that over 2,000 brick and mortar locations will be opening, however, sources from Amazon have denied that report. Amazon is using this location as a learning experience and CEO, Jeff Bezos mentioned in May 2016 "We're definitely going to open additional stores, how many we don't know yet." **UB**

Article contributed by Meghan Miick
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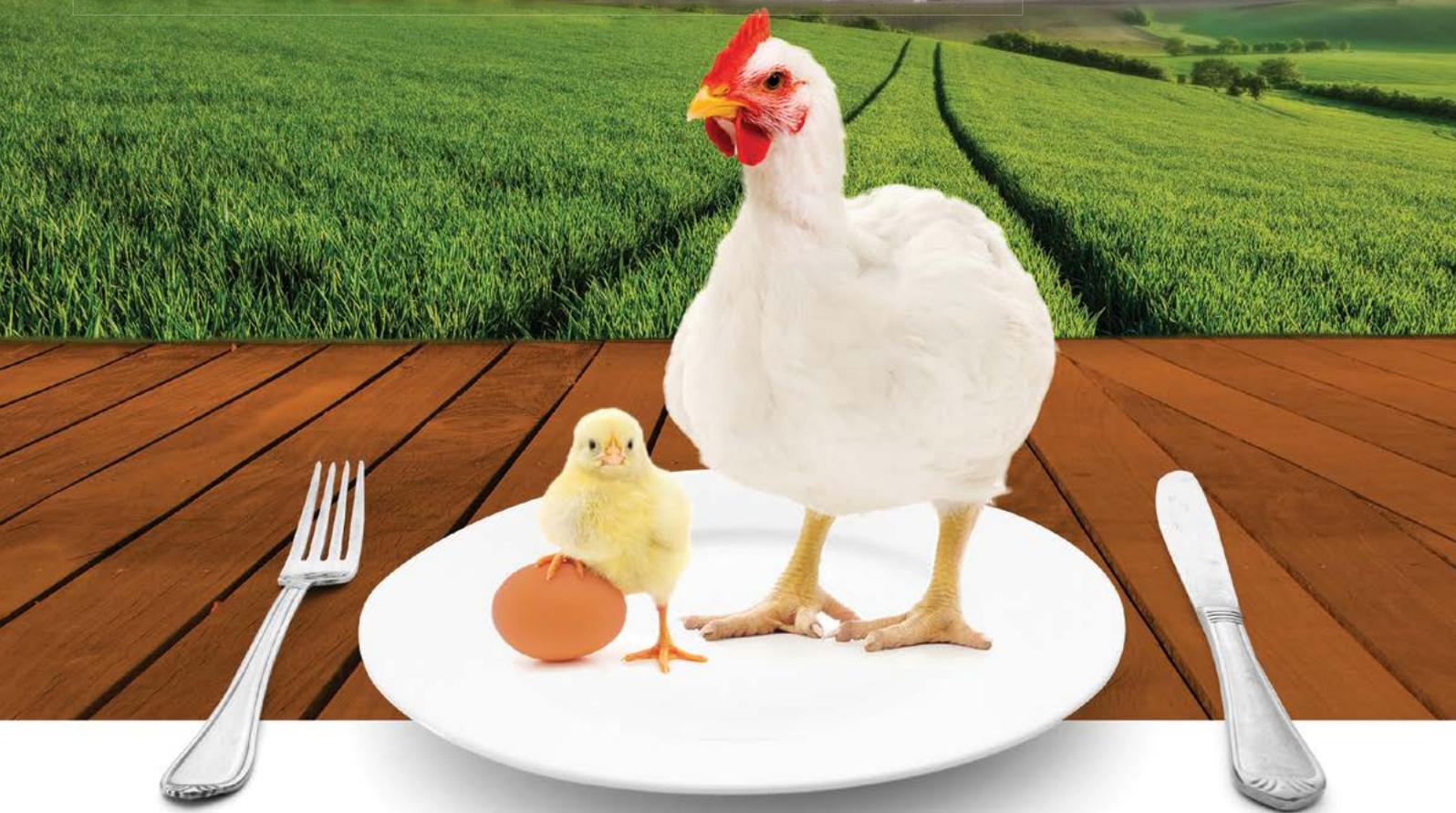
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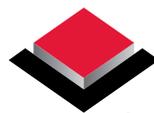
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Scallop fishery management update



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According to NOAA FishWatch, the U.S. wild-caught Atlantic sea scallop is a smart seafood choice because it is sustainably managed and responsibly harvested under U.S. regulations.

NOAA Fisheries and the New England and Mid-Atlantic Fishery Management Councils manage the Atlantic sea scallop fishery under the Atlantic Sea Scallop Fishery Management Plan. Management measures utilized include:

- A total allowable catch based on estimates of the scallop population. They allocate this catch amount to different groups of the fishery, depending on their permit type and historical catch, through days-at-sea and number of trips to special access areas.
- Limits on crew size.
- Areas closed to scallop dredging to allow young scallops to grow large and reproduce, and to reduce bycatch of non-targeted species.
- Vessels harvesting scallops must use vessel monitoring systems.
- Individual Fishing Quotas (IFQs), a type of catch share program, for Limited Access General Category permit holders.

In October 2016, the National Marine Fisheries Service approved Scallop Amendment 19 to the Atlantic Sea Scallop Management Plan. This action implements two measures that will allow timelier implementation of annual scallop fishing allocations.

1. Beginning in 2018, the scallop fishing year will start on April 1 (changed from March 1).
2. Creation of a new specifications process (setting the year's catch limits): The Council will now be able to set the annual specifications through a more streamlined process. This will help get catch limits in place by the start of the fishing year and reduce the need for default measures.

Fishing Year 2017

Limited access fishery	42.7 million lbs.
Limited access (IFQ)	2.49 million lbs.
Incidental catch	50,000 lbs.
Research set-aside	1.25 million lbs.
Observer set-aside	1 million lbs.
Estimated landings	47.5 million lbs.

In November 2016, the New England Fishery Management Council approved Scallop Framework 28 to the Plan. The framework establishes specifications for the 2017 fishing year and sets default specifications for 2018.

Full-time limited access vessels in 2017 will be allowed to make four 18,000-pound access area trips—one into the Nantucket Lightship Access Area, one into the Closed Area II Access Area, and two into the Mid-Atlantic Access Area with the option of making one of those Mid-Atlantic trips in the newly created Elephant Trunk Flex Access Area. Part-time limited access vessels will be allowed to make two 14,400-pound trips into the available access areas, one of which must be in the Mid-Atlantic Access Area.

The 2017 scallop fishing year will begin on March 1, but the 2018 fishing year will begin April 1. This means the 2017 fishing year will be 13 months long. To accommodate this adjustment, the



*Estimate **Estimate for 13 month FY

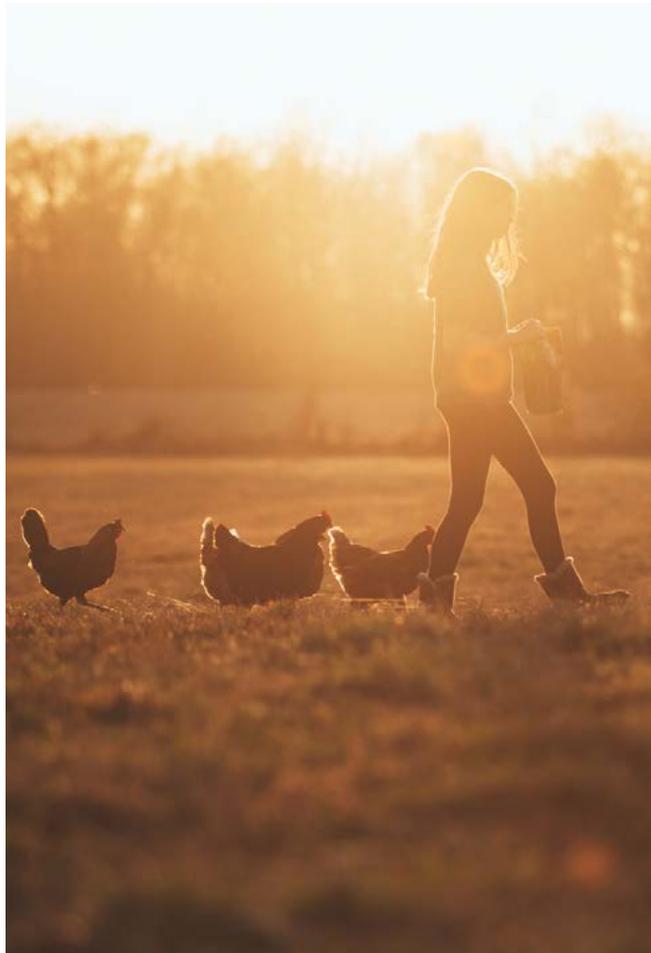
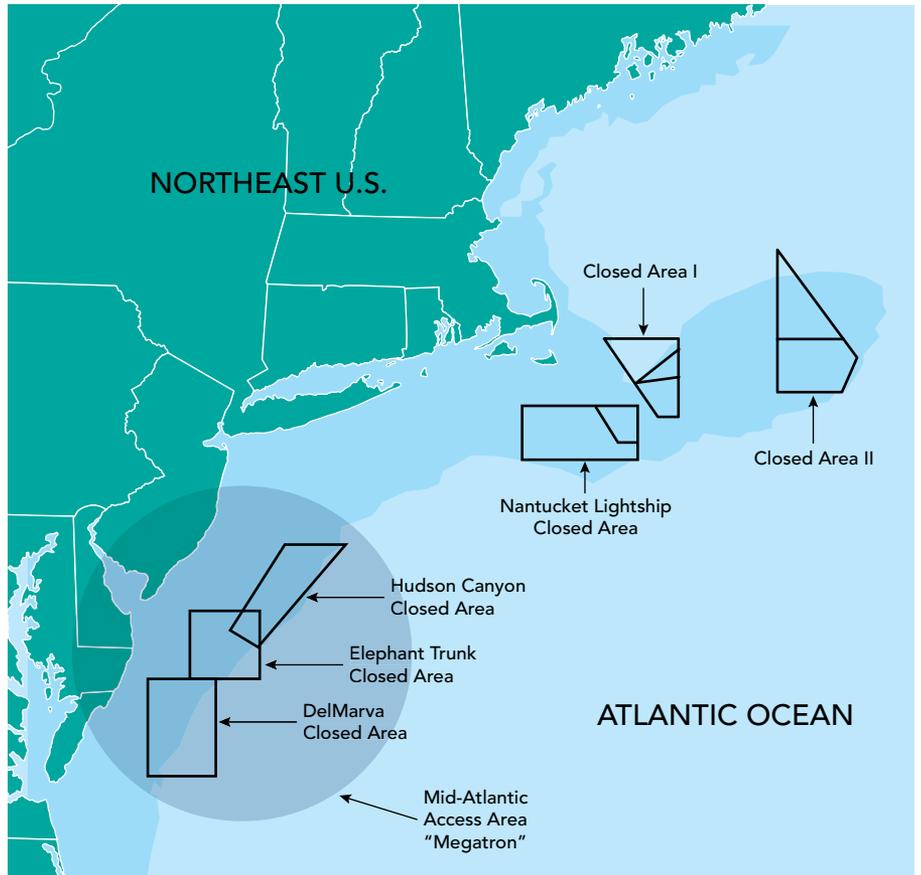
“NOAA Fisheries and the New England and Mid-Atlantic Fishery Management Councils manage the Atlantic sea scallop fishery ...”

Council agreed to prorate open area days-at-sea allocations by an additional 4.7% to cover 13 months.

Framework 28 initially proposed to allocate 29.18 open area days-at-sea to full-time limited access vessels. Under the 13-month proration schedule, full-time vessels will be allocated 30.41 open-area days. Part-time vessels will be allocated 12.16 days-at-sea under the prorated schedule, up from the initial 11.67 allocation that resulted for a 12-month fishing year.

