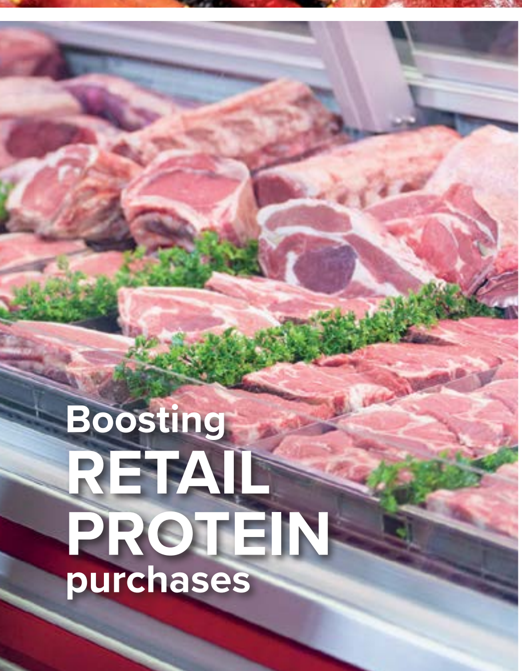
Urner Barry's

Reporter

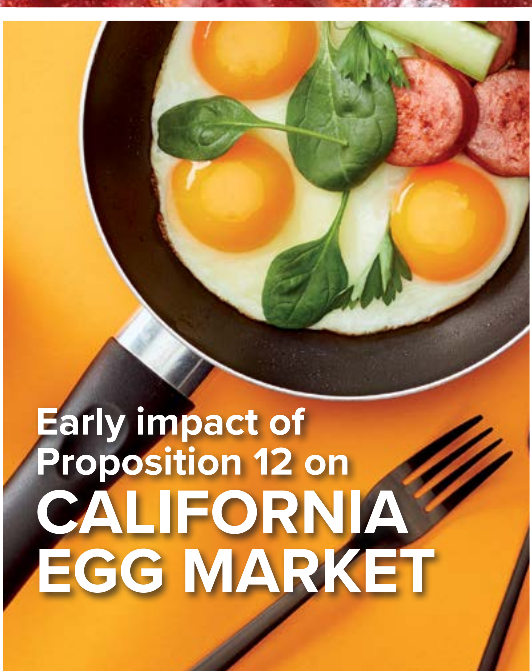
the newsmagazine for the food industry professional

VOLUME 15 | NUMBER 2 | SPRING 2020 | QUARTERLY

King crab prices at ALL-TIME HIGHS



Boosting **RETAIL PROTEIN** purchases



Early impact of Proposition 12 on **CALIFORNIA EGG MARKET**

2019: A volatile year for **BELLIES**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From the Editor's Desk...

In late January, I was honored to be a presenter at the Global Seafood Market Conference (GSMC) in Orlando. Similar to other center-of-the-plate protein events, attendees are offered a multi-layer perspective related to the issues most impactful to the marketing and consumption of seafood; from mile high vantage points to detailed analyses.

As you might guess, the platforms and initiatives discussed were specific to seafood. They vary within the business itself and, of course, are often different than those of the red meat, poultry and egg industries. The diverse functions fundamental to food production, but still under one protein umbrella, also have different motivations and ambitions. For instance, purchasing arms have objectives which differ from those a merchandising group might have, while a global exporter of protein will focus on different hurdles to bound than will a domestically focused processor.

The food industry is very traditional. At times cut-throat and unyielding, while at other times generous and giving. In my experience, the stereotypical personalities associated with each protein segment were born out of necessity. The poultry industry, for instance, is largely branded with a natural tendency towards competitiveness and securing market share. Beef and pork were traditionally non-branded, and industry check-off programs gave rise to promotions intended to benefit overall consumption rather than a specific brand. Think "Beef-It's What's for Dinner" and "Pork: Be Inspired." Eggs are a little mixed, with brand names successfully co-mingling with a healthy amount of "rising tide floats all boats" promotional efforts. That leaves seafood and turkey which, despite the obvious differences in the protein itself, share a struggle to advance per capita consumption. Neither the seafood or turkey industry have the same level of marketing assets available to the competition and seem to be languishing, despite the nutritional benefits and highly desirable dietary profile of each.

