ANNUAL MARKET ANALYSIS EDITION

UrnerBarry's

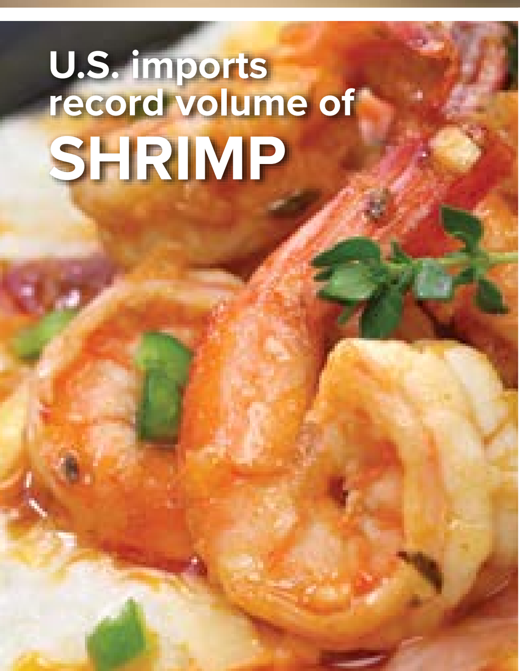
Reporter

the newsmagazine for the food industry professional

VOLUME 14 | NUMBER 3 | SUMMER 2019 | QUARTERLY

AFRICAN SWINE FEVER:

A visual look at the current situation



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From the Editor's Desk...

MARKET ANALYSIS— POLITICKING OR TEACHING?

Winston Churchill once said that, "A politician needs the ability to foretell what is going to happen tomorrow, next week, next month, and next year. And to have the ability afterwards to explain why it didn't happen." In a sense, being in the agri-business and analyzing what the future behavior of the commodity protein markets will be is a lot like being a politician. You see, it's rarely the known variables that negatively impact commodity market analysis, but rather the myriad of unknowns which wreak havoc and doom the most calculated outlooks and analyses to failure. So, similarly to a politician, despite good intentions, ample consideration and thoughtful planning, Agri-economists and analysts must often explain why what was supposed to take place, did not.

It wasn't that many years ago that BSE, PEDv and high path AI played their respective roles in upending market analyses, predictions and projections for the beef, pork, poultry and egg markets. But it isn't always disease that throws a wrench in things. Heat, cold, drought, flooding and genetic disposition (chicken anyone?), along with political bullying, trade disputes, bans and tariffs, can stop a market's well-founded trajectory in its path, and in turn, harm business health, planning and investment return.

This makes accuracy in forecasting one of the greatest challenges to any Ag-centric economist, consultant or observer. This is especially true in the poultry sector. Here the comparatively short lifespan of chickens or turkeys and the brief productive cycle of an egg layer, compared to the multi-year cycle of hogs or cattle, make market analysis and prognostication a daunting task of frequently thankless challenges.

Although Sir Winston Churchill's characterization of what it takes to be a politician isn't all that different from being an Ag-analyst or commodity reporter, we prefer to think of market reporting more like being a teacher. Canadian Prime Minister Justin Trudeau once said that, "A good teacher isn't someone who gives the answers out...but is understanding of needs and challenges and gives tools to help other people succeed."

That is our intent behind Volume 14, Number 3, the Analysis Edition of the Reporter. The success of this issue is measured not by its ability to forecast the future, but by its ability to help our readers understand the unique struggles within the protein sector and provide the education, tools and critical thinking necessary to succeed in the food industry.

Here's to teaching and teachers, the goal of this issue and the way we see ourselves at Urner Barry.

Stay in touch,

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UrnerBarry's
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AGRIBRIEFING

Cracking into new markets...

EGGS INTERNATIONAL: How different nations set standards

©AlexLMX/Getty Images

Starting in 2019, Urner Barry has "eggs"-panded its international egg reporting in the EU. While the U.S. and EU egg markets are interrelated in today's globalized marketplace, the way eggs are prepared for retail is very different across the pond. In fact, eggs produced for U.S. supermarkets can't be sold in the EU, and vice versa. This variation is due to differing philosophies when it comes to sanitation and disease prevention.

> **"At the end of the day, American and European egg manufacturers and legislators are working towards the same goals under different circumstances."**

THE U.S.

USDA standards require that eggs be washed and sanitized to remove any dirt present on the shell. This process ensures a clean shell, but it also damages or removes the egg's cuticle. The cuticle, also known as the bloom, is a natural covering on the exterior of the eggshell, which seals the shell's pores.

This entire washing process and the absence of the cuticle means that eggs must be completely dried before packaging. Once dry, they then require constant refrigeration during packing and transportation as well as their storage at retail. This is both to generally discourage spoilage, and specifically prevent "sweating," or condensation on the surface of the egg. This is the same process that causes a cool glass to bead with water on a hot day. When an egg sweats, the moisture on the surface can cause bacteria to grow, and that same moisture "opens up" the egg's pores to allow the bacteria entry into the egg.

The USDA standards work well in the larger-scale egg-laying operations of the U.S. and have the added advantage of granting eggs a longer shelf life. The American Egg Board indicates that properly stored eggs are good for about three weeks following their purchase, which translates to four to five weeks after their pack date.

THE EU

EU hygiene legislation differs significantly from the USDA and focuses on both sourcing clean eggs and preserving the cuticle. The EU has different requirements for the farming environments of egg-laying hens and mandates that all hens be vaccinated against salmonella. As a result, there is no need to wash the eggs immediately after laying. In fact, it is illegal to do so.

Instead of washing the eggs and replacing their natural coating, the EU's sanitation philosophy focuses on preserving the cuticle following the production of a clean egg. An egg produced according to EU standards has a complete and undamaged natural coating, and its pores are sealed. This natural barrier prevents moisture and bacteria from entering the egg, so there is no need to refrigerate eggs prepared in this way. Instead of preventing sweating, eggs in the EU are effectively immune to its effects. In grocery stores in the EU, eggs are found on ordinary shelves next to other baking supplies and staples.

EU legislation mandates a best-by date no later than 28 days after the oldest egg in a container is laid, which is shorter than the US shelf life. However, not refrigerating the eggs saves on logistical and energy costs throughout the supply chain, which is beneficial to the many small-scale egg farms in the EU.

At the end of the day, American and European egg manufacturers and legislators are working towards the same goals under different circumstances. Both policies aim to deliver clean and fresh eggs to consumers, while remaining mindful of the unique challenges their farmers face. UB

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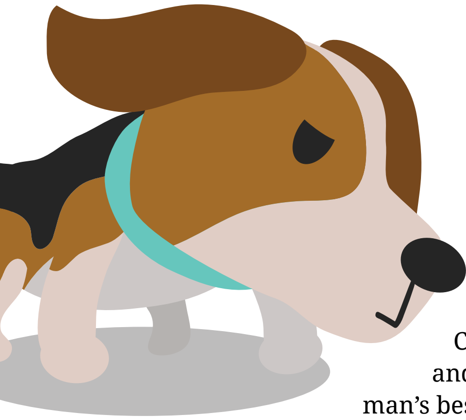

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Canine officers: Protecting U.S. agriculture one sniff at a time

Canines have a history and reputation for being man's best friend. However, some may not realize that dogs can also become agriculture's best protector.

Building on such history and reputation, the U.S. Customs & Border Patrol (CBP) detector dogs are a primary benefactor for screening passengers and cargo to impede the introduction of harmful plant pests and foreign animal diseases from entering the United States. The ability to target and zero in on specific odors make the dogs priceless agents in detecting prohibited agricultural items that cannot be seen with the naked eye, or detected by a human's sense of smell. When it comes to finding fruit, vegetables, plants, and meat products from high-risk countries, these dogs have impeccable noses. A trained agriculture canine officer can examine luggage in seconds. Without these dogs, an officer would have to open and visually inspect the same bag, decreasing efficiency in the airport.

In 1984, the Los Angeles International Airport employed one trained Beagle to sniff out plants and animal products in luggage arriving on international flights. Beagles and Beagle mixes, known for their keen sense of smell and gentle disposition, make this breed ideal to be present at the airport. As a result, the USDA then established its detector dog program, "Beagle Brigade," that same year.

In 2000, the USDA started using larger canines beyond the patron surroundings by employing Labrador Retrievers. This created the "Border Brigade" on the Mexican and Canadian borders, and the "Cargo Brigade" in inspection facilities at airports and seaports. When the USDA transferred agricultural inspectors to CBP, approximately 75 canine teams were incorporated. Today, more than 116 CBP

Photo credit: U.S. Customs and Border Patrol

agriculture canine teams provide screening at border crossings, air passenger terminals, cruise terminals, and cargo warehouses that process international travelers and commodities.

In 2009, a facility was constructed for the dogs in training near Atlanta, Georgia. All the detector canines at the USDA National Dog Training Center are adopted from shelters in the United States or go through the program by private donors. Before beginning specialized work, all CBP agriculture canine officers and their partners complete an initial 10 to 13 weeks CBP Agriculture Specialist Canine Training. Depending on the work setting, the dogs are trained to give either a sitting response or an active response to signal the presence of an agricultural product. The response, followed with treats and positive praise from their handler, is the prime motivator that increases their proficiency. When the initial program in Georgia is completed, training and evaluation continues at their station to preserve skills.

In addition to their vital detection and screening work, the teams spread awareness to the public about the important role that agriculture plays in the CBP's purpose and the U.S. economy. The unique role of the teams in protecting American agriculture, and of course their canine charm, provide the perfect opportunity for outreach activities. Whether it be media interviews or demonstrations, the agriculture canine officers are always ready to greet the population with wagging tails, happy-go-lucky personalities, and extraordinary talents. UB

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Celebrating WOMEN in food and agriculture

From the barn to the boardroom, women play a crucial role in the global business of food and agriculture. Which is why when research showed that women are acutely under-represented in management roles throughout the industry, it seemed imperative to examine and uncover the gender gap—and reveal the incredible stories of the women who work to feed the world.

Women engaged throughout the supply chain understand the unique challenges of operating in this traditionally male-dominated business. Meanwhile, the case for empowering women in leadership roles is not only built on the foundation of morality and principles of equality, but also by proven economic success bolstered by inclusion and diversity. Data from the World Economic Forum suggests that economic gender parity could add an additional $250 billion to the GDP of the United Kingdom, $1,750 billion to the United States and $2.5 trillion to China. Additionally, data collected by Pew Research Center shows just 4.8% of Fortune 500 company CEOs are female. The share of women sitting on the boards of Fortune 500 companies is about 22%—and while this figure has more than doubled since 1995, it is still astonishingly low.

This disparity in leadership has the potential to significantly impact the future of food as the industry loses out on innovative ideas and advancements from female thought leaders. The need for diversification and enhanced perspectives is especially pronounced given the rapidly changing landscape of food and agriculture. Ever-present industry challenges like food security, increasing investor influence, consumer demand for corporate and social responsibility, and unstable global trade relationships, further substantiate the need to expand and diversify talent in order to feed a growing population.

In light of this, Urner Barry's parent company, AgriBriefing, has launched a campaign to promote the role of women across the agribusiness supply chain. The Women in Food and Agriculture initiative in 2019 will highlight women working in the industry, celebrating their stories, struggles, strategies and strength. This year-long campaign will culminate in a two-day Summit in Amsterdam on December 3-4, 2019.

The Summit will present an unparalleled combination of the cutting-edge techniques, industry insights and practical strategies used by top European and International leaders to empower their workforce, innovate their businesses and promote agriculture as an employer of choice to the next generation.

"Our industry is experiencing a period of rapid change as international markets mature but, if we're honest, the agribusiness industry still has a reputation as being largely a male preserve," says AgriBriefing CEO Rory Brown. "Whilst this is changing—and there are many exceptional female leaders across the industry—the pace of change is still way too slow. If our industry cannot make the change and welcome the best talent wherever it lies, then we will all struggle to deliver on the huge challenges the sector is facing."

Urner Barry is proud to support this effort and to be a part of the discussion for meaningful change. Women in food and agriculture have an important story to tell—and a huge role to play in the future of food production. Throughout 2019, you can read the stories of real women working in all segments of the supply chain. Learn more or get involved by visiting www.wfasummit.com. And be sure to join us at the stunning NH Grand Hotel, Krasnapolsky, Amsterdam on December 3-4, as we host this historic global event. UB

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Looking to the future...

Exports are vital to U.S. pork industry


©Samoilov/Getty Images

Without growth in export sales in recent years, the U.S. pork industry would have had far less room for expansion. Maintaining the customer base we have now and stretching international sales even further are vital to any future growth for the U.S. pork industry.

As an example of just how important the export markets are for the U.S. swine and pork industries, Brett Stuart of Global Agritrends told participants in a recent webinar that half of the increase in U.S. pork output since 1990 is due to growth of the export markets.

USDA export and production data bear that out as pork exports in 1990 were shown at 239 million pounds, while U.S. pork production was 15.345 billion pounds. Exports for 2019 are projected at 6.246 billion pounds, while pork production is pegged at 27.337 billion. The differences between 1990 and 2019 are a 6.007 billion pound increase in exports and 11.992 billion pound increase in output.

Modest gains have been made in per capita domestic consumption of pork as the projected figure for 2019 is 52.3 pounds per person compared with 49.5 pounds in 1990. After taking population growth and the increase in per capita consumption into account, total domestic use is expected to be at 22.188 billion pounds this year, compared with just over 16 billion in 1990.

International customers are expected to absorb 23% of the U.S. pork production this year, compared with just 1.6% in 1990. Next year, pork exports are expected to move up to over 23.5% of output, largely due to the need for more pork by China following the widespread outbreaks of deadly African Swine Fever (ASF) across the country and region.

China holds tremendous potential for sales of U.S. pork due to its massive population and love of pork. Prior to the discovery of ASF, China had roughly half of the world's hogs, and its pork production accounted for a staggering 20% of the global animal protein supply, Stuart said. China's hog herd is about five times larger than the U.S., so if China loses 10% of its production due to ASF and tried to replace all of it with U.S. pork, half of the U.S. production would be needed to fill the void.

Because China will seek pork from other exporting countries as well, world supplies will tighten and that should lead to opportunities for more U.S. pork to move into existing international customers as well.

USDA projects 2020 pork exports at 6.675 billion pounds, a growth of nearly 7% from the expected 2019 figure and a gain of 35% from 2015. The projected number for 2020 is nearly 28 times larger than 1990 pork exports. UB

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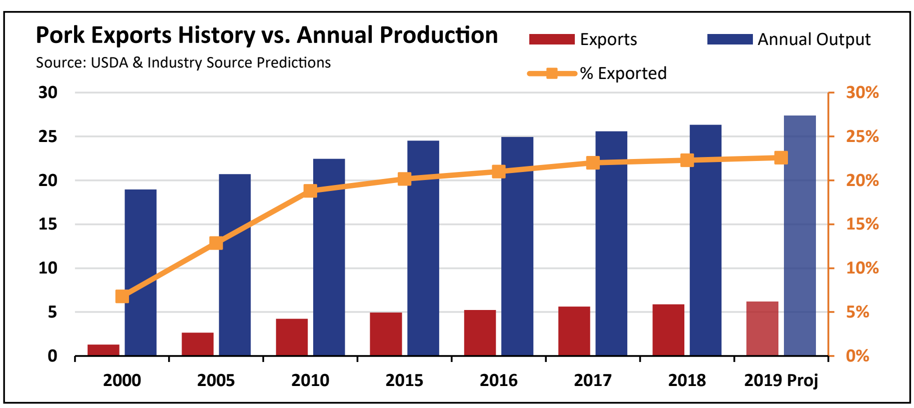


AFRICAN SWINE FEVER:
A visual look at the current situation

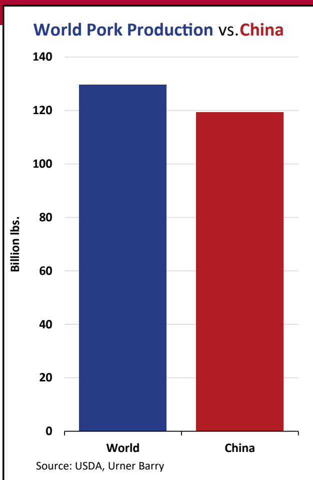
ASF has spread across all Chinese provinces, as well as Vietnam, Cambodia, Hong Kong and North Korea.

Earlier in 2018, ASF was reported across a number of Eastern European nations, as well as South Africa.

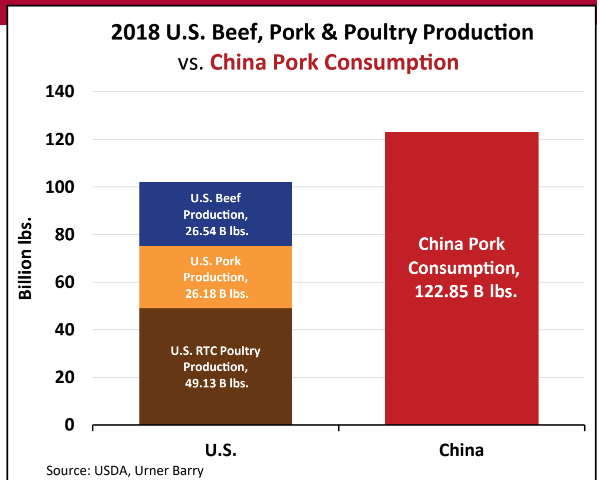
At the time of this report, African Swine Fever continues to spread through China and has more recently spread to the neighboring nations of Hong Kong, Vietnam and Cambodia, in addition to the revelation that North Korea has been dealing with it since at least February. This is a fluid situation with news of further outbreaks, new policy decisions and related market reactions happening every day. In this article we explore the current situation with a healthy dose of graphical aid.

"This is a fluid situation with news of further outbreaks, new policy decisions and related market reactions happening every day."

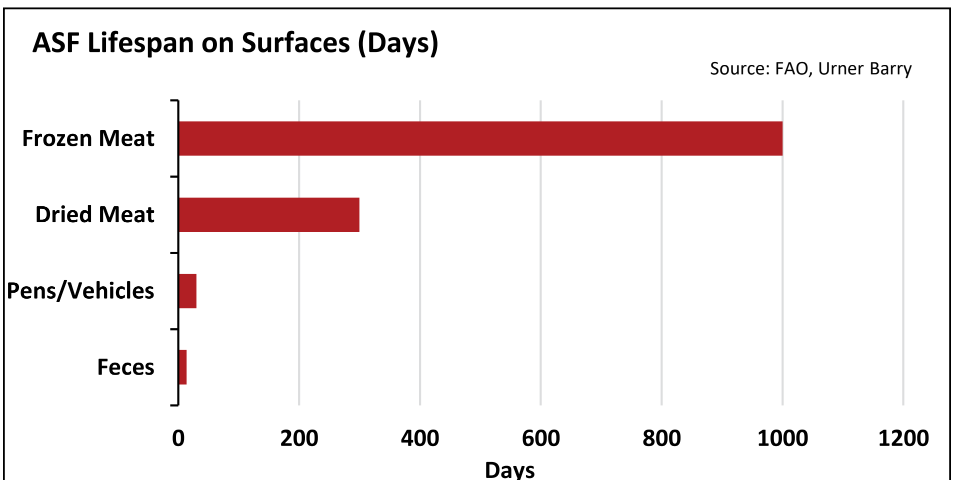
For the most up to date information, head to ubcomtell.com and click on the African Swine Fever link at the top of the page.



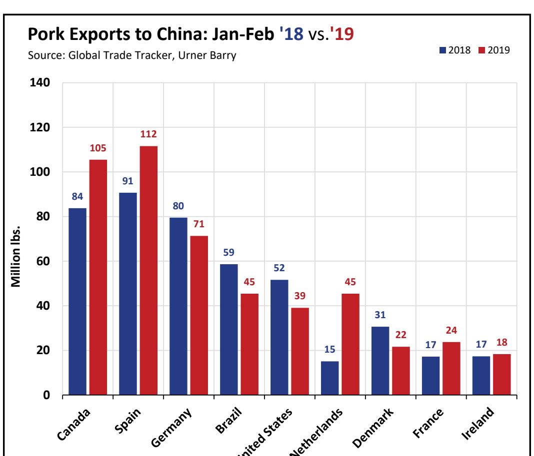
Chinese pork production is only 8% less than that of the rest of the world combined.



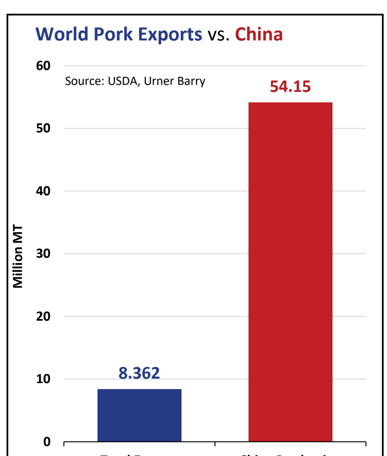
China consumes 17% more pounds of pork than the combined annual U.S. production of beef, pork and poultry.



If the entire world diverted all of their pork exports to China, it would only represent 16% of Chinese pork production.



ASF can live on various surfaces for extended periods of time, making it very difficult to halt the spread of disease and render a location free from the risk of contagion.



Compared to 2018, the January to February period in 2019 saw pork exports to China rise by 26% from Canada, 23% for Spain, 200% in the Netherlands and 37% from France.

Article contributed by **Russell Barton**
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New, must-attend event coming in October...

Urner Barry to host Global Protein Summit in Chicago this fall

Urner Barry has announced a brand-new event designed to bring clarity and insight into the increasingly complex business of food and agriculture with the first ever Global Protein Summit.

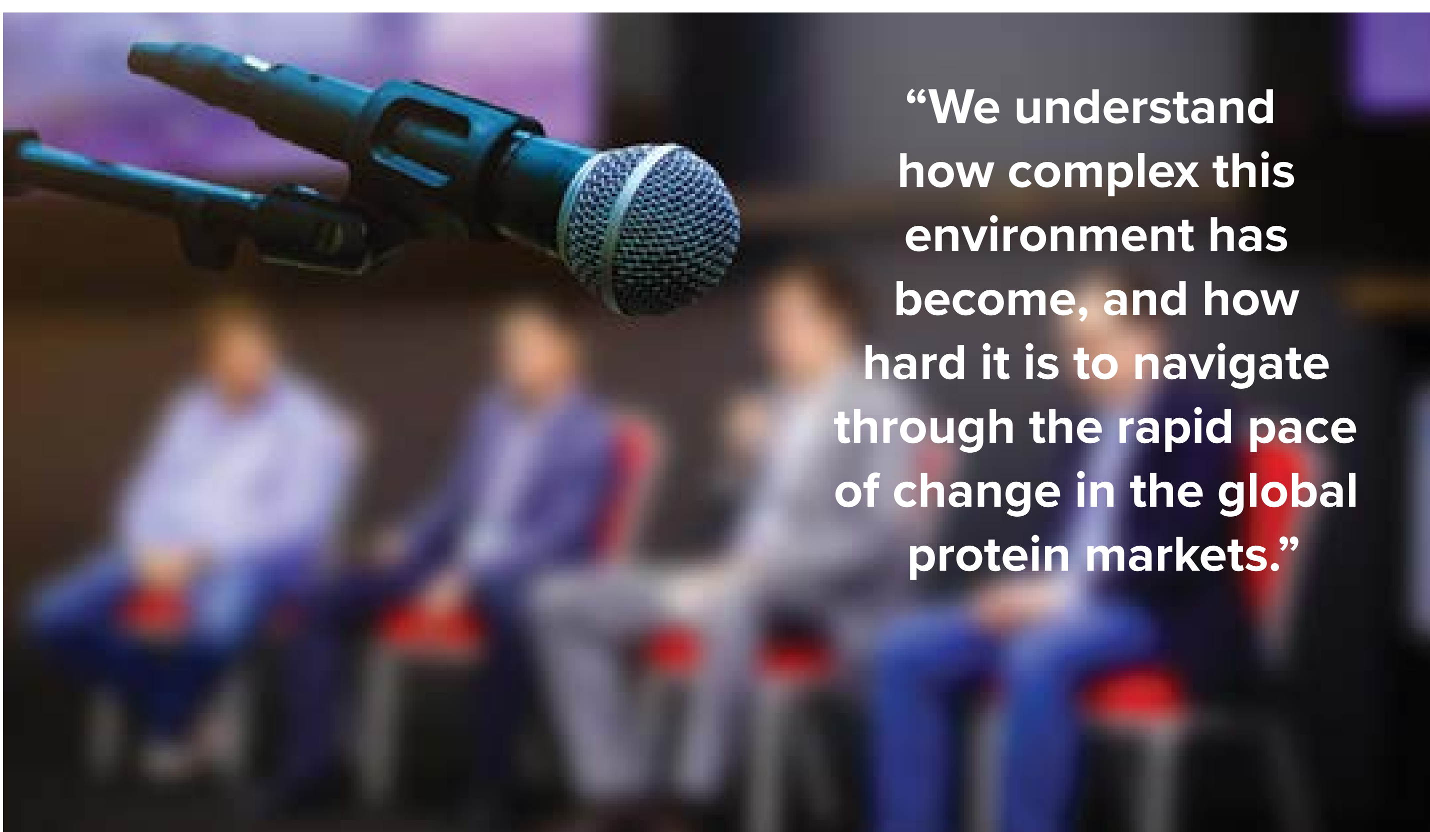
Urner Barry's Global Protein Summit will be held in Chicago from October 6-8, 2019. Specifically designed for those in the beef, pork, and poultry industry, this two-day agenda is packed with intel from the foremost experts on economics and agribusiness. Hear from top speakers and analysts on China and other global trade partners, African Swine Fever, alternative proteins, changing consumer demands, and what to look out for as we move forward.

"We understand how complex this environment has become, and how hard it is to navigate through the rapid pace of change in the global protein markets," says Jim Kenny, COO at Urner Barry. "Our customers are telling us that they want more information—our goal in developing the Global Protein Summit is to fill that void and provide an opportunity to network with market leaders."

Producers, processors, wholesalers, retailers and the foodservice segment are all impacted by constantly changing circumstances within the global supply chain. This year alone, trade agreements, livestock diseases, and regulatory issues have redefined what we thought we knew. Food companies are craving business intelligence to operate successfully in this complex landscape.

Registration for the Global Protein Summit is now open. Join us at the InterContinental Chicago Magnificent Mile from October 6-8. If you're involved in the beef, pork, or poultry trade, you won't want to miss this.

Visit www.urnerbarry.com/globalproteinsummit for more information. UB



US egg prices tracking back toward 2016 lows

By Brian Moscogiuri
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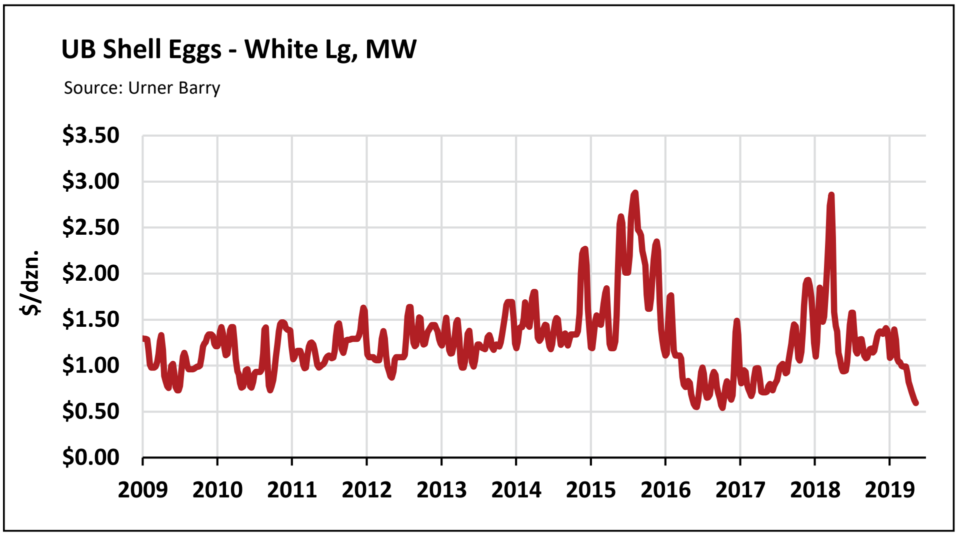
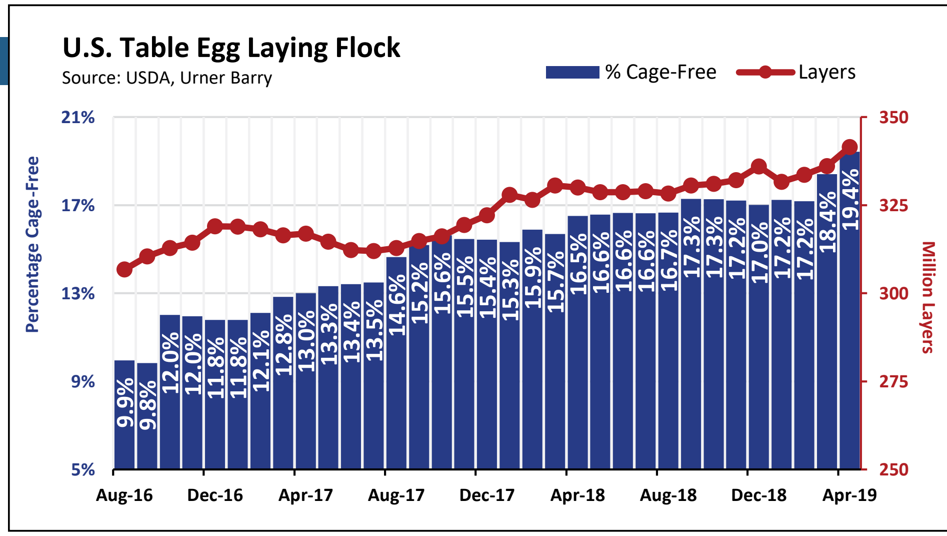


It seems there is never a dull year in the egg market. From diseases that rock the supply chain, promotions that excite consumers, changes in dietary guidelines, shifts in production standards, and countless other issues, markets are constantly being impacted by unexpected issues, both domestically and abroad.

Over the last five years, the egg market has seen record highs and lows around the 2015 Avian Influenza Outbreak. Had it not been for these extremes,



"With more cage-free available and producers learning how to maximize the production out of these facilities, consumers have seen cheaper prices at the shelf."

Urner Barry's benchmark prices would have just broken all-time highs and lows in the last year alone. "Retail Wars" and international issues led to a record first quarter in 2018 and yet, a year later, egg prices struggled through the Easter marketing period, extending their decline through the middle of May.