Full-time vessels will be allocated four access area trips in 2017 compared to three trips in 2016; and will be allocated 30.41 open area days-at-sea, down from the 2016 allocation of 34.55 days. **UB**

Article contributed by Jim Kenny
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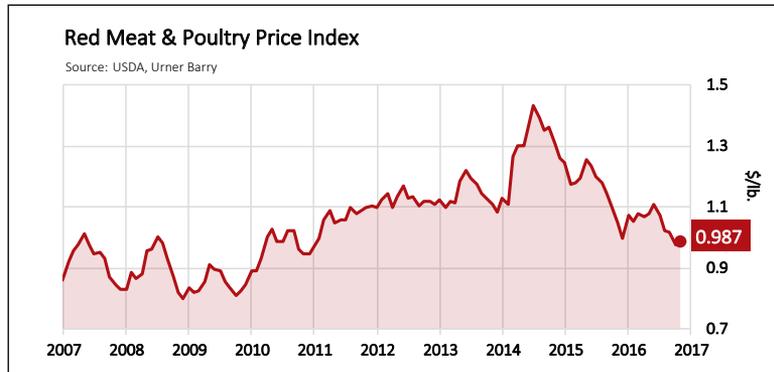
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Combined poultry and red meat values lowest since 2011

2016 was a year of ample production for many different protein categories. Affordable feed prices paved the way for expanded herds, which inevitably resulted in a decline in both livestock and meat values.

The index below represents an aggregate price for the beef, pork, chicken and turkey markets. Utilizing Urner Barry's Beef Index, Pork Cutout, Turkey Indices and Chicken Index and weighing those values against monthly production figures for each category, we can achieve a single "red meat and poultry" price index. Essentially, it allows us to take the temperature of red meat and poultry as



a whole, which can be important because all of these protein categories are vying for a spot on the dinner plate and all of them compete to some degree against the other costs of living, such as rent and insurance. High protein prices can result in people eating meat less often, in favor

of more affordable salad or pasta options.

The peak of the index was hit in July 2014, which coincides with elevated beef prices, the explosion in pork prices related to the PEDv virus and highs in chicken values as they attempted to keep up with the competing proteins. Since that point, as production has expanded across most proteins, prices have declined substantially. From July 2014 to November 2016, this index weakened by over 31 percent. **US**

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

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Out with the old, in with the new...

While food trends tend to come and go, 2017 is welcoming an array of new ones. Per Whole Foods Market, there are many that 2017 is going to bring in. Some include a new form of wellness drinks, the use of by-products in foods, and purple foods.

The introduction of “wellness tonics” is a new form of the ever-popular juice craze. However, this new drink will include ingredients like apple cider vinegar, medicinal mushrooms, and adaptogen herbs which are known to ease stress and fatigue.

The use of by-products in food will become more prominent. Producers are now trying to find new ways to incorporate by-products in new innovative products.

Additionally, in 2016, coconut oil became a popular trend; now coconut products are expanding. New coconut products include coconut sugar and coconut tortillas. Coconut is known to provide health benefits such as improving heart health and regulating blood pressure.

Pasta is also evolving; in 2016 we saw the introduction of more plant based pastas and now we are expected to see new pastas including spiralized vegetables and even kelp noodles.

Purple foods are also on the rise, the Whole Foods Market panel says some purple foods you can expect to see are “purple cauliflower, black rice, purple asparagus, elderberries, acai, purple sweet potatoes, purple corn and cereal.” Some health benefits of purple foods include providing antioxidants and being very nutrient dense.

The introduction of a “flexitarian” is also said to come about in 2017. Per Whole Foods Market’s experts, “Instead of a strict identity aligned with one diet, shoppers embrace the “flexitarian” approach to making conscious choices about what,



©warrengoldswain

when and how much to eat.” Therefore, a consumer can pick and choose when they want to be a vegan, gluten-free, or even on a raw-food diet. Clean eating has been a trend that has continued to evolve over the years, and it looks like “flexitarians” are putting a new twist on a clean diet.

A product known as nutritional yeast is also said to be breaking into the market in 2017. This is a vegan product said to enhance the flavor of a dish, and is often used as a cheese substitute that also provides vitamins and minerals.

Lastly, consumers are also said to be looking for more sustainable foods in 2017. It is said that people are going to focus more on how and where their foods were made. Some consumers may lean towards companies who are more transparent when it comes to their products.

Overall, 2017 is sure to be welcoming many new food trends that could change the way people consume food and the food industry overall. **UB**

Article contributed by Nicole Christie
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Advertisement for Turkey Valley Farms featuring a turkey and the text "DRESSED FOR SUCCESS!" and "CALL US FOR YOUR CO-PACK TURKEY NEEDS". The ad includes the Turkey Valley Farms logo, a photo of a turkey, and contact information: 507.337.3100 and www.turkeyvalleyfarms.com.

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Don't give up on snow crab, 2017 data says

By John Sackton. Adapted from an article originally published to Seafoodnews.com on December 2, 2016.



With buyers seeing record high prices for snow crab, it is an open question whether they can maintain any volume of

“Preliminary survey data from the DFO shows significantly higher crab biomass than expected.”

purchases, or if many buyers will be forced to look for substitutes.

Alaskans have been harvesting the lowest amount of snow crab on record, and prices coming into the Boston Seafood Show remain at record levels, and inventories are completely non-existent.

Any seller who is still holding inventory in March to squeeze out the last dollar will have to sell soon, or miss the top of the market.

How do we know this?

Because there is an extremely strong history of snow crab prices dropping at the beginning of the Canadian season.

Canada lands about 100,000 tons of snow crab, or about 141 million pounds of sections. This production is split between the U.S. and Japan. In recent years,

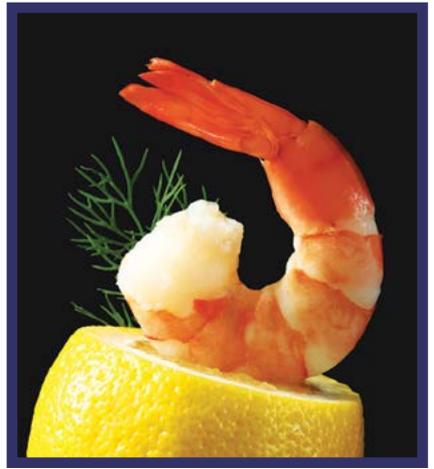
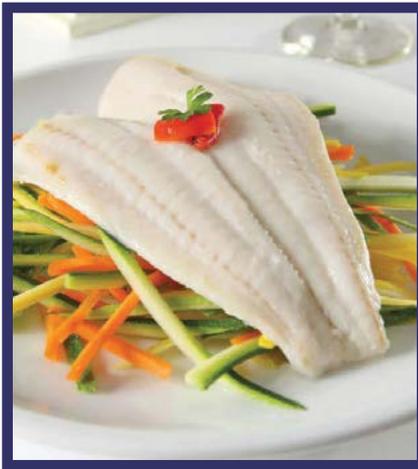
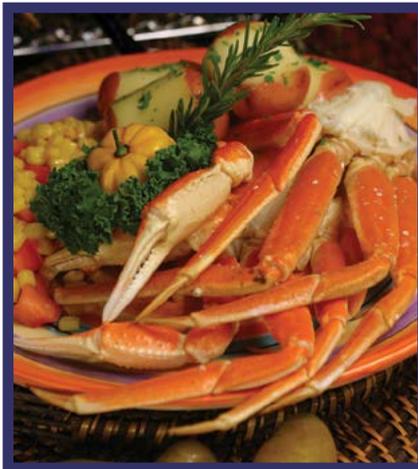
Canadian production has been declining, especially in Newfoundland, which accounts for the largest share.

Last year at the Boston Seafood Show, the price discussion for snow crab sections from Newfoundland was in the \$5.15-\$5.50 range. But as the season got underway and it was obvious that supplies would be tight, prices shot up to \$6.00 and higher.

Many of the major players were able to get contracts in the \$6.00 range; and for that reason you can find snow crab in supermarkets like Wegman's for an everyday price of \$9.99.

But many other buyers have stopped following the upward price movement. For example, a buffet house owner told us that he and his competitors have stopped buying sections altogether as the price simply got too high.

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Canadian volumes will come roaring back



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This year, there are major changes in snow crab quotas projected for the Gulf of St. Lawrence in 2017.

Preliminary survey data from the DFO shows significantly higher crab biomass than expected. The data will be peer reviewed in February, at which time the biomass and exploitation rates will be set.

But the industry in the Gulf is talking as if they may see their highest total landings ever.

The Gulf of St. Lawrence produced 30,273 tons in 2016, vs. 34,430 tons the year before.

Newfoundland produced only 39,000 tons, compared with 45,000 tons in 2015.

Altogether, the total production shortfall from these areas was 18,405 tons between 2015 and 2016, or a decline of 19%.

Given that snow crab sales were excellent in 2015, a lot of momentum carried over into 2016, and the unexpected shortfall caused prices to shoot through the roof, to the highest levels ever.

The Gulf crab stock has been very healthy, unlike in Newfoundland. Although there was a decline last year, the longer term expectation was for a rebound in the mature crab biomass that could support a bigger fishery.

In the 2016 assessment document, Canadian scientists projected an expected

biomass of 73,500 tons, for 2017 which would support an exploitation rate of 38% - or a fishery on the order of 28,000 tons for the Southern Gulf. This is 6,000 tons more than in 2016.

But the survey data apparently is showing a much bigger biomass, up nearly 100%, to around 98,000 tons. If this is confirmed and the fishery opened with the same level of exploitation as in the past, this could lead to 36,000 to 38,000 tons of crab, the highest landings ever recorded in the Southern Gulf.

This potential 14,000 to 16,000 ton increase is enough to make up a big portion of the shortfall in snow crab experienced in 2016 in the U.S. market.

Potential quotas are not known for either Newfoundland or the Atlantic fishery off Nova Scotia, but even with normal fluctuations, the probabilities now strongly suggest a big increase in snow crab availability next year.

A lot of shellfish products have exhibited high volatility in recent years. Shrimp went up 41%, and came down. Crabmeat shot up 50% and came down. Lobster meat is up 45% and can't seem to go higher. Snow crab is up 40% from last January.

Shrimp, crabmeat, and lobster meat have all behaved like normal commodities. When something changes in the market dynamic that is causing a shortage, prices react quickly. The same thing should be true with snow crab this season.

This is not something that is necessarily harmful to seafood sellers. You can make as much money selling a \$5.00 crab as an \$8.00 crab if everything is in balance. The problem comes for those who are holding high price inventory at the time the market dynamic changes.

This is no longer a good time to be holding high priced snow crab, if the indications from New Brunswick have any validity to them. Next spring we are likely to see a market

that is reacting to increases in volume, and once again snow crab will support its traditional buyers: retailers who like the traffic it generates and restaurants and buffet houses that use it as a feature item.

So don't plan to abandon snow crab, the prices are going to come back to their more traditional range. **UB**

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Guyana & Suriname

If you're a frequent traveler or you're in the seafood industry, you may have heard of these two little nations, Guyana and Suriname (and also their distant cousin French Guiana, an overseas territory of France). This region of South America is quite unique in that these countries speak neither Spanish nor Portuguese. In fact, they are three of the most unique areas of South America for many reasons.

Let's start with Suriname. Many Dutch colonies (New Zealand and New Amsterdam, to name a few) were taken over by another European power before eventually becoming independent. Suriname is one of the few Dutch territories that wasn't. As such, the Surinamese speak Dutch and Suriname remains a popular tourist destination for



the Dutch looking for a South American adventure without needing to take out the Spanish-Dutch (or Portuguese-Dutch) dictionary. The economy is small and the country is somewhat torn by drug violence, but it is growing rapidly due to

increasing foreign investment and thriving agricultural and fishery industries. Weakfish (sometimes also called Gray Seatrout or corvina), shrimp and a few others make up the bulk of seafood exports. Their currency is the Surinamese dollar.

Suriname's capital, Paramaribo, features lots of quaint and traditional Dutch architecture and travelers often compare the aesthetic to parts of Argentina due to its Old Europe vibe. If you're an English-speaking traveler, fear not! Most of the people in Suriname also speak Sranan, which is an English-based Creole language that is pretty comprehensible to most foreigners (similar to how Jamaican English varies significantly, but is usually understood by other English speakers).