Notwithstanding significant differences, increasingly, I can't help but notice their similarities. Catchy slogans are being replaced by a call for heightened animal welfare guidelines, sustainability, taste, convenience and value; just to name a few. There isn't a protein centric conference held today that doesn't include a discussion on plant-based proteins and what it means for the traditional center-of the-plate options. And then there's global trade. ASF-rooted dialogue has commanded attention and permeated the food industry mindset. With that, agricultural trade with China and the ongoing uncertainty and challenges that it brings to the collective protein table have become the number one topic of discussion in U.S. ag export circles.

In the end what this means is that the trumpet call for innovation is sounding louder than ever. What has become ubiquitous will require a remake. The world of digital ordering and in-home eating requires adaptation, while generational differences are distinct and rapidly evolving. For the food industry, it sounds to me like a case of the more things change, the more they stay the same.

Keep in touch,

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A potential gamechanger…

Improving seafood and poultry storage with functional ICE

In the United States, an eye-popping amount of food goes to waste before it reaches the shelves of the grocery store. Approximately 30-40% of the food supply ends up in garbage cans across the country. The U.S. Department of Agriculture estimates that the amount equals 133 billion pounds of uneaten food.

Issues with temperature as food moves from farm to fork plays a significant factor in food waste, according to the National Institute of Food and Agriculture. During transport, improper temperatures of food can lead to spoilage.

Dr. Amit Morey, an Auburn University poultry science assistant professor, is working on a solution with a concept meant to improve food storage and food safety of poultry and seafood products.

Morey's dubbed this concept "functional ice," an additive enhancement that improves upon traditional ice.

For centuries, ice has been used to keep food temperatures low to slow bacteria growth and keep food fresh. Morey saw an opportunity to improve food storage by adding ingredients to ice that will improve the functionality of ice.

"I started investigating different ingredients and chemicals that could be incorporated in ice to make functional ice. We have tried certain ingredients that could help with reducing the temperature of the product during storage and transportation. But at the same time improve the yield and improve the shelf life by a day and a half or two, on the chicken side."

Functional ice is an ice that is made with food grade FDA-approved chemical ingredients that actively eliminate spoilage microorganisms and kill pathogenic microorganisms. Thus, maintaining or improving the yield and quality of seafood and poultry products.

Functional ice can be a gamechanger for the poultry and seafood industries, which typically ship highly perishable raw items that need to be kept at low temperatures through the supply chain. When seafood and poultry are in transport, products can experience various temperature points throughout its travel from collection point to retail sale. Keeping the products at 40°F throughout the supply chain is key to limiting spoilage and the growth of bacteria.

Morey highlighted functional ice's impact on seafood in Honduras. Morey conducted an experiment with a formulation of functional ice that eliminated a lot of bacteria on fresh shrimp and fresh tilapia during storage of 24 hours.

During the same experiment it was clear that the shrimp that was stored on functional ice remained fresh at the end of the day and they were spending less money on ice. Now expand upon that to a large operation and functional ice could help preserve large quantities of seafood and poultry.

"We now are capable of controlling microorganisms just during storage and transportation by just throwing some functional ice on it," Morey said. "Previously that was not happening. That is where it will create a tremendous amount of impact for both the seafood and for the poultry processing industries."

Functional ice is on the road to commercialization. Morey explained that the first batch was created in a commercial ice making machine. A partnership with Reddy Ice, a top supplier in the U.S., will help commercialize and manufacture the product.

Morey hopes that by May or June functional ice can head to the beta testing process. Players from both the seafood and poultry industry have shared interest in testing the product as soon as it is available.