Following the 2015 AI spike, markets plummeted due to flock repopulation and demand destruction, leading to an oversupply. Retailers reduced shelf prices and took advantage of the lows to feature eggs well below the popular dollar threshold. What they found was that by promoting staple items like eggs at deep discounts, consumers came into the store and picked up other, higher margin items during their trip. As online giants like Amazon began testing the waters in the grocery segment, brick-and-mortar chains started promoting more aggressively to keep customers walking through their doors. By the middle of 2017, national competition got so aggressive that many referred to it as "Retail Wars." These features lasted through Easter last year, helping the market to reach unexpected highs.

From that point on, retailers have been timid with their promotions, electing to feature on a more localized basis. Rather than promoting nationally, individual chains have been price-matching competitors around them.

Not only have we seen less ads spread across the country, but there is more competition on weekly circulars from the cage-free category. Over the last three years, cage-free production has more than doubled according to the USDA, climbing from 30 million layers in the middle of 2016 to more than 66 million layers through April of this year. The growth has been driven by retail, foodservice, and institutional commitments to be cage-free by 2025, a push spurred by animal welfare initiatives and now state-by-state legislation.

Producers must stay out in front of their customer's needs and are adding cage-free birds. Some have adjusted conventional outputs, while others have simply added to their overall production. This is evident in the total flock number, which hit a record 341.5 million layers in April, according to the USDA.

With more cage-free available and producers learning how to maximize the production out of these facilities, consumers have seen cheaper prices at the shelf. This has certainly impacted the conventional market. Based on what we've seen in recent years, when cage-free eggs are promoted and the gap closes with conventional, consumer preferences shift, and the generic market is negatively impacted. Conversely, when conventional eggs are promoted and the spreads widen, specialty-egg sales lag, often sending cage-free eggs into traditional channels for grading or processing. This will be an interesting dynamic to watch going forward, especially as cage-free now makes up almost 20% of the total flock and California will require cage-free egg and egg product by 2022. Producers certainly can't enjoy sending cage-free eggs, which are more expensive to produce, into conventional channels—especially the breaker.

In the face of over-supplied markets, producers can resort to secondary outlets to alleviate excess eggs. The two main channels they will turn to are processing and exports.

Further processors are breaking more eggs than ever on a weekly basis in 2019; 29.8 million cases were broken through the first week of May, over a million eggs more than the next highest year-to-date figure. Breakers have taken advantage of the oversupply situation in the spot market but have also added more production and processing capacity of their own. This has shown up in dried egg inventories,

Continued on page 16

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EGG MARKET

Continued from page 15

which have climbed over six million pounds in the last year. In fact, dried stocks have climbed every month since September 2018, which is a little unusual given that processors put eggs away in storage during the summer months and deplete inventories during the fourth quarter through Easter.

International demand has also tapered since Europe recovered from its Fipronil scandal, which like AI, impacted supply availability and usage for a period. The lack of global events impacting the supply chain, a strong dollar, and trade deals struck by the EU in Asia, have created headwinds for U.S. egg exporters, even with the low prices seen across the shell egg and egg products sectors. After an export recovery in 2017, 2018 volumes dipped slightly, especially in the second half of the year. This year is off to an even slower start, down more than 30% in Q1 against the year prior.

Market dynamics leave egg prices at very attractive levels for buyers heading into the summer months. We have already seen retailers begin to slash prices at the shelf, but that could have further ramifications on specialty demand, especially if that production continues to expand. These markets also traditionally yield menu innovation and new product initiatives, and it will be interesting to see if the major fast food companies get creative in the coming months. Producers are also scrambling to make flock adjustments where they can, but have to balance these cuts against their transition for state-by-state initiatives and corporate 2025 goals of their customers. Exports are often a way to alleviate surpluses during times like these, but there don't appear to be many shortages globally at the moment. However, as we've seen in the recent past, market dynamic could change quickly due to AI, Fipronil, legislative issues, and other factors. For now, the egg market is struggling to find a balance and producers are managing between focusing on short-term profitability and longer-term growth strategy. UB

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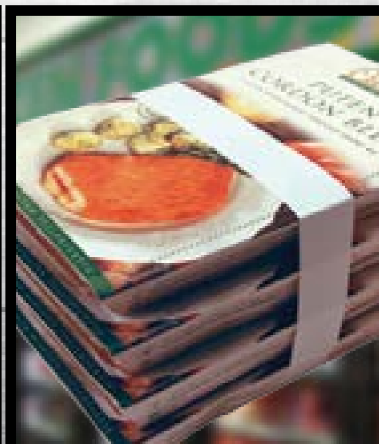

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Everyone loves a good comeback story

By Evan Addis
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After multiple years of frustration, the turkey industry is finally realizing favorable circumstances for all parties involved. While its impact resonates in the short-term memories of market participants, the 2015 Avian Influenza (AI) outbreak and the circumstances that came with it appear to now be in the rearview mirror, and a return to normalcy may finally come to fruition. Wholesale values have already begun to reflect this idea, with items such as whole birds, parts, and thigh meat serving as the best examples. At the same time, hatchery and slaughter level data paint an agreeable picture for turkey marketers for the balance of the calendar year.

A LOOK BACK

The present-day market situation is a bit unfamiliar from what participants have become used to over the past three or four years, where buying patterns dominated the negotiation tables. Whole birds and breast meat have been central to this sense of positivity with their strength rooted in separate but relatable factors. Starting post-2018 Thanksgiving, hen placements have undergone an overall reduction, which has drastically limited whole bird offerings going forward. At the same time, sellers of breast meat have had an unfamiliar amount of room in the freezers to work with, giving them a new sense of confidence during the seasonal withdraw in demand. As such, both of these lines experienced limited to no reduction in value during the winter months; a statement that is rarely, or possibly never made. In this case, buoyed sentiment is rooted in the lack of change in value, elsewhere the marketplace has experienced plenty of volatility, but with the same end result. Parts and thigh meat exemplify this idea as they've performed seasonally or better the past few quarters. A significant reduction in Brazil's turkey production has left a void in supply of the international marketplace, and the U.S. industry is glad to provide assistance. While the USDA numbers may not be the most supportive of this idea, industry input suggests otherwise. Consistent domestic demand has also provided a solid backbone to the complex. Drums and whole wings have led the charge with their values consistently staying at levels not realized since 2014 and 2015, respectively. Lastly, the third and fourth quarter supply scenario wasn't all that volatile from the previous few months and quarters. When it came to the marketplace, breast meat values broke the $2.00/lb. mark, a feat not achieved since 2016's AI infused scenario. Parts had a fairly decent run towards the latter third of the calendar year, and just about every other sector pulled its weight in making the end of 2018 a respectable one for processors. As for Q4's actual results, whole turkeys closed the year at $0.90/lb., $0.03 higher than 2017. Breast meat kept its composure quite well, maintaining $2.09/lb. through the year's end.

"The current scenario surrounding pork and ASF difficulties in China could bolster both the level and duration of demand for turkey thigh meat."

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Movement of parts and thigh meat into Mexico and other export channels was fairly consistent through the year. Q4 hatch figures proved to be encouraging. Egg sets moved lower during Q4's 12 weeks beginning October 7. The 12-month tally for 2018 showed egg sets down 2.44% and poults placements down 2.76%; a glimpse into the trend the industry continues to experience today. RTC production was slightly above that of 2017, while head count declined 0.38%. The December 31 whole bird holdings were 102 million pounds; 6.6% below last year. Total turkey stocks ended the year at 303 million pounds; 2.3% below last year.

NEW YEAR, NEW CHALLENGES

Transitioning over to the new calendar year, the supply side of the equation finally began having its impact felt, with visibly less headcount hitting the streets. After the holiday season, trade and business patterns settled into a seasonal routine. Despite hand-to-mouth buying patterns, sellers were able to maintain or mostly maintain values. Year-over-year declines in both egg sets and poults placed for all of Q1 and into Q2 provided a glimpse into the balance of the calendar year and what could lie ahead for the turkey industry. Despite the reduction in slaughter,

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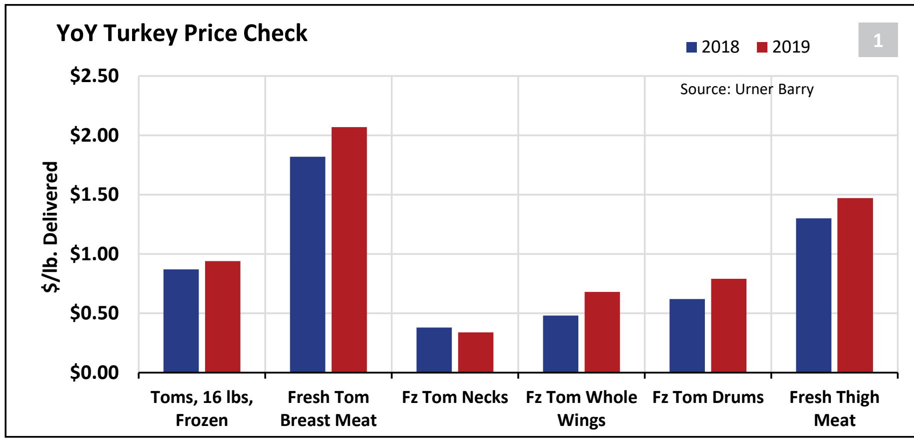

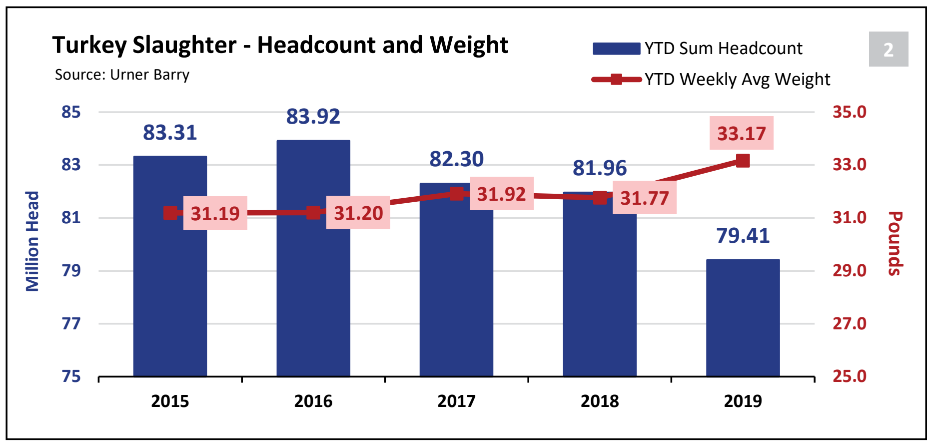

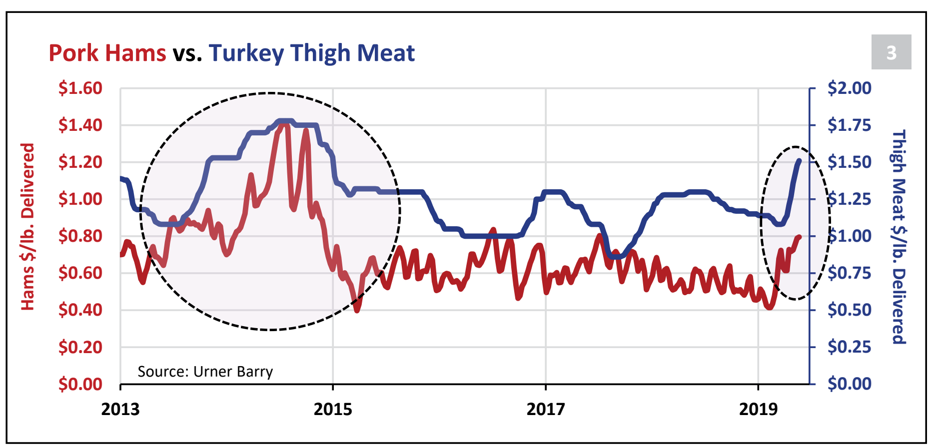

and what was considered a positive whole bird season a few months ago, tom and hen inventories started 2019 4.9% above the year prior. While this figure may carry negative connotations to overall values, it is important to note that this is a drastic improvement from the same figure in 2018, which reported a 27% increase from 2017 inventories. The first quarter low equated the high from last year with Urner Barry quotations stabilized at $0.90/lb., a figure held from October 2018 to the end of January, where values began to appreciate. Thigh meat followed an expected seasonal downturn, along with Lent. Frozen values settled in at a low of $1.08/lb., achieved in the beginning of March. However, this was short lived as pork prices escalated in relation to the African Swine Fever (ASF) outbreak in China. With competitive proteins, mainly pork hams, at five-year highs in value, thigh meat naturally received an extra glance or two from both domestic, Mexican, and other international buyers. This was the stimulus to the run that is still in play today, with both fresh and frozen thigh meat rocketing to $1.38/lb. by the beginning of May. Fresh breast meat saw a minor seasonal downward adjustment of a mere $0.02/lb., bringing the Urner Barry fresh tom breast meat quotation to $2.07/lb.

In the end, Q1 of 2019 was fairly pleasing for processors. As a general statement, items that did experience seasonal downturns in value saw a quick rebound as stimulated demand patterns entered the picture. Whole birds saw nothing but an uptrend and breast meat held on strong. Just about everything else behaved as expected as smoking, deli, and foodservice demand took the backseat. Once Q2 entered the picture, buying activity, especially on the export front, bolstered to a more aggressive level. The undertone to the early year whole bird bookings was a bit livelier compared to the last few. In terms of value, whole body turkeys started to exhibit a higher level of seasonality right at the end of January. Breast meat hadn't, and still hasn't for that matter, exhibited any indications of a seasonal uptrend. By the time May came about, there were conversations and sentiment geared towards deli-season, although this hasn't quite yet translated into a numerical change in value or movement in volume. Export buyers of frozen breast meat and parts entered the ring with a bit more aggression this year as Brazil's turkey production, or lack thereof, was and continues to be unable to satisfy the needs of international players. Many of these newfound inquiries were for drums and whole wings. These two items also benefited from the emergence of the first signs of domestic smoking demand in the beginning of May. Supplies never had a chance in keeping up with this level of buying interest. Thigh meat displayed a more than strong performance starting in the beginning of Q2 that continues to be in place to this day. Buyers in Mexico weighed their options and ultimately chose turkey thigh meat over the now expensive pork values (Chart 1). At the same time, fresh domestic requirements only added to this already strong market. As of right now, whole body turkeys are being negotiated for near future bookings with mostly premium values attached to the sale. When forward priced sales are recorded, they range well above the figures experienced during 2018's Thanksgiving season.

This year has carried with it a newfound level of seller confidence in regard to this sector, and the numerical figures certainly back up this sentiment. On the production front, Urner Barry's Weekly Insider's Turkey Hatch Report suggests that slaughter decreases will continue to have their presence felt all through 2019. This year's poult placements are down 4.8% and are expected to translate into consistent reductions in head count by late June. The most recent USDA figures are forecasting RTC production for the year to be about even with 2018. Year-to-date head slaughter is 3.1% below 2018, while total live weight is equal to that of last year. This mismatch between headcount and total live weight can naturally be explained by the heavier tom weights that the industry has experienced all throughout the calendar year. The tallied storage figures through April were down 4.6% from last year. Whole birds were down 7.7%. Breasts and breast meat were up 9.1%. The leg category was down 9.6% (Chart 2).

From what the various supply and demand indicators suggest, whole birds and breast meat have no choice but to improve in the intermediate future. The current scenario surrounding pork and ASF difficulties in China could bolster both the level and duration of demand for turkey thigh meat. In the short-term, the likelihood is high that the major parts lines will continue to demonstrate an overall positive positioning.

WHAT LIES AHEAD

Looking ahead, the turkey marketplace looks poised for appreciation, especially when it comes to parts, thigh meat, and whole birds. Overall reductions in headcount, and major curtailments in hen production are trends that show no indications of slowing down. Additionally, the situation surrounding ASF looks to be a variable to contend with within the coming months, and possibly years. Domestic ham values could reach a similar level to that of 2014 when disease struck U.S. hog supplies (Chart 3). Lastly, with Brazil's turkey capabilities vastly reduced, international buyers are turning their attention towards U.S. product. This newfound level of demand could clear the previously burdensome cold storage inventories before year's end. UB

Supplies: It's a matter of balance

By Dylan Hughes
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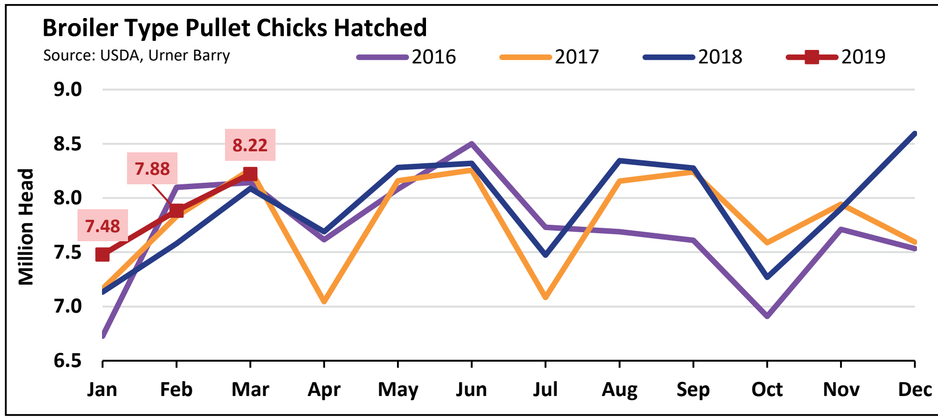
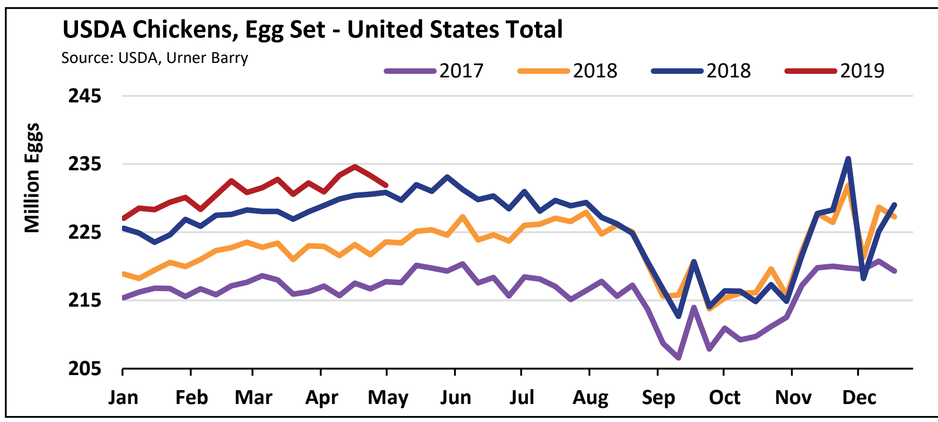
So far this year has been a challenging one for chicken market participants and observers to definitively navigate. At the outset of 2019, concerns over the industry's anticipated increase in processing capacity quickly fell by the wayside as livability challenges began to gradually emerge. Lighter than anticipated bird weights, in conjunction with seasonally stout foodservice, retail and further processing outreach efforts, helped to drive the value of several key items toward multi-year highs. The early issuance of February's food stamp benefits also provided an unseasonal lift to sales activity during late January. This scenario, however, quickly fizzled out as benefits ran dry. As springtime made the rounds, a seasonal uptick in foot traffic levels helped to provide some stimulation to the retail segment. This resulted in a much more stable and well-rounded market environment which, in turn, helped to instill a sense of confidence at the negotiation table. Additionally, African Swine Fever (ASF) related challenges on the pork side provided a slight increase in speculative poultry export demand, especially for back half items.





BROILER HATCHERY

The USDA's *Chicken and Eggs Report* is perhaps one of the most useful tools that market participants have when considering future production expectations. Through March, the number of pullet chicks hatched increased by about 3% year-to-date. Analysts are quick to point out that this uptrend may be a direct response to the new chicken plants which are expected to open their doors throughout 2019. Livability challenges out in the field may be another possible explanation for the year-over-year rise in pullet placements. As one might expect, production increases are also evident in the broiler supply flock figures as well. Here, weekly egg sets and chick placements continue to exhibit a clear year-over-year increase. Year-to-date, egg sets reside above 2018 levels by about 1.4%, while chick placement also come in about 1.4% higher than 2018.

SLAUGHTER

On a year-to-date basis, the number of birds crossing the line is currently averaging 161 million head per week; up 1.2% from this time last year. Average live weights, on the other hand, stand at 6.14 lbs. year-to-date. This is about 0.65% lighter than 2018 levels. With that being said, a recent year-over-year uptick in bird weights beginning in late April has provided a slight boost to supply levels. All in all, increased head count wins out and overshadows 2019's overarching trend towards lighter birds. This is reflected in the weekly ready-to-cook production figures which currently reside about 0.67% above this time last year.

EXPORTS

Between ASF-related concerns from the pork side, the tariff scuffle between the U.S. and China, or the political unease south of the border, it almost goes without saying that 2019 is proving to be a very unpredictable year for exporters. While total broiler exports for the month of March come in about 1% above the three-year average, they are currently down by about 2.5% year-over-year. It should come as no surprise that the volume of chicken moving into Mexico continues to overshadow the balance of other U.S. export destinations at 119 million pounds for the month of March. Here, further processors with the ability to adjust their formulation ratio have begun to hedge against the unsettled nature of the pork market by transitioning into poultry. This scenario has resulted in year-over-year outbound tonnage moving upward by about 14.7% for the month of

March. ASF-related concerns are also evident in Vietnam where the March pull for U.S. broilers bucks the overall export trend; rising by a substantial 45.7%. Despite speculation that China might lift their trade restrictions on U.S. poultry, export players are not confident that an agreement between the two countries will be struck anytime soon, especially after the most recent bout of tariff escalations. But not all hope has been lost for sellers. As other countries rush to satisfy China's poultry buying requirements, U.S. processors hope to further establish their foothold on existing markets.

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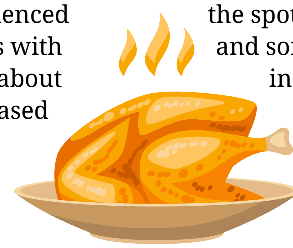
COLD STORAGE

In light of this year's production increases, it may come as a surprise that total public warehouse holdings through the month of March reside about 3% below 2018. However, upon breaking down the figures by category, the undertone becomes a bit more mixed. Breasts and breast meat continue to lead in terms of overall volume with over 184 million pounds inventoried; a decline of 4% from this time last year. The strong seasonal showing that wings experienced is evident in freezer stocks with March holdings dropping about 10% year-over-year. Increased emphasis being placed by plants on deboning has resulted in a 35% year-over-year increase in public warehouse holdings of thigh meat. A strong domestic and export pull for legs and leg quarters forced sellers to crack open the freezer doors; ultimately driving inventory levels below 2018 by 23% and 26% respectively. Whole bird holdings, on the other hand, increased above 2018 levels by a substantial 20%.



WHOLE BIRDS AND WOGS

Whole birds and WOGs got off to a shaky start this year. Relatively high prices at 2019's outset, in conjunction with seasonally anticipated sluggish January demand patterns and mounting cold storage inventory levels, resulted in lower values being paid on the spot market. Light bird weights and some livability challenges out in the field helped to tighten up the supply situation and, as a result, sellers successfully advanced their asked prices during mid-March. Currently, market movement continues to be heavily influenced by the supply side. Moving forward, players keep a watchful eye on values as bird weights begin to rebound from seasonal multi-year lows.

BREAST MEAT

So far, jumbo breast meat is performing admirably, especially when considering Q4 of 2018's dismal showing, which dragged values down to a record low of $0.88/lb. Like with whole birds and WOGs, January brought with it some

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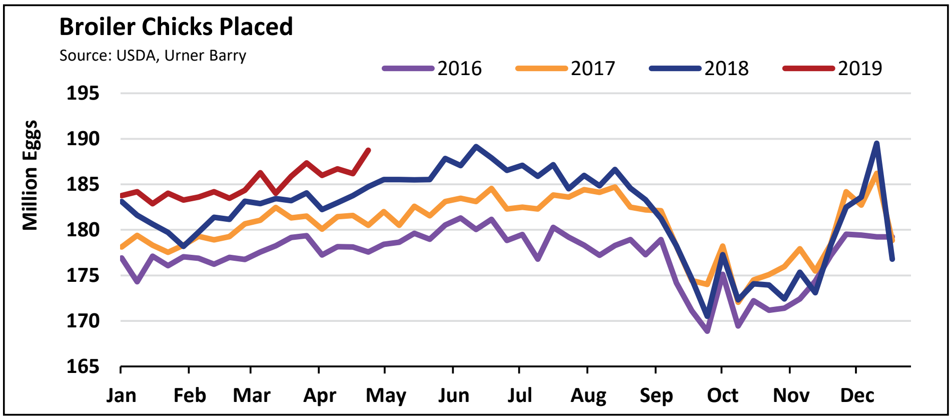
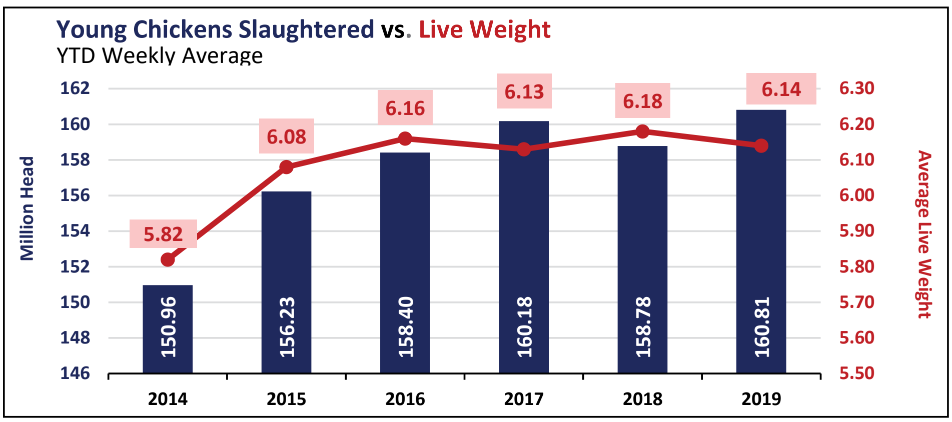




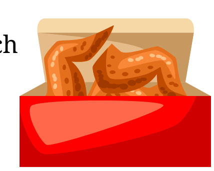
historically anticipated sluggishness for boneless breasts. However, as the year progressed, retail, foodservice and further processing demand, along with a year-over-year downtrend in bird weights, provided some added lift to this segment and propelled values upward. Export interest also helped to facilitate greater outward movement. As it currently stands, quoted values are about $0.14 above where they began the year. Unlike the jumbo market, medium and select offerings enjoyed a much more consistent pull from regular buying channels.

TENDERS

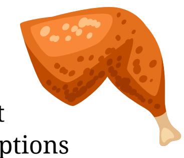
Tenders have been an interesting item to watch so far this year. Unlike the balance of white meat offerings, consistent demand patterns, along with manageable supply levels, have helped to provide a level of price stability which is reminiscent of 2017's market. Since the end of Q1, tender values have remained firmly planted at $1.73/lb. As we inch closer toward the summer months, marketers remain hopeful that foodservice, QSR and retail-oriented demand will expand their level of seasonal buying outreach and help to drive values upward.

WINGS

Following 2017's underwhelming draw from the foodservice sector, America's favorite finger food made a big comeback this year. This year's relatively attractive starting values, along with strong Super Bowl and March Madness-oriented promotional activity, helped to boost jumbo wing values to a seasonal all-time high of $1.89/lb. But it isn't just about the sporting holidays anymore. Buyers are now eating wings year-round and, as a result, increased retail activity has helped to stabilize values during the "off season." What may be more interesting is the fact that jumbo wing quotations are now only $0.01 below medium offerings and $0.08 above small wings. Historically, it has been the small and medium sized wings which typically command a premium. As the number of "wing houses" continues to grow, so do their buying requirements. It stands to reason then that the chicken industry's trend towards heavier birds most closely falls in line with the evolving demand requirements of buyers.



LEG QUARTERS



Leg quarters, which are still one of the most cost-effective protein options available, have enjoyed a very solid showing so far this year. Thanks in large part to the continued absence of HPAI, unencumbered export movement has helped to provide greater balance to the supply side of the equation. Additionally, further processors with the ability to transition between pork and chicken have begun to hedge against the uncertainty surrounding ASF-related supply challenges in China. As a result, jumbo frozen leg quarters, for example, climbed $0.11 to $0.37/lb. since the year's outset; an increase of about 42%. While the market itself seems to have slowed down in recent weeks, dark meat items as a whole remain very well-established and sought after, especially by export buyers.

COMPETING MEATS

Not only is a greater supply of chicken on the horizon, but pork and beef production is also expected to advance considerably throughout 2019. In fact, according to the USDA, beef and pork are projected to surpass 2018 production levels by about 1.5% and 3.8%, respectively. Chicken production, on the other hand, is expected to rise by about 1%. Even with the increased production levels, beef's retail clout continues to drive high levels of promotional activity. Meanwhile, the uptick in domestic pork production is moving well thanks in large part to enticing price points and the supply-related challenges overseas. Moving forward, chicken marketers hope to expand their retail and export footprint in an effort to keep up with anticipated production increases. UB

Sheepish sales, even in the veal market

By **Bill Smith** and **Chloe Krimmel**
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LAMB

Monthly lamb boxed cut prices in the first quarter of 2019 were mixed compared to the prior year. As of the second week in April, year-to-date lamb and mutton production numbers are roughly 4.8% lower. So far this year, USDA lamb imports have outpaced the equivalent month for last year. Demand for lamb is expected to be steady to slightly stronger as we progress through 2019.

Using the 65/75 lamb carcass weight selections as a benchmark, carcass prices held mostly steady in 2018 and thus far in 2019. There have been some indications that we will see carcass prices improve as the summer months progress, while others have indicated that the market will likely remain flat.

The lamb loins showed the biggest changes surrounding the holiday seasons in late 2018. Buying interest associated with Christmas brought about premiums. Some discounting was noted in the first quarter of 2019 and prices have leveled off since then. Demand is expected to hold about steady until the fourth quarter.

Racks ended 2018 with prices fairly steady with the prior year, but up about 23% compared to December 2016. The monthly average price for March 2019 was $9.19/lb. which was up almost 2% compared to March 2018. Demand varied noticeably from region to region.

Year-to-date USDA Federally Inspected Slaughter numbers for sheep as of early April 2019 were marginally lower (0.8%) than the same time in 2018. Historically, slaughter numbers are heavily impacted by the holiday seasons as

> **"Demand for lamb is expected to be steady to slightly stronger as we progress through 2019."**

there is an increase in demand during Easter and Christmas. Slaughter numbers typically decrease following the holidays as demand is less robust for those periods. Lamb slaughter numbers vary throughout the summer, as demand impacts the landscape of the market during this time.