Guyana, its brother to the west is a former British colony. Guyana is similar in its history to Belize, in that Guyana was called "British Guiana" (as an analog to "French Guiana") and Belize was called "British Honduras" before becoming independent and selecting a new name. Guyana is larger than Suriname, but a significant portion of its territory is disputed with neighboring Venezuela at this time. They also export shrimp and a few other items, with an economy mostly focused on agricultural and mineral products for export revenues. Their currency is the Guyanese dollar.

French Guiana is a small overseas territory of France with similar economic attributes. Because it is part of France, it is technically part of the European Union and even the Eurozone as their currency is the euro. Due to the passport-free travel, French Guiana is a common destination for European travelers looking to see South America.

If you're looking at South America for a trip or a business venture, you may want to consider giving these three a look. **UB**

Article contributed by Adam Sharkey
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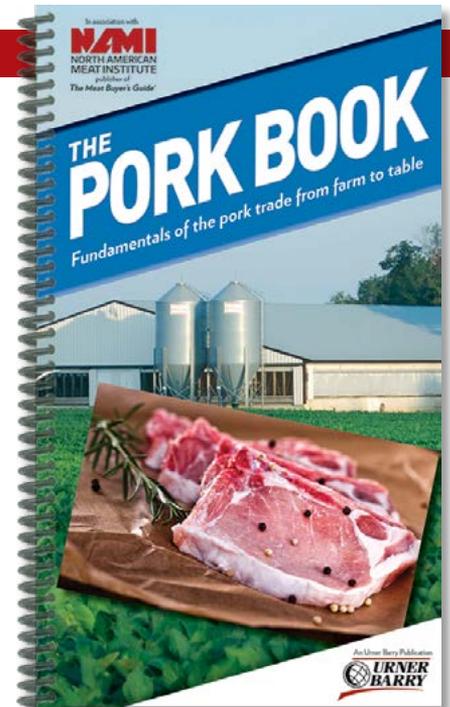
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Supply shock causes salmon prices to spike



A farmed Atlantic salmon.

Wikimedia Commons

Both Canadian and Chilean Atlantic salmon prices in the U.S. wholesale market have experienced record highs; Canada in January, and Chile in February on a back-to-back monthly basis (Chilean have been hitting record highs month after month since November). European whole fish, on the other hand, are NOT at a record high but remain relatively high compared to historical data. This is mainly a function of more limited farmed production from both Chilean and European suppliers, in addition to Alaska's historically poor pink salmon run in 2016.

When looking at the last 10 years, the salmon industry has gone through a series of supply shocks that caused large swings in prices in the U.S. market; from the ISA

crisis in Chile and its strong recovery, to production shortfalls in Canada, among others. (CHART 1)

Throughout 2016 and into 2017, the salmon market in the U.S. has seen prices for Chilean and Canadian salmon reach record highs. It all started early 2016 when a toxic algae bloom in Chile cut the industry's output. As a result, imports of fresh fillets decreased at an average rate of 11 percent from February 2016 to May 2016; the latter fell below the 3-year average. (CHART 2) Consequently, prices for Chilean product, whether fresh or frozen, spiked as importers allocated reduced volumes to previously negotiated contracts, effectively drying out the "week-to-week" and "street/

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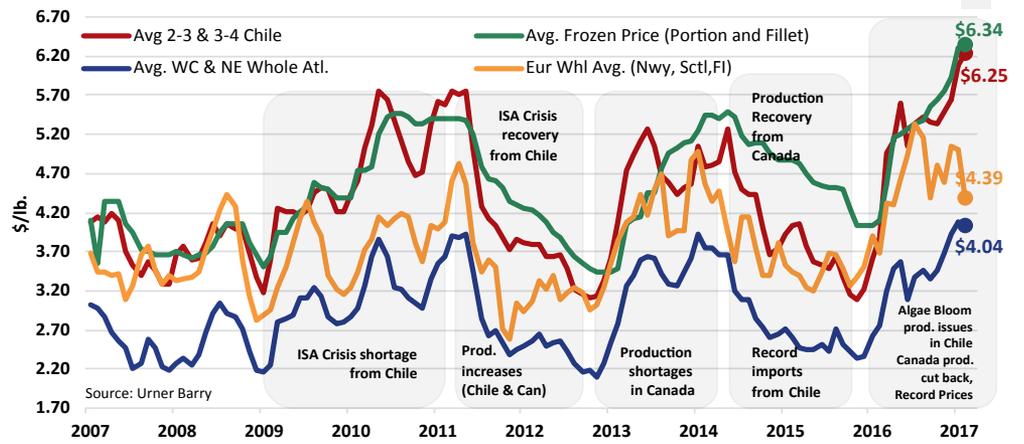
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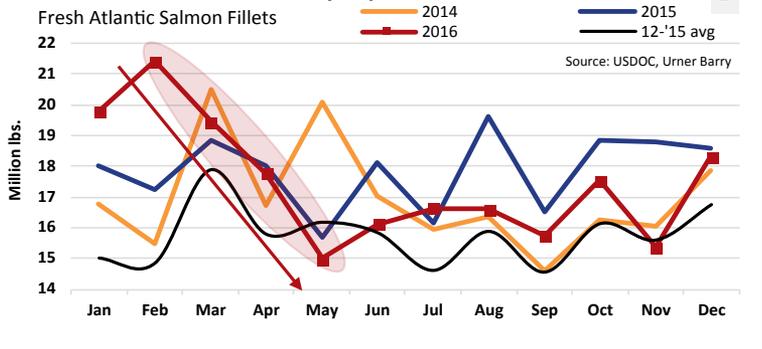
spot” markets. On the whole fish side, imports from the main supplier Canada—which enjoys a market share of approximately 70 percent—remained flat compared to 2015, while imports from Europe contracted over 15 percent. This situation, combined with the shortage out of Chile caused prices for whole fish to also trend higher as salmon users looked for substitute origins to source their needs.

Atlantic Salmon Fresh Fillet, Whole & Frozen Fillet & Portion Prices

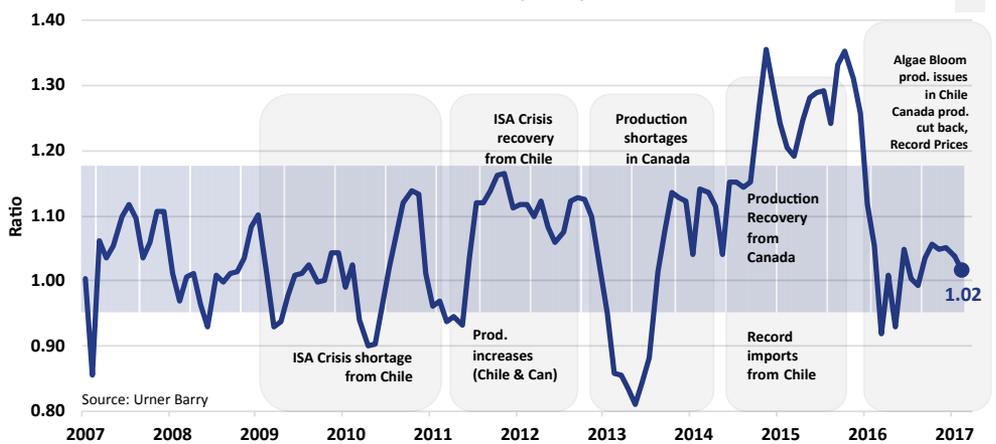


Unfortunately, there is really little traders can do when situations like these arise, hence why they are called “shocks” and not “graduals.” For example, when prices of fresh product are high relative to, say frozen product, processors have less of an incentive to freeze product, unless prices are comparatively similar. First, we must note that imports of Atlantic salmon frozen fillets decreased from late 2014 until late 2015 at the same time that imports of fresh salmon out of Canada and Chile increased to record highs. This resulted in downward trending prices for fresh fillets and whole fish, bringing prices of frozen fillets down as well; however, this could be deceiving because during this time, the ratio of frozen fillet and portions to fresh fillets also reached record highs. (CHART 3) This simply means that prices for frozen fillets fell at a much slower rate than fresh fillets. Yet, when the algae bloom affected production, inventories in cold storage cleaned up quickly and prices for frozen spiked also along with fresh fillet prices. As a result, and with the large incentive to keep selling fresh fillets as opposed to frozen, the ratio of frozen fillet prices to fresh fillets moved down close to 1:1. Yet, average frozen salmon prices for Chilean portions and fillets reached \$6.34 per pound in February, a record high.

Seasonal Behavior of Monthly Imports from Chile



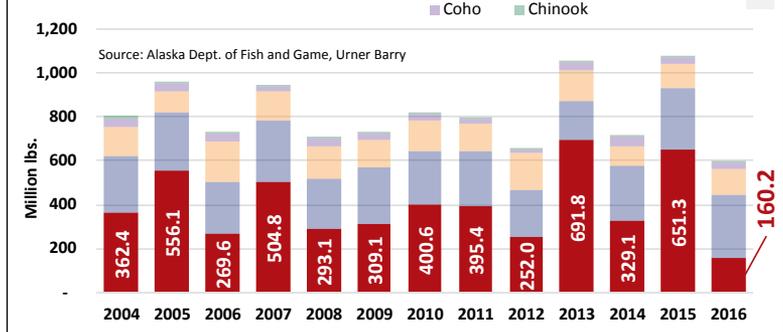
Frozen Fillet & Portion \$ to Fresh Fillet Ratio (Chile)



Furthermore, Alaska’s pink salmon run in 2016 was historically bad. Even though it was supposed to be a down year for Alaskan pinks—as cycles for this species tend to run as such—the wild run in 2016 fell way short of its 90 million fish projection. The lack of Alaskan pinks pinched frozen salmon supplies and forced buyers both in the U.S. and in other major markets, like Russia to seek an alternative in frozen Chilean product. (CHART 4)

To make matters even worse, recent reports indicate production issues in Norway and Scotland,

Alaska's Wild Salmon Production



Continued on page 50

Salmon

Continued from page 49

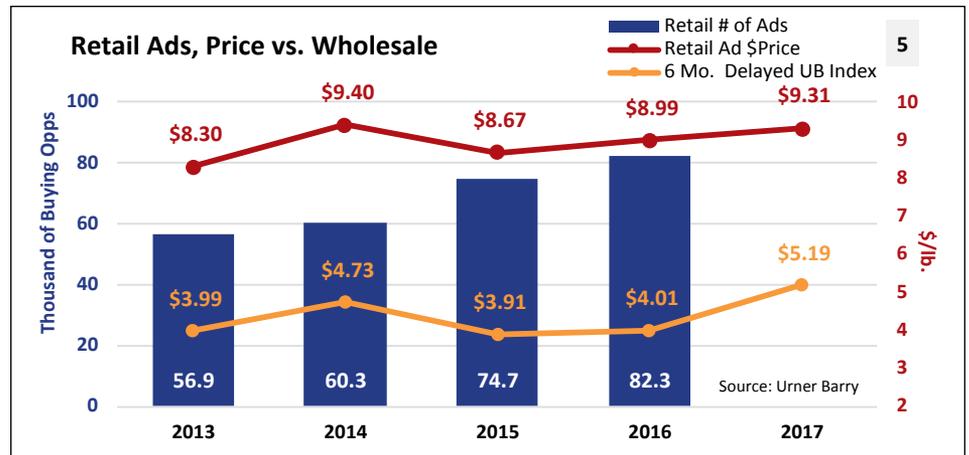
mostly from sea lice which could impact the market throughout 2017.