Morey said the transition from regular ice, to functional ice is seamless. There is no extra equipment or technology required. It is used in the same way as regular ice. The functionalized ice will be delivered to customers doorsteps and will be ready to be placed right into their ice machines. UB

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Early impact of Proposition 12 on California egg market

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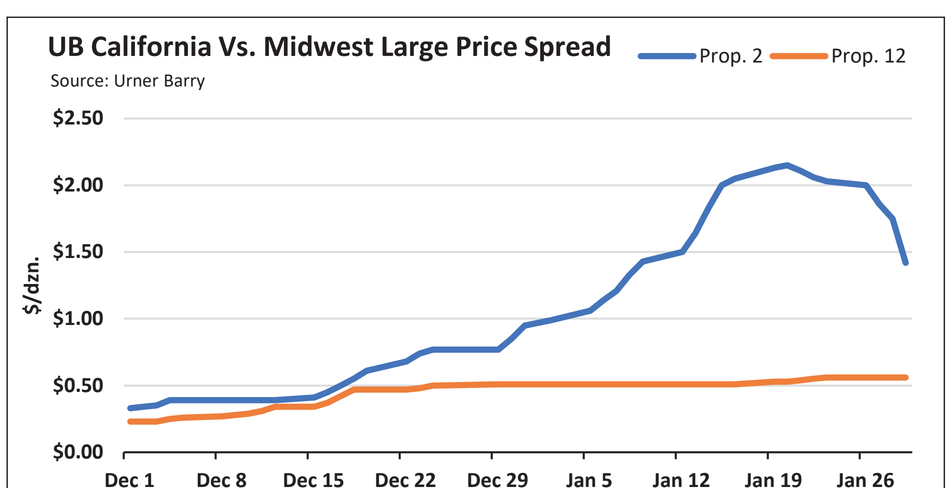
The 2019 egg market was the second lowest in recent history, averaging just $0.05 per dozen higher than the 2016 annual average. Producers faced overproduction throughout the year, as the flock hit record highs. This was largely due to cage-free conversions as the industry continued preparations for state legislations and corporate rollouts in the coming years. Producers struggled through the first three quarters of the year, but hoped that the fourth quarter holiday season and upcoming Proposition 12 legislation in California would provide a much needed boost into 2020. In fact, most market participants expected Prop. 12 to mimic conditions seen in 2015, when Prop. 2 went into effect, yielding huge spreads between California and the rest of the country.

WHAT IS PROP. 12?

Proposition 12 is a regulation in California that lays the production standard for eggs and other animal proteins. For laying hens, it mandates the transition from enriched colony systems at 116 sq./inches per bird to enriched colony systems at 144 sq./inches in 2020 and cage-free systems by 2022. Unlike Prop. 2, which focused strictly on shell eggs, Prop. 12 also requires liquid egg products to be in compliance. These rules may even apply to dried and other further processed items, though that still seems to be up for debate and interpretation.