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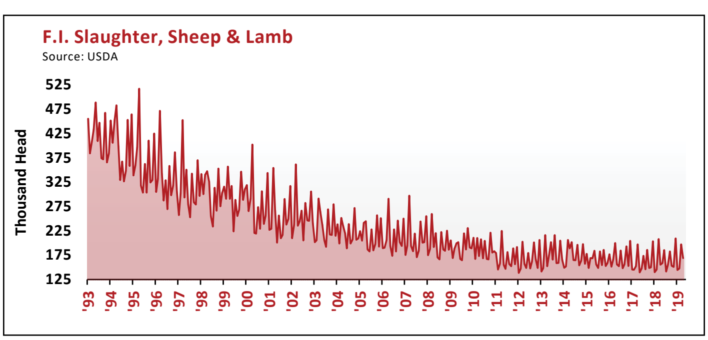

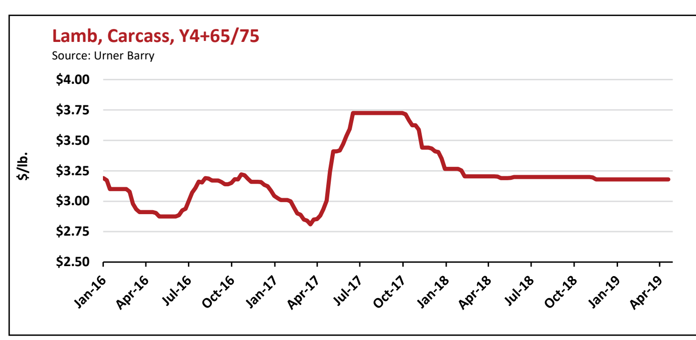

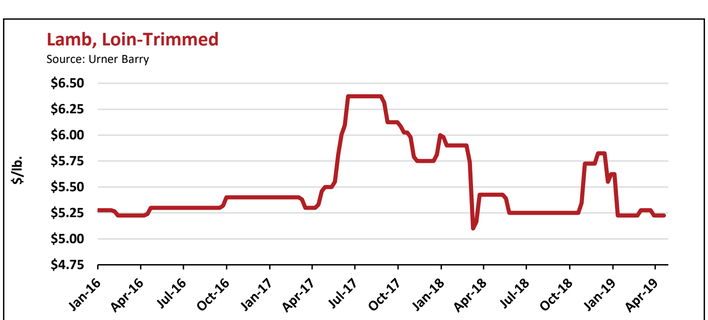

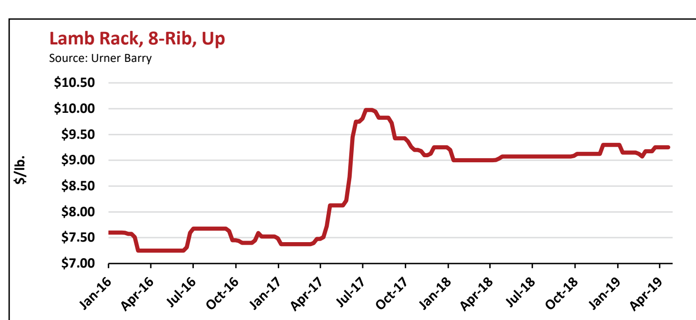

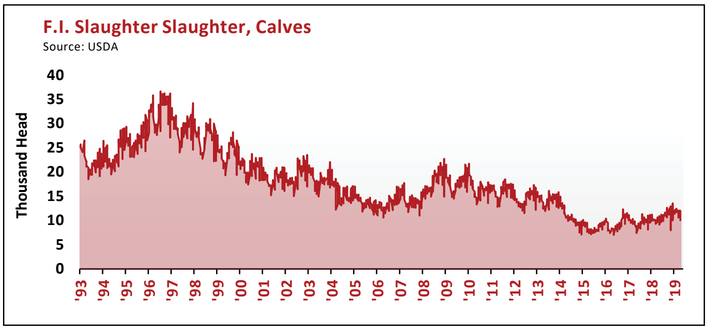

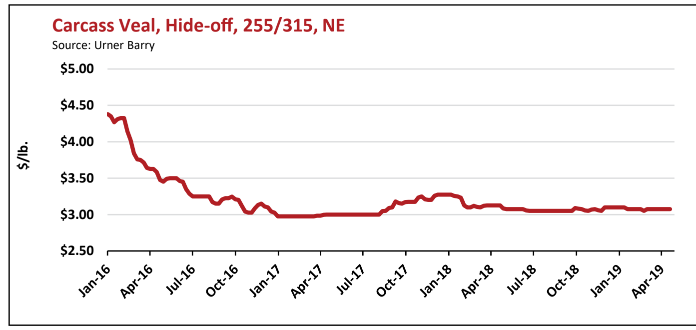

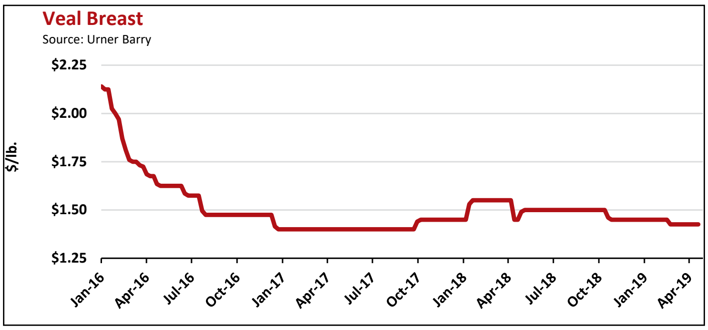

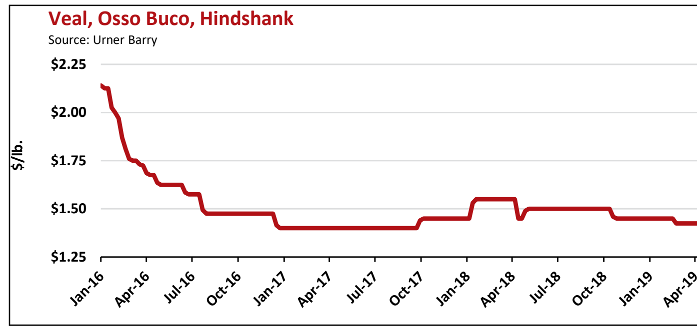

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VEAL

Boxed veal cut prices in 2019 have been mostly steady to this point. Supply and demand remain largely in balance. Unfortunately, veal demand is still limited in the United States. Most consumers consider veal to be an item reserved for special occasions.

The first quarter in 2019 saw prices of boxed veal cuts decline on items like the breast, osso buco, and loin. Breast pricing in March 2018 was at $1.55lb. and in March 2019 it averaged $1.43lb., showing an 8.1% decrease from the previous year. In comparison, osso buco showed a 13.9% decrease from the same time period and the loin showed a 6% decrease likewise. There were no substantial increases, however, there were steady spot pricing on the shoulder and the leg. Currently, boxed veal cuts seem to be on a mostly steady path.

Slaughter numbers have seen a fairly steady decline going back to 1997. The kill numbers seemed to have leveled off and even increased slightly as of late. Calf weights have seen some up and down movement over that same time period, but the overall trend has still been down. Veal production has declined substantially throughout the decades but there has been a steadier flow in 2018 and 2019. The total monthly reported production for 2018 was up 1.4 million pounds at 73.9 million pounds versus 2017 at 72.5 million pounds. February 2019 saw the largest surplus over the previous year's month, with a 7% growth. Moving forward, production is expected to be mostly steady to slightly higher as 2019 develops. UB

Larger production numbers limit domestic boneless beef prices

By **Bill Smith**
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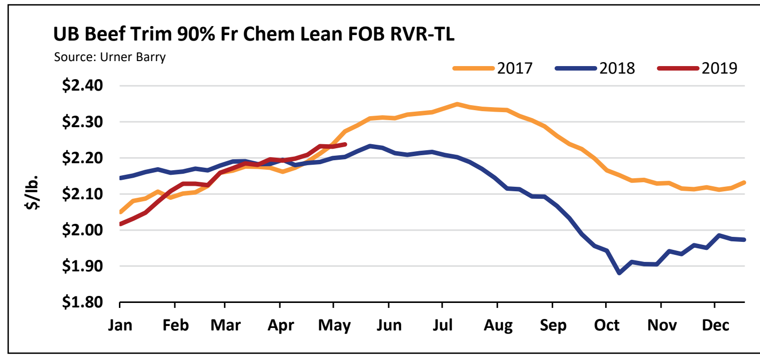
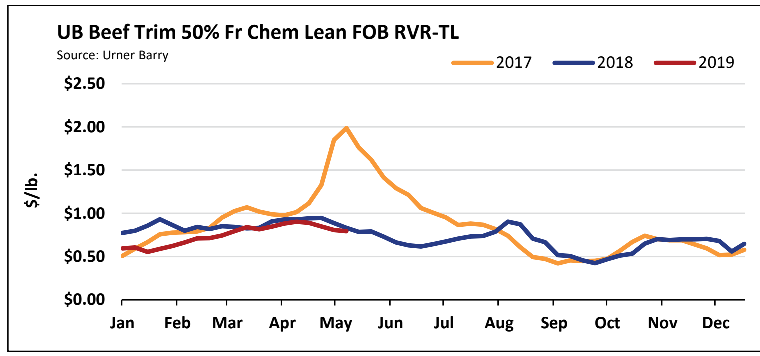
Domestic fresh 90s opened the first quarter of 2019 at a discount compared to previous years. Weakness in that market could be attributed to larger cow slaughter numbers. The average price for the month of January 2019 was $203.59/cwt; over $11/cwt lower than January 2018. Cow and bull slaughter levels have been mostly higher (year-to-date is up roughly 4%) thus far in 2019 when compared to the equivalent time frame last year.

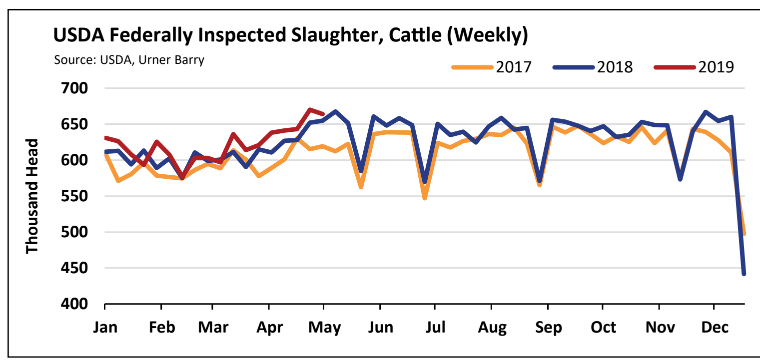
Fresh 90% lean boneless beef average prices in the first quarter were slightly lower than the three-year-average, with prices 2% lower in January, roughly 3% lower in both February and March. The overall price trend has been higher since October 2018. Processors continue to maximize the usage of domestic product as imported boneless beef product has been on par or higher for most of 2019 so far.

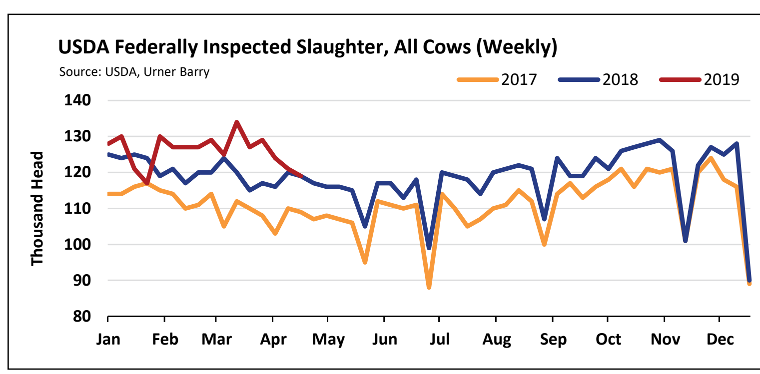
Fresh 50s started Q1 2019 with prices at a discount compared to last year, but are trending higher. January's monthly average price of $59.86/cwt was down over $20/cwt (about 25%) compared to January 2018, and 12% lower than the three-year-average. February price levels were up slightly with the monthly average price of $67.05/cwt, which was below the equivalent period for 2018. March 2019 price levels were 19% above February but 5% lower than March 2018.

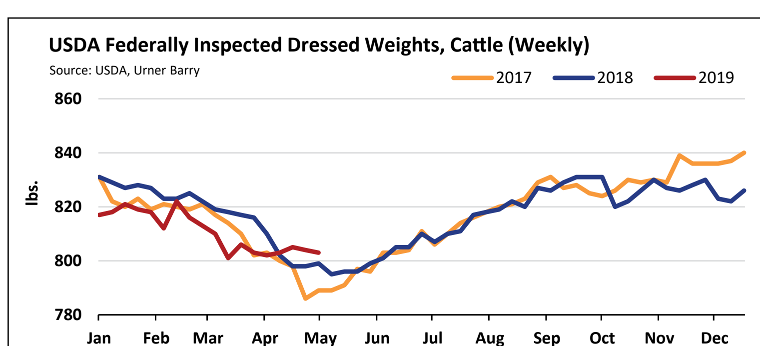
As 2019 progresses, prices for both fresh 50s and fresh 90s may be limited by larger production numbers. Kills are expected to remain strong through the summer and even into the fall. Cattle weights were down in the first quarter but are expected to increase in the near future and follow the seasonal trend throughout the remainder of 2019. UB











Demand from China affects imported boneless beef prices in the US

By Joe Muldowney
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China continues to create a vacuum for the world's beef supplies. Ten years ago, China imported 32 million pounds of beef from the rest of the world. Australia was officially the largest exporter to China, and it took only 12.2 million pounds to claim the number one spot. Last year, China imported 2.3 billion pounds of beef from the rest of the world, with Brazil, Uruguay and Argentina combining to represent almost 70% of total China beef imports.

Much of the beef imported to the U.S. is lean material used as an ingredient in ground beef, hamburger patties, beef jerky, roast beef and the like. U.S. buyers of manufacturing beef have become accustomed to competing with other markets for Australian beef as the Aussies have worked to diversify demand for their product to many markets.

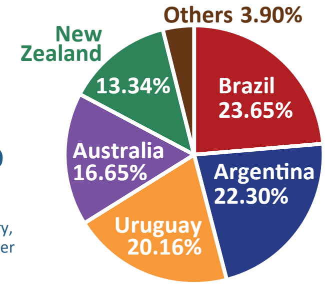
For many years, the United States was the single largest export destination for New Zealand beef, but that situation is changing. For the 15-year period from 2002 to 2017, the U.S. imported 6.3 billion pounds of beef from New Zealand—almost half of their 12.9 billion pound export volume during the period. The next largest customer for New Zealand was Korea, a very distant second at 1 billion pounds.

One must go to the sixth position on the list to see China, who imported 574 million pounds of beef from the Kiwis between 2002 and 2017. Over the years, U.S. buyers had grown to expect a highly reliable flow of material from New Zealand's extremely seasonal and predictable beef supply.

China is now a significant destination for New Zealand beef. As of this writing, China is the top customer for New Zealand beef, representing more than 39% of New Zealand's year-to-date 2019 beef exports. The U.S. has been moved out of the number one spot as they now draw only 36% of Kiwi beef exports during the same period.

But it's not just global competition for overseas beef supplies that are a challenge for U.S. beef importers. The U.S. is also producing more domestic beef. In mid-April, year-to-date cow slaughter was running 4% over year-ago levels. U.S. steer and heifer slaughter was running 1.5% over a year-ago. All of these factors contribute to an imported beef market that has traded at a premium to domestic material for much of 2019. The premium is not unprecedented, but it's a phenomenon that's more apparent later in the year when the U.S. market is seeing an influx of cows in the slaughter mix, but overseas markets experience seasonally lower production.

China Beef Imports 2019 YTD



Source: Urner Barry, Global Trade Tracker

To navigate beef markets, successful traders now must pay attention not just to their local supply and demand conditions, but also changing dynamics globally as the impact of a surplus or shortage in one region can impact customers across the globe. UB

Beef demand remains strong in the face of growing supplies

By Gary Morrison and Holly Graga
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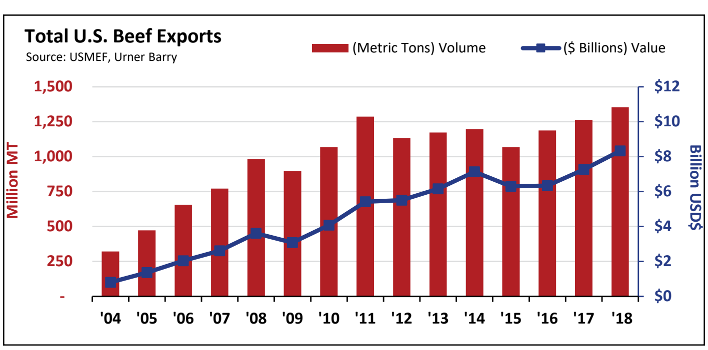
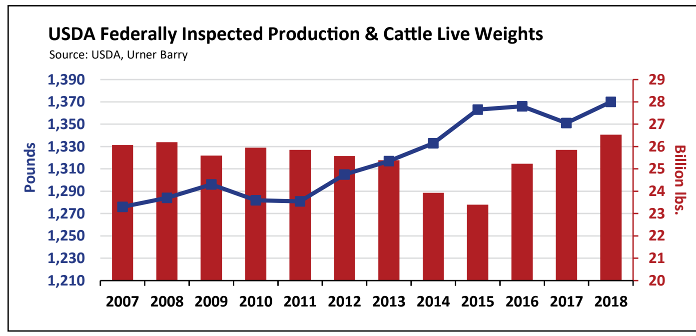
It is incredible to see how beef continues to see strong demand throughout the world. On the domestic front, consumers are backed by the strength of the economy. The United States remains at record low unemployment, with the latest April reading at 3.6 percent. This has led to wage pressure and consumers have more money in their pockets to spend as a result. This is important as increased protein consumption is buoyed by a strong consumer, and more demand is needed to absorb all the extra production thrust on the market. The biggest topic of conversation most recently, however, is the trade war that has left some effects on the economy. Although the market holds strong overall, factors like trade wars and tariffs add concern for bulls.

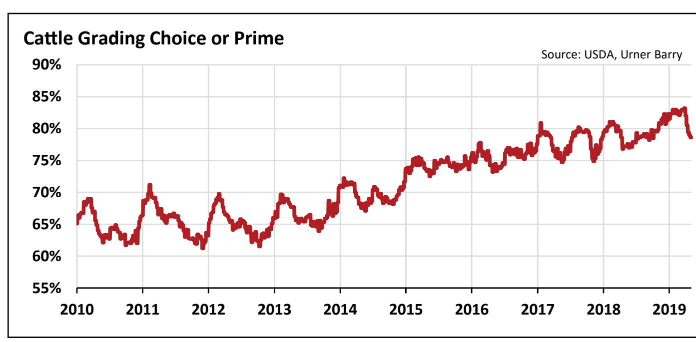
In 2018, total U.S. beef exports surpassed year prior levels and hit record highs of 1,352,917 metric tons, an increase of 7% year-over-year. As for dollar value, that equated to $8.332 billion, a 14.63% increase over 2017 record values. Beef continues to be demanded from countries like South Korea, Japan, Mexico and Southeast Asian nations. Exports to South Korea were up 30% year-over-year for 2018, and this country now sits as our number two trade partner. As of March 2019, U.S. exports saw a 3% decrease year-over-year worldwide, weighed on by tariffs and trade wars.



As of January 1, 2019, inventory of all cattle and calves reached 94.76 million head, which continued the trend of the last five years of outpacing the previous year and has hit 10-year highs. The spike in inventory year-over-year amounts to a nearly 0.5% increase, and a 7% increase from the 2014 low. The industry is still in expansion mode.

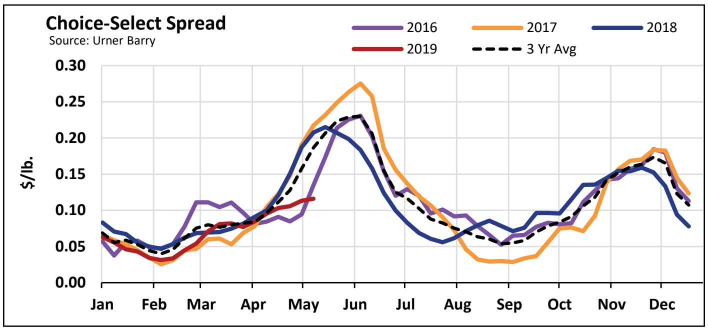


Beef production spiked through the spring and summer months of 2018, which was well over the 5-year average of 2.1 billion pounds, August saw the biggest spike in production coming in at 2.4 billion pounds. Production took a dramatic dip lower due to harsh winter weather that hit Northern U.S cattle producing regions. As for cattle weights, they have followed the typical year-over-year trend. Live cattle weights dropped lower in the first two quarters of 2019. Historically brutal weather in cattle producing regions played a big role. While 2019 cattle weights were below the same period in 2018, beef production increased by 2.46% over 2017 levels as Federally Inspected Slaughter increased, offsetting the lower cattle weights.

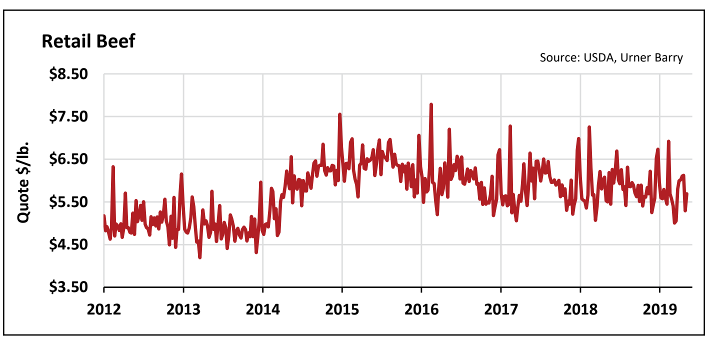


Year over year cattle grading continues to improve. As referenced in the chart depicting Cattle Grading, beef quality grade has continued to strengthen. The industry is producing the highest quality beef in history, driven by the growth in Prime – which surpassed last year's levels. The percentage of cattle grading Choice or Prime has spiked over 80 percent. Select and No-roll grading percentages have moved lower given the migration to Prime and branded livestock now raised by cattle producers.

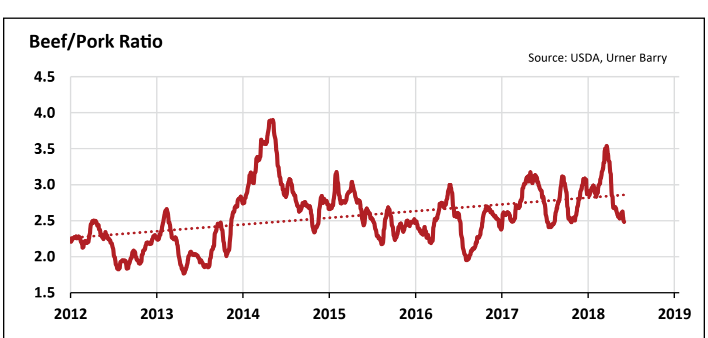
As a result of the increased amount of Choice, the Choice-Select spread has seen a contra-seasonal trend develop. The spread has narrowed significantly from historical norms. Select product remains tight which has supported price levels.



Retailers continued to notice what their consumers want—and that is beef. Beef has captured over 50% of all retail ads. More recently, pork has been helped by Easter and summer bacon features, but pork ads still lag historical averages. It's even worse for chicken as many retailers have shunned featuring poultry as of late.



And this is despite the price disparity seen between beef and the other proteins. The spread between the UB Choice Cutout and the UB Pork Cutout and UB Chicken Index hit record or near-record levels in late 2018. Pork prices were moving lower year-over-year as production levels increased with new processing plants coming on-line. Except for 2014, where beef prices skyrocketed given the historical drought in cattle producing regions that limited supply, the beef to pork ratio continues to remain elevated. Things have compressed slightly as the scare of African Swine Fever in China pushed pork prices higher in the first part of 2019.



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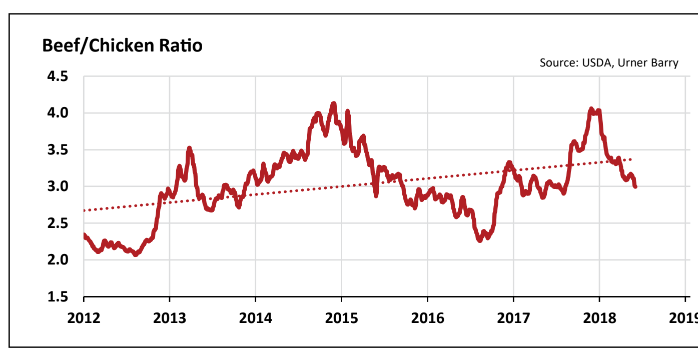
The story is pretty much the same when looking at the beef to chicken ratio. Given chicken wholesale prices usually are the least expensive compared to beef and pork, it is not surprising that the beef/chicken ratio is just a bit higher than the beef/pork ratio, showing it is nearly three times more expensive to buy the former than the latter. Late 2018 we were at record spreads again, but support from Super Bowl and March Madness, good export markets, and lighter bird weights have helped chicken prices this year.



Beef remains in a demand driven environment. Despite growing production, prices have remained steady to slightly better year-to-year. This is in contrast to the two main competitors, pork and chicken, which have noticed price deflation in the face of larger supplies. The economy remains a tailwind to the U.S. consumer. But beef industry participants do have some things to keep their eye on. There are trade agreements still being negotiated, trade wars are heating up, and alterative proteins are gaining in market share. Beef remains the most vulnerable if the economy turns. These situations will be interesting to monitor. UB

Internal growth and export opportunities in the Mexican beef market

By Jocelyn Garcia Rojas
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BEEF PRODUCTION

Mexican beef production continuously increased each month throughout 2018 (CHART 1). Last year's annual beef production totaled 1.98 million metric tons, a 2.8% increase from 2017 (CHART 2). Although production has continued to expand (CHART 3), Mexican beef prices for both carcasses and cuts were higher last year than in 2017. Overall, prices were generally stable with increases noted during holiday demand. According to the USDA, beef production for 2019 is projected at 2 million metric tons. The type of production varies depending on different factors such as geography and economics throughout the entire country. Such diversification has slowed efforts among meat industry organizations in Mexico to implement a domestic beef carcass grading system.

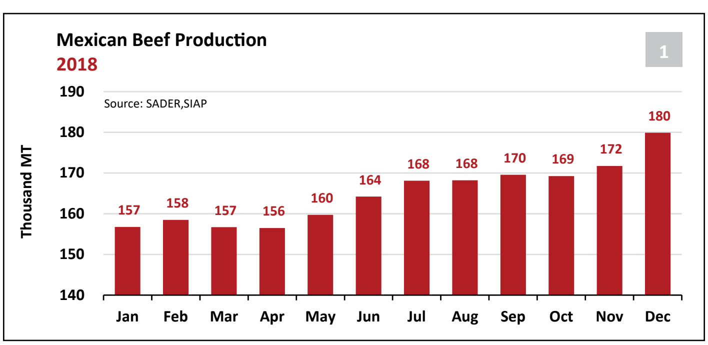
INTERNAL POLICY CHANGES

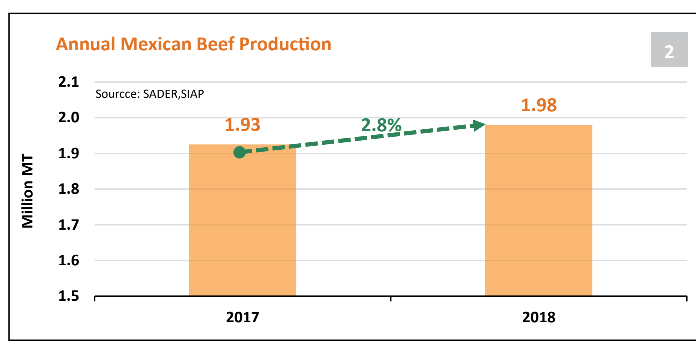
Under the new Mexican administration of President Andrés Manuel López Obrador, several cattle support programs that particularly benefited the northern part of the country, where larger plants are located, have been left out of the new Mexican national budget. Examples of such programs include the Livestock Promotion Program (Programa de Femento Ganadero) and the Genetic Improvement Program (Programa de Mejoramiento Genético). The immediate and long-term impact of taking away these programs is yet to be seen. President López Obrador was elected under the premises that he would lower poverty and eliminate corruption. The cattle programs that were eliminated were replaced by programs aimed to benefit the southern part of the country where smaller operations exist.

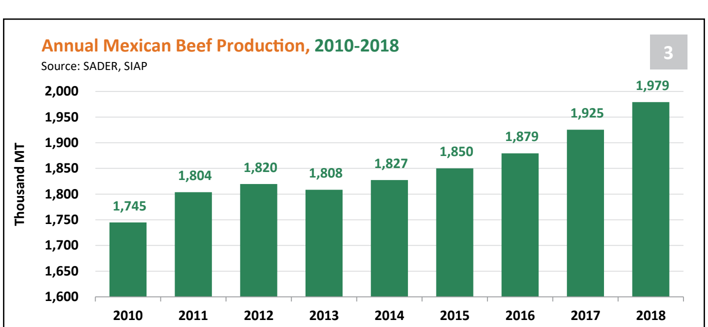
EXPORTS

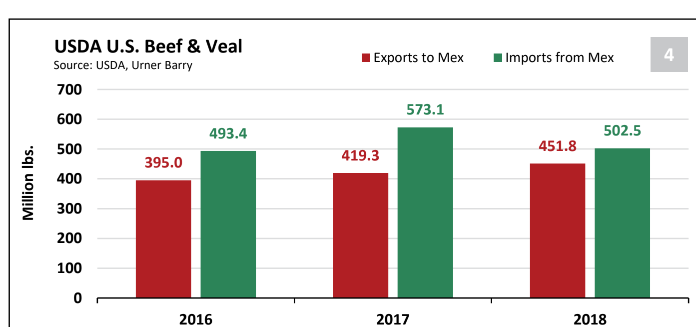
Despite trade disputes last year and ongoing political turmoil between the U.S. and Mexico, the United States remains the primary export destination of Mexican beef. Last year, Mexico's beef and veal exports to the United States totaled 502.5 million pounds, a 12% decrease compared to the year prior. U.S. exports of beef and veal to Mexico moved from 419.3 million pounds in 2017 to 451.8 million pounds in 2018, an increase of 8% (CHART 4).

As of this writing, the North American Free Trade Agreement (NAFTA) remains in place, although the United States-Mexico-Canada (USMCA) agreement has been drafted to take its place. Currently, USMCA still needs to be ratified by all three countries. The new trade deal includes









> **"…the United States remains the primary export destination of Mexican beef."**

©khvos/Getty Images

changes for "automakers, labor and environmental standards, intellectual property protections, and digital trade provisions."