One of the things we can safely assume is that demand for salmon remains strong. Though this statement might seem vague, it can be supported by the prices seen. But what is rather important to mention is how demand has increased over time. For instance, when prices in the wholesale market fell and imports increased in 2015, these savings and promotions were definitely passed on to the consumer; this in turn means that consumption and overall demand increased. This can be illustrated with the amount of retail ad promotions for salmon. For instance, ad promotions—or “buying opportunities” which are the number of units per store times the number of ads placed—have increased consistently since 2013 for Atlantic salmon. (CHART 5) Since the ad price and regular prices to the consumer at the retail level are largely influenced by wholesale prices, we assumed that many of

the ad “deals” were pre-negotiated months in advance. So, in order to smooth out the data, we took the average wholesale price using Urner Barry’s Fresh Salmon Index and delayed it 6 months. We found a close relationship between these prices and retail ad prices, with the exception of 2016 since low prices in the wholesale market in the second half of 2015 offset high prices seen in the first 6 months of 2016. Now, with prices at the wholesale

level advancing at a faster pace than at the retail level, it will be interesting to see if ads, and demand remain “strong” throughout 2017. Similarly, wild salmon saw the number of ads and ad prices move up in 2016 despite poor landings. (CHARTS 6 & 7)

In conclusion, many say that we have seen this movie before, in which “high prices take care of high prices.” However,

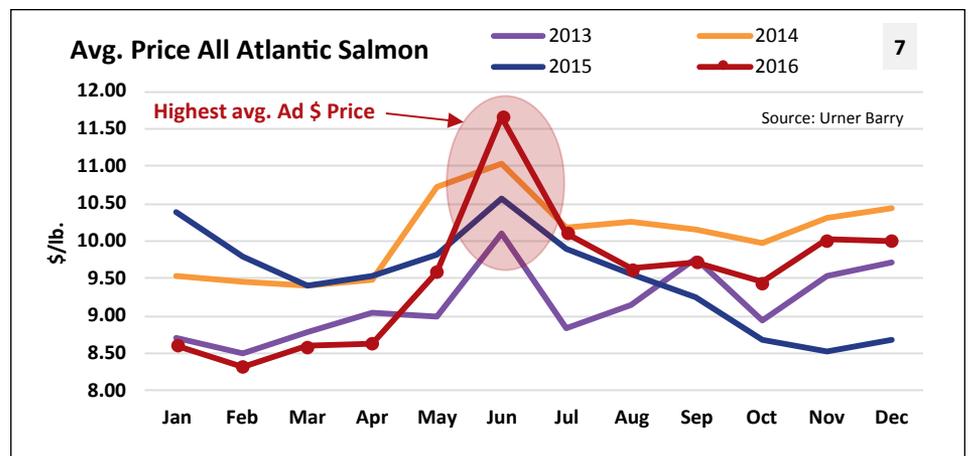
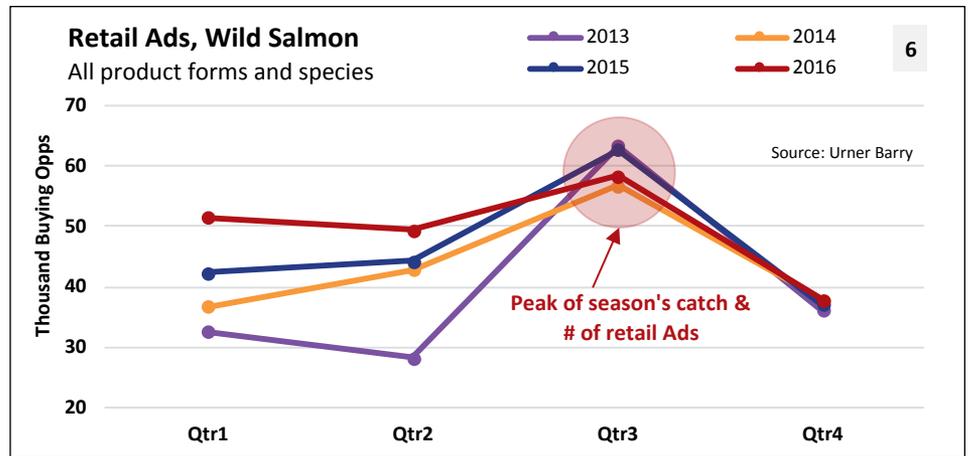


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current record high prices are well above previously reached resistance levels. It seems supply will remain relatively tight in the near to mid-term, which suggests prices could also remain relatively high. However, we must remember that in the long run budgets and user's needs tend to adjust, which means that demand is only inelastic in the short term and elastic in the long run; in other words, not only are consumers likely to change their consumption habits if prices surpass a certain threshold, but everyone in the supply chain. Will promotions go down? Will salmon be less featured in restaurant menus? Or will users be willing to pay current prices for a long time? By the time this article goes to press, the wholesale salmon market in the U.S. will be oscillating at or near record highs; by the time you read this article it might be a totally different story. **UB**

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Farmed Atlantic salmon portions.

“... when prices of fresh product are high relative to, say frozen product, processors have less of an incentive to freeze product, unless prices are comparatively similar ...”

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World continues bout with bird flu

Highly pathogenic avian influenza (HPAI) has become an all too familiar topic for the U.S. poultry and egg industries since the most severe outbreak in history forced the cull of roughly 34 million of the country's 304 million egg laying hens in 2015. The virus hasn't returned for the most part in the U.S., but various strains remain prevalent in other areas of the world. Since 2014 in Asia and the summer of 2016 in Europe, the virus has been found in migratory bird populations and scattered commercial flocks.

The outbreak most similar to that of the U.S. started in South Korea during this past November. H5N6 was initially found in a commercial duck flock of roughly 12,000. The virus quickly spread across poultry in the country and by the middle of January more than 30 million birds had to be destroyed. More than 23 million of the birds affected were part of the nation's 70 million or so egg laying hens.

Much like we saw in the U.S., prices at retail jumped more than 50%. Bakeries and manufacturers of consumer goods that used eggs as an ingredient struggled to source their needs. In a scramble for supplies ahead of their Lunar New Year, one of the biggest holidays in the nation, the government removed tariffs and supplemented shipments on eggs coming from the U.S. and other countries early in 2017. Spain, New Zealand, Australia, China, and others have reportedly also made inroads toward shipping shell eggs and egg products.

Several U.S. producers moved quickly to get plants approved, but deals between the two governments were slow to develop until the first week of January. Preliminary loads were delivered via airfreight at upwards of \$2 per dozen in freight cost. Industry participants estimate only about 40 loads of product actually left the U.S. for Korea before their New Year holiday, but news of

these deals helped to turnaround market sentiment. U.S. consumer market prices were poised to continue correcting from December highs, based on trading values and availability. Producers held stocks with more confidence once the U.S. was approved for export and buyers began to take inventory positions, just in case larger deals were announced. Urner Barry's quotations eventually saw about a 20% increase as a direct result of this news, early shipments, and the subsequent change in market sentiment.

It took about a year before the U.S. market was able to reach an equilibrium of supply and demand after 2015's HPAI outbreak. The industry estimates that it could take 6-9 months before South Korea can adequately supply their own needs again, if they can avoid additional outbreaks.

How much they will actually need from the U.S. will depend on the issue's impact on

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usage in the country and the market share obtained by international competitors. It is also more likely that future shipments will leave the west coast via sea rather than by air. This will significantly cut freight costs but extend delivery timelines.

Highly pathogenic avian flu continues to pop up across Europe and Asia. Nearly 40 countries have reported new

outbreaks of highly pathogenic avian influenza in poultry or wild birds since November, according to the WHO. The situation has presented short-term export opportunity for U.S. shell egg and egg product producers, but also leaves them on high alert.**UB**

Article contributed by Brian A. Mosconi
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“The outbreak most similar to that of the U.S. started in South Korea..”

HPAI OUTBREAK COMPARISON

USA

PRIMARY STRAIN
H5N2

IMPORT PARTNERS

- 1. France
- 2. Canada
- Germany
- 3. Mexico
- Italy
- Netherlands
- Spain

Population
324,118,787
Source: worldometers

Per Capita Consumption (2015)
248

South Korea

PRIMARY STRAIN
H5N6

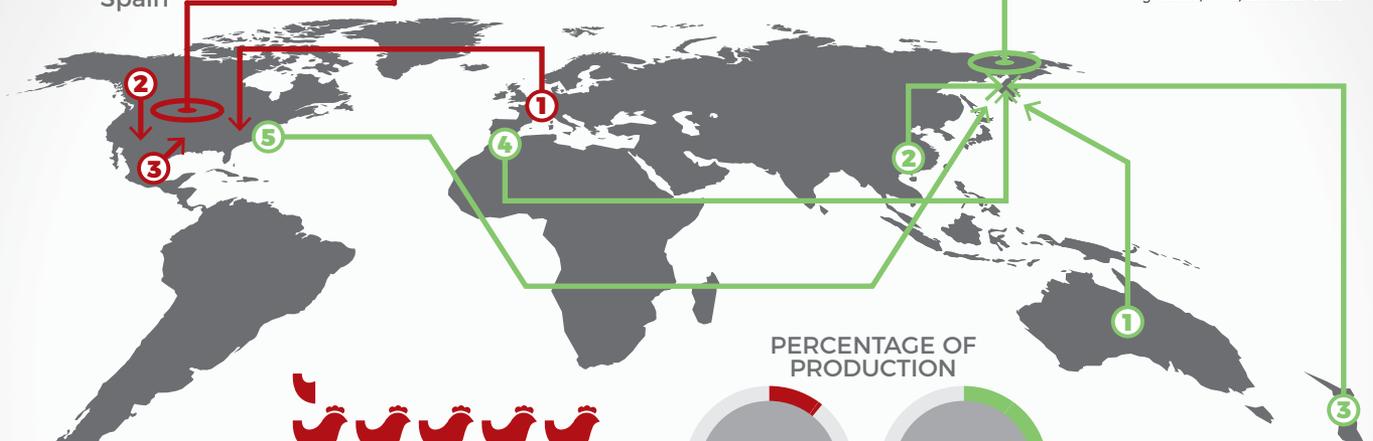
IMPORT PARTNERS

- 1. Australia
- 2. China
- 3. New Zealand
- 4. Spain
- 5. USA

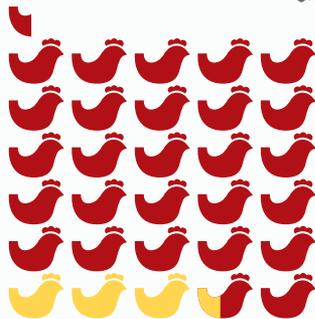
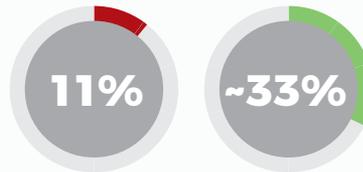
Population
50,503,933
Source: worldometers

Per Capita Consumption (2013)
243

Source: South Korea's Ministry of Agriculture, Food, and Rural Affairs



PERCENTAGE OF PRODUCTION



EGG LAYERS PRIOR TO OUTBREAK
304 million

EGG LAYERS LOST = 34 million



EGG LAYERS PRIOR TO OUTBREAK
70 million

EGG LAYERS LOST = 23 million

= 10 million

START OF OUTBREAK - USA
April 2015

START OF OUTBREAK - South Korea
November 2016



Refugee to president: Hua Ngo and H&N climb to the top of the U.S. seafood industry

When Urner Barry sat down to write a story about Hua Ngo, the founder and president of H&N, the thought was it would be hard to separate the history between the man and the company.

However, about an hour into our conversation with Mr. Ngo and his daughter Christine, who is now the Executive Vice President of H&N, it was obvious the Ngo story goes far beyond H&N. It's a seafood Odyssey of sorts, and really, a harrowing tale of sheer determination by one man to succeed in the face of long shot odds.

Hua Ngo is from Nam Can, Vietnam, a town at the southernmost tip of the country in the Ca Mau province. He's the middle child of seven; four brothers and two sisters.

Ngo's father had passed away when he was young and he found it necessary to start hustling on the streets to make ends meet for his family.

In the mid-1960s when Ngo was 13 years old, he started helping a delivery driver

sell wild-caught shrimp to customers in Saigon. This was his first job in the seafood industry.

In 1971 when Hua was 19 years of age, he was required to join Vietnam's Army, instead he chose to stay in town and provide for his family so he parlayed his shrimp delivery job as part of his responsibility to the provincial Army. But in 1975, when the Communists were in full control of Vietnam, Hua knew he needed to escape with his family (Christine was born in 1973 in Vietnam, Bobby Ngo was born in 1976 also in Vietnam).

It was then that he bought a 30-foot fishing boat and used it to make a living in Communist-controlled Vietnam by selling fish to Saigon. The

operation gave Hua the means to start rationing his own fuel and supplies from the government so he could eventually escape. Remember, at this point in history a Communist regime meant the state government owned everything. This means Hua's covert activities are at the very least extremely risky, if not outright dangerous if uncovered.