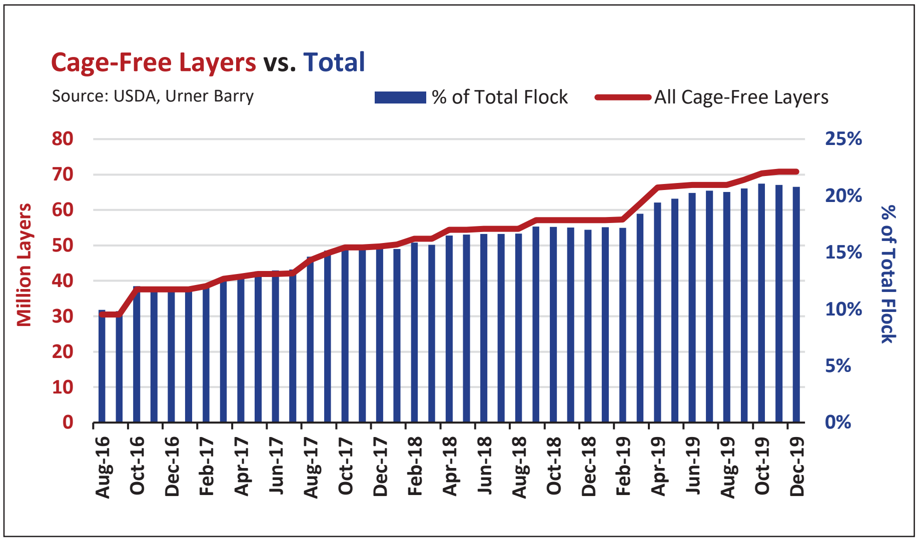
EARLY MARKET IMPACT

When Prop. 2 rolled out in 2015, the spread between California and the Midwest large began to widen, adjusting slightly lower from holiday levels before rebounding sharply as buyers struggled to source compliant shell eggs ahead of the new year. With Prop. 12, we saw strategic buying into the end of the year, but no initial supply shortages. The spread between California and the Midwest grew from $0.23 to $0.56 into the end of January, but paled in comparison to the more than $2.00 a dozen spread achieved in 2015 when Prop. 2 went into effect.



FUNDAMENTAL DIFFERENCES

Though Prop. 2 and 12 were both geared around increasing cage space per bird, which essentially reduced cage density, there were several key differences in the marketplace when they went into effect. The most important factor is the recent growth in the national cage-free flock, which has more than doubled in the last three years, topping 70 million layers or roughly 20% of



total egg laying hens in the US. These CA compliant eggs have been generally available in the market, especially given the low conventional prices. Many believe that cage-free availability is one of the main factors behind 2019 lows. When longs here are unable to find a home in cage-free channels, sellers first test the California market for opportunity before down-packing them into conventional channels. The oversupply situation earlier in 2019 also added to California supply. In order to get outputs in better balance with demand, a number of producers pulled birds from cages in order to be compliant with 2020 California rules, expecting opportunity early in the year. The cage-free expansion and partial depopulation of cages were in addition to the compliant production in the state of California itself. One could then estimate that as many as 100 million layers could have therefore been compliant with CA law as of the beginning of the year.

LOOKING AHEAD

From a market perspective, the rollout of Proposition 12 has fallen well short of expectations. Uncertainty around what will be included in the egg products category and how they will be inspected could still have an impact. Additionally, changes in cage-free demand, production levels, and seasonal market changes could also affect spreads in the coming months. The current spec will also only be in place for a two-year window, before the state will convert to cage-free, along with Massachusetts and followed by Washington, Oregon, and Michigan. Other states are likely to follow as well. UB

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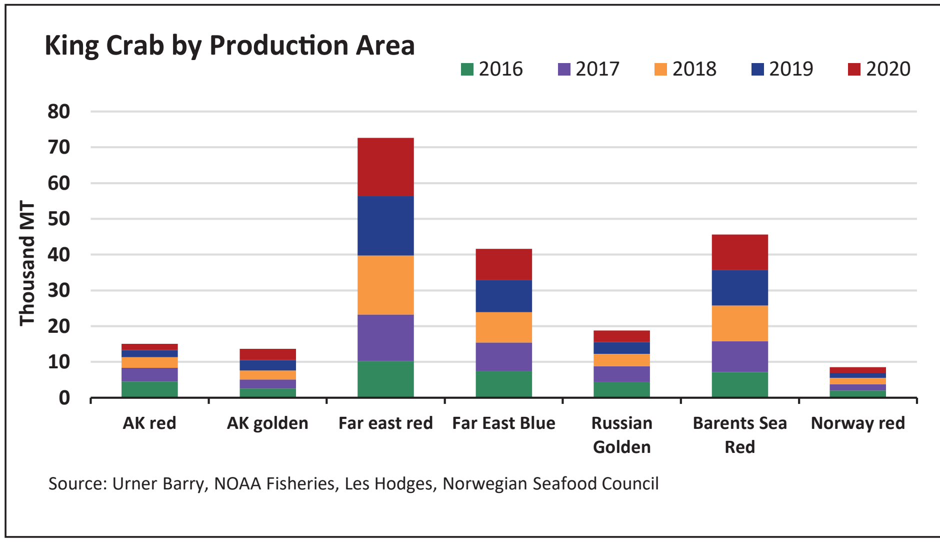
King crab prices at all-time highs; Asian live crab market in flux