NEW-MARKETS & TRADE RELATIONS

Mexico continues to look to other export markets. Under the Trans-Pacific Partnership (TPP), lowered tariffs have allowed Mexico to gain greater access into the Japanese market. Red meat consumption in Japan is likely to grow as the benefits of lower import duties are passed down to consumers. Mexico has been shipping to Asia, more specifically Japan, Hong Kong, and South Korea, and has also been looking to develop Halal certification in order to export to countries like United Arab Emirates and Qatar.

Furthermore, Mexico will continue negotiations this year for free trade agreements with Brazil, Argentina, and other countries. In a press release from March 10, the Mexican government announced that the Ministry of Agriculture and Rural Development in Mexico (SADER) and the Ministry of Commerce and Export Promotion of New Zealand signed a memorandum of understanding to strengthen cooperation and exchange of agri-food products. Also, the free trade agreement between Mexico and Europe, announced last year, will reportedly be prioritized and finalized this year. UB

Pork: Turbulence driven by African Swine Fever

By Russell Barton
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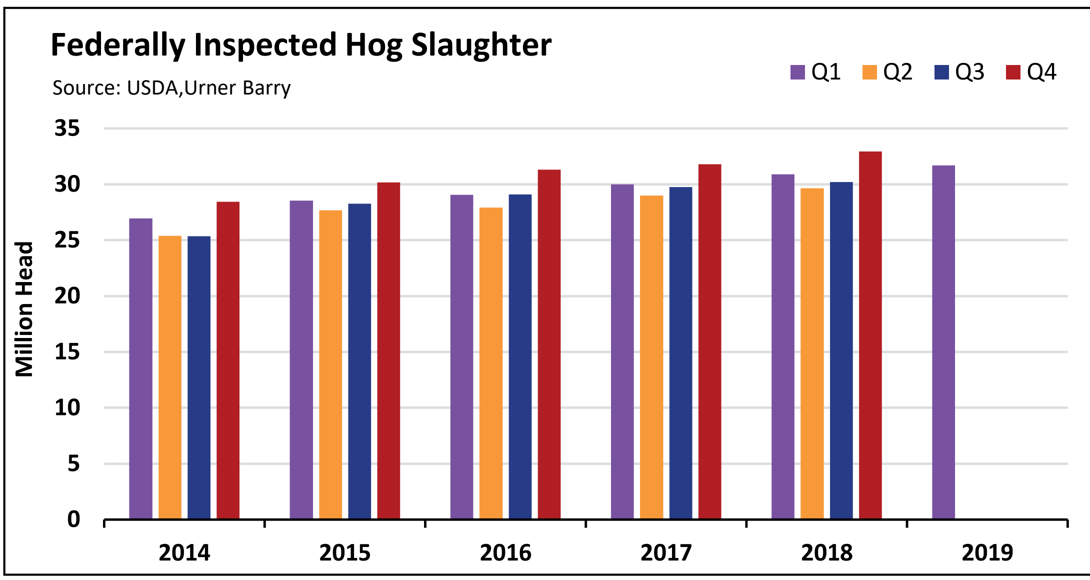
August 2018 marked the first reported case of African Swine Fever in China during this current outbreak. Since then, the virus has spread to every province of the country, resulting in massive livestock losses. This culling of the country's most consumed meat has created uncertainty across all proteins, not just pork, for a number of reasons. For one, China consumes just 8% less pork than what all other countries combined produce. Also, the world's combined pork exports would constitute only 16% of annual Chinese pork consumption. While this issue was in its infancy during Q1 and Chinese demand was still limited, increased interest was seen toward the tail end of the period and has continued into Q2 with expectations that this will be an issue that potentially lasts for years, not months.



The U.S. inventory of all hogs and pigs on March 1, 2019 was 74.3 million head. This was up 2% from March 1, 2018 but down slightly from December 1, 2018. Breeding inventory, at 6.35 million head, was up 2% from last year and up slightly from the previous quarter. Market hog inventory, at 67.9 million head, was up 2% from last year but down slightly from last quarter.

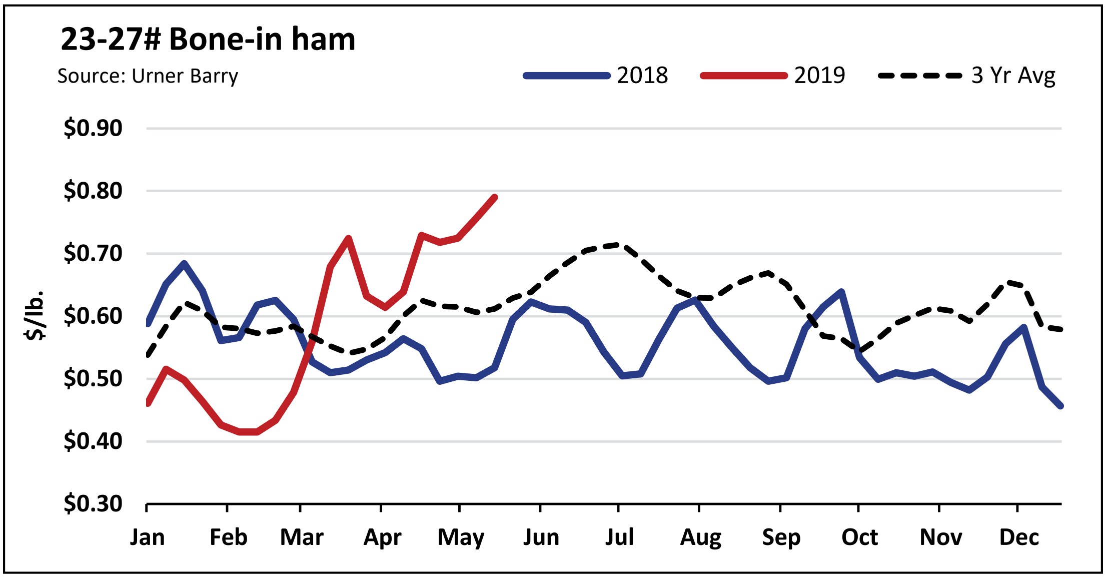
"The world's combined pork exports would constitute only 16% of annual Chinese pork consumption."

Taking a look at the weighted average of the bellwether Iowa-Southern Minnesota hog market during the quarter, livestock there traded between $45.45 and $75.08/cwt and averaged $52.63/cwt on a carcass basis. This compares to a range of $49.41 to $71.46/cwt and an average of $63.95/cwt a year ago.

The average pigs saved per litter was a record high 10.70 for the December-February period, compared to 10.58 last year.

The first two months of 2019 saw a federally inspected hog slaughter at approximately 21,035,100 head, which represents an increase of 4% from year ago levels. Sows comprised 2.37% of the slaughter, compared with 2.47% in 2018. Commercial pork production totaled 4.541 billion pounds in the January to February period, which was up 4.4% from totals last year. Federally Inspected pork production was 4.5% greater than a year ago.

Exports were lower year-over-year during the first two months of 2019 for all top recipients of pork besides Canada. Exports to Canada rose by 6.6%. Exports to China, Mexico, South Korea and Japan were down 26%, 15.5%, 7%, and 8.9%, respectively. Growth was seen in



values ranged between $61.06 and $81.64/cwt in Q1, compared to $70.94 and $82.42/cwt in Q1 2018 on a weekly basis.

Record production combined with tariffs on pork products entering Mexico resulted in softer ham prices throughout the quarter. 23-27lb bone-in hams on average were down 14% from a year ago, with values ranging between $41.50/cwt and $72.40/cwt. This compares to the 2018 Q1 range of $51.00/cwt to $68.40/cwt.

smaller markets, however, with exports to Central America, Australia and South America expanding by 9.8%, 29.2%, and 42.2%, respectively compared to the January to February 2018 period.

Record pork production kept overall wholesale pork values subdued for the majority of the first quarter of 2019. Cutout

Looking at bellies, 14-16 square cuts were modestly softer during Q1 of this year. They ranged between $97.50 and $142.90/cwt, averaging $121.15/cwt. This was a 2.2% decrease from a year ago; a quarter in which bellies traded between $101.50 and $148.30/cwt and averaged $123.88/cwt.

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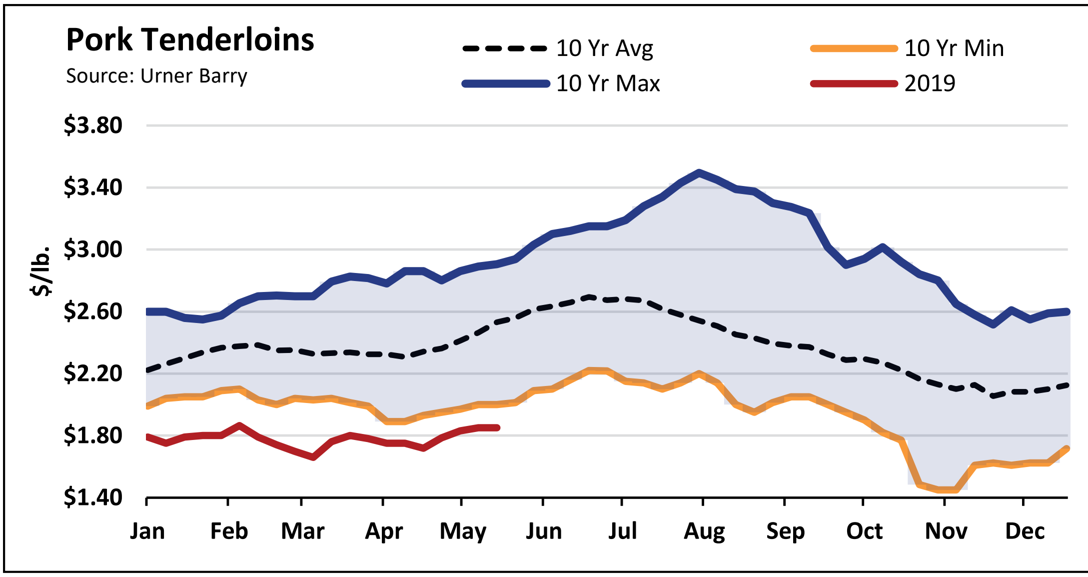

Fresh 42% trimmings spent Q1 2019 ranging between $21.90 and $35.60/cwt, compared to $23.63 and $42.70/cwt last year. Fresh 72s ranged between $48.00 and $77.40/cwt, compared to $63.25 and $80.60/cwt in Q1 2018.

Record production and the lowest February exports to Japan since 2007 combined to make for a fairly soft loin market in the first quarter of 2019. ¼" bone-in loins averaged 8.9% lower versus the same time last year, ranging between $68.70 and $90.40/cwt, compared to $80.30 and $92.00/cwt in 2018. Boneless loins averaged 4.2% lower versus a year ago and spent much of the quarter at the lowest year-over-year levels we have seen in at least 26 years. Since the beginning of the year, tenderloins have traded just above or below price levels not seen since 1985.

Additionally, ¼" butts underperformed 2018 during the first quarter of the year, with values averaging 22% lower year-over- year. Prices ranged between $72.10 and $91.50/cwt, compared to $98.90 and $113.38/cwt last year.


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Spareribs also experienced a relatively soft start of the year. Medium sparerib values ranged between $123.10 and $136.60/cwt in Q1 2019, compared to $136.25 and $144.00/cwt last year.

Looking forward, the future of the pork market appears to largely be dependent on African Swine Fever. The massive livestock losses already incurred by China and surrounding areas is likely to increase, which will in turn raise their demand for international pork. While the extent of that demand is still up in the air, this is an unprecedented situation and as such has made a market with the potential for highly volatile, unsettled circumstances. UB

Big cattle numbers seen in 2019

By Jamie Chadwick-Lee
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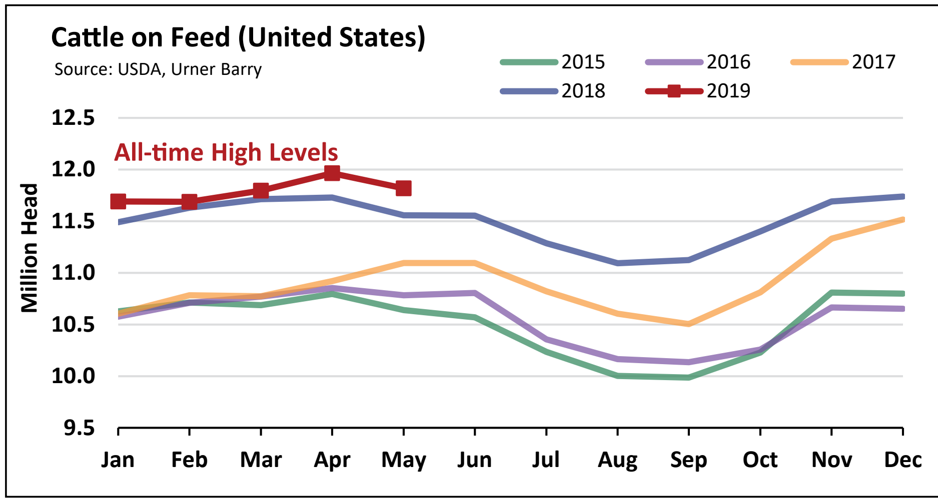
There are a lot of cattle on U.S. pastures and feedlots in 2019. Domestic cattle supplies have rebounded significantly in the last five years from the 60-year low hit in 2014. In fact, as of January 1 the herd was the largest since 2008.

The 2019 cattle market has challenged the track of the previous two years for the lowest levels since 2011. Prices on a live basis have dropped to $115 per cwt on average by the end of May 2019—near multi-year lows for the period. And now, we're moving into a period of seasonally expanding cattle supplies in the heart of the summer. As is typical, we see August live cattle futures trading at a discount to nearby June, reflecting this trend.

Looking at the May Cattle on Feed report, the USDA showed the number of cattle in feedyards as of May 1 was at an all-time high for that date, and futures prices reflect the anticipation of large numbers to be available for slaughter this fall.

The USDA reported 11.818 million head in the nation's feedyards as of May 1, up 2.2% from a year ago. Cattle placements, or young cattle entering the feedyards during the month of April, were up 8.6% over a year ago—which is a large number of feeders, but some analysts expected that figure to be even higher. Nonetheless, it was the third highest in the data series on record.

A huge improvement in pasture and range conditions, with the U.S. Drought Monitor showing only a few scattered dry areas across the country (and none in severe drought rating), indicates that ranchers should have plenty of forage for cattle. That tends to encourage ranchers to maintain, if not expand, their herds a bit.



The number of cattle coming down the pipeline remains ample, pressuring the cattle complex and making beef demand even more critical to work through inventories.

Cattle slaughter through the first five months of 2019 is up 1.1% from a year ago. USDA projects 2019 beef production to be up 1.5% from 2018 and 2020 output to rise by nearly 1% from this year. Beef production hit record high levels for the period this spring, but healthy consumer demand for beef has so far managed to help stem the bleeding that one might expect from our excessive supply situation.

Live weights for cattle are running two pounds above the five-year average; 1,323 pounds at the time of this writing. Meanwhile, dressed weights are down three pounds from the five-year average at 798.

Cattle imports from Canada and Mexico are running notably higher (up 20%) year-to-date versus last year, and are up 5% in volume from the five-year average.

Going forward, the industry will be monitoring our export opportunities to continue to find a home for all the beef coming to market. In addition, with corn plantings falling way behind pace, feed costs heading into the 2020 crop year will be closely watched. UB

By-products start off strong in 2019

By **Bill Smith**
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The outlook for the by-product market in 2019 is mixed. Beef production so far this year is about steady, whereas pork production is up 2.5%.

The larger demand areas for the by-product market include oleo chemical, biodiesel, feed, pet food and baking. Those diverse market areas make it hard to figure out demand patterns as they can shift dramatically and impact the market in different ways.

Loose lard and edible tallow are the two items for human consumption that show up on the by-product report. Loose lard opened 2019 at a discount compared to last year and prices have been mostly steady throughout the first four months of the year. Edible tallow started the year off at a premium relative to 2018 but has trended lower through April. The monthly average price for edible tallow in the first quarter ranged from 3% to 5% higher than the equivalent months in 2018.

Q1 2019 monthly average prices for renderer and packer tallow were at steady to higher levels each month in comparison to the corresponding month in 2018. April's monthly average price for renderer tallow was up about 12% compared to the prior year. Packer tallow was up 16% for the same time period. Inedible tallows historically level off and then trend lower as we make our way through the summer months. Production levels will play a key role in price direction.

Choice white and yellow grease monthly average prices for 2019 opened and remained at a premium when compared to last year. Monthly average prices for yellow grease were 13% to 22% higher than the equivalent month for 2018. Expectations are for prices to trend lower the second half of the year.

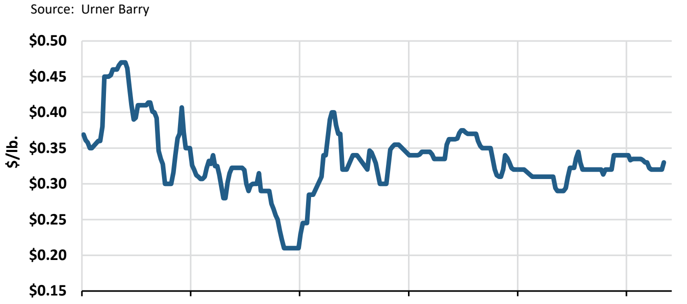
The by-product complex will likely face some of the same key challenges in 2019 as it has faced in recent years. Changes in demand, production, and government regulations are just some of the issues that participants will have to try and navigate as we progress through 2019. UB

Fancy Bleachable Tallow, Renderer, Chicago Basis
Source: Urner Barry

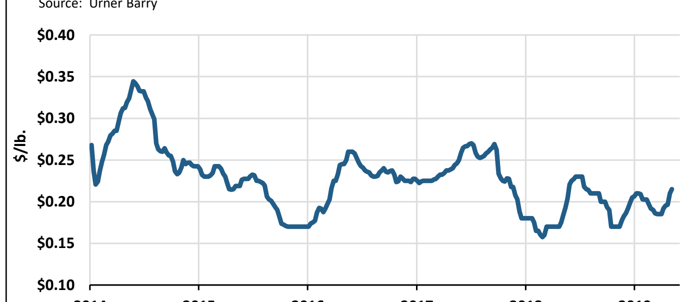
Loose Lard, Chicago Basis
Source: Urner Barry

Grease, Choice White, MW River
Source: Urner Barry

Edible Tallow, Chicago Basis
Source: Urner Barry



Grease, Yellow, MW River
Source: Urner Barry



Planting season gets off to a slow start

By Jamie Chadwick-Lee
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The 2019 growing season got a rough start with wet weather hindering planting initiatives throughout much of the Midwest.

Corn planting can often be an exact science—the timing of which can have significant impacts on everything from acreage to yields. The spring planting season was marked by excessive rains and irregular weather patterns not conducive to fieldwork. This resulted in an exceptionally slowed (or delayed) planting progression, one that could have significant effects on crop supplies.

As of the third week in May, less than half of the corn crop is in the ground. Less than half. Over the last five years, the major corn producing regions have reached, on average, around 80% of corn planted at this time. Instead, 17 of the 18 primary states responsible for corn production are reporting slower planting progress compared to the 5-year average—and some quite spectacularly so.

Illinois typically realizes about 90% planting progress at this point in the season (as of May 19th). In 2019, Illinois is reporting only 24% of corn in the ground. Indiana is reporting only 14%, compared to the more typical 73%. Ohio has only planted 9% of their corn crop—which should be closer to 62%complete.

According to Rich Nelson of Allendale, Inc., as of this writing, 2019 is the fourth lowest year of the past 39 years for planting pace. And we could see it become the slowest on record (visit COMTELL for continuous updates).

"Late planting is an acreage issue," says Nelson. Based on current pace and decline estimates, Nelson estimates a planted acreage decline from 1.577 to 1.856 million for 2019. He also notes there can be a minor impact to yields due to planting dates, though yield is more determined by weather at pollination and other key growing stages.

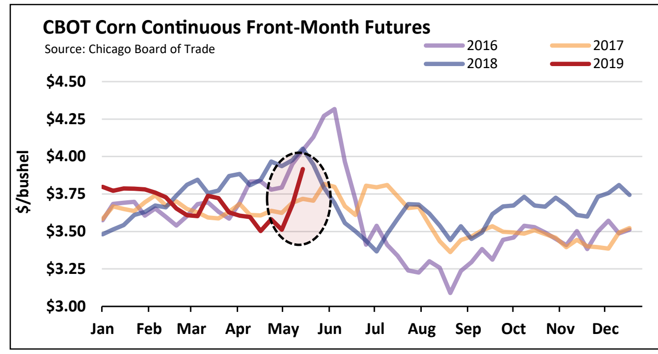
The USDA continues to use trendline yields in their monthly WASDE reports, so downward revisions for both acreage and yields are expected down the road.

The futures market has traded the slower than expected planting pace during the month of May, resulting in a notable blip on continuous front-month future charts.

Analysts at CattleFax have projected in the latest Obsono report that delayed planting and spring flooding will likely shift acres to soybeans in the northern Corn Belt. However, the report stated, "with these estimates and an average shift in acres lower of at least 1 million acres, corn should remain in a comfortable stocks-to-use position, given adequate weather during the growing season. Corn prices will likely remain in a practical range of \$3.30 to \$3.85, the same range the market has been in for the last four years."

Soybeans have also had their share of delays in 2019—also falling nearly 60% shy of the 5-year average planting pace as of this writing.

For the nation's farmers, a lot will hinge on weather patterns moving forward. The industry will need to monitor the growing season closely and account for any potential impacts on supplies and feed prices heading into the fall and early 2020. UB



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U.S. imports record volume of shrimp in 2018, prices feel pressure

By Jim Kenny and Gary Morrison
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When the final shrimp import numbers were tallied, it confirmed that 2018 was another record setting year. All told, 1.53 billion pounds of shrimp were imported into the United States. This was 4.76% above the short-lived record set in 2017, and nearly 38% above the recent low point in 2013 when imports bottomed out due to the presence of EMS. The top five supplying countries, which account for 81% of the overall total, were India, Indonesia, Ecuador, Vietnam, and China, with India becoming the first country to ever ship more than 500 million pounds into the U.S. in a single year.

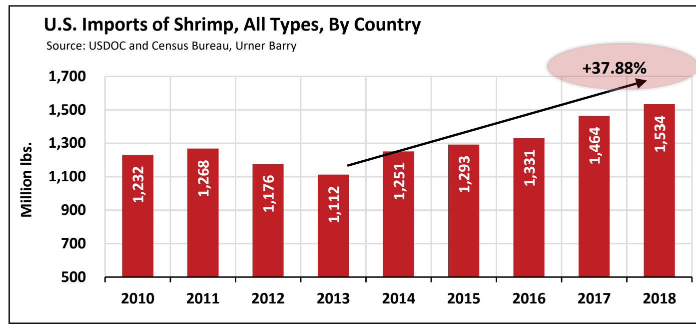
THE TOP SHRIMP SUPPLIERS

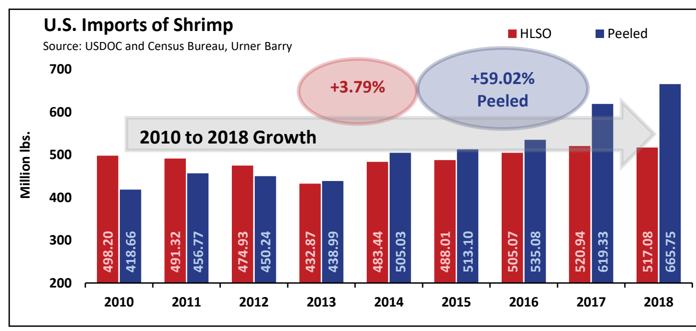
India: The annual total from India has reached 547 million pounds; a 16% increase over 2017. India maintains its position as the leading supplier of shrimp to the U.S., accounting for roughly 36% of all shrimp imported into the country. Shipments of shell-on shrimp, which includes easy peel, increased a modest 4.1%, but the headline is that shipments of peeled shrimp were 21.5% higher in 2018.

Indonesia: Shipments from Indonesia were up for an eighth-straight year, increasing 12.1% or 31.55 million pounds in 2018. Indonesia continues to be the second largest supplier of shrimp to the U.S. market, accounting for roughly 19% of all shrimp imported into the country. Indonesia increased shipments of shell-on (+11.3%), peeled (+6.4%) and cooked (+30.5%) products into the U.S.

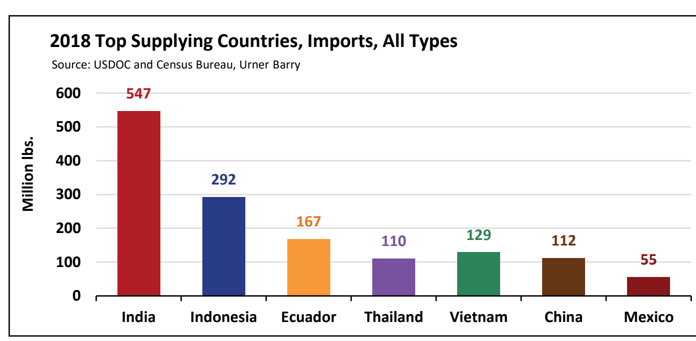
Ecuador: Shipments from Ecuador rebounded in 2018, increasing 5.7% or 9.05 million pounds in the year. Ecuador was the third largest supplier of shrimp to the U.S. market in 2018, accounting for roughly 11% of all shrimp imported into the country. Shipments of shell-on shrimp from Ecuador were flat, but the market saw an 11.7% increase in shipments of peeled shrimp.

Vietnam: Shipments from Vietnam were 4.6% higher in 2018; shipping an additional 5.6 million pounds over last year. Vietnam increased shipments of shell-on (+27.7%) and cooked (+18.3%), but unlike most other supplying countries, decreased shipments of peeled (-20.1%). It should be noted that Vietnam was the largest supplier of cooked shrimp to the U.S. in 2018.





"...India becoming the first country to ever ship more than 500 million pounds into the U.S. in a single year."



China: Shipments from China were up 10.5% in 2018; shipping an additional 10.6 million pounds last year. China ships peeled and cooked shrimp to the U.S., but their chief product is breaded where they are by far the top supplier, accounting for roughly 60% of U.S. breaded shrimp imports.

Thailand: Thailand was the only major supplier to ship less shrimp to the U.S. in 2018. They shipped 33.3% less shrimp last year; recording declines in all categories of shrimp.

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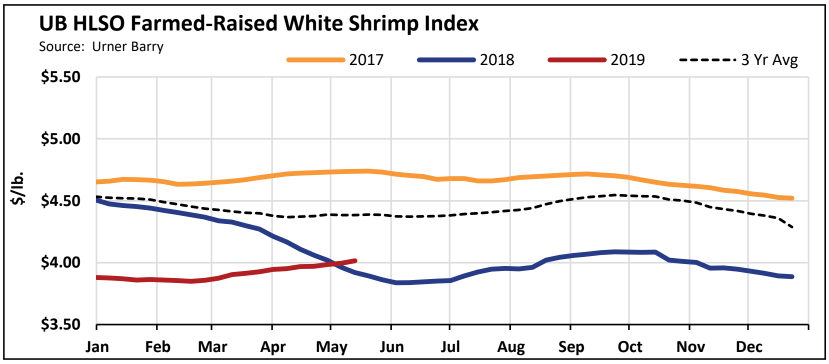
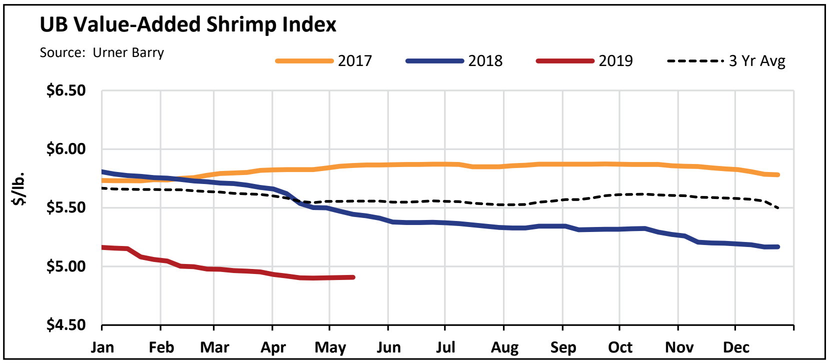
THE PRODUCT MIX





Compared to 2017, there was a slight decline in shipments to the U.S. of headless shell-on shrimp, including easy peel. However, increases were seen in all other categories of shrimp. The peeled category was 7.5% higher, cooked 7.3% and breaded 4.8%.

While imports of headless shell-on shrimp have grown a mere 4% from 2010 to 2018, imports of peeled shrimp have surged, gaining a little more than 59%. Peeled overtook headless imports during that EMS year of 2013 and the gap has widened at a faster pace ever since. In 2018, there was 665,745 million peeled shrimp imported versus 517,083 million shell-on, headless; over 148,000 million more.

Shell-On: The volume of headless shell-on imports, including easy peel, was 0.7% lower for the year. Of the 10-count size categories listed, U/15, 16-20, 21-25 and 41-50 counts were higher year-over-year; the remaining counts were lower. During the course of the year, replacement values (import $/lb.) for HLSO shrimp declined 11% or $0.48.

Peeled: Imports of peeled and deveined shrimp increased 7.5% or 46.4 million pounds this year. The growth has largely been driven by India, who alone has increased their volume shipped by 61 million pounds or 21.5% in 2018 but supplemented by increases from Indonesia and Ecuador. Replacement values (import $/lb.) for peeled shrimp, when compared to last year, are 10.6% or $0.48 lower.

Cooked: Cooked (warm water) imports were up 7.3% or 14 million pounds, led by increases from Vietnam and Indonesia. The most notable change in the category was the 25% decline from Thailand; this placed the once dominant supplier into the third spot.

Breaded: Imports of breaded shrimp increased 4.8% in the year, led by an additional 8 million pounds out of China.

THE SHRIMP MARKET

Farmed White: The entirety of the white shrimp complex had fallen to either a multi-year or all-time low at some point in 2018. Generally, the market had been considered very well supplied or ample, and the price action was mostly negative.

Farmed Black Tiger: Market sentiment was basically unchanged for the entirety of the year. Premiums continually developed in the market for all forms of very large shrimp as availability of these sizes has been limited and few alternatives existed. Meanwhile, anything 13-15 and smaller was subjected to discounting, especially where there are white shrimp alternatives.