So after two years of quietly stockpiling materials, Hua Ngo and his family boarded a 45-foot fishing boat with about 90 people. The three day destination was to Malaysia. The goal was to seek asylum anywhere where they would be welcome.

Those who remember watching the Vietnamese boat people crisis in the



The Vernon building started operations in 2002 and is the current headquarters for H&N.

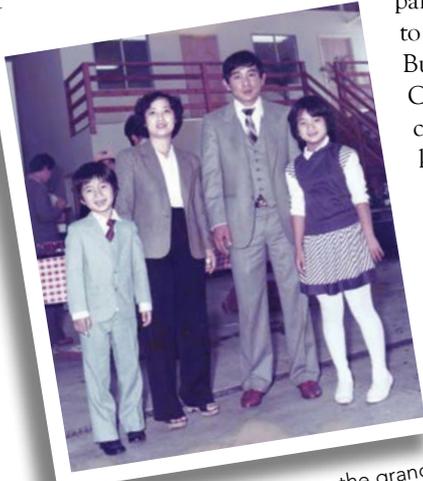
years after the U.S. involvement in the Vietnam War will have an idea of Ngo's journey from there. For younger audiences, the current Syrian refugee crisis is eerily similar.

The plan mostly worked. Since the boat sank upon arrival, Ngo and his wife did have to wade to the Malaysian coast with their two children. However, the family all safely reached Kuantan, Malaysia in late 1979 and applied to seven different countries for amnesty. After spending six months in a tent city for refugees and learning some English, they were granted access to San Francisco.

Hua Ngo's first job in the United States was shoveling toxic asbestos in trucks for an asphalt company. The work was in the East Bay, one way commute from his apartment was two hours long. Half of his wage was used to pay back the organization that helped the Ngo family relocate.

After about a year and half, Ngo was "promoted" to a forklift driver; once again he was back to hustling for his family.

While working for the asphalt company Ngo ran into an old friend from Vietnam at a local restaurant and learned about the money he was making as a fishing boat owner in San Francisco. Inspired, Ngo took on more work (more hustling)



Family photo of the Ngos on the grand opening day of H&N's Jerrold building in 1983. This is where the company fully moved into organic growth.

Pictured: Hua Ngo, his wife Nga Ngo, Christine and Bobby



H&N's Jerrold facility is where the company would record immense growth throughout the 1980s.

to earn extra cash. The new mission was to purchase a fishing boat. Two jobs, and many 17-hour days later, the Ngo family purchased their fishing boat for \$10,000 and docked it at Monterey Bay.

After a few fishing trips, disaster struck. Ngo's boat was inadvertently sunk in a fish feud between his friend and a rival (Ngo's boat was collateral damage since his vessel was tied to his friend's).

With the Ngo family wealth literally sunk, it was back to square one.

However, Hua still had a van which he used to peddle fresh kingfish and other species from Moss Landing to restaurants and fish markets in San Francisco's Chinatown. It was simple sales tactics, just knocking on doors. On Sundays, Hua sold directly to consumers at local farmer's markets.

Hua Ngo understood the value of speed, fresh fish and consistency, which allowed him to quickly move up the seafood supply chain as a wholesaler in the Bay Area. In just six months, it was time for expansion. He started renting U-Haul trucks and driving fish from San Francisco to Los Angeles and used the eight-hour Greyhound bus ride back home to sleep.

After just one month, Ngo had rented out all of the U-Hauls in the Bay Area, which were now down in Los Angeles, so the Ngo family purchased their first distribution truck.

It was during these grueling drives between San Francisco and Los Angeles that Hua Ngo met many of his current and longtime customers. These were mostly informal encounters at gas stations and convenience stores; anywhere along his route was a potential opportunity. Here again Hua Ngo was simply using circumstance and his own personal work ethic to build key relationships. At this time Barry Cohan, an American social worker, fluent in Vietnamese took notice of Ngo's rapid success. The two laid the groundwork for a full-fledged seafood distribution business.

In October 1981 H&N was founded. The "H" is for Hua's first name, the "N" for his wife, Nga's first name. The company's

first building was a small cold storage warehouse next to San Francisco's historic seafood restaurant The Old Clam House on Bayshore Blvd.

Business moved quickly from there, though if you haven't been able to tell yet, Hua Ngo knows no other way of working. H&N now dominated the distribution chain for California's fresh fish market. The company eventually rented a larger, 40,000 square foot facility where it started to process fish. Ngo developed a reputation as "Mr. Kingfish." Between 1981 and 1984 the company grew to \$15 million in sales annually, and by 1985, H&N was a \$30 million annual operation.

Over time, H&N expanded into the imported seafood business. The company saw huge organic growth after the 1989 earthquake in San Francisco, which left many seafood distributors damaged, except for H&N.

Eventually, with the help of his daughter Christine's leadership, H&N pioneered the imported pangasius industry. Currently, the company does \$350 million annually in sales and is mostly an importer.

There's a consistent theme to Hua Ngo's story and it has nothing to do with the company he is mostly known for, rather, it's his lifelong inability to admit defeat in the face of adversity.

So where war, oppression, poverty and just plain bad luck can break even the most determined individuals, Hua Ngo has experienced a bit of it all, and each time it seemingly made his resolve harder and his triumphs even greater.

"I've always used the word adversity," said Christine Ngo. "That is something that stands from what he has done. Just to keep going and going. Every time he got knocked down he came right back up. Getting into Malaysia... coming to



An inside shot of fish production underway at H&N's Jerrold processing center.

the United States and living through that situation. Going out and having doors close on you every time you sell fish. He just kept going and going. Sometimes people know [Hua's] name, but they don't know the story." **UB**

Article contributed by Michael Ramsingh
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Market reporting Q & A

Urner Barry markets are widely followed within the protein industry. We frequently field questions that pertain to the gathering and reporting of market information. Below are some of the more commonly asked questions that will hopefully provide greater insight to the Urner Barry markets.

What makes a private firm able to report markets?

Established in 1858, Urner Barry is the oldest market reporting firm in the U.S., and has been in operation before other systems and methods of collecting market data existed.

Urner Barry's mission is to provide clients with timely, accurate and unbiased market information. The reward for successfully achieving the mission is subscriptions, which are our main source of revenue.

Failure in achieving the mission would adversely affect the company. This natural system of checks and balances in the private sector ensures that we stay true to our mission, maintain quality market reporting and spur competition and innovation.

Who are your contacts?

Our primary contacts are buyers, sellers, producers, processors, importers, exporters, retailers, institutions, foodservice operators and brokers. Urner Barry communicates with those who buy and sell volumes of red meat, poultry, eggs or seafood.

Who subscribes to UB market information?

Our customers are companies or individuals whose businesses are impacted by changes in the protein markets. They

are the buyers, sellers of the commodities we cover. Financial services companies, media affiliates, educational institutions and others outside the supply chain also subscribe to monitor the sectors they serve.

Do you trade commodities?

Urner Barry employees are not permitted to trade in the commodities we cover or in the stocks of companies in the industries we serve. Doing so could compromise the integrity of our reporting and create bias.

Are there any variations in how each market is quoted?

All of Urner Barry's market coverage exists to report the bulk of sale for the commodities and time period represented in our tables. Urner Barry provides market coverage across many industries and sectors where dynamics can vary widely. What's

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The advertisement features a collage of NAMI products. At the top left, a red banner reads 'NEW AND UPDATED OFFERINGS FROM NAMI NORTH AMERICAN MEAT INSTITUTE'. Below this, several items are displayed: 'The Pork Book' (Fundamentals of the pork trade from farm to table), 'The Beef Book' (Fundamentals of the beef trade from ranch to table), 'CATTLE BREEDS' poster (featuring Bos taurus and Bos indicus), 'POULTRY / AVES' poster (featuring CHICKEN), 'THE MEAT BUYER'S GUIDE' (8th Edition), and various playing cards. A yellow circular badge with 'ALL NEW!' is placed over the Pork Book. The background is a dark, textured surface.

significant in one area may not be useful in another. For example, the boneless beef industry has evolved to make decisions using a daily range of trading and weighted average. This data is also rolled up into a weekly report. The poultry industry expresses the bulk of sale through one daily number. In the shrimp markets, the industry has asked that the bulk of sale be articulated in a trading range that moves in increments of 5 cents per pound. Our staff is continually working with each industry to determine what information is meaningful and how to best communicate that in a report that is timely, accurate and unbiased.

How does a reporter become qualified?

Our market reporters generally possess degrees in Economics, Finance, Business, Marketing, Communications or Journalism. Where possible, Urner Barry looks to existing team members, as individuals have already started to acquire industry technical information and nurture relationships with contacts. In addition to technical information required to understand movements within a market, candidates must be able to interview participants getting answers on critical questions that provide a complete understanding of the trade. They must then be able to process data for each commodity area. Successful candidates have the ability to interact with individuals from varied backgrounds which include the most powerful players in their respective industries. Their knowledge is constantly tested and honed by these daily exchanges. Only once they have consistently demonstrated the ability to effectively interview, gather, digest and report a timely, accurate, and unbiased quotation and market commentary can they be promoted to the role of market reporter.

How many points of contact do you make to report a market/how many people do you call?

This depends on the commodity area and market being covered. Some markets are inherently more active and require a greater amount of research than markets that are less active. Personal communication carries great importance consequently, the amount

of contact that a reporter has with his or her sources is a metric that is used in their yearly review. In addition to phone communication, reporters also stay connected through other methods including e-mails, fax, instant messenger and SMS. Many of these other interactions ultimately trigger a telephone conversation.

Why don't you use only invoices?

Participants can communicate market trades to Urner Barry market reporting staff in many ways including providing invoices. Because all pertinent trading information is not included in an invoice, reporters will commonly have follow-up conversations with participants who provide us invoices. This ensures that the circumstances surrounding the invoice meet the necessary requirements to be included in our market coverage. Conversations could include but are not limited to:

Is this invoice the result of a formula or market-based transaction?

When was the transaction negotiated?

Are there any special circumstances surrounding the transaction?

What is the condition of the product?

Is credit a consideration in a higher price being paid?

This follow up provides Urner Barry market reporters with a more complete understanding of the market versus what can be gleaned by passively reviewing paperwork resulting from a transaction. These insights are the basis of the market commentary we provide to subscribers.

Additionally, there can be a significant delay between the time when a transaction is negotiated and when it's invoiced. Proactively canvassing the market for



Urner Barry offices in Toms River, New Jersey.

trading activity allows Urner Barry's market coverage to reflect changes in market trends much sooner than if our source of trading information was only invoices.

What level of sale do you report?

The vast majority of our quotations are reported at the wholesale or "first receiver" level. They represent significant quantities that are destined for some degree of resale.

Why should I pay for market information?

Customers subscribe to Urner Barry market information because they understand that knowledge improves their ability to make better decisions. Our customers enter into trade negotiations confidently since they have the tools and the resources to help them understand the many facets that make up the market.

Is Urner Barry market data available from other sources?

Urner Barry's proprietary market data is protected by copyright law and is not available from any other source without our express written consent.

For more on Urner Barry markets, feel free to contact us at help@urnerbarry.com or contact us at 732-240-5330 **UB**

Article contributed by Joe Muldowney
joemo@urnerbarry.com

Goat meat – the underdog red meat?

Over 60% of global red meat consumption is attributable to one animal, not beef, not pork, not lamb, but another less notorious contender, the goat. Goat is not totally absent from the American palate, goat cheese, for example, is quite common in salads and entrées, but what about goat meat itself?

Though goat is not as rare in households that obey Kosher or Halal standards, for the average American it's uncommon to eat goat, and this is baffling to some in the industry. Goat is a reasonably affordable alternative to other red meats, some wonder why customers wouldn't opt for goat, which has a similar texture to lamb and a somewhat similar flavor to beef and lamb, depending on how it's prepared.

Advocacy groups have been working tirelessly since the beginning of the decade to increase the popularity of goat meat in the USA, Canada and the UK. In fact, about three years ago, Heritage Foods USA began a "No Goat Left Behind" initiative and started a



Goats are somewhat smaller than other farm animal counterparts.