Wild, Gulf of Mexico: Brown shrimp market values declined along with the start in July and remained flat through the balance of the year. Meanwhile, the failure of the white shrimp fishery to produce meaningful quantities meant higher prices through the fourth quarter. Peeled shrimp, much like the brown market, declined in July and remained flat through the remainder of the year. The National Marine Fisheries Service reported Gulf of Mexico landings of 96.5 million lbs.; 4.1 million pounds or 4% below the January-December 2017 total of 100.6 million lbs.

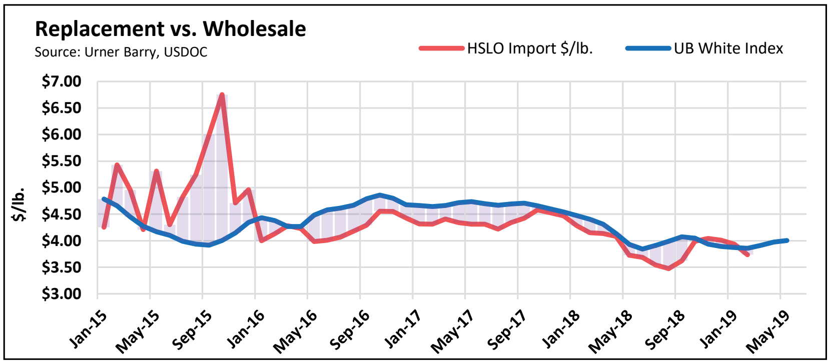
THE SHRIMP OUTLOOK

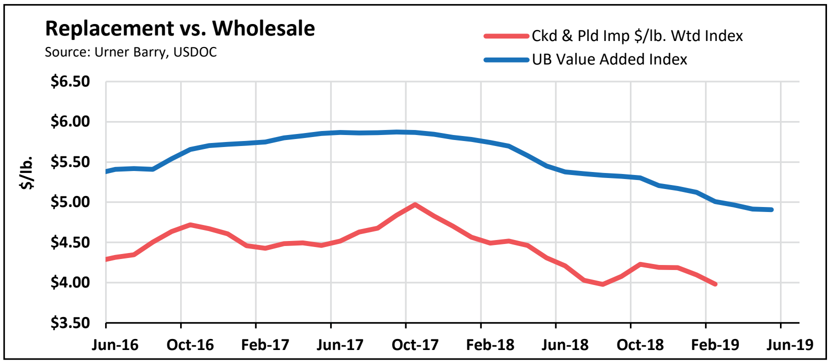
We learned at the GOAL conference in Guayaquil, Ecuador, this past September that global aquaculture production of shrimp between 2006 and 2012 grew at CAGR 3.5%; and that the expectation between 2017-2020 is CAGR 5.7%. This means that 2020 supplies would exceed the 2017 total by roughly 18%.

To put this in perspective of the U.S. market, and assuming our share remains stable, the 1.537 billion pounds imported in 2018 would grow to 1.730 billion pounds in 2020. There are potential issues, primarily the threat of disease and price pressures that could threaten the growth, but we know that the intent exists.

We currently have three months of import data to evaluate, and so far, the total volume is trailing the prior year by roughly 5.9%. In each of the first two months of the year, import volume trailed a year ago, but in March, we saw a 6% increase. Of the top five supplying countries, only India (+17.6%) has shipped more in the first quarter of this year than last year.

The declines were rather broad based, both in terms of product form and supplying countries; the only constant being India shipping more in total and in the shell-on, peeled and cooked categories. Imports from India are accounting for nearly 40% of total Q1 imports; nearly double the next country Indonesia. Indonesia (-14.2%), Ecuador (-12.2%), Vietnam (-8.2%), and Thailand (-20.2%) are all shipping less shrimp. Shipments from China are down nearly 60%; the Chinese number is of note as African Swine Fever has hit the country which has wiped out anywhere from 20-30% of hogs. With China the largest producer and consumer of pork in the world by a wide margin, the need for protein is evident. This is something to watch as it could become the biggest influencer of trade flows around the world. UB





U.S. scallop supply increases 3rd year in a row

By Lorin Castiglione
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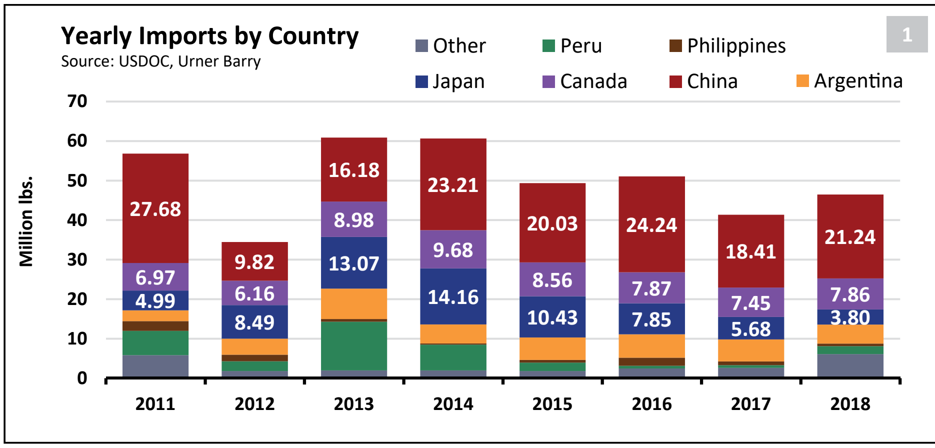
THE DOMESTIC FISHERY

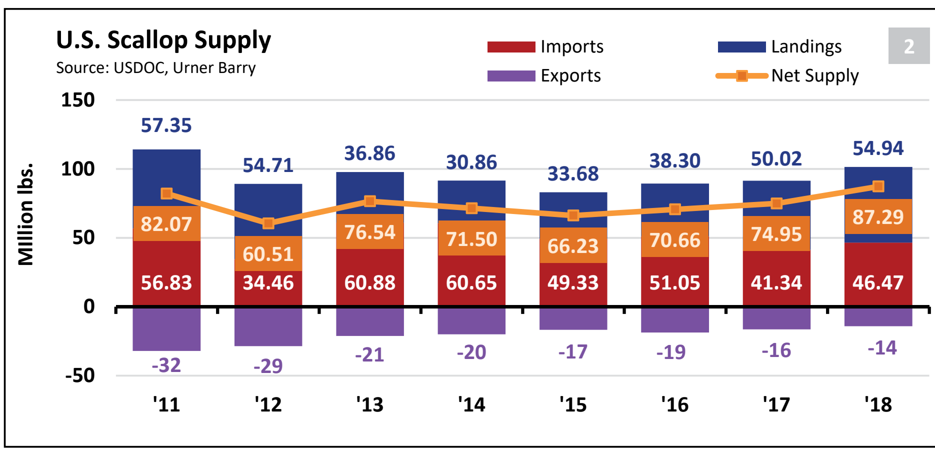
With a combined approach of effort limitation and rotating harvest areas, the Atlantic sea scallop (Placopecten magellanicus) is one of the most valuable fisheries in the United States, and is the most valuable wild scallop fishery in the world. It's managed by the New England Fishery Management Council in cooperation with the Mid-Atlantic Fishery Management Council under the Atlantic Sea Scallop Fisheries Management Plan, which maximizes scallop yields while protecting beds of young scallops.

According to the NEFMC Council Report, Framework Adjustment 30 to the Atlantic Sea Scallop FMP, which contains catch specifications for the 2019 and 2020 (default) fishing years, has been approved by NMFS for implementation. The most likely scenario includes seven 18,000 lb. access area trips and 24 days-at-sea. These allocations are projected to result in landings of about 60 million pounds of scallops in FY 2019.

SCALLOP TRADE

Scallop imports into the United States increased 12.4%, or 5.1 million pounds in 2018 compared to the previous year. However, this increase was largely due to the abundant volume rushed in from China in December 2018, ahead of the 25% tariff increase originally set for a January 1, 2019 implementation, which was later postponed. China continues to be the largest scallop supplier to the United States, accounting for about 46% of the 46.5 million pounds of scallops imported into the U.S.





Shipping fewer scallops to the U.S. are Argentina (-13.6%) and Japan (-33%), while China (15.4%), Canada (5.5%), Mexico (2394.7%) and Peru (190.1%) have shipped more in 2018 than the previous year (Chart 1).

Export activity declined year-over-year. January to December exports totaled 14.1 million pounds, 14% fewer than the 16.4 million pounds shipped out in 2017. Canada remains our largest export destination, accounting for roughly 29% of annual exports; other significant destinations for U.S. production are the Netherlands, France, Belgium and the United Kingdom.

THE MARKETS

More imports, larger landings, and a decline in exports, resulted in an increase in net supply. Our net supply calculation suggests an annual total of nearly 87 million pounds compared to 75 million in 2017; a 16% improvement (Chart 2).

The market for U.S. origin sea scallops fell as seasonally expected at the start of the new season, but strengthened throughout the end of the year amid little to no landings of larger domestic U/10 sized sea scallops. The market held somewhat of an unsettled undertone as varying inventory positions broadened

“More imports, larger landings, and a decline in exports, resulted in an increase in net supply.”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the range of wholesale offerings available to customers. Those with thin inventories reported higher premiums, while those with more stable inventory holdings were able to offer a lower price. The average price paid for a domestic dry U10 in 2018 was $12.18, down 20% from the previous year average of $15.25/lb. Similarly, dry 10/20 count scallops decreased by 4.6%, averaging $10.30/lb. compared to $10.80 in 2017.

The market for Canada origin sea scallops saw premiums developing during 2018 Q4. Frozen inventory levels were not as abundant compared to previous years and one factor contributing to this were fewer exports from Japan into Canada. In 2018, while Japan harvested the same number of scallops as expected, the harvest was of a smaller size, attributing to about 25% less product available for export. Less exports paired with strong domestic demand in Japan was one of the factors attributing to the Canadian wholesale market strengthening at the end of their calendar year season.

The average price paid for a 10/20 count Canadian sea scallop in 2018 was $11.91/lb., down 12.8% from the previous average of $13.66/lb. in 2017.

LOOKING FORWARD

Conservation efforts have been strong resulting in productive years for fisherman. The outlook for this year is that with an increased net supply, prices could continue to fall, attracting a wider consumer base at the restaurant and retail levels this summer, once again. However, while landings thus far in the 2019 season have been abundant, the quality is being noted as “medium” with a higher than favorable percentage of splits and pieces. Will quantity outweigh quality and keep prices down? The coming months will tell... UB

Blue swimming crab meat at the crossroads while red swimming crab meat hangs in the balance

By Janice Schreiber
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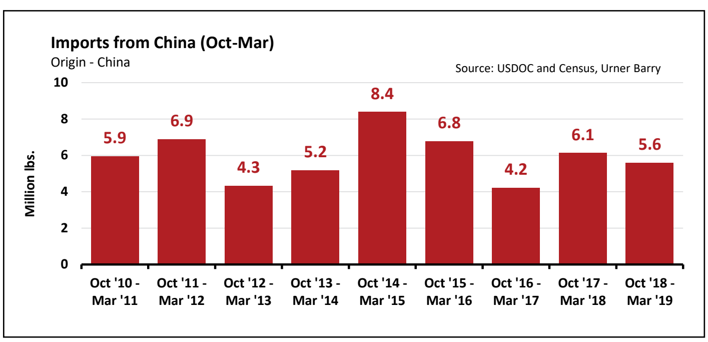
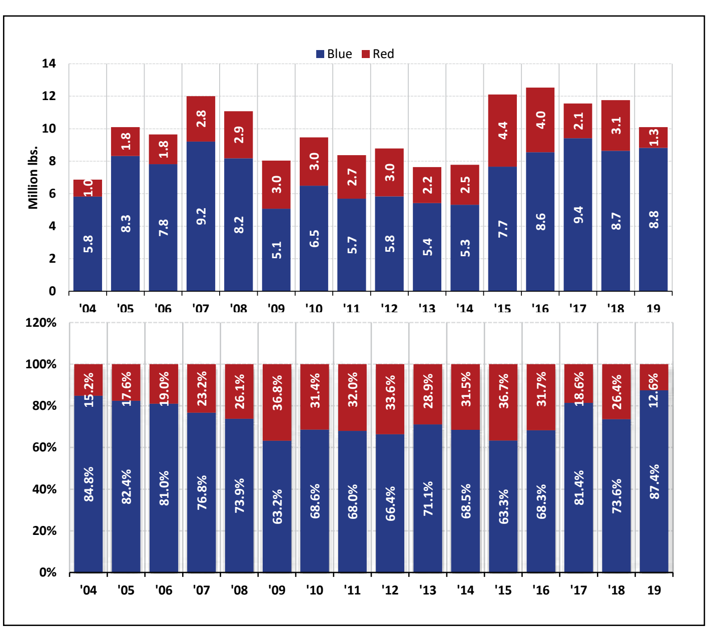
As of this writing, we are on the cusp of the most active selling period for crab meat—summertime. As many Americans flock to the beaches for their summer vacations and weekend getaways, many will be eating a summer staple in the Mid-Atlantic region: crab cakes.

Last summer, customers were paying record high prices at the peak of the demand season. The week of July 7, 2018, the market reached its peak on blue swimming crab meat of $29.70. Since that period of time, over the past 10 months, the market on all grades for blue swimming crab meat has weakened. As of this writing, the market for blue swimming crab meat has fallen 23% to $22.90.





The crab meat market in the U.S. was at a bit of a crossroads heading into Memorial Day weekend. Like much of the past 10 months, many of the blue swimming crab meat sellers are watching their inventories carefully and negotiating buys of replacement product overseas.

However, the rate at which sellers are stepping up to buy product overseas is a big question, as is the individual inventory positions of the suppliers here in the U.S.

The market could be looking close to stable with four weeks of pricing staying mostly unchanged during the back half of April and into most of May, however, there were still some slips lower on most grades.

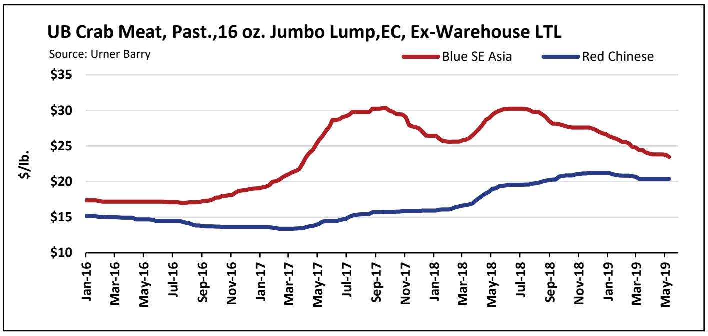
We have seen a double top market situation with jumbo. The market appears to have broken through the $25 support level, which may indicate that prices could potentially weaken further. We'll continue to watch the market to receive further confirmation of this, however, historically demand is strongest in the summer season and could provide some stabilization to the market.

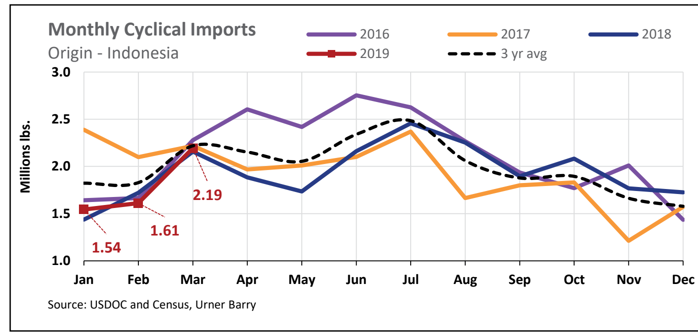
Even with the current price slide, pricing on blue swimming crab meat, looking at jumbo lump as an example, is still priced well above the 10-year average. Currently the market is $22.90 and the 10-year average is $20.14.

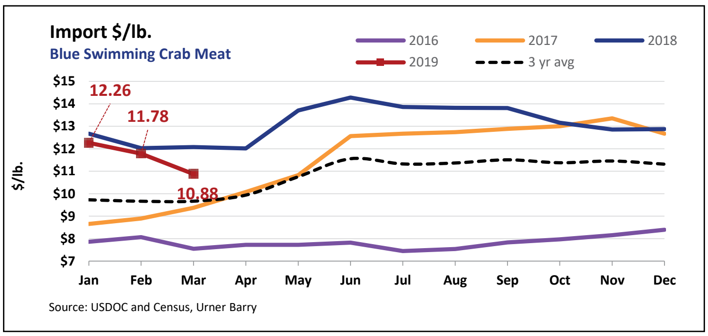
Much is reported to have changed in the crab meat industry in the past 10 years. There have been large jumps in consumption in both the foodservice and retail sectors. However, with two severe price jumps in 2017 and 2018 (both followed by steep declines) buyers are reported to be more cautious. Market participants report that some buyers start to change their behaviors, trade down to a different, less expensive grade of crab meat, adjust menu offerings, move to a different species —red swimming crab meat, potentially—or take crab meat off the menu completely.

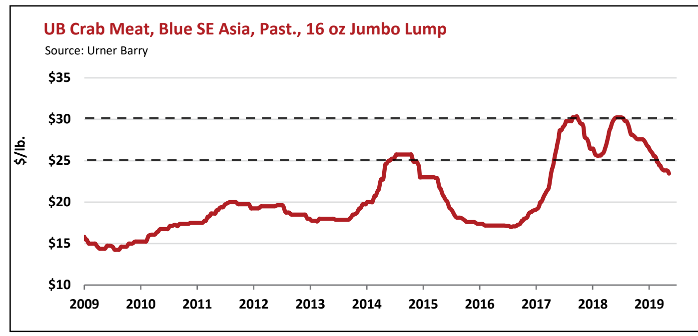
Regardless of the suppliers' strategies for the upcoming months, there will be several other factors to consider.

The largest producer of blue swimming crab meat is Indonesia, a predominantly Muslim country. Ramadan lasted from May 6 through June 3, and the country saw its workers fasting during the sunlight hours for this time period and then participating in a 10-day long festival at the conclusion









called Lebaran. This will have an effect on production and supply coming out of this country, and with its timing this year, some market participants report supplies could be affected for the higher demand period in the U.S.

Through March 2019, the most current import data as of this writing, imports out of Indonesia for blue swimming crab meat continue to look to be on par with last year. In addition, Indonesia's imports are not much closer to the three-year average after the first two months of this year were below.

Replacement pricing, the imported price value divided by the volume of imports, for blue swimming crab meat has continued to slide throughout 2019. These levels are now moving well below the levels seen in 2018, but still above the three-year average of $9.67, a 12.5% increase. If sellers have worked through their higher-priced inventory from last year with the falling market, there looks to be a chance that they should be able to replace product at a lower level this year.

RED SWIMMING CRAB MEAT

The Chinese tariff increase of 10-25% is an issue at the forefront for the red swimming crab meat market. China, the largest supplier of red swimming crab meat, saw record breaking imports at the end of 2018, just as the 10% tariff was being implemented and the threat for the January 1, 2019 tariff increase of 25% was baited. With much of the production front-loaded in the beginning of the 2018-2019 season, imports in 2019 have fallen off dramatically. Now, with the administration's sudden implementation of the 25% tariff, there is a chance imports will remain low for the remainder of the season.

However, lower imports from China may not be entirely tariff driven. Currently, China is in conservation for red crab, meaning that they are not fishing crab currently and that harvesting will not begin again until mid-August. The big question will be: If the 25% tariff remains, will the importers reload once harvesting starts back up in August 2019?

As stated previously, imports of red swimming crab meat have been low throughout all of 2019. When looking at the market from a seasonal perspective, the market is down 8.2% when compared to the previous season, and that percentage may continue to dive.

> **"Even with the current price slide, pricing on blue swimming crab meat, looking at jumbo lump as an example, is still priced well above the 10-year average."**

In addition, if you look at the ratio of blue to red swimming crab meat, red swimming crab meat is currently at the lowest percentage seen over the past 15 years.

As far as the pricing is concerned, market participants report a stable market. Any product that comes in after May 10 will have an added 25% premium built in. Many believe that they will work with their current inventories instead of reloading with more expensive product, especially if the red crab meat market remains more stable and does not firm. That is where blue swimming crab meat starts to intersect. It can create a ceiling for the red swimming crab meat market, blue swimming crab meat sells at a premium to red. Without the ability to adjust higher to compensate for the higher replacement costs, it does not provide much motivation for the importers to reload or take a larger position on red swimming crab meat. UB

King crab down 17 percent at retail; Unprecedented spread between 5-8 and 8-up Snow crab continues

By Janice Schreiber
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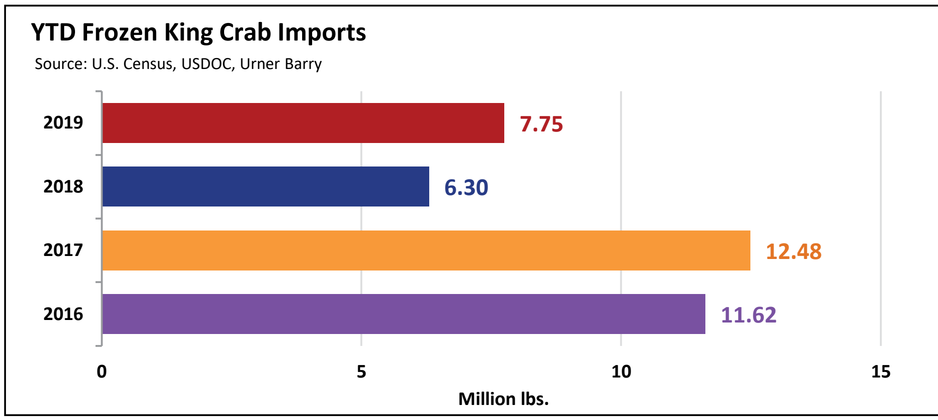


KING CRAB

Many of the themes talked about last year in the king crab market remain true today. The U.S. continues to compete in Russia for red and golden king crabs against the live Asian crab market. The buying strength of the live market in Asia has been growing over the past several years and it looks to be a market that will remain competitive against the frozen king crab market here in the U.S.

Pricing has continued to climb since spring 2018. All sizes are either at 52 week or all-time highs for both red and golden king crab out of Russia. For instance, for 16-20 count Russian red king crab the market is 23.7% higher this year than it was at the same time in 2018. On larger crab, 9-12 Russian reds for example, the change is 5% over 2018.

With pricing continuing to climb steadily throughout 2019, usage looks to have taken a hit. When looking at Urner Barry's retail data, the number of features from January 1 to the end of May 2018 versus 2019 has dropped 17.7%. The number of stores featuring king crab also dropped 17% when comparing the two time periods.

Relief from the higher pricing is not reported at this time. Importers continue to report that replacement pricing for king crab continues to rise across all sizes. Demand is reported to be moderate to active and pricing has been steady to rising on all sizes throughout 2019.

Imports of king crab are up 23% when compared to last year but are still down by almost 38% when you compare 2019 imports to 2017.

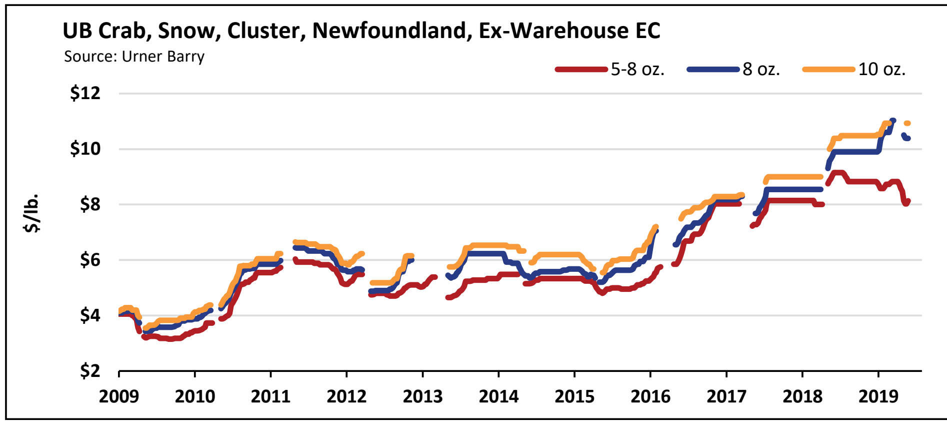
Supplies are tight domestically as well. Out of Alaska, the quota remains extremely low for red king crab, dropping again for the 2018-2019 season to 4.3 million pounds, a 35% decrease from last year. Spot activity has been low and pricing has not been established as of this writing.

SNOW CRAB

Most years when we begin to work on the Reporter's Annual Market Analysis edition it's in the heart of the first month of the Canadian snow crab season. This year is no different and stating that the snow crab market, as a whole regardless of origin, is in a fluid situation holds true for this year's crab market as well.

Starting out of Alaska, the quota for the 2018-2019 season has increased this year to 27.6 million pounds, a 45% increase from the previous year. Pricing is being reported for both 5-8s and 8-ups.

A theme across all origins, Alaskan, Canadian, or Russian, is that supplies of larger crab 8 and 10-ups continue to be light—a discussion which has dominated for a solid year. With the larger crab volumes remaining tight, the record price spread between 5-8 and 8-ups continues out of all origins as well.



Looking more closely at the Canadian snow crab market, the price spread between Canadian 5-8s and larger Canadian snow crab, 8-up and 10-ups, has been in an unprecedented situation throughout most of 2018, and now there is a more substantial spread in 2019. The first most significant price difference happened at the beginning of the 2018 season. After the opening prices had settled, the spread between 5-8s and 8s out of Newfoundland was $0.75, the largest price spread since the fall of 2013 where it hit $0.95.

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Now, however, the spread has climbed to a record $2.25 at present.

Market participants continue to wonder which way the pendulum will swing, if it swings at all. Will the 5-8 market adjust higher to meet the price of larger crab or will the 8-up and 10-up market adjust lower, succumbing to downward pricing pressure brought on by the smaller sized crab? Or, will the 8 and 10 -up market be able to maintain its premium over the 5-8 market?

Many market participants report that usage between the sizes can vary rather dramatically. An 8 and 10-up user cannot as easily trade down to a 5-8 and vice versa a 5-8 user will not usually pay the premium for a larger sized crab.

As previously mentioned, the lack of larger crab has been the narrative across all origins. Russian imports are seeing an increase of 57.3% year-to-date, or 5.9 million pounds. Even though imports have increased greatly from last year, it does not appear that the size breakdown is much different than what we are seeing out of Canada or Alaska. Currently there is a $2.45 spread between Russian 5-8s and Russian 8-up crab.

In Alaska the spread is even larger between 5-8 and 8-up crab, $2.52. With 100% of the quota caught, any upswing on the amount of larger crab out of Alaska is nil.

As the season unfolds, the price spread dynamic will be a situation all market participants will watch closely. Canada is by far the market share leader with 63.4 million pounds imported last year, compared to the second largest importer Russia's 22.3 million pounds. Canada's influence is pivotal in the snow crab market, and as the season marches on, market participants eyes will be on the price spread. UB

Life after the 25% Chinese tariff

By Liz Cuozzo
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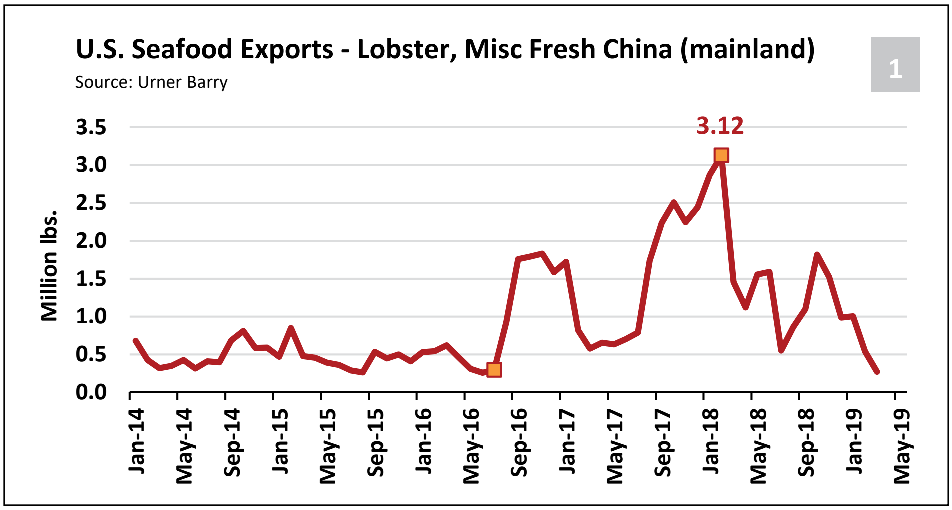
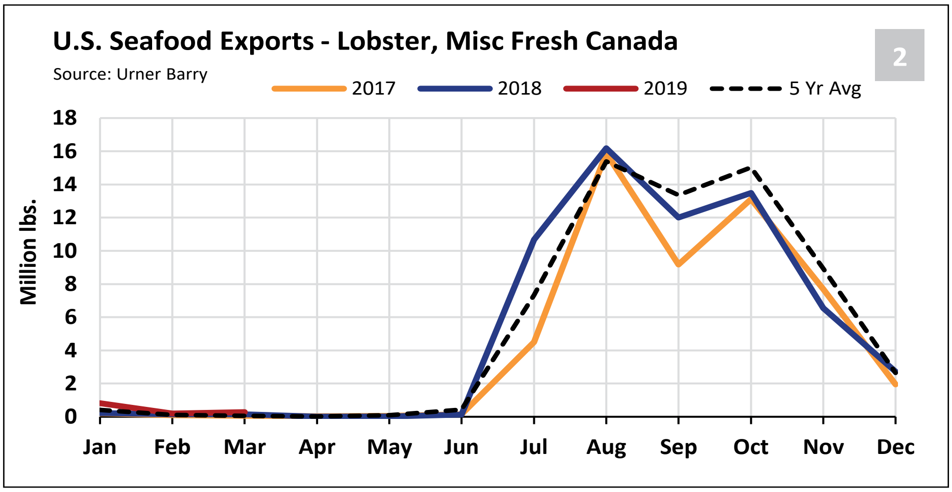
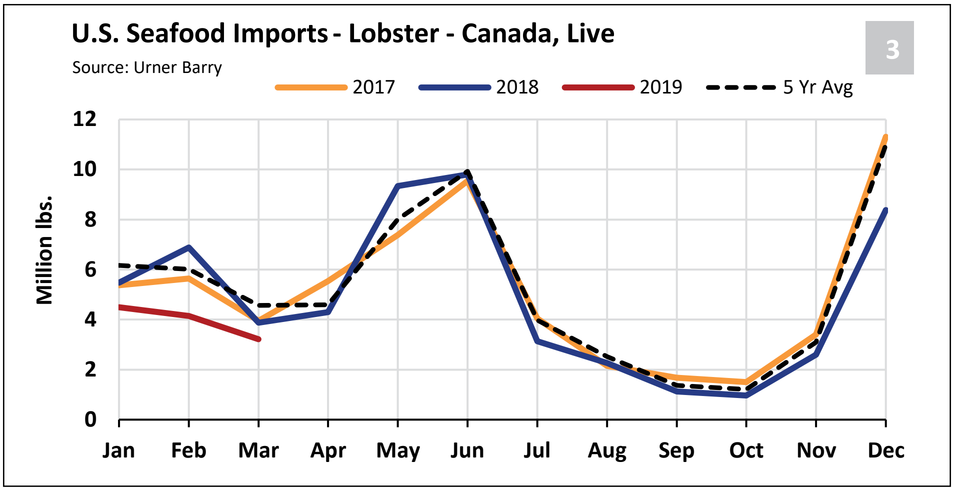
This July will mark the one-year anniversary of the 25% retaliatory tariff China placed on imports of live U.S. lobsters. The landscape of the export market has shifted as the once vital Chinese market for Maine lobster has been derailed. The effect of the tariff has been felt by many players in the industry.