"Goatober" promotion that involved working with local restaurants to promote the inclusion of goat meat on restaurant menus.

The UK, in particular, is starting to see more goat meat in supermarkets as its population continues to look more like the whole of Europe. The traditional diet of the United Kingdom does not include goat, but as people from other parts of Europe and Asia continue to migrate to the UK, they bring their culinary traditions with them. This is creating a demand for a red meat item traditionally associated with Jewish and Muslim traditions, if associated with anything at all.

Will goat meat overtake pork or beef anytime soon? While not likely, as culinary trends and traditions continue to change with the generations, one can certainly see millennials looking to goat as an on-trend, affordable, alternative dinner item to have at the table once in a while. **UB**

Article contributed by Adam Sharkey | asharkey@urnerbarry.com

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The widening gap between food prices at grocery stores and restaurants

As beef supplies expanded, wholesale beef prices have fallen sharply. This trend is consistent with other proteins as well.

Some executives at the largest restaurant chains discussed slowing business in 2016 on the back of macro challenges consumers face. Some of the reasons hurting consumer spending were uncertainty leading up to the presidential race, slowed wage growth and increased living expenses.

So where are consumers eating? It seems more at home. Many grocery stores have made ready-made meals more accessible for the time-crunched consumer. Beyond that are falling prices at grocery stores versus the opposite when eating out.



The inverse movement of prices had led to a widening between those in the store and at restaurants. It is clearly driving consumers to retail outlets and same-store restaurant sales are lower. What pricing decisions have retailers made as these wholesale prices moved lower?



Supply growth has pressured prices across the board. Beef, pork and broiler prices have trended lower since the beginning of 2015 and mostly accelerated in 2016 (CHART 2). The USDA all-fresh retail price declined to \$5.44/lb. in December, down 55 cents from January 2015. Since that time, prices are down nearly 8 percent. But beef is still less than its competitors. Retail pork prices have declined over 9 percent in the same time even with lower price points. Additionally, chicken

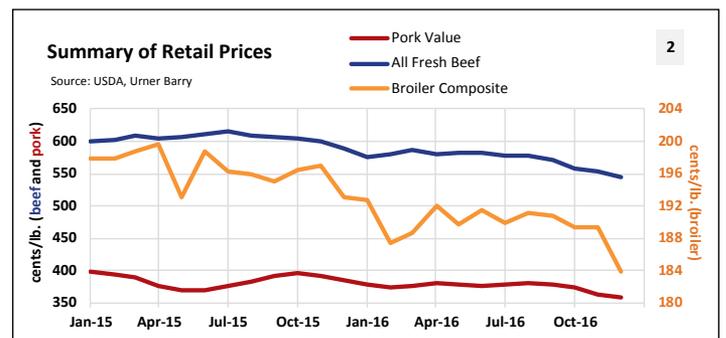
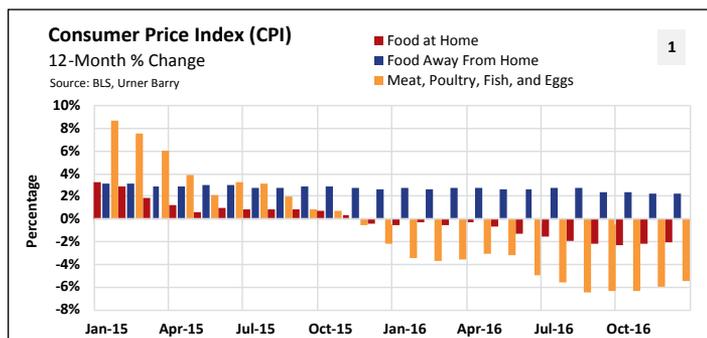
appeared to be the everyday protein for consumers with its attractive entry point for those struggling. Even here, retail prices are down over 4 percent during this period.

“So where are consumers eating?”

The Consumer Price Index (CHART 1) for food at home declined each month in 2016 when compared to the same month the prior year. The declines accelerated as the year went on. There were 13 months of declines dating back to December 2015. The largest price deflation in the space was in the meat, poultry, fish and eggs category. Year-over-year negative CPI changes were realized since November 2015 and stretched to the mid-single digit losses. For the year, the index fell 5.4 percent. Food away from home, on the other hand, rose 2.3 percent during the course of 2016.

The trend of growing protein supplies remains the storyline moving through 2017. Expect retailers to keep a lid on prices as they get relief and need to move fresh product. The restaurant industry will need to adjust to the fundamentals as they fight against rising labor and insurance costs while also battling the struggling consumer. **UB**

Article contributed by Gary Morrison | gmorrison@urnerbarry.com



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For more information on this year's conference, please visit www.urnerbarry.com/executive.



The quiet, but incredible growth of Washington, D.C.'s seafood scene

In 2016, a casual discussion about the District of Columbia, better known as Washington, D.C., would have likely, maybe inevitably, mentioned Trump or a Clinton. However, beneath Washington, D.C.'s obvious political importance to the country (and really, the world), there is a robust seafood culture that is just as vital to the city's appeal as politics are.

D.C.'s food scene permeates throughout the city. From the casual consumer all the

way to Capitol Hill, there are *thousands* of food options spread across the greater metro area, and the options are growing. In fact, D.C.'s food scene netted 21 semifinalists for James Beard recognition and the city earned its very first rating from the Michelin Guide in 2016.

Seafood has increasingly become part of D.C.'s burgeoning food scene over the last decade. Occidental Grill is one longtime seafood establishment that's been serving

seafood to members of Congress for over 100 years. Meanwhile, Hank's Oyster Bar recently set up a restaurant on Capitol Hill, which seemed to spur a wave of other eateries to set up shop on the Hill.

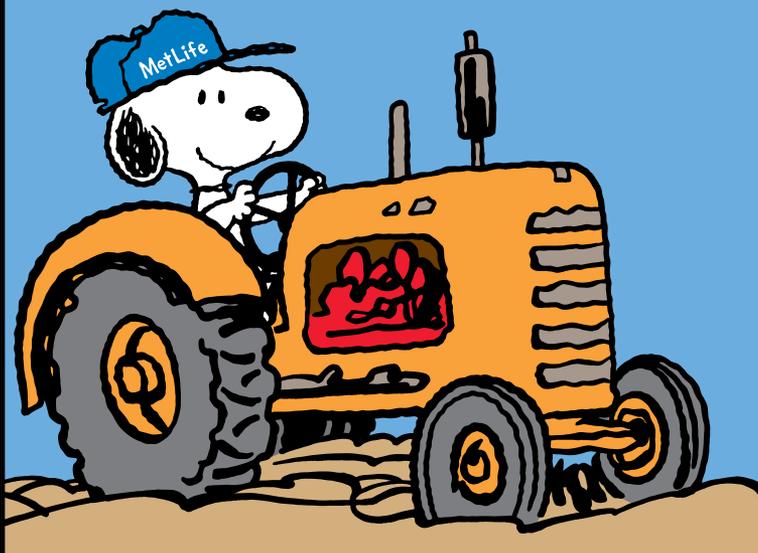
At the same time the Capitol Hill Club features seafood on its daily menus, and on Fridays the exclusive club for Congressional members features a seafood buffet.

Meanwhile, take a trip down to the popular tourist spot, Dupont Circle, and you'll find another location for Hanks' along with several modern restaurants; many that are featuring seafood.

It is no doubt that D.C.'s restaurant scene continues to grow as does its seafood offerings. "New restaurants are opening every day giving diners a multitude of

"The seafood scene in DC is very robust. New restaurants are often willing to try new and different seafood to set themselves apart from other restaurants ..."

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options,” said Steve Vilnit, the director of marketing and business development at J.J. McDonnell & Co. Inc.

Maryland-based J.J. McDonnell was founded in 1945. It is now one of the largest seafood distributors in the mid-Atlantic. Given its proximity to the area, J.J. McDonnell has unique experience selling seafood to the D.C. market.

“The seafood scene in D.C. is very robust. New restaurants are often willing to try new and different seafood to set themselves apart from other restaurants,” Vilnit stated. “J.J. McDonnell is making an effort to expand our reach in Washington, D.C. We see it as a rapid growth potential that is necessary for our vision for the future.”

Last fall J.J. McDonnell moved into a state-of-the-art 62,000 square foot seafood processing facility in Elkridge, MD. The company said it needed more space to

process seafood with more orders coming in daily. At least part of this recent sales success is credited to the growth of the Washington, D.C. seafood market.

But this is still the nation’s capital so it’s impossible to separate the politics completely from this story. And it’s in D.C. where the industry’s chief lobbying group, the National Fisheries Institute, goes to work.

“Since 1945, the NFI has been the leading voice for seafood in the nation’s capital. From policy to regulation, and nutrition to sustainability, NFI seeks to ensure that the seafood community is heard on the Hill,” said the NFI’s Communications Manager Lynsee Fowler.

In addition to the NFI’s day-to-day efforts fighting for the good of the industry, the group also holds its annual political conference in D.C. The NFI’s popular Future Leaders Program also takes a trip to Washington, D.C. each year so that up-and-coming industry professionals can learn a bit about the politics of seafood.

This past election cycle certainly did bring the world’s attention to D.C., and it culminated with the election of President Donald Trump. Yet the seafood industry should also claim a victory. After all, amid all the post-election coverage of what President Trump’s policies might be, some of the pressing news was what would be



A J.J. McDonnell shipping truck is a common sight around the D.C. area.

served during the Inauguration events. Sure enough, seafood was in the mix as Cooke Aquaculture’s hand-selected, Maine-raised farmed salmon was on the menu for the historic event. **UB**

Article contributed by Michael Ramsingh
mramsingh@urnerbarry.com



J.J. McDonnell processes and distributes fish and seafood items from its facility in Jessup, MD to the Washington, D.C. market.



There are a variety of seafood options available in Washington, D.C. Restaurant growth in the region has exploded in the last decade.



Fish tacos from Hank’s Oyster Bar.



Occidental Grill & Seafood has been serving seafood to members of Congress for over 100 years.

Sector-by-sector look at impact of growth in U.S. hog processing capacity

Some sectors of the U.S. swine and pork industries will benefit from expansion underway in hog processing capacity, but others could see their margins squeezed, at least for a time, by the additions.

Three new pork plants are under construction and a former beef processing facility is in the final stages of being retooled to process hogs. The former beef

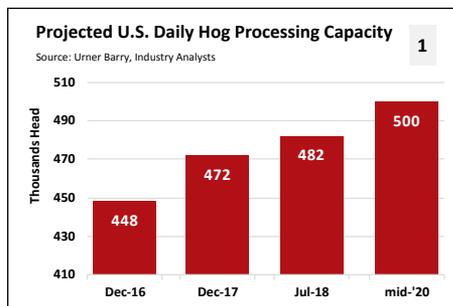
plant and two of the three new facilities are set to open this year.

If the plant openings are accomplished on schedule, daily U.S. hog processing capacity should increase by about 24,000 head. In 2018, another 10,000 or so head capacity will be added. (CHART 1)

The first sector to see measurable benefits from these new facilities coming on board would be hog producers, and not just those who sell animals to the new plants. With added processing capacity should come improved demand overall for the animals, which would mean higher prices as a result. Higher prices would be expected unless hog production increases by the same or similar amount that processing capacity grows.

When a new plant opens or an older one closes, the initial impact is usually seen on a regional basis as the supply/demand shift occurs and prices initially adjust then stabilize over time. With two of the plants to be opened this year located in the western Corn Belt and one in the eastern Corn Belt, the effect on prices could be seen on a wider basis.

By paying more for hogs due to stronger competition for the animals, pork processors could see a decline in their fresh



pork operating margins, possibly a sizable one, depending on the degree to which supplies are increased to fill the new demand. (CHART 2)

Processors will naturally attempt to pass along higher costs to their customers for attaining hogs, but that could be a challenge because overall pork supplies are expected to be larger, giving more leverage to retail and foodservice meat buyers. USDA projects domestic pork supplies for 2017 to be up about 4.4% from a year ago.