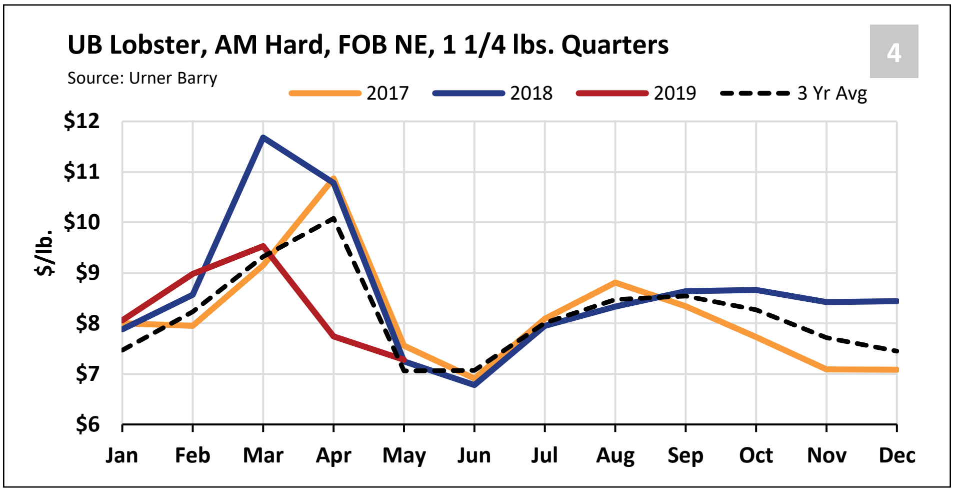


As the buying power of the middle class in China exploded, we witnessed the increasing appetite and demand for North Atlantic live lobster. Exports began to explode in 2016, peaking in February 2018 with monthly exports totaling 3.12 million pounds (Chart 1). In 2018, Maine exported 11.7 million pounds of live lobster to China through June and was on track for a record setting year.

Once the tariff was implemented, U.S. exporters, who had developed new markets into Asia, employing both time and capital, suddenly saw their product cost 25% more than the same product from Canada; essentially out pricing them. U.S. exports to China did not completely cease; although, exports for the remainder of 2018 were down 34% compared to the same time frame in 2017. Year-to-date exports to China through March 2019 are down 76% compared to this time last year. Canada stepped in and began to develop export channels to satisfy the demand from China, looking to the U.S. market for product. U.S. exports to Canada for 2018 recorded 62 million pounds of lobster, up 17.8% from the previous year. Year-to-date exports through March 2019 are 143% higher than 2018 (Chart 2).







Since the tariff, 2018 YTD imports from Canada are down 5.5% and are down 27% through March 2019. Canada shipped any live lobster product they could, including product that would normally go to the processors. The price Canadian exporters could receive for their product from China essentially cut out the processors. As a result, processors are short for tails, meat and cooked product (Chart 3).

Lobster prices for American hard-shell quarters peaked in March 2018 and have been trending in a normal, seasonal pattern. However, they are trailing both 2017 and 2018 prices. As with any live market, we are subject to actual landings. The Canadian spring season is underway which will be followed by Maine production. Annual Maine production hit a record high in 2016 with 131 million pounds. Landings fell in 2017 but rebounded in 2018 with 119 million pounds (Chart 4).

Readjusting to the new market climate, U.S. exporters have looked to develop additional markets for Maine lobster. This process takes time, money and may not come to fruition for a few years. In addition, Canada and the European Union have a favorable trade agreement over U.S. exporters. As this article goes to press, the domestic market will be heading into its peak summer demand when prices typically adjust higher. UB

The pendulum swings on the *pangasius* market while tilapia treads water

By Lorin Castiglione
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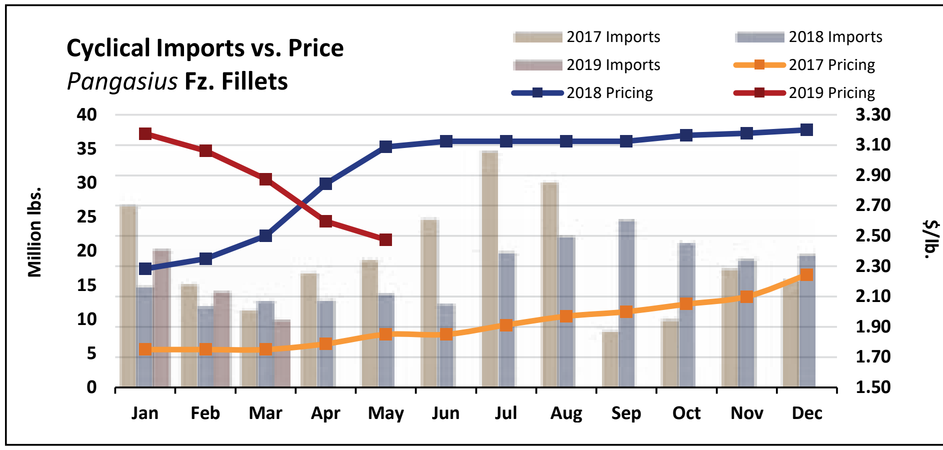
PANGASIUS

September 2018 marked the one-year anniversary of full enforcement of food safety regulation for *Siluriformes* falling under the responsibility of the FSIS within the USDA. In the past year the pangasius industry has been filled with uncertainty as we saw record high wholesale and replacement prices, rising raw material and administrative costs, and lengthy delays due to new and in-depth inspection processes to name a few. Now, as we are halfway into 2019, the pendulum swings the opposite direction. Here in the U.S.,



pangasius prices have fallen, and have fallen fast.

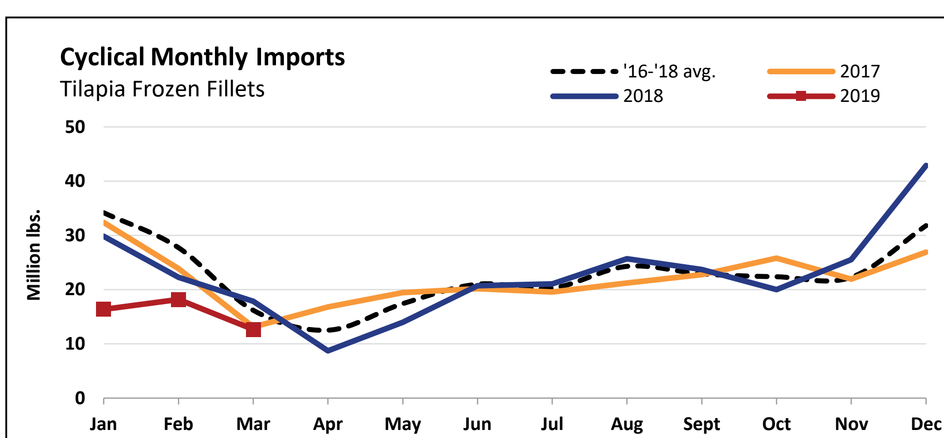
Pangasius sales during the first half of 2019 have been slow, creating an abundant inventory here in the U.S. and allowing for prices to fall across all sizes of standard moisture product. At the start of May, a standard moisture 5-7-ounce sized fillet ranged from $2.25-$2.40 and some industry players believe prices could continue to come down even further before stabilizing through the end of the year. During the summer months we typically see prices firm up due to environmental factors within Vietnam, such as the rainy season increasing the salinity of the Mekong River, which can be dangerous for the young fish fry and fingerlings.

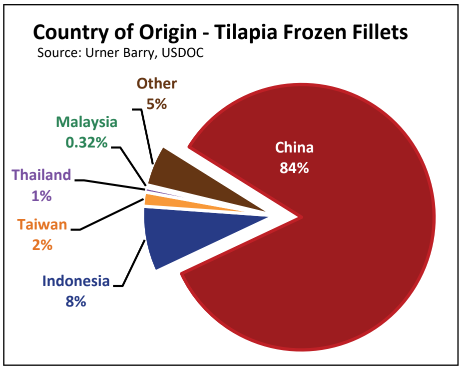
2018 imports ended the year 11% below 2017 totals, or 25 million pounds less. However, looking at the first quarter of 2019, imports are up 12 percent compared to last year's first quarter volumes.

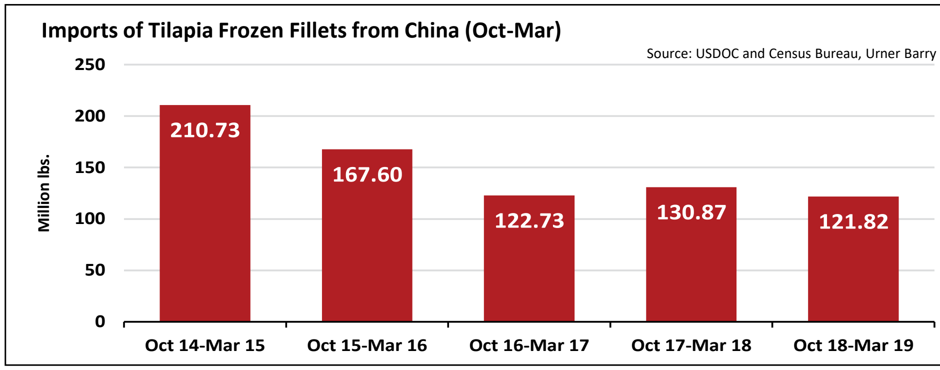
Looking ahead, we have to view pangasius as a global market and not just what's happening within the U.S. If the Vietnamese packers start expanding business into Europe, for example, then prices could firm up faster than anticipated, but as of right now, the market remains flat.

TILAPIA

Seasonally, January brings in the highest volume of tilapia from China, however, this was not the case for the







start of 2019. January imports fell way below average with importers rushing product into the country in December 2018 to get ahead of the 25% tariff originally set for a January 1, 2019 start date. With a 90-day window to prepare after the 10% tariffs were set in place, the industry was able to evaluate their current inventory levels and make a necessary plan of action for how they would proceed, securing volume that would typically come into the country in January, a month earlier.

While January imports typically bring in the largest volume of the year, seasonally March and April bring in the least. Plants overseas shut down for about two weeks during Chinese New Year, resulting in less product being shipped out the following months. Because of this, inventory positions are not very strong this time of year as industry players work on replenishment. However, this year that product will come at a cost as any product loaded in Chinese ports after 12:01 AM on May 10, 2019 will incur a 25% tariff.

With this shift in imports, we must look at the data differently to understand how we compare to previous years. The tilapia imports chart (above right) illustrates imports from October through March for the previous five years and we can see that even though we saw record high imports this past December, it still does not add up to previous years of the same timeframe.

Regarding tilapia, which is the largest seafood species by volume imported from the country, over 84% of the U.S. tilapia market is imported from China, followed by Indonesia at just 8%. This could be an opportunity for Indonesia and possibly other countries to produce a larger portion of the tilapia we consume here in the U.S. if demand remains consistent.

This coming year will continue to be pivotal for these commodities, not just here in the U.S., but on a global scale. UB

Increased demand and growing imports continue for farmed salmon

By Janice Schreiber
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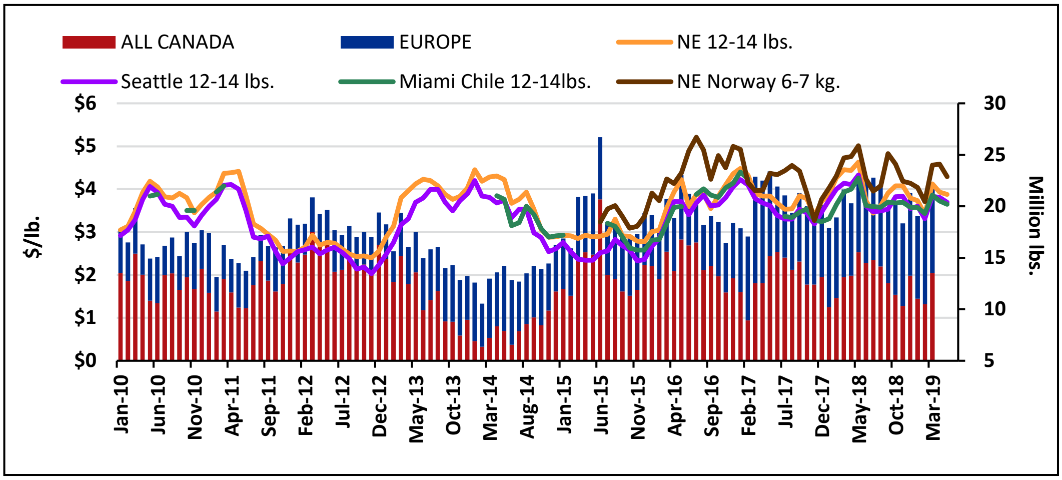
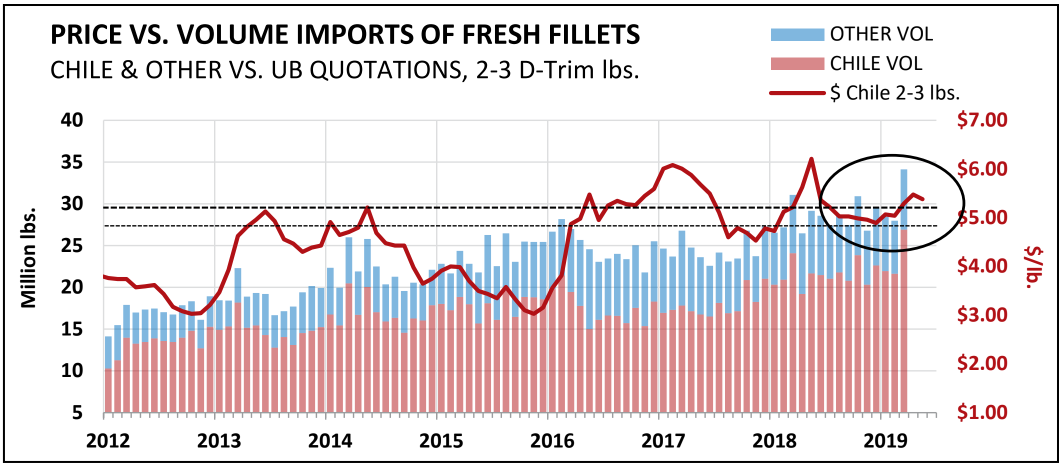
As the farmed salmon complex heads into June, it appears as though the market is following its cyclical seasonal summer slowdown. However, looking over this past year, the market has remained quite stable for fresh Chilean fillets—minus a few peaks and valleys. The 2-3 pound fresh Chilean fillet market held between $4.80 and $5.20 77% of the time in the past year. The market never dropped below $4.80 and rose above $5.20 23% of the time since the last week of May.

The Chilean fresh fillet market holds a dominant presence in the farmed salmon complex due to its large volume of fillets that are imported into the U.S. every year. 2018 saw a 20.2% increase out of Chile for fresh fillets. The entire fresh fillet category for salmon finished the year up 15.3%. Year-to-date fresh fillet imports are up 6.8% Chilean fresh fillets are 7.9% higher.



The growing demand for salmon has fueled the rise in imports, and much of this trend is supported by retailers actively featuring fresh Atlantic salmon. Since 2015, we have seen a trend that when import volumes rise for fresh salmon fillets, the amount of retail features rises as well. When imports contract, we have also seen retailers feature salmon less. Looking at the chart below, the number of features year-to-date is growing with the increased imports of fresh fillets. In addition, many market participants believe that the stability in pricing seen over the past year in the fresh fillet market helps fuel the retailer buyer's confidence to plan for ads.



SEASONALITY BEGINS TO HIT...

With other seafood items, summer can be the highlight in the demand cycle. However, for fresh farmed salmon it typically means a slowdown and pricing beginning to adjust lower. It is historical and can be seen almost every year, and can be seen below when looking at the salmon index over the past five years. With that said, during the heat of either the upswing, or in this case the downswing, market participants usually tend to feel the situation is unlike any other year.

This year's seasonal summer slowdown looks to have started with significant weakness in the West Coast Canadian whole fish market. Pricing has retreated in this market since the middle of April. On 10-12 pound whole fish off the West Coast, for example, the market has dropped $0.55 or 15.6%. The West Coast whole fish market, like the balance of the farmed salmon complex, does not exist in a vacuum. Farmed salmon easily flows throughout all corners of the country and, in time, all regions and origins of farmed salmon start to feel the downward pricing pressure.

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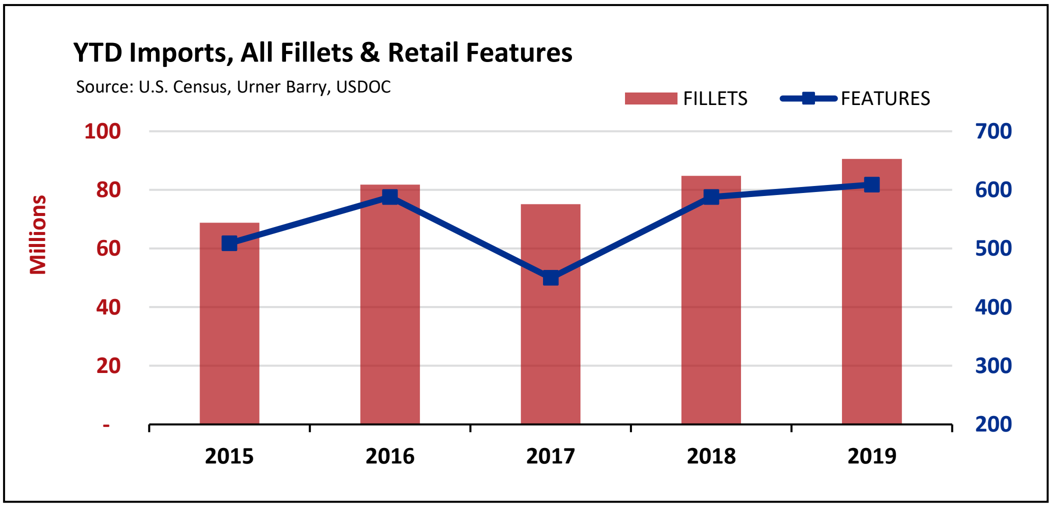

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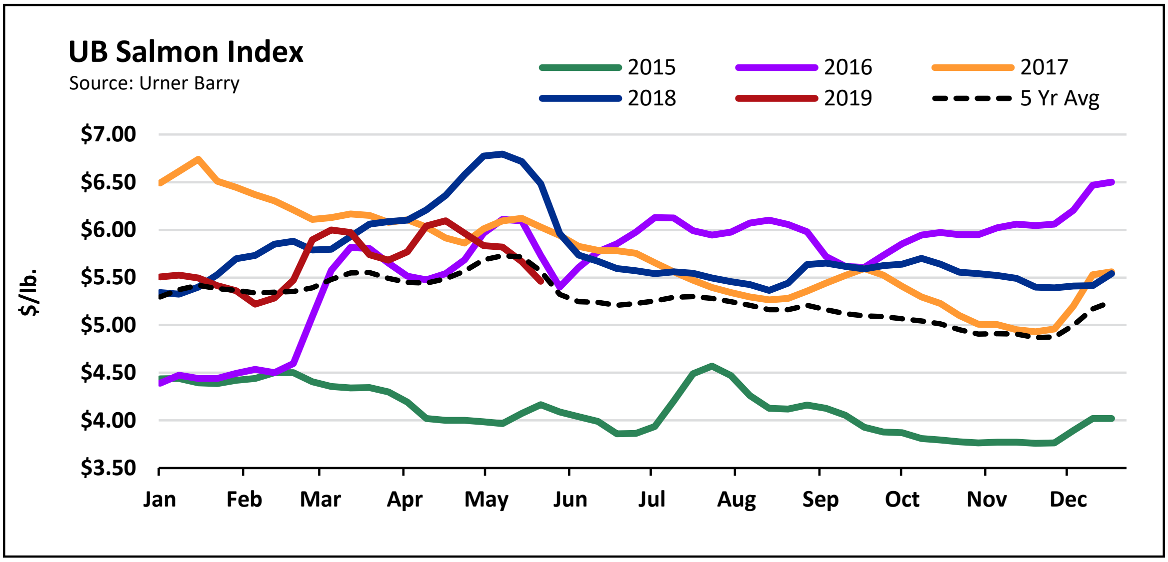

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In addition to the West Coast whole fish market weakening, the U.S. market has also seen the European whole fish market trending lower as well. Both whole fish out of Norway and Scotland are reported to be readily available and are also adding additional downward pricing pressure to the mix. The overall farmed salmon complex has dropped 10.6% since mid-April. The market is also currently below the five-year average for the salmon index, down almost 3% when compared to the five-year average.

As the summer rolls on, many market participants will be watching and waiting for stability. Most years, by mid-July, the market begins to stabilize, but as we touched on before, every year can feel different. UB

What happened to Mahi?

By Liz Cuozzo
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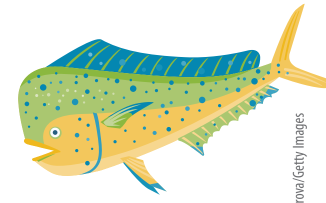
What a mystery the current mahi market is! We are presently experiencing record low imports from Central and South America, in addition to market prices for both frozen and fresh hovering below their 5-year lows. Once found on menus across the US, mahi has all but disappeared. What happened? In order to examine our current situation, let's take a step back and see where we have been.

Market prices for frozen mahi portions from CS&A registered an all-time high of $9.65 in the summer of 2017, essentially pricing itself off restaurant menus and out of favor. This price spike came about as a result of the very low production from CS&A for the 2016-2017 season (Chart 1). Importers the following season, hoping to avoid being caught short, bought early in the season. However, production for the 2017-2018 season from C&SA, which typically runs from October through March, with imports peaking between December and January, was very strong (Chart 2).

Total volume of imports for 2017-2018 registered 31.9 million pounds. This was in stark contrast to the prior 2016-2017 season, which registered 16.8 million pounds. This represents a 90% increase in production year over year. Importers in turn were left with high priced inventory amid a very dull demand. Market prices from October 2017 to October 2018 went from an average price of $9.43 to $6.48, a 31% decline. The 2018 -2019 season saw prices decline another 17%, as importers aggressively moved higher priced inventory as the new season began. As a result of excess inventories, importers were cautious in placing orders for the 2018-2019 season.



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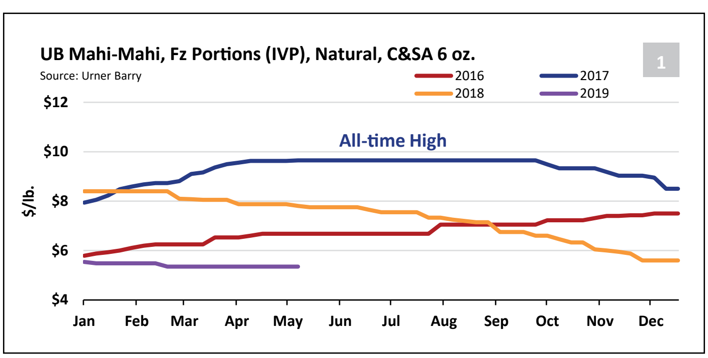
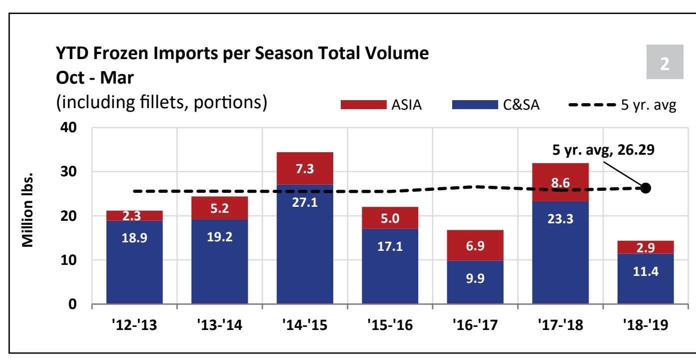
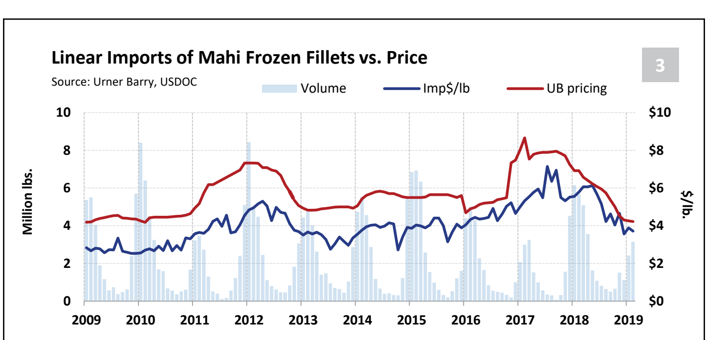
The fishing season in CS&A for the current 2018-2019 year is over. Shipments of total mahi to the U.S. through March for the 2018-2019 season registered 14.3 million pounds, a 45% decline from the previous season and 46.8% lower than its five-year average. As mentioned earlier, market prices are depressed. Typically, with such low production, market prices rebound strongly, as was the case in 2017. That did not happen this season. In fact, the frozen market is trending far differently compared to the 2011 and 2017 season when prices spiked because of poor inventory (Chart 3).

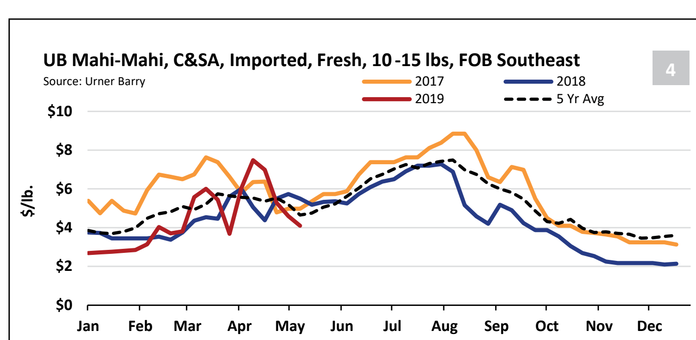
Let's turn to the fresh mahi market. Fresh mahi fillet imports from CS&A year-to-date registered 5.3 million pounds, 6% higher than 2018 and trending above its three-year average. Fresh imports from Ecuador are up 67% year-over-year. Of the total imports, Ecuador represent 75% of the market, up from 51% for 2018. Fresh market prices have had wild price swings, especially within the last two months. Following a seasonal pattern, prices typically peak in the summer as landings diminish (Chart 4).

As we move into the summer grilling season, importers are hoping for an uptick in demand and a return to menus. Until we see this come to fruition, buyers will be keeping a close eye on their inventories and will likely do so for the remainder of the year. UB









Spanish octopus reigns Supreme

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By Lorin Castiglione
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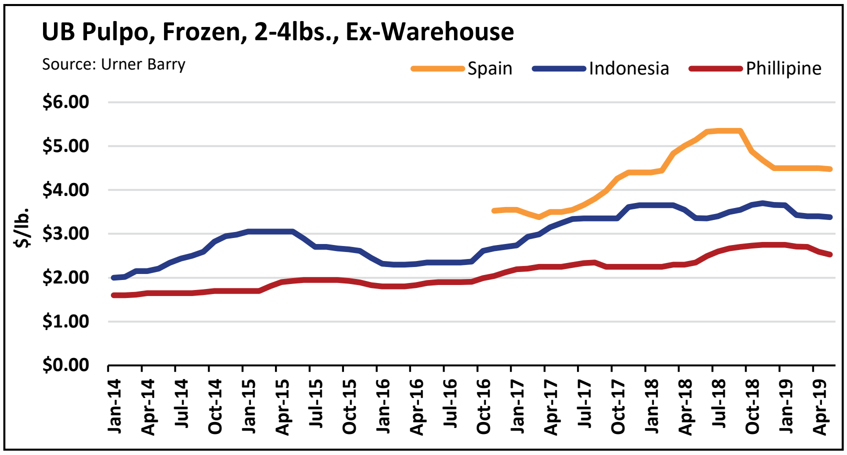
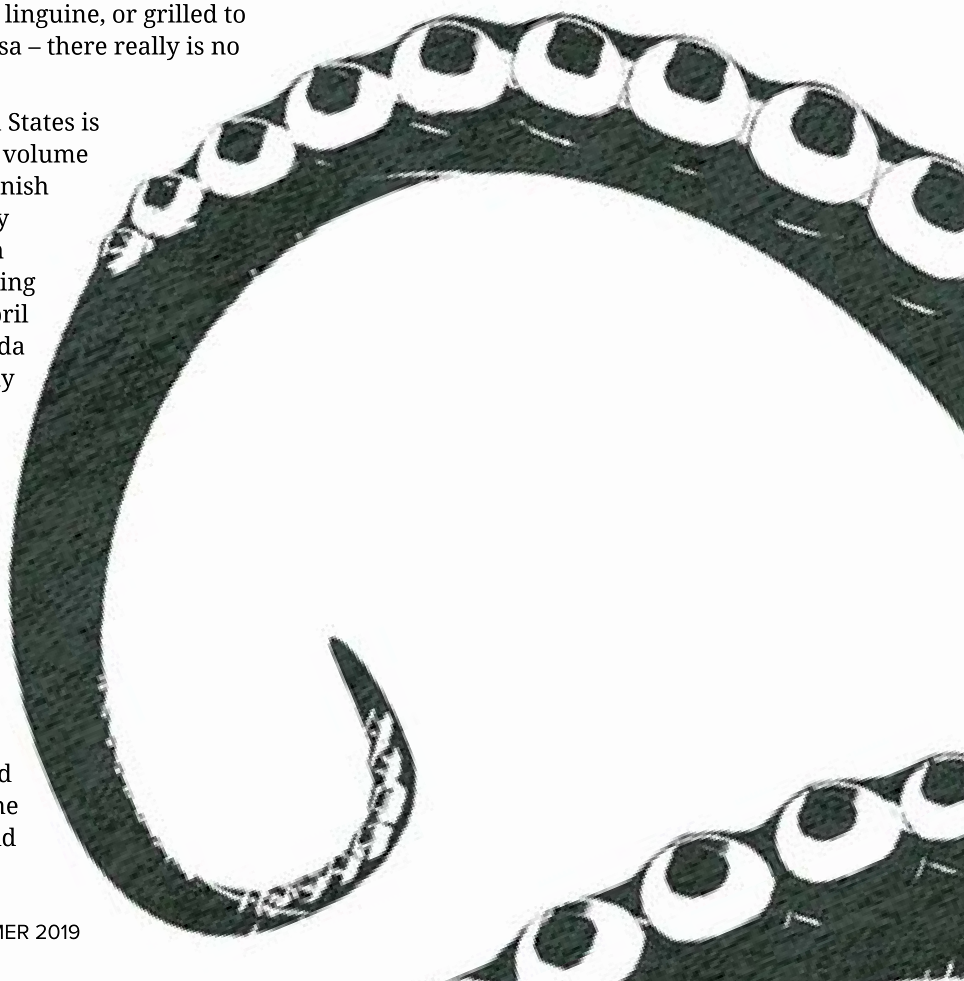


Octopus has gained major traction at the restaurant level over the past few years. What was once regarded as too exotic for the everyday patron, is now one of the most popular and fastest growing dishes seen on a variety of menus from high-end dining establishments to the more casual family-owned pizzerias. As common now as calamari, chefs have taken the initiative to perfect cooking the mollusk to the ideal char, embracing its versatility and getting creative with execution. Whether it's served whole as an appetizer accompanied by pickled vegetables, chopped up in a warm pesto linguine, or grilled to perfection and paired with chorizo and corn salsa – there really is no wrong way to enjoy the cuisine.

The majority of octopus consumed in the United States is imported, with the top origins listed in order by volume being Spain, Indonesia, and the Philippines. Spanish octopus, which is regarded to be a higher quality product, trades at a premium over product from Indonesia and the Philippines, and has been seeing robust sales the past few months. Seasonally, April is a strong month in the southern U.S., like Florida and the surrounding Islands. However, once May hits, we see sales quickly decline within these markets. The demand is not lost though – it just migrates up the coast as warmer weather hits the mid-Atlantic and New England areas.



Despite strong sales, many traders are lowering prices to move inventory ahead of the new season beginning in Morocco in June, anticipating an abundant catch that would bring lower prices to the market. In the chart we can see there has never been an overlap in pricing in the past five years among the top three origins of imported octopus into the United States. As the new season gets underway, and the Moroccan catch is as anticipated, this trend could likely continue. UB

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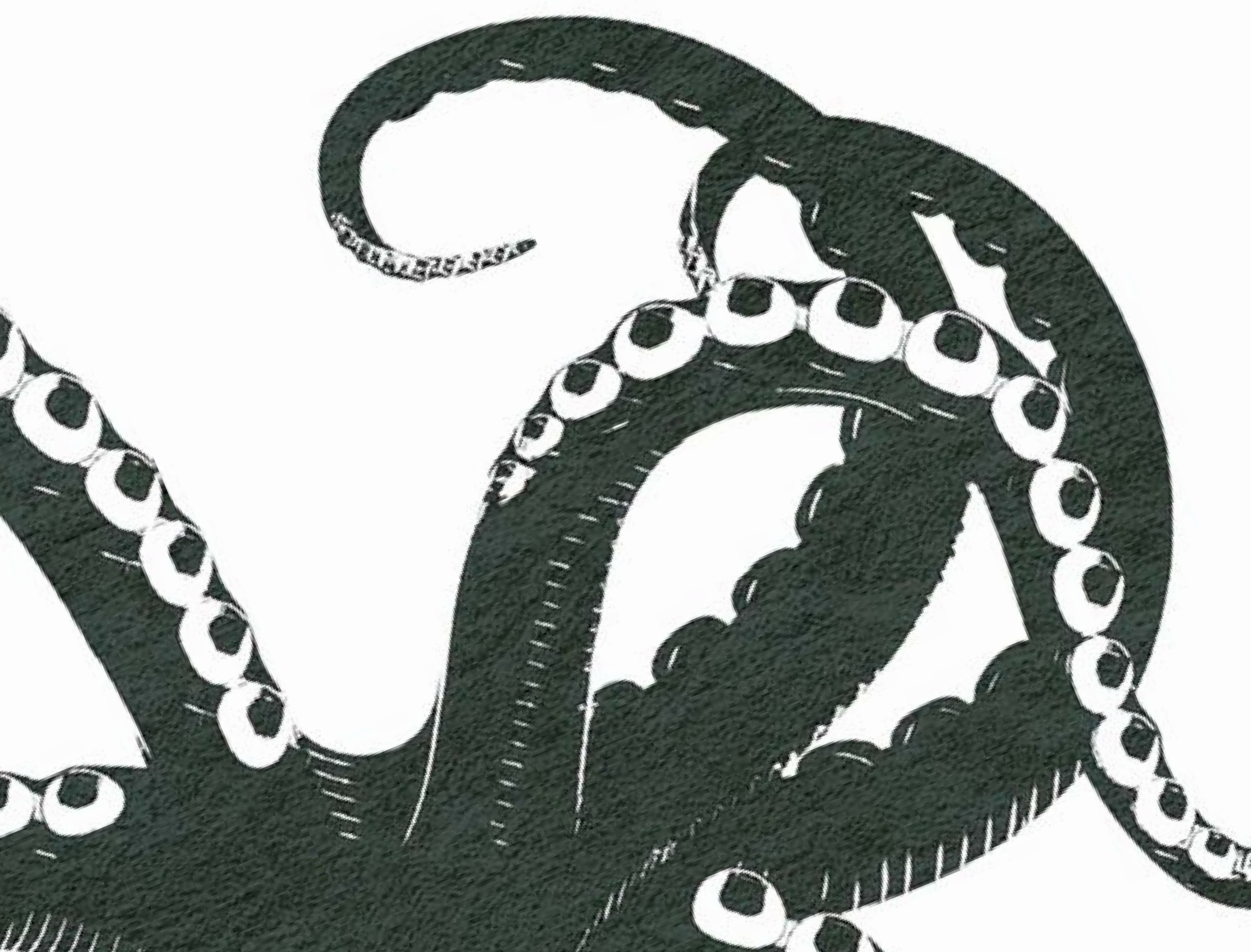

Pollock is a hot topic at major seafood shows

By Lorin Castiglione
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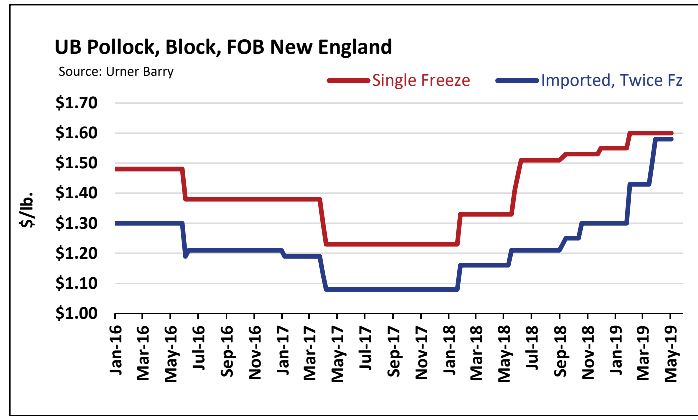
One of the hot topics discussed at both Seafood Expo North America in March and Seafood Expo Global in May, the two largest seafood shows of the year, was the rising cost of pollock, specifically imported twice frozen pollock block.

The upwards pressure on the pollock market can be attributed to a few factors. Poor weather and ice conditions at the beginning of the year in the Sea of Okhotsk postponed the start of the already short fishing season of January through April. Storms not only affect the fishing vessels above the waters, but they also cause disruption below as schools of fish often disperse during storms, making it difficult to bring up a volume catch. Once fishing efforts were in full force, the catch was lackluster, bringing in smaller sized pollock.

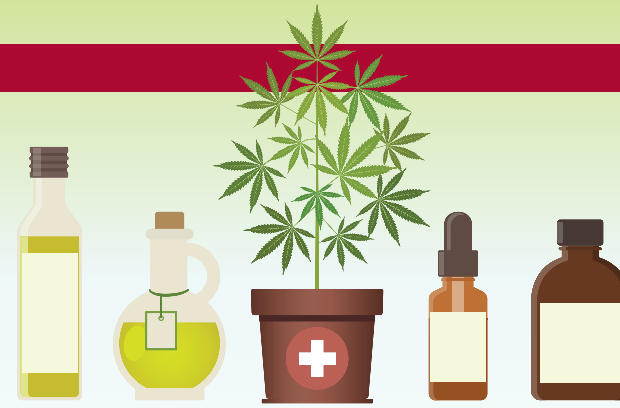
While prices on all pollock forms continue to rise, twice frozen pollock block is moving faster than the rest. Historically, there was about a $0.20 difference between twice frozen and single frozen pollock block, but as of April 2, the high and low ranges have started to overlap and continue to do so.



Heading into 'B' season, which begins in June, demand remains very strong. The overall supply into the whitefish markets is tight, which allows us to assume the market will remain strong into 2020.

Based on the price of raw materials, will PBO rise in conjunction to the twice frozen spike? Will the market stabilize, allowing for twice frozen to retreat back down in price? This situation leaves us questioning what we could see in the coming months.

Getting by without getting high



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Cannabidiol, better known as CBD, has a medicinal history that dates back thousands of years. Used medicinally, CBD can help with issues such as chronic pain, anxiety, inflammation, depression, autoimmune disease, and neurological conditions, to name a few. What makes this market unique is that these products can be used topically or can be consumed orally.

When CBD first took off, it was mostly edible products, such as gummies or oils. However, with the popularity of these items continuing to grow, new edible products began to pop up in the market. From sodas to ice cream, CBD users have a variety of options to explore—and some restaurants are even jumping in on the fun. Fresh&Co, a fast-casual chain in New York, debuted a limited-time CBD infused menu that included a half-baked salad with hemp cakes, a blazed beet sandwich, chocolate truffles, and CBD cold brew coffee. Meanwhile in Tempe, Arizona, Spinelli's Pizzeria is creating delicious Italian classics with a kick of CBD to the delicious creations. Guests can add CBD into their cocktails, or on their pies.

The reason CBD is such an attractive product to many consumers is because it is a safe way of trying cannabis without having the effect of being high. While THC is the other side of cannabis which makes users high, CBD has been stripped of the intoxicating factor. THC is an activator and induces a high by activating the CB1 receptor in the brain, where CBD does not.

The popularity of hemp and CBD is so large now that even some retailers have begun to sell products. However, one hurdle major retailer chains must face is the FDA. FDA regulations have not yet been put in place for CBD due to different safety concerns of these new products. Industry members have mentioned that these products will stay within the market without the regulation of the FDA, but this makes it difficult for the expansion of product to be done through different outlets. There would be an opportunity for this market to grow by expanding into the topical industry since edibles are available via dispensary and topicals are harder to come by.

The hardest hurdle that the hemp and cannabis market is currently facing is being able to keep up with demand for growers. With sales increasing rapidly, hemp growers are in high demand. Support within their teams is needed as well; from formulators, to extraction specialists, to marketing and sales teams. Customers are also looking to find products at a more cost-effective figure, and growers are trying to make that happen.

Going forward, the CBD market is expected to triple from a $390 million market in 2018, to a $1.3 billion market by 2022. UB

Article contributed by **Holly Graga**
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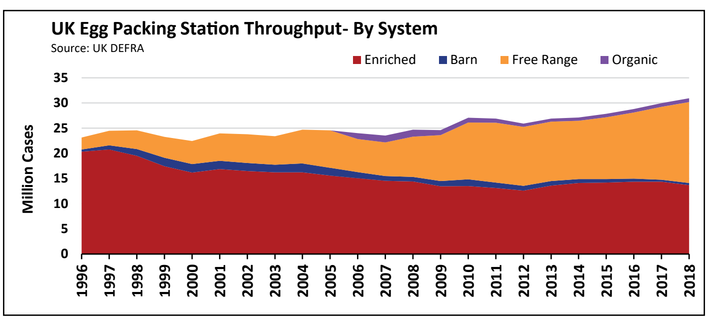
Brexit is delayed but…

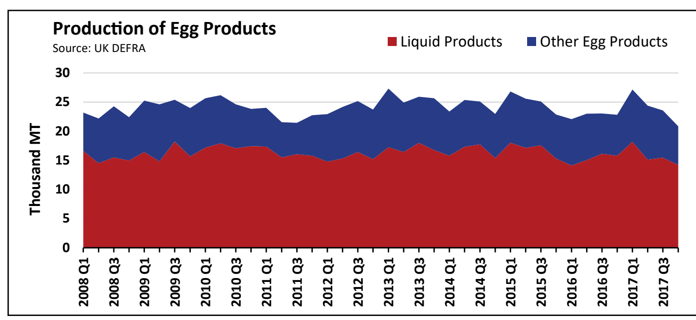
UK's exit from EU may still impact egg markets

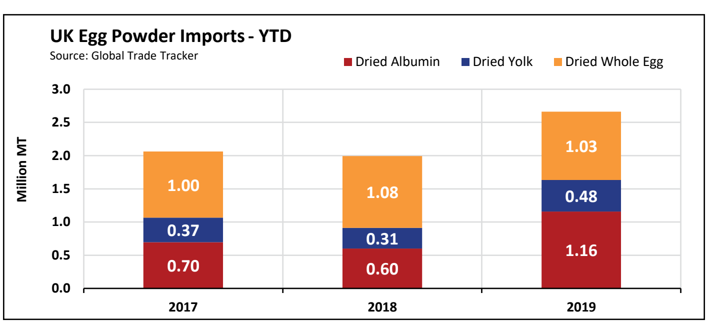
On April 11, 2019, the European Union (EU) extended the two-year period provided to the United Kingdom to exit the Union to October 31, 2019. Many scenarios remain possible for the next six months: From the United Kingdom leaving without a trade deal, to the country cancelling its exit from the EU. Some of these scenarios have the potential to disrupt the country's supply chains for the food industry depending on the new relationship between the two entities. And egg markets could also be impacted.

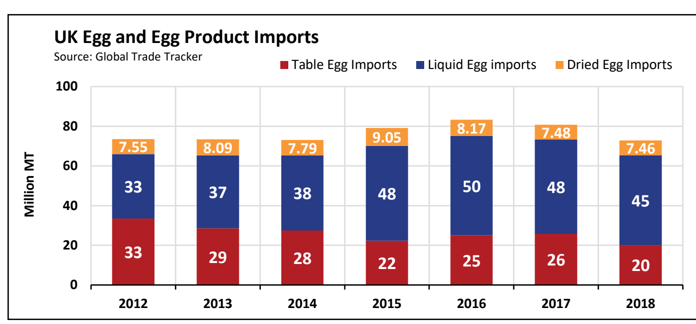
The EU exports close to US$45 million of agri-food products to the UK, notably fresh and processed fruit and vegetables, meat products, and food preparations, with the Netherlands (14%), Germany (11%), Ireland (10%) and France (10%) the main suppliers for the country. Those flows represent about 75% of the UK's total food imports, according to the European Commission website.

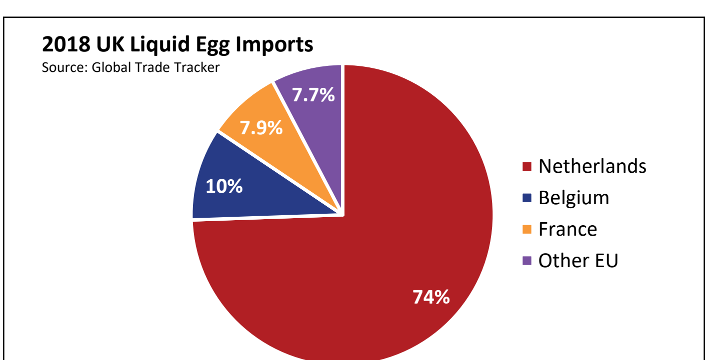
In case a withdrawal agreement is settled, it should provide for a transition period during which the UK is bound by the obligations from the EU's international and regional agreements easing any disruption to supply chains. However, in a no deal scenario, these agreements will no longer apply to the UK and therefore tariffs could be erected with the continent. But, equally problematic, food flows between the two regions would be subject to mandatory controls for diseases creating the possibility of major logistical bottlenecks.

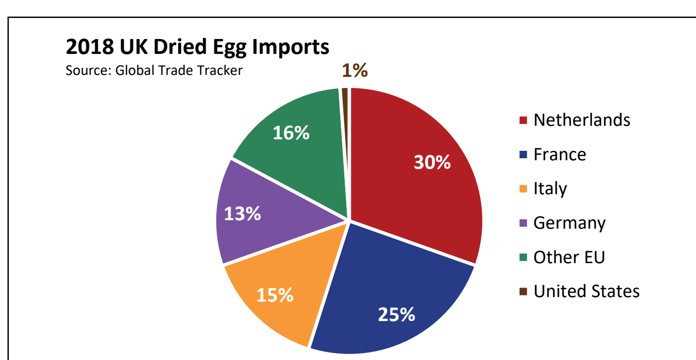






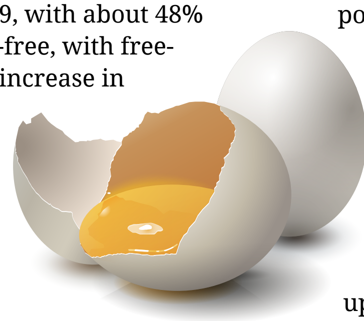






The UK only produces about 85% of the eggs it needs, which means large volumes of eggs and egg products are imported from other countries. Most of that material comes from the EU, with the Netherlands, France, Italy and Spain the major exporters.

The latest UK data suggests there were 40 million laying hens in the country at the beginning of 2019, with about 48% housed in enriched cages and the rest cage-free, with free-range the system of choice. Despite a large increase in the number of hens in the last five years, the UK is still reliant on the European continent for some of its eggs. About 11 million eggs were produced in 2018, or 668,000 metric tons. UK retailers have privileged the purchasing of British Lion Code Eggs, a UK quality code of practice. It is the UK's egg processors that are the main importers of shell eggs. These processors break most of the cheaper UK's Category B eggs but will need to import more expensive shell eggs from the EU as there aren't enough eggs in the country.



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Still, the UK's import of shell eggs remains small compared to the entire domestic volumes. It is in egg products that the country's real deficit lies. While domestic processors produce 90,000 mt of liquid products, European processors exported 45,000 mt of liquid and some 7,000 mt of egg powders to UK end-consumers last year.

The uncertain likelihood of a no-deal Brexit has already impacted flows of dried eggs, mostly albumen and yolk powder, as end-consumers built up their inventory before the initial March 29 deadline. Consequently, albumen powder imports have almost doubled during Q1 2019, surging to 1,150 mt from 600 mt in Q1 2018. Yolk powder imports are up 55% year-on-year.

This has not had any effect on prices as most of these volumes were part of contracts. The main risk if no deal happens will be regarding customs clearance of imports. Issues or delays could have an impact on prices. As well as inventory build-up, some end-consumers have already substituted some of their egg product import requirements with domestic volumes. However, given the country's self-sufficiency rate, not all market participants will be able to do that, at least at current prices.

Uncertainty will remain for the next six months when a decision should be made and egg markets can adapt to the new situation. UB

Article contributed by **Ben Leveau** | bleveau@urnerbarry.com

IT'S PRIME TIME

Article contributed by Katrina Huffstutler, **Certified Angus Beef**

There was a time when the Choice grade seemed like the gold standard.

But as the song goes, "the times, they are a-changin'."

While Choice numbers rose steadily since 2007, it wasn't until 2015 that Prime carcasses in the mix really began to make an impact. Since then? They've continued to increase dramatically, frequently setting records. The latest of those shattered the last week of winter when 10% of steer and heifer carcasses qualified for the highest grade.

Clint Walenciak, director of packing for the *Certified Angus Beef*® (CAB®) brand, spoke at the Cattle Industry Convention in New Orleans earlier this year on how the industry got here and what it means for demand.

What's driving this trend is one of the biggest points of debate, he said. Is it genetics, or is it management?

Photo credit: Certified Angus Beef

"That's a 50/50 equation; we can play either one of those hands if and when we need to," Walenciak said. "There's no doubt the price of corn is contributing to this, but when you look at a trend over that many years with that much longevity, you really have to come back and start looking at the genetics."

Those improvements came so quickly thanks to Mother Nature. Drastic drought-related herd reductions in 2011 and 2012 allowed for building a much better cow herd from 2013 to 2015.

"As we rebuilt that herd, it was painful at times, but we experienced some really good growth with the nicest, freshest genetics we had available being forced into the pipeline," Walenciak said. "I think the industry as a whole has been very laser focused on the genetic component."

U.S. cattlemen produce in the neighborhood of 40,000 Prime carcasses per week, regularly much more than twice the long-term average of 3.3%, and recently triple that.

"Everybody likes to look at historical averages because it helps you set your

"As we rebuilt that herd, it was painful at times, but we experienced some really good growth with the nicest, freshest genetics we had available being forced into the pipeline..."

Clint Walenciak, Director of packing for CAB.
Photo credit: Certified Angus Beef

compass out on the horizon and see where you're going," Walenciak said. "But the packers are in uncharted waters now. There has been such a huge increase, it becomes a little bit difficult."

Still, all indications say more Prime beef is simply a good thing, rather than too much of a good thing. Demand has risen with supply, and the industry doesn't just sell Prime steaks anymore, Walenciak said. Prime briskets have exploded in popularity, and there's a good market for Prime clods and ground beef, too.

"When we talk about where a lot of these products flow, you've essentially got three options," Walenciak said. "They can go to foodservice, they can go to retail or they can go to international markets."

Because Prime was previously a middle meat program, its dominance was within the foodservice sector. But today, the biggest increases are in retail, at 40%, and international, up 60%. Even within the foodservice category, new opportunities are available as Prime increases.

Walenciak said fine dining, white-tablecloth steakhouses are no longer the only ones that have access to Prime. For example, Texas barbecue joints are now boasting CAB brand Prime briskets.

"It's a brave new world," he said. "Everybody is trying to get adjusted. No matter if you're on the packer side of it, putting this product into a box, or if you're on the purchasing side. It may not be a fit for everybody that's bringing beef in their door out there, but at least everybody's challenging themselves to take another look at Prime." UB

Easter 2019 consumer demand for eggs high as ever

Article contributed by Anne L. Alonzo, President and CEO, The American Egg Board

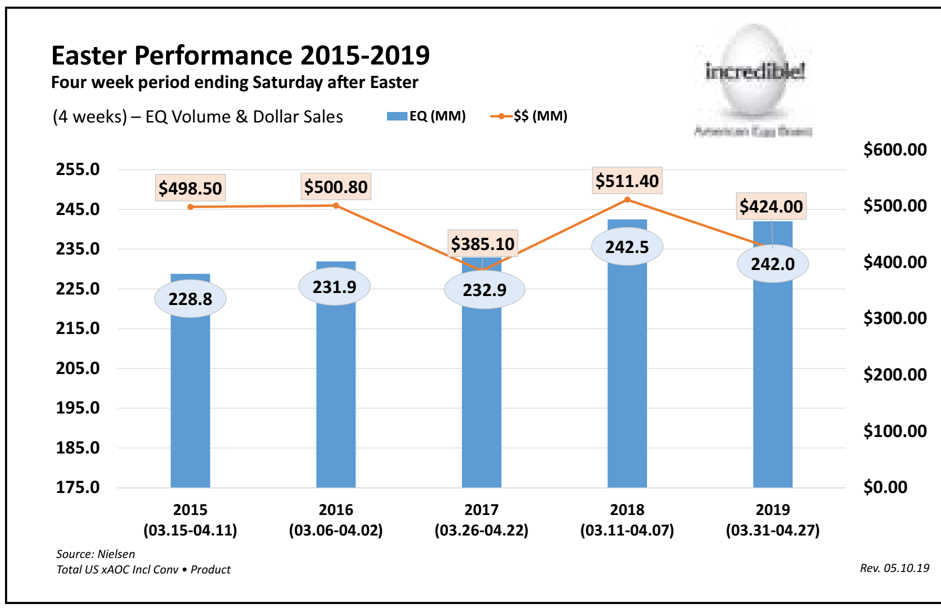
As the marketing organization for America's egg farmers, the American Egg Board's (AEB) mission is to increase demand for eggs and egg products. Our laser-like focus is to sell more eggs to more people more often.

We accomplish this through year-round marketing, including efforts spanning those softer summer sales months, the back-to-school/back-to-routine season in the fall and the first quarter of the year when consumers are focused on health and wellness. Our campaigns during these periods have garnered pretty dramatic results.

And then there is Easter. While it's actually not *the* peak sales season for eggs — that distinction belongs to the winter holidays thanks largely to all of the baking and entertaining that goes on — Easter is nonetheless *the* egg holiday and a critically important sales window for America's egg farmers.

For 2019, The Incredible Egg (the AEB's consumer-facing brand) mounted a robust Easter campaign that inspired consumers to use eggs by providing fresh and innovative ideas for egg decorating, alongside new Easter recipes. Our Easter efforts culminated with The Incredible Egg's annual, multi-faceted role in the White House Easter Egg Roll — our largest and most successful execution on the South Lawn to date.

I'm delighted to report that Easter 2019 delivered a stellar performance across key campaign metrics, including AEB's most important metric: *consumer demand*, in which we play a role. In fact, given current market conditions of high supply and low prices, you may be surprised to learn that for the second consecutive year, demand for eggs at Easter was at one of its highest levels in history.



EASTER SALES SNAPSHOT: DOZENS VS DOLLARS

From our perspective, we believe the best measure of demand is consumer purchase, based on actual sales scanner data as captured by research companies like Nielsen and IRI. Because egg carton sizes vary so much, we focus on equalized dozens (EQ) when we report on consumer purchase behavior.

While we normally report EQ dozens sales on a calendar year-to-date basis, as well as a rolling 52-week trendline, every year we also do a custom analysis for the Easter holiday, for which timing can vary on the calendar from early March to late April. We look at

© SvitlanaMartyn/Getty Images

a custom four-week period, ending the Saturday following Easter. For 2019, Easter fell on April 21, late in the season; so our Easter reporting period would be from March 31 to April 27.

Although final Nielsen data for the last week of this year's Easter period will not be available to the AEB until early June, we requested preliminary sales data from Nielsen through April 27 to provide an early snapshot to the industry. (Please note, it is possible the numbers reported below may increase slightly, as late reporting retailers update their holiday results.)

Easter 2019 EQ sales were some of the highest levels the industry has ever experienced — 242 million dozens for the four weeks ending the Saturday after Easter — basically flat to 2018 and nearly 4% higher than 2017.

Based on conversations and information presented at the Urner Barry Executive Conference in Las Vegas in late April, it will come as no surprise that this Easter's dollar sales were significantly below last year's (-17% vs. 2018), BUT it may surprise you that 2019 Easter dollar sales were still +10% over Easter 2017.

Overall, when we look at Easter trendlines, we see steady growth in EQ dozens and significant volatility in total revenues.

One of the most interesting things we see in the trendlines is that there does not seem to be a correlation between the average retail price and the number of dozens sold.

This phenomenon is referred to as demand inelasticity — where overall product sales do not appear to be sensitive to retail price, although retailers may use price to attract consumers away from other retail locations. Eggs are an important staple in consumer households, and, interestingly, Nielsen market basket studies show that the presence of eggs in the shopping basket is likely to increase the total shopping trip purchase by at least $33 for conventional egg buyers (and as high as $49 per trip when cage-free eggs are in the basket). Price-sensitive consumers may switch between types of eggs depending on retail price; but because eggs are perishable, consumers are unlikely to load up on future purchases when prices are low.

CONSUMER PERCEPTIONS RUN HIGH

In addition to tracking EQ dozen sales at retail on a monthly basis, the AEB also closely monitors consumer perceptions via annual surveys to understand beliefs and attitudes around eggs and to anticipate future trends. We believe that today's consumer preferences are a valuable leading indicator, providing insight into the most likely consumer behavior of tomorrow.

In this regard, we have more good news to report: today's consumer

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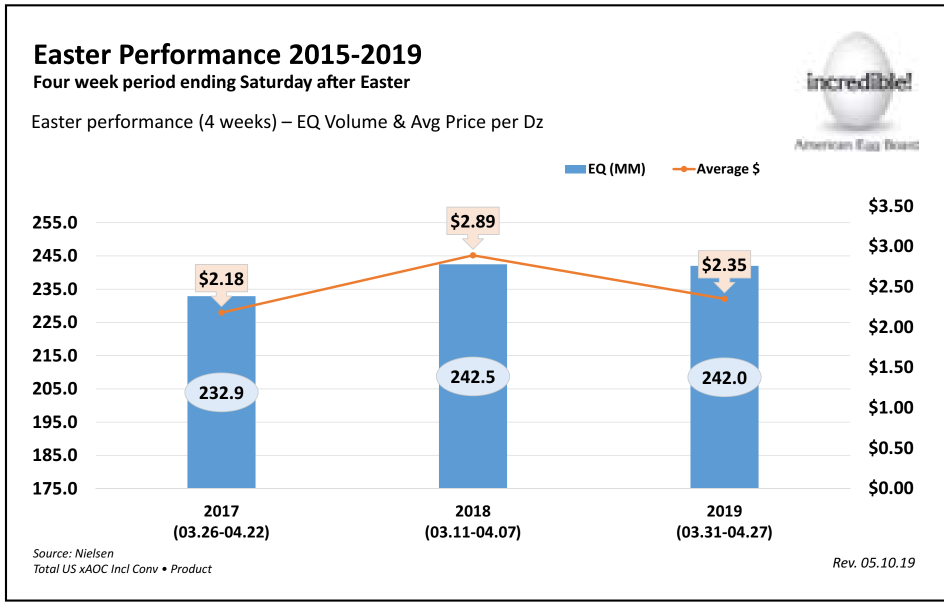
perceptions of eggs have also reached a high point — the strongest we've seen in a decade of research. More consumers are reporting positive awareness of the benefits of eggs, from nutrition to ease of use. We also see a significant decrease in consumer concerns about eggs and cholesterol.



NEXT STEPS

In conclusion, the state of the egg is remarkably strong from a consumer perspective. A preliminary snapshot indicates sales volume in dozens of eggs are historically high, and consumer perceptions around the benefits of eggs are also extremely positive. Furthermore, consumer purchases are not impacted by retail price fluctuations at shelf, but retailers benefit significantly when eggs are part of the consumer's shopping trip.