Larger pork supplies may mean more attractive feature prices at times for consumers, especially when seasonal demand is not as strong and packers as well as grocers are seeking ways to move surplus product through the distribution pipeline. This may also present some opportunities for meat processors that purchase most or all of their raw materials, especially those that can utilize frozen cuts or trimmings, to build inventories when prices are favorable.

Exports will need to grow as well to absorb more of the expanded output. International sales for pork in 2017 are projected to be up about 4%. Beef and poultry exports are also expected to grow in 2017. **UB**

Article contributed by Curt Thacker
cthacker@urnerbarry.com

“USDA projects domestic pork supplies for 2017 to be up about 4.4% from a year ago.”

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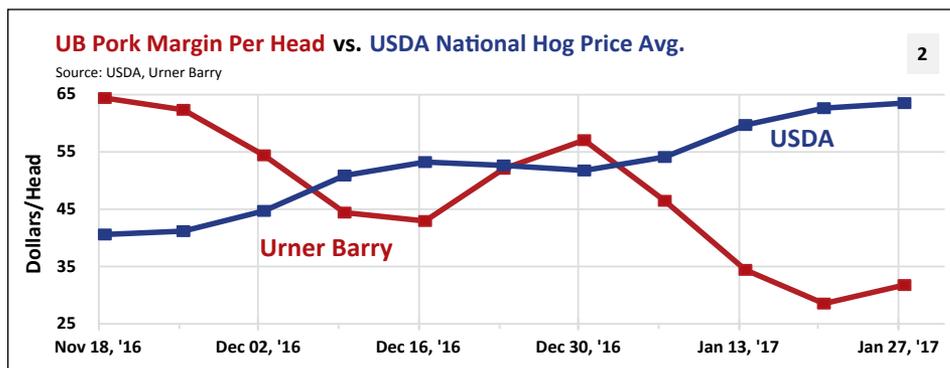
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Cuba: our neighbors to the southeast

Cuba was discovered by Columbus in 1492 and became one of the earliest locations of European rule in the New World. It spent 400 years as a Spanish colony until 1898, when it overthrew its colonial government with U.S. assistance. From there, Cuba entered a century of significant political turmoil, marked by many coups and dictatorships. The early and mid 1950s saw a boom in both the Cuban economy and quality of life. Fidel Castro seized power in 1959, and the U.S. enacted a trade embargo in 1961. This limited Cuba's economy and led to a heavy focus on Soviet trade. The fall of the Soviet Union in the 90s put Cuba in dire economic straits, although following the reopening of diplomatic relations with the U.S. in 2014, they began to bounce back.

Many agricultural products are hard to come by in Cuba. Cubans going abroad will often return to the country with bags full of powdered milk, an expensive commodity under the current food distribution system. Beef is another product Cubans rarely see, and carries the nickname 'red gold.' Its rarity is such that slaughtering and selling a cow illegally can lead to a longer prison sentence than murder. Cuba relies on the U.S. to supplement its somewhat inefficient agricultural system with imports of poultry and pork. Cuba is a major importer of

American poultry, making up 31% of broiler meat exported to Central America and the Caribbean from 2010-2012.

Cuba's nature as an island gives it a natural tendency towards fishing. The Cuban fishing industry reported \$70 million in export earnings in 2015. Special note goes to shrimp, crab, and lobster. In 2013, crustaceans made up a full 2% of all Cuban export trade.

The end of 2014 saw President Obama resuming diplomatic relations with Cuba. While the U.S. trade embargo with Cuba is still in effect, it's very possible that that could change in the future. Currently, a

stipulation in the embargo allows for food exports from the U.S. to Cuba, but these exports are mired in red tape, limiting possible profits. If trade sanctions lift, Cuba will likely become an even more significant importer of U.S. agriculture. **UB**

Article contributed by Jake Muldowney
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“Beef is another product Cubans rarely see, and carries the nickname ‘red gold.’”

Cuba / U.S. comparison



AREA	109,820 sq km	9,833,517 sq km
COASTLINE	3,735 km	19,924 km
POPULATION	11,179,995	323,995,528
LIFE EXPECTANCY	78.39 years	79.68 years
GDP	\$77.15 billion	\$18.56 trillion
GDP (per capita)	\$11,600	\$57,300
AGRICULTURE AS A %GDP	4%	1.1%
AGRICULTURAL PRODUCTS	Sugar, tobacco, coffee, rice, potato, beans	Wheat, corn, grains, fruit, beef, pork, vegetables
LABOR FORCE	5.106 million	158.6 million
UNEMPLOYMENT RATE	Unofficial est. 5.5% Official 2.5%	5.20%
CRUDE OIL PRODUCTION	50 k bbl/d	8.567 million bbl/day

Conferences of international stature

Urner Barry had the honor of being invited to several overseas events where the Latin American aquaculture industry, along with many other industry representatives from around the world, gather year after year. Two events, the Central American Aquaculture Symposium held in Honduras, and AquaExpo y Ecuador, brought together the aquaculture industry of Latin America—targeted toward shrimp production—which not only brings assembles producers, but also farm equipment companies, genetic experts, biologists, feed companies, and academia from all over the world.

In 2016, the ANDAH, or the Honduras National Association of Aquaculture Producers, hosted its XI annual symposium in Choluteca, Honduras. This event gathered experts from all over the world in their respective field and presented their findings to an attentive industry audience. Sessions ranged from disease control to world demand for shrimp, to advances in feed technology, genetics, and market prices.

Urner Barry's Market Reporter and Analyst, Angel Rubio, presented on behavior and statistics in the U.S. market, which was relevant to many participants given that a large proportion of the

production from this region gets exported around the world, including the U.S. The discussion focused on explaining what happened during the supply shock in 2013 caused by EMS, its aftermath, and the current situation—which at the time was late August 2016.

Other presenters included Jose Villalon, a prominent industry consultant, who presented on the limited resources for agriculture, and how aquaculture could be a model for food production; Bill Hoenig from Delta Blue, who presented on world shrimp demand and tied demographic

changes that are bound to happen in the future; Darryl Jory from the Global Aquaculture

Alliance, an industry expert who presented a holistic view of the global aquaculture shrimp industry. Technical conferences included Sonia Soto from Mexico, who warned Honduras' producers of the utter importance of disease control given that Mexico already went through a bad cycle of EMS; Francisco Huertas presented

on re-circulating systems that have worked well in Ecuador; and Claudia Silva who presented on feed technology and sustainability advancements.

Urner Barry would like to thank ANDAH for such the invitation. It was an honor to present right along some of the brightest minds in the industry.

Urner Barry's Market Reporter and Analyst, Angel Rubio, then



Robins McIntosh speaking at AQUA Expo 2016.

headed to Guayaquil, Ecuador. There, the Ecuadorean National Chamber of Aquaculture (CNA), celebrated its XVIII Ecuadorian Aquaculture Conference and & AquaExpo 2016. This event gathered an estimated 3,000 visitors to a large commercial exhibition floor, as well as

crowded conference rooms where experts from around the world come to share their knowledge, success cases, and experiences.

A total of 32 lectures were given by speakers from around the world, accounting for over 19 hours of conferences

with relevant shrimp farming themes, such as advances in nutrition and dietary practices; shrimp market and economic efficiency; mariculture and diversification; innovations and trends in shrimp farming; and disease control.



Urner Barry's Market Reporter and Analyst, Angel Rubio, speaking at AQUA EXPO 2016.



Some of the well-known industry experts at this conference included Robins McIntosh, from Charoen Pkphand Foods Public Co. Ltd. in Thailand, who presented the lessons learned from disease issues in Asia; Olivier Decamp, Sonia Soto, Peter Coutteau, Jenny Rodriguez, among others, on disease control; Andrea Alfaro, Pablo Intriago, Eric De Muylder, Sofie Van Den Hende, Jessica Salcedo, and Luis Alejandro Daqu on innovations and shrimp farming.

On the shrimp market and economic efficiency session, Urner Barry's Angel Rubio presented on the U.S. shrimp market. The presentation was aimed at showing how supply in the U.S. continued to outpace last year's volumes despite importing less shrimp from Ecuador. This was largely due to a more attractive Asian market for Ecuador exporters relative to the U.S. market.

For the last five years, Urner Barry has been invited to this event which is of international stature. Urner Barry would like to thank Jose Antonio Camposano, president of the CAN, its board and staff, as well as a personal mention to Dr. Laurence Massaut, who has been integral in the relationship between the CNA and Urner Barry. **UB**

Sessions ranged from disease control to world demand for shrimp, to advances in feed technology, genetics, and market prices.



(Left) Jose Villalon presenting during the National Aquaculture Association of Honduras (ANDAH) and (Right) Jose Antonio Camposano, CNA President speaking at AQUA EXPO 2016.

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Red shrimp

Continued from page 1

So what do we know about Argentina's niche shrimp resource?

Before the Conxemar session and Red Lobster's promotion, those in the industry likely saw Argentina's unique red shrimp grace price lists, even just briefly. In the past, the product would appear in the U.S. market when farmed and domestic shrimp supplies tighten and wholesale prices spike.

Like other shrimp species sold in the U.S. market, red shrimp from Argentina is available in a variety of product specifications. It's a larger-sized shrimp, traded at U.S. graded sizes of 13s, 16s and 21s, headless, shell-on. It's also available as a value-added product in an EZ peel or peeled and deveined form.



Unlike traditional farmed, warm water white shrimp, or other wild-caught varieties, the Argentine shrimp has a slightly softer bite and a particular sweetness to it. If anything, it eats like a tiny lobster.

"Flavor is the first difference; very rich and sweet, and of course the red color in a raw and cooked form carry great eye appeal, particularly on the plate," said

Dirk Leuenberger, President & CEO at Aqua Star and Contessa Premium Foods.

The shrimp's flavor can vary depending on where and when it is sourced in Argentina and where it is processed. Matt Fass, president of Maritime Products International (MPI), says careful procurement (more so for this fishery over others) from specific suppliers in Argentina is a good way to maintain a consistent flavor profile.

The shrimp's size makes it great for grilling, but it can also be sautéed, and it pairs well with pasta. Red Lobster's grilled and sautéed preparations are just one recent example of how the red shrimp is utilized on restaurant menus. The product is increasingly sought after by a variety of broadline distributors and retailers, and it is gaining traction in all these sectors.

"This product has always been under-marketed in North America. We are taking steps to change that and the response from the end users has been evident," said Leuenberger. "Because we are a U.S.-based and owned company that owns the licensing permits to fish that resource, we tend to push the home market first—here in North America."

Outside the U.S., the shrimp is mostly exported, head-on, to markets in Europe. Spain is the top destination for Argentina's shrimp. In fact, much of the industry is backed by Spanish companies. At the same time Argentina lacks a robust processing and peeling infrastructure so the shrimp is

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exported to other countries for processing and sale into other markets.

“The greatest challenge now and going forward will continue to be strong interest from foreign markets, as this particular specie has enjoyed a long and popular history in China and several Mediterranean countries that recognize the eating quality, and that is unlikely to change anytime soon,” said Leuenberger.

This foreign competition is important to point out. It’s an indicator that this isn’t a “new” fishery by any means. Red shrimp harvest records go back decades since Argentineans quickly realized the value of their resource and have managed the wild-caught fishery quite sustainably.

“The resource has a history of abundance,” said Leuenberger. “Given our infrastructure and footprint in Argentina we are working with the Argentine government to optimize the management of the fishery.”

The fishery is harvested in two distinct sectors: inshore and offshore. The inshore fishery is comprised of day boats that catch shrimp for four to five hours at a time. Inshore fishing occurs between November and April. The offshore boats are equipped with freezing capabilities and can go out for a few days. These boats fish from July to October.

Both of these sectors produce a reliable harvest. It is one reason why MPI was

among the first U.S. importers to start sourcing red shrimp from Argentina decades ago said Fass.

MPI is actually among a group of companies, foreign and domestic, working on Fishery Improvement Projects (FIP) in the region with Latin American non-profit Centre for Development and Sustainable Fisheries (CeDePesca). It’s the first step in showing the fishery’s sustainability with hard science; an essential step for more market penetration.

Aqua Star too is working with local fishery representatives on a FIP.

“We are taking steps to further improve data gathering through multiple channels with key stakeholders within the fishery,” said Leuenberger.