Please look for AEB's Final Easter 2019 results in early June, when Nielsen databases are fully updated. We will also conduct additional research in 2019 for deeper insight into the egg category and to provide more facts and tools for the egg industry to use with retail customers. Stay tuned! UB

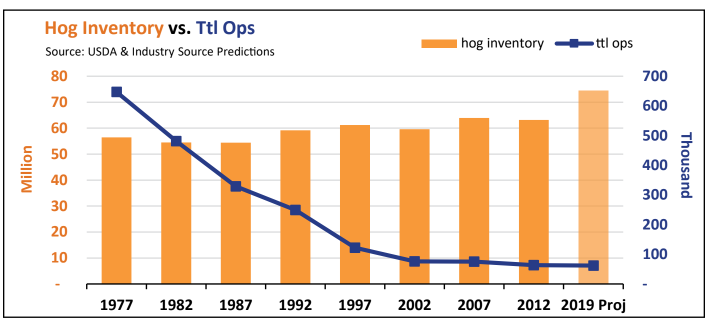
From then to now...

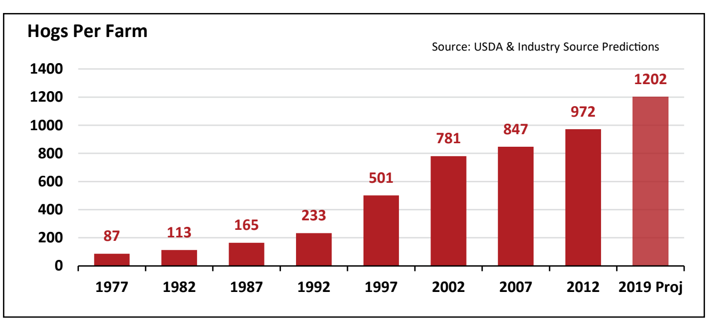
How the U.S. hog industry has CHANGED

©RGtimeline/Getty Images

Huge changes have occurred in U.S. swine production in the last 30 to 40 years, so many in fact that looking at the statistics alone would make one wonder if it's even the same industry. And, well, in a sense it's not.

For example, the number of U.S. swine producers is now around 60,000, which is less than 10% of the approximate 647,000 operations counted in 1977. Record numbers of hogs are being produced in the U.S. so obviously the average number of animals per operation has greatly expanded. The data show that on average there are nearly 1,000 hogs per operation, compared with just 88 head in 1977 and 165 head 10 years later in 1987. There are well over 3,000 operations now that have 5,000 or more hogs, compared with none of that size in 1987.





For generations of U.S. farmers, having livestock and/or poultry was a way of adding value to the corn or other grains and forages grown on the farm, and for many provided a ready source of fresh meat. In the latest 20 to 30 years, as farms got bigger, more specialized and increasingly technical, swine and poultry operations particularly began to be more and more independent of the grain operations. Increased technology, the need for improved bio-security systems, better management skills and the benefits of having full-time herdsmen and other workers seeing after the hogs paid big benefits in terms of output and efficiency. Hog operations became dependent on their ability to operate efficiently and turn a profit in the long run regardless of price fluctuations in corn.

In the late 1990s and early 2000s, vertically integrated and vertically aligned hog operations emerged and grew rapidly as independent producers struggled to turn a profit when corn prices moved up to historic levels and many of the older facilities were no longer efficient. As hog production moved indoors, capital investment in the facilities greatly increased and the focus shifted from short-term to longer-term outlooks, and weathering the ups and downs of the market to survive and continue operating.

To operate the facilities most efficiently, maintaining throughput and consistency year-around is a must. That means the farrowing and nursery operations must provide enough pigs to keep the finishing facilities full, which requires that more females be bred during the stressful times of the year since some of those sows will not deliver or may have smaller litters when the conditions are not at optimum levels.

While several positives and negatives could be discussed regarding the transitions made in the industry from many small hog farms to fewer, but much larger operations, one of the results of the move has been a more stable, consistent supply of hogs available to be processed throughout the year and regardless of corn prices.

An old standard used by diversified farms producing the grain they fed to hogs to determine profitability was the hog-corn ratio, or comparison of the hog market based on per-hundred weight price to the cost of a bushel of corn. Historically, when the ratio is 20 or higher, it is highly profitable to feed hogs, and herd growth typically occurred. But, when the ratio fell to 16 or less, herd reduction usually followed. While the hog-corn ratio is still used and calculated, other factors such as throughput, overall efficiency, facility utilization, financial backing and others have become increasingly important in determining production planning. UB

Article contributed by Curt Thacker
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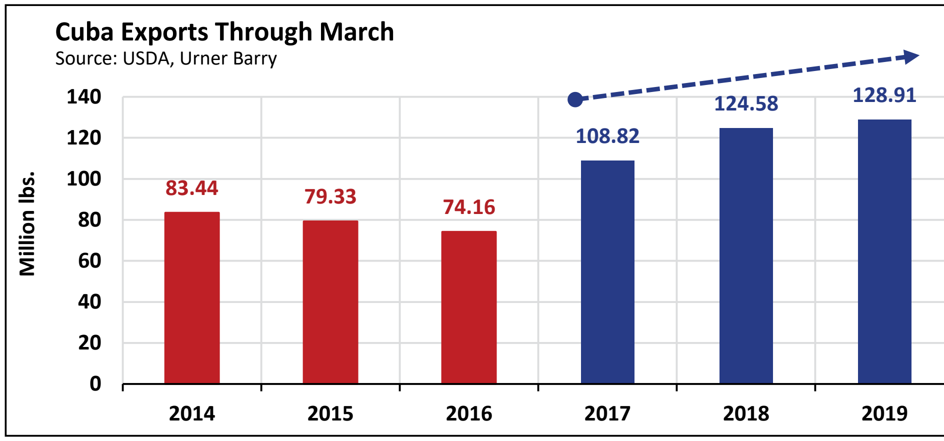
THANKS AND COME AGAIN: A snapshot of U.S. poultry into Cuba

Anyone who has been involved in the buying or selling of chicken this calendar year has experienced the difference in performance between white and dark meats. Breast meat can't seem to gain any sort of consistency, while at the same time legs, leg quarters, thighs, and drums have all performed well over initial expectations for the year. Many suggest that one of the major contributing factors in creating and maintaining this scenario is the emergence of Cuba and the volume they've purchased over the past few months.



While the ship dates ran from November 2018 to April 2019, there were two major purchases made between the Cuban buyers and U.S. sellers. Although mostly similar in volume, these two negotiations differed greatly from one another in terms of price point, as well as the overall attitude of those involved. The first saw discounted values, which wasn't all that surprising for reasons such as freezer stocks being at burdensome levels, the time of year, and U.S. processors trying to gain a foothold in the Cuban market overall. The next time around, chicken processors weren't as forgiving. The overall market had seen some form of recovery from its record to near record lows of Q4 of 2018. Freezer stocks were in a significantly reduced position, and the Chinese African Swine Fever (ASF) chaos only added to the already favorable scenario for sellers.

©AndresGarciaM/Getty Images

"THE OVERALL INCREASE IN EXPORT VOLUME THE INDUSTRY HAS WITNESSED THE PAST SEVERAL MONTHS COULD BE A THING OF THE PAST."

Taking a glance at the most recent data available from the USDA, total exports from Cuba through the month of March show a 3.5% increase compared to last year. When doing a five-year comparison, YTD exports are drastically up by a substantial 63%.

One could say that all was well on the back half up to this point. Urner Barry's fresh leg quarter quotation was at $0.37 and trending higher, cold storage inventories were manageable, and the back half was easing the pain that was, and still is, white meat. One concern that eventually became a reality was the U.S. government's involvement in U.S.-Cuba relations and the Trump administration's stout approach.

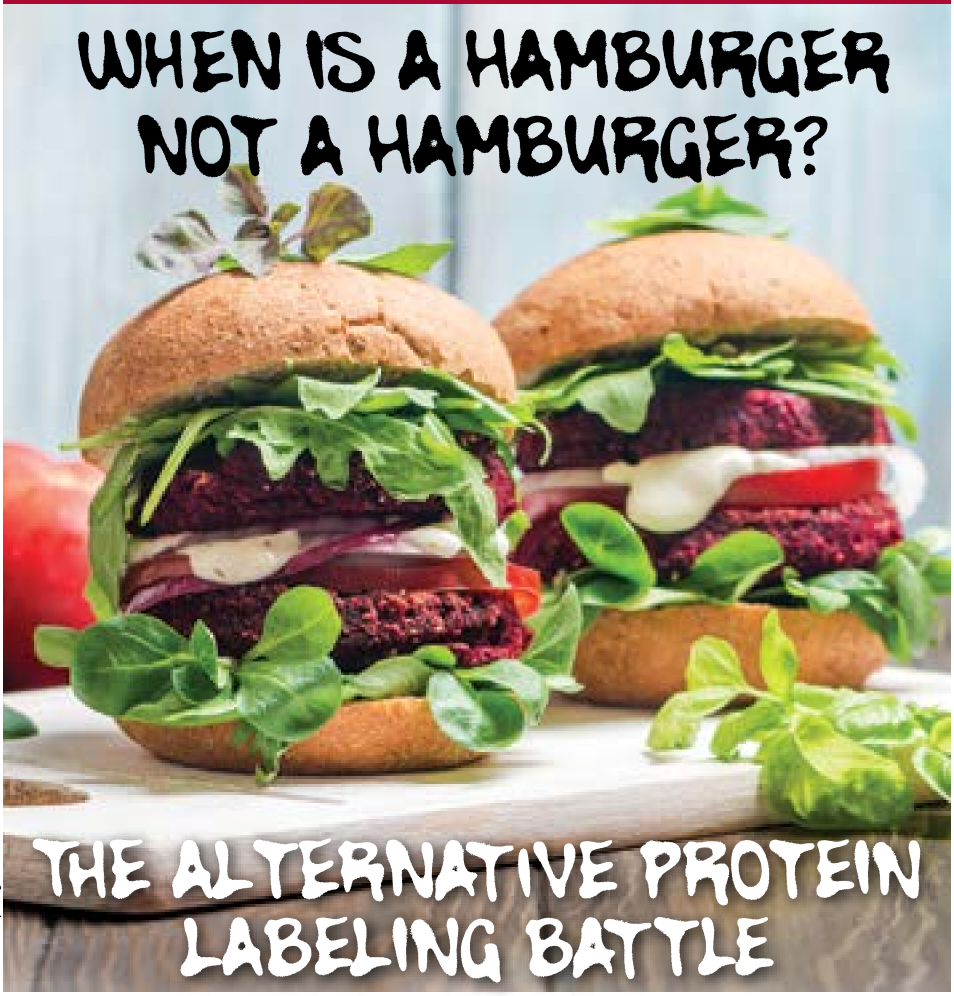
Title III of the Helms Burton Act, which was previously suspended by the Obama administration, will now be fully implemented. Title III allows U.S. citizens to sue for properties that were confiscated once Fidel Castro seized power in 1959. This now makes it incredibly challenging for business to be done with Cuba, as foreign investors are going to think twice about getting involved with Cuban businesses and the Cuban government. As such, the overall increase in export volume the industry has witnessed the past several months could be a thing of the past.

Moving forward, while there are a few different variations to possible outcomes, the two that appear to be the most encompassing and possible are the following: Cuba shipments are drastically reduced as it would just be too challenging for chicken processors, or, the United Nations steps in and declares this situation to be a humanitarian crisis, thus incentivizing food and essential commodities to be shipped to the country. In the meantime, many are taking a "wait and see" approach. While something of this nature would normally carry with it majorly negative implications for the future of the dark meat market, many participants have been quick to point to the fact that the other export channels could pull their weight moving forward. This is rooted in the idea that year-to-date total exports are up about 1% compared to last year. Additionally, with Brazil now shipping chicken to China in order to compensate for their pork losses related to the ASF outbreak, many international markets could have a further void in their supply source, leaving space for chicken marketers to gladly fill. UB

Article contributed by **Evan Addis**
eaddis@urnerbarry.com

A steak by any other name...

WHEN IS A HAMBURGER NOT A HAMBURGER?



©Roxiller/Getty Images

THE ALTERNATIVE PROTEIN LABELING BATTLE

Walk the cooler aisle of your local grocery store and you'll no doubt encounter products sorted and labeled by their origin. Now, however, not all protein comes from animals. As alternative protein sources grow in popularity, many places are passing laws to identify exactly which products can be called what.

In the EU, groups have offered amendments to existing bills and proposed new ones dedicated to ensuring that "meat terms" on labels guarantee meat in the packaged product. In the US, several states are implementing legislation that would prevent terms like "burger" from being used on a non-meat product. More than a year ago, Missouri banned the term "meat" and many other "meat words" from covering any product not coming from a slaughtered animal. Seven other states have since followed suit.

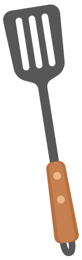
The specific term "slaughtered animal" is designed to cover both existing vegetarian products and potential future developments. As lab-cultured protein approaches reality, it would remain ineligible for labeling as a meat product, although it would be cellularly indistinguishable from meat. Bioreactor-grown meat would have to be called something else, but what?

Maybe meat manufacturers can take cues from dairy manufacturers under similar legislation, who have resorted to names like "Mylk," "Cheeze," or "Molk." Someday soon, grocery shelves could carry Beeph steaks or Chikkin salad, and spell check will be a vital resource for every savvy shopper. UB

Article contributed by **Jake Muldowney**
editor@urnerbarry.com

Grilling season is here...

Turkey industry sees room to grow in BARBECUE



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Article contributed by Beth Breeding, **National Turkey Federation**

Protein is hot right now. Just take a look at retail displays, meal kits and influencers promoting eating and wellness trends. Other players are entering the market, but it's clear that traditional sources of protein reign supreme. While that's promising for anyone in the meat and poultry business, it has also helped create a marketplace flooded with protein options. Add that to ever-present challenges of biosecurity, trade access and food safety, and, well, you get the picture—every industry has to think about getting more product in front of customers.

The turkey industry is paying close attention to movements in the protein marketplace. As we're thinking about how to get more turkey in grocery carts and on plates, it's clear that we also have to change the way consumers think about serving turkey. That's where a little bit of smoke and a whole lotta barbecue come into play. Through the National Turkey Federation's (NTF) Turkey Smoke barbecue competition, we're building a platform for boosting turkey's presence in one of the fastest growing industries.

Turkey Smoke is a unique turkey barbecue competition that was developed to introduce the versatility of turkey in grilling and smoking to the barbecue community. By creating this competition and building relationships with key players in barbecue, NTF is laying the groundwork for the turkey industry to position more products in the barbecue space, whether through foodservice or retail. Like most of the projects NTF undertakes, the concept of Turkey Smoke is member-driven. In July 2018, NTF's Product Development Task Force, after examining potential opportunities for turkey, decided to make an investment in the big business of barbecue. With a new focus in our sights, NTF has plowed ahead in expanding the Turkey Smoke competition with the support of our members.

Turkey Smoke is forming a new category for competition barbecue and challenging pitmasters from across the country to dream up their tastiest turkey creations. It easily fits into any barbecue competition, large or small, and NTF members are generously donating product to help encourage participation. Since January, Turkey Smoke has made its way to Mississippi, California, Arkansas, Washington, D.C.

Photo credit: National Turkey Federation

and Missouri. In our most exciting event yet, Turkey Smoke debuted in May at the World Championship Barbecue Cooking Contest in Memphis, the most prestigious barbecue event in the business, with nearly 80 world-class teams participating in the turkey category at an event that is traditionally known for being pork heavy. Each of these competitions has resulted in real enthusiasm for turkey from some of the biggest names in barbecue, which will only grow as the barbecue season heats up.

Turkey isn't necessarily new to the barbecue scene. If you've dined at a Texas barbecue joint, you've probably tried smoked turkey. You can find it on other barbecue menus across the country. We know that smoking or grilling are the preferred methods of Thanksgiving turkey preparation for some families. And we think turkey burgers can smoke other options any day. But, in a sport that craves more protein, there is room for turkey to grow. The goal of this industry-wide initiative is to see this lean, flavorful protein become an expected or common option in competitions, on barbecue menus and ultimately on backyard grills.

Turkey Smoke is a platform to reach the barbecue community, and the starting point for changing the way we're thinking about turkey. Seven in 10 U.S. adults own a grill, so why not put turkey on those grills? Big cuts of meat, like turkey breasts, wings, legs and thighs, offer an alternative to the traditional. Brined, sauced or rubbed – turkey's ability to soak up flavor makes it the perfect addition to any barbecue lineup.

Thanksgiving isn't the only season for turkey. Grilling season is here. It's the perfect time to give turkey a try. UB

Executive Conference connected and inspired in 2019

People are still talking about Urner Barry's 2019 Executive Conference—the venue, the food, the fountains, (the ducks!), the networking, amazing speakers, and exclusive market intel. This year's conference really was the best ever!

Overlooking the fountains at Bellagio from Hyde Nightclub during an evening cocktail party hosted by Urner Barry.

Keynote speaker Rob Lynch, President of Arby's, dazzled the crowd with his presentation on the turnaround of the Arby's company and remaining true to the brand's identity in an increasingly crowded QSR space.

"It's a tough industry, and it's hyper-competitive. It's a share game, and you have to go in and battle every day," said Lynch. "Persevere with pride."

Michael Sansolo inspired attendees to think differently about the topic of staying relevant in a changing world. Pointing out that there has never been more information circulating in the modern age of communication, Sansolo told the audience, "Unless we're talking, we're invisible."

Dr. David Kohl had the undivided attention of the audience as he spoke on the economic situation and what it means for agribusinesses now and in the future.

"We have uncertainty," Kohl warned. "Uncertainty around trade agreements, we don't know the next tweet that's coming out of the White House, and we don't know what the 2020 elections hold." With so many questions surrounding global trade and developing practices, Executive Conference attendees got expert answers to a lot of questions that were looming.

Additional speakers included Alyssa Rebensdorf, Counsel at Faegre Baker Daniels LLP, revealing the regulatory implications of meat alternatives and labeling; Steve Sands of Performance Foodservice on differentiating products through branding and transparency; and Sarah Schmansky of Nielsen taking a look at the success of the deli segment in driving growth at retail.

The annual panel discussions featuring Urner Barry's own poultry, red meat, and egg market reporters featured top insight and analysis into the markets. This year was the first time the panel incorporated beef and pork market information, and the audience was enthralled with news of African Swine Fever and its far-reaching impacts.

"ASF could be the most severe livestock disease outbreak in recorded history," said pork market reporter Russell Barton. "The effects of which will likely be felt for years and across multiple proteins."

Continued on page 76

Save the date for next year's conference!

Above: Wayne Winslow accepting his Egg Person of the Year Award from Urner Barry.

Left: Wayne Winslow of NuCal Foods and Urner Barry egg market reporter Randy Pesciotta.

Above: Ken Rutledge accepting his Poultry Person of the Year Award from Urner Barry.

Right: Ken Rutledge of Dakota Provisions.

Above: Ron Vilas of Vilas and Company accepting his Lifetime Achievement Award from Urner Barry.

Right: Ron Vilas (holding award) surrounded by (L to R) his daughter Jennifer, wife Ellen, and son Mark.

Above and right: Rob Lynch, President of Arby's as keynote speaker at the Executive Conference.

April 26-28, 2020 at Bellagio, Las Vegas

It's the best show ever...

Continued from page 74

In addition to red meat coverage this year, attendees were also invited to attend the Seafood Import Workshop for the first time ever as part of their Conference registration. The workshop featured dynamic discussions on seafood safety, compliance, best practices for the supply chain, insurance options and risk management.

Urner Barry also had the priviledge of presenting its historic awards to pivotal members of the industry—a tradition that dates back to the earliest years of the Executive Conference. Each year at the show, the Person of the Year Award is given to a representative from both the poultry and egg industry to recognize the work they've done to improve their respective fields in the name of efficiency, production, marketing and distribution.

Urner Barry had the honor to bestow this prestigious award on two deserving professionals. The 2019 Egg Person of the Year Award was awarded to Wayne Winslow of NuCal Foods, while this year's Poultry Person of the Year was awarded to Ken Rutledge of Dakota Provisions.

And for the first time ever, Urner Barry bestowed a Lifetime Achievement Award on an individual who has had a distinguished career in the food industry. This year, Urner Barry recognized Ron Vilas of Vilas and Company for his widespread admiration and commitment to fairness and goodwill in this business.

From the informative sessions to the lavish cocktail parties, the 2019 Executive Conference was a smash—if you weren't there this year, make sure you join us in 2020! Next year's Conference will be held April 26-28 at the Bellagio in Las Vegas. UB

Article contributed by **Jamie Chadwick-Lee**
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Advertiser Index ...

2019 EXECUTIVE CONFERENCE SPONSORS

Urner Barry would like to sincerely thank our generous sponsors for their continued support. Their involvement has contributed to the success of our event for the past 43 years. We recognize their contributions are instrumental in providing the industry with this high-quality event that not only offers one of the best networking opportunities to the industry, it also presents exceptional educational and motivational content. Our deepest gratitude as we look forward to 2020!

GOLD

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Vilas & Co Inc. (Worldwide Poultry Distribution)

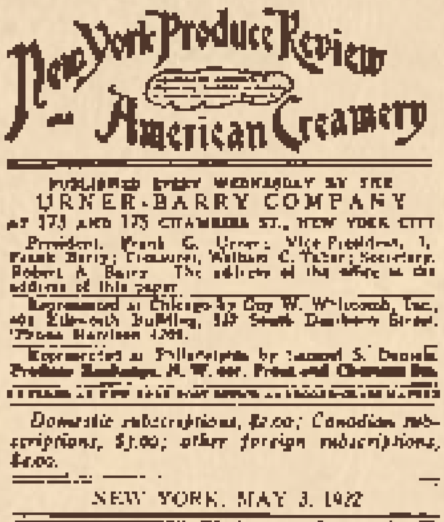
VPGC

Vista Food Exchange, Inc.

Wabash Valley Produce Inc.

WLF West Liberty Foods

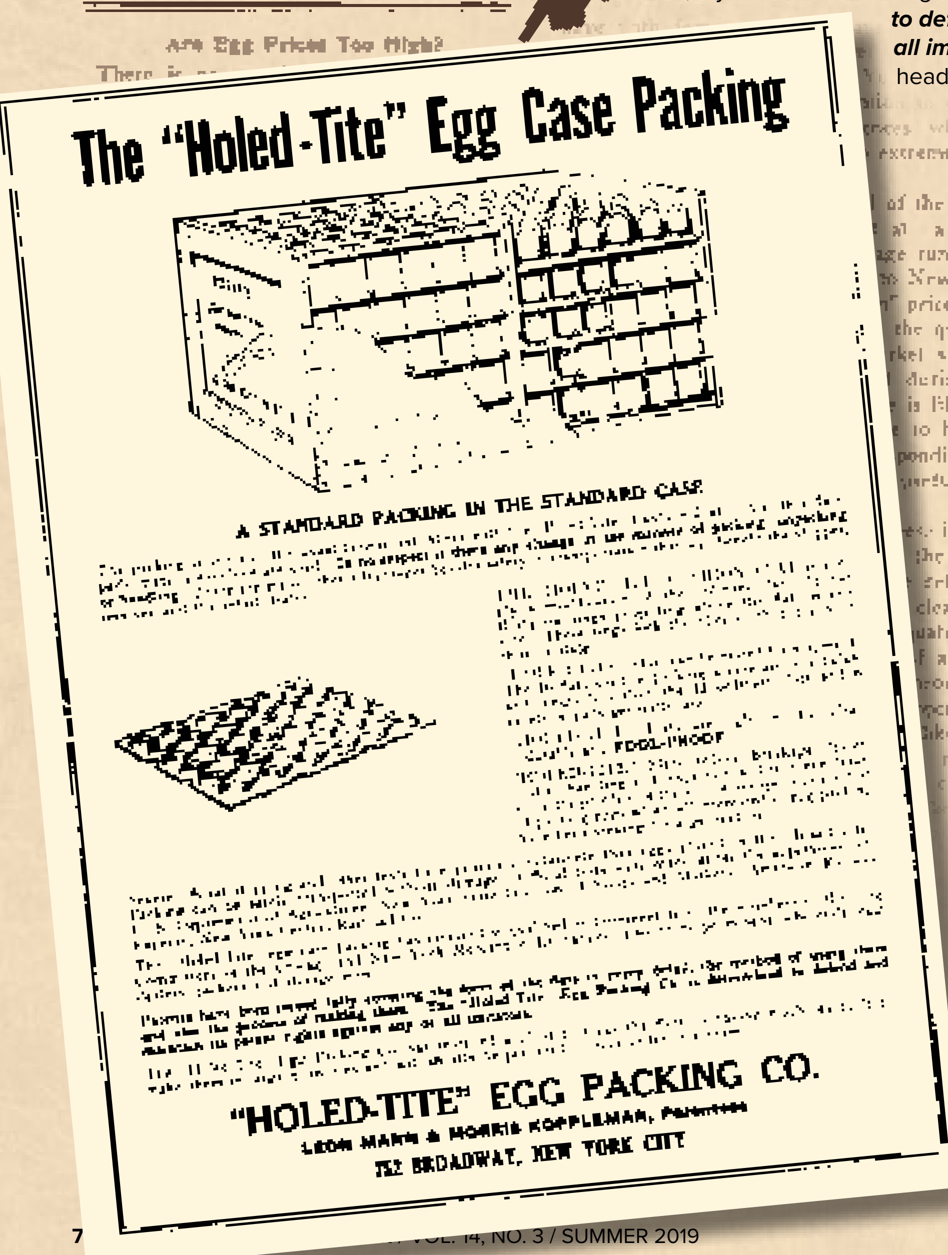
Cutting edge technology, circa 1922



It is often said that the more things change, the more they stay the same. Not so much in the egg, butter and cream world, however. We don't think we are going out on a limb here when we say that things are now done quite differently — and gratefully so! Take a trip back in time as we offer up some ads that feature the latest innovations of the day from 1922's editions of Urner Barry's "New York Produce Review and American Creamery."

Fool proof egg case packaging — the Holed-Truth and nothing but the truth

Shipping eggs long distances without breaking them was a very real problem back when roads were bumpy and trucks were clunky. But, have no fear, "Holed-Tite" is here! These cartons solved this dilemma all the while making the cases "less bulky and with less weight." Holed-Tite flats were "light—elastic—clean—durable and ***FOOL-PROOF***. So if you still had fools working for you loading and shipping your eggs, you needn't worry! And, if you were fool enough to try and copy their patent, they were ***"determined to defend and maintain its patent rights against any or all imitators."*** So you could just get that idea out of your head right away, buddy!



Ads of few words are the best ads...

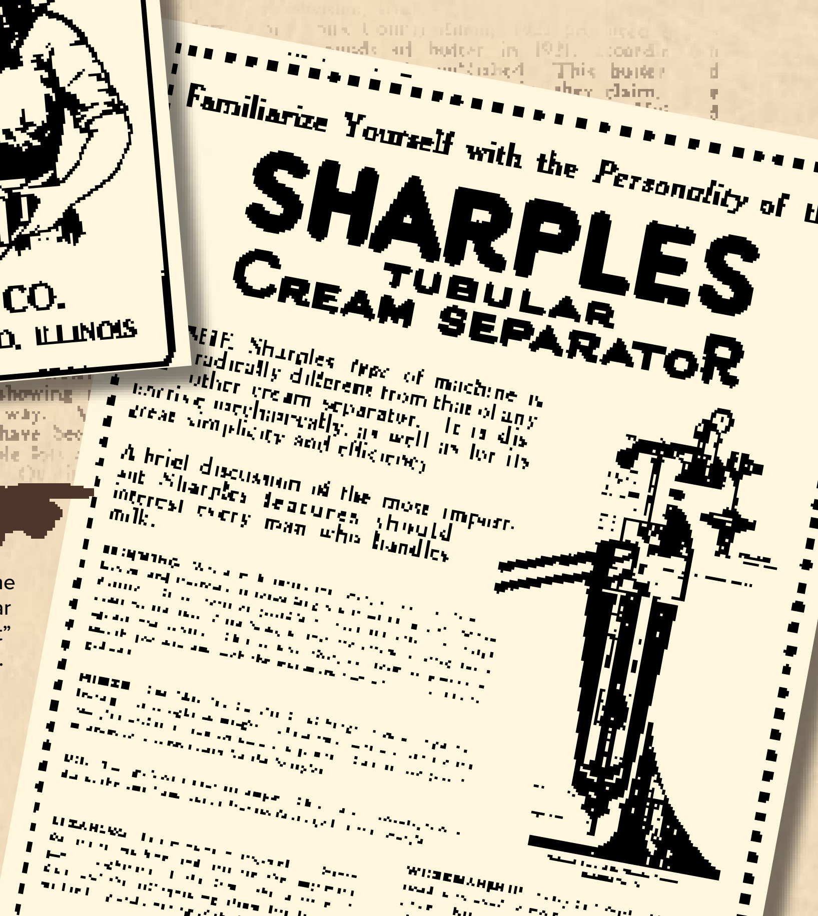
Shakespeare couldn't have said it better. All we know about these egg testers is that they were electric, cost only $2.00 and they were made by A. H. Rudolph. Unlike most of the other ads displayed on these pages, this one is not quite as verbose. But, what more would we need to know? I'm sure the Rudolph company made only the finest egg testers available. If we had one of these today, they would look great with all of our other steampunk decor, but I think we have devised much more efficient ways of testing eggs since these were all the rage.

This guy's derby says that he is "Ready for Action!"

This high-tech, pump-action machine was all you needed for trouble-free spraying. "It cannot become clogged" was one of its many claims to fame. Much more detailed information was available in the "descriptive circular," otherwise known as a *"brochure."* The photo clearly shows this marvel of modern technology "in Action." Apparently, it worked so well that you didn't even have to worry about messing up your finest headwear or suit as you splattered "water-paint" or "whitewash" wherever you wanted to apply it. You could get the job done and go out for dinner at a fine restaurant and not even break a sweat — or change your clothes!

No self-respecting egg producer would've been caught using anything less then "Self-Locking Cartons"

We now take it for granted that our egg cartons stay shut and locked all on their own, but in 1922, this was a whole-new concept! It looks like men of the 20s, however, were not very adept at working complicated mechanical cardboard boxes. This is evident by the statement that "aptly says" you can see how large and good the eggs are only when the "*housewife* opens the carton." There also seems to be a little bit of good ol' "bait and switch" here, too, since "Even small eggs *appear* large."



This tubular machine had "Personality!"

Here in the twenty-first century, we may have automatic teller machines, self-driving cars, and drones delivering our pizzas, but none of these machines actually have *"personality."* The Sharples Tubular Cream Separator had plenty to spare! It was also "radically different" from any other cream separator, as well as simple *and* efficient. It had so much personality, in fact, that we suspect that if you listened closely while it was operating, you could even hear it tell a joke or two... *"A tubular cream separator walks into a bar and the bartender asks 'Hey, Cream Separator, why the long face...'"* Oh, nevermind.

Article contributed by **Glenn Juszczak** | glennj@urnerbarry.com

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