All of this helps explain the sudden market interest in this resource.

It’s a fundamentally different shrimp item with a unique flavor, high availability and growing reputation for sustainability. Fass says it is these traits that make it an ideal product for the “foodie” generation, mostly inspired by millennial consumers.

Look for this largely unknown seafood

item to shed its niche market moniker in 2017. **UB**

Article contributed by **Michael Ramsingh**
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Urner Barry held a red shrimp tasting event and asked a few of our staffers what they thought about the product.

Lynn Dekovitch, Executive Assistant — “I thought the shrimp were good. They were very firm and I loved the end cooked product.”

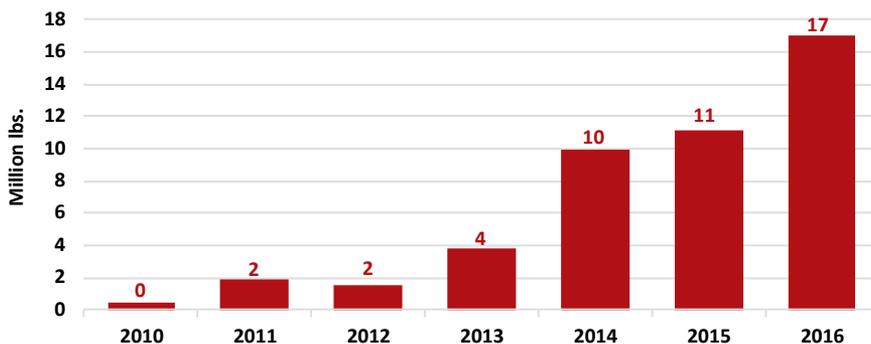
Fran Finkle, Accounting — “The rich color of red was pleasant, the jumbo size was impressive, and the taste was quite flavorful.”

Frank McQuarrie, IT Director — “They were very good. When they are that tasty I would love to eat them plain with no additions on them.”

Jamie Patterson, Subscriptions Manager — “My number one favorite thing about them was how incredibly easy they were to peel—perfect for grilling.”

Annual U.S. Shrimp Imports from Argentina

Source: U.S. Dept. of Commerce, Urner Barry



Protein year in review

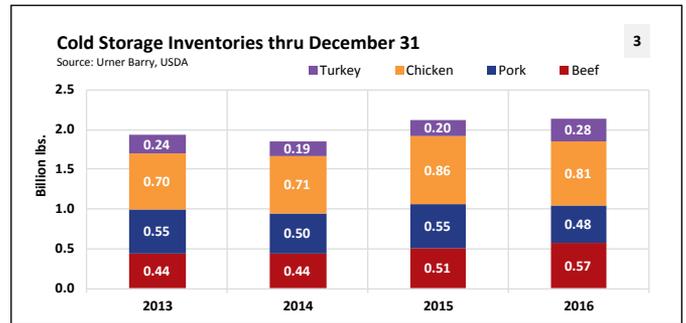
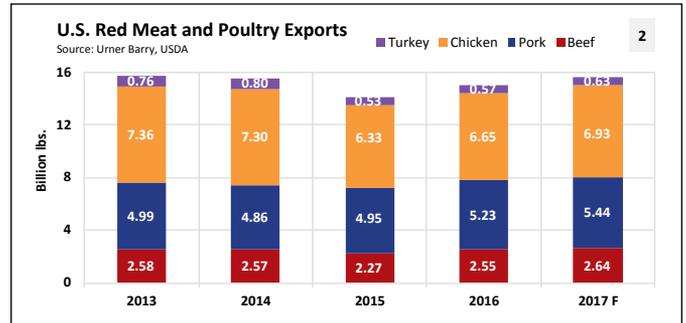
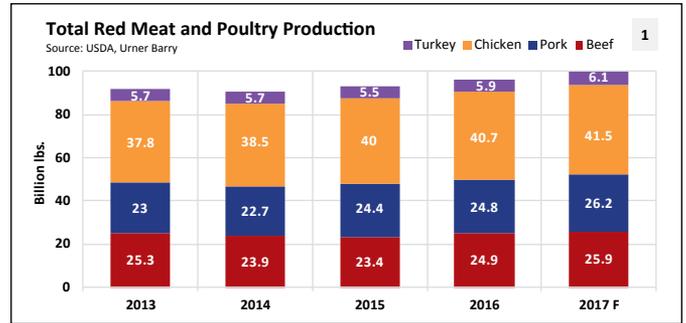
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2016, which was up by at least 3 percent or 3 billion pounds from 2015. Beef production topped out at about 24.9 billion pounds, a year over year increase of 6.5 percent or 1.5 billion pounds. Pork production advanced to 24.8 billion pounds, up nearly 2 percent or 435 million pounds from the previous year. Chicken production increased yet again to 40.7 billion pounds, up from 40 billion pounds in 2015. And lastly, turkey production rebounded following its bout with Highly Pathogenic Avian Influenza to 5.9 billion pounds, an increase of 350 million pounds or 6.2 percent. According to January's USDA Livestock, Dairy, and Poultry Outlook report, total red meat and poultry production is expected to combine for more than 100 billion pounds in 2017. (CHART 1)

While there was more supply of protein in 2016, there was also more demand—internationally. U.S. exports improved for all center of the plate proteins in 2016. Beef exports rose nearly 300 million pounds to 2.5 billion pounds. Pork exports increased from 4.9 billion pounds to 5.2 billion pounds. Despite there still being several obstacles (currency, global economy, etc.) to overcome, chicken exports advanced more than 300 million pounds to 6.5 billion pounds. And turkey exports improved too, by more than 30 million pounds totaling 567 million pounds. (CHART 2)

What isn't consumed immediately as fresh ends up in cold storage warehouses, and according to the latest USDA report, through December 31 total holdings are up—significantly. Total beef stocks finished the year at 567 million pounds, up more than 36 million pounds or 11 percent from 2015. Pork holdings actually trended lower in December, closing out the year at 477 million pounds, down nearly 70 million pounds or 13 percent from the previous year. Chicken stocks climbed in December to more than 809 million pounds, which is up 2 percent from November, but down 6 percent from 2015. Total turkey holdings soared in December to just under 280 million pounds, up more than 40 million pounds from November and 78 million pounds from last year. (CHART 3)

Article contributed by Terence Wells | twells@urnerbarry.com



“The one common theme, which seems to have played, and continues to play, a major role in all the center of the plate protein markets, is ‘advancing supply.’”

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Neither snow, nor rain, nor fire?

Up until about the mid 1980s, Urner Barry had always shared a close partnership with the U.S. Postal Service. Whether in the coldest snow, the heaviest rains or the hottest of summer days, Urner Barry relied on the U.S. mail to distribute almost all of its publications efficiently and as quickly as was then possible. However once the electronic age blossomed, fax, e-mail, satellite delivery and, yes, the Internet, took over the dissemination of commodity market news and changed it forever. In the 1800s, snow and rain, along with anything else Mother Nature had up her sleeve, were major hindrances to efficient delivery of market news.

Early in the *Price-Current's* long existence another element nearly wiped out the September 23rd edition of *The Producers' Price-Current*. This time something more sinister than rain and snow nearly caused catastrophe. It seems that fire struck the office where the paper was printed resulting in near ruination!

The publication now known as *Urner Barry's Price-Current* was a weekly circular at the time. It was printed on Friday evenings and readied to be distributed by the next morning. But on the evening of September 22, 1865, fire

struck after the next morning's edition had been printed. Although the fire did not destroy the newspapers, they were not left unscathed.

In the September 30, 1865 edition of *The Producer's Price-Current*, Volume 10, Number 26, a special notice was included referencing the fire. In it Benjamin Urner wrote that, "The office in which this circular is printed was badly damaged by fire on Friday night last, just after the edition was printed." He continued by stating, "Most of the circulars were saved in a wet condition and had to be used as they were. This will account to some of our readers for the shabby appearance of their copies last week."

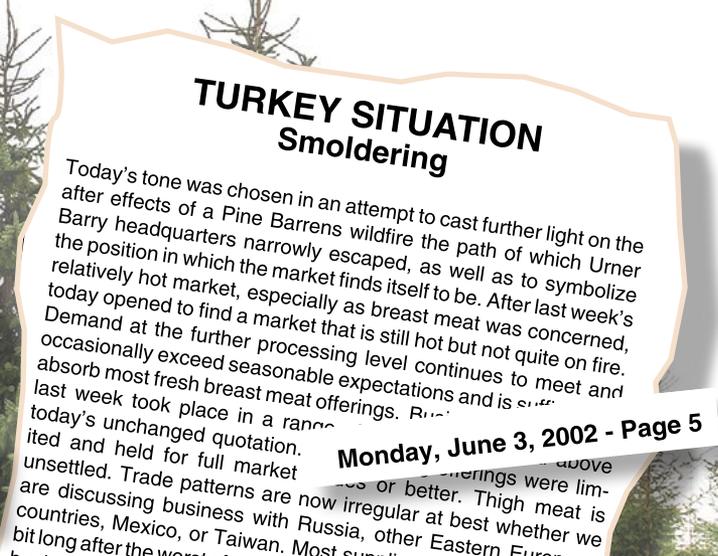
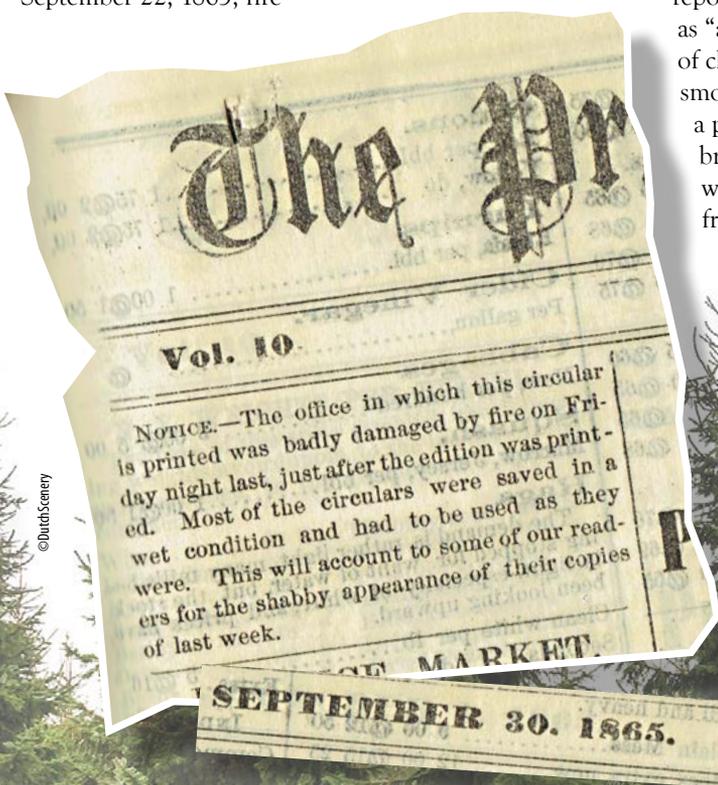
137 years later, Urner Barry again had a near disastrous brush with fire when on June 2, 2002 the great Jakes Branch blaze consumed 1,277 acres of the New Jersey Pinelands and closed a 24-mile stretch of the Garden State Parkway, forcing the evacuation of hundreds of residents. One home was destroyed and nine others were damaged. Urner Barry's headquarters at the time was located in the heart of the Pinelands National Reserve, right off of Double Trouble Road. One reporter described the area as "a ghostly landscape of charred trees and smoldering ground under a pall of acrid, purplish-brown smoke." The fire was actually fought right from the property of



A fire in the NJ Pine Barrens came dangerously close to Urner Barry's headquarters.

Urner Barry and while much was lost, thankfully, the building was spared. On that following Monday, the great Jakes Branch blaze prompted Urner Barry market reporter Russell Whitman to tone the turkey market as "Smoldering" in the June 3, 2002 edition of *Urner Barry's Price-Current*. Whitman wrote, "Today's tone was chosen in an attempt to cast further light on the after-effects of a Pine Barrens wildfire the path of which Urner Barry headquarters narrowly escaped..." **UB**

Article contributed by Russell W. Whitman
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