King crab pricing stands at 52-week and all-time high pricing across all sizes. This comes along with imports higher in 2019 than they were in 2018. Imports of red and blue king crab out of Russia are up; red king crab ends the year 21.7% higher, blue king crab is 20% higher, while golden king crab ends the year down 7.3%. A total of 27.3 million pounds were imported in 2019, which overall is 12.4% higher than 2018, but still 20% lower than 34.3 million pounds imported in 2016.

After a 27% increase in the Far East quota from 2017 to 2018, the quota has stayed steady over the past three years, including the quota set for 2020. The demand for live king crab in Asia continues to grow.



LIVE KING CRAB IMPACT FROM CORONAVIRUS

Like most other species and proteins that have anything to do with Asia, king crab is one of the species affected by the coronavirus.

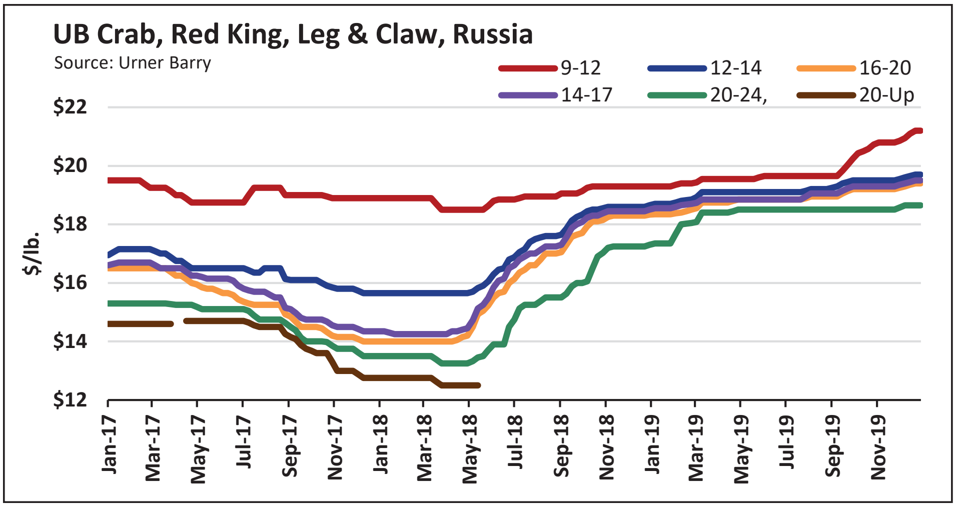
As reported in the beginning of February, there was a little over 450 M/t of live blue king crab on Russian vessels which was originally scheduled to be delivered to Northern China. However, with the China-Russia border completely shut down until at least March, the live crab has been diverted to South Korea. Sources have reported that there is also an estimated 130-140 M/t of live product currently on board Russian catching vessels.

In addition to diverting product away from China, pricing of live crab has also been greatly affected. Prices in Russia are reported to have dropped on blue king crab from $42/kg in Zarubino, Russia, to $25/kg range CNF Donghae, Korea, at the end of January. Market participants and sources reveal there is concern as this increase in product may be unsustainable for the Korean market and there will be too much live king crab. In December 2019 Korea received 951 M/t of live red king crab.

The capacity of Russian fishing vessels currently set up to process frozen product that would be destined to the U.S. are limited. As a result, there are reports of a consideration for a significant reduction or suspension for 1-2 months of fishing for live blue king in the Far East until the coronavirus outbreak in China is resolved.

The U.S. market demand and pricing for king crab has been interesting and there has been a natural compression of pricing. Many smaller sized king crab, like 16-20, 20-24, are imported from Russia's Far East, while the larger sizes 6-9s and 9-12s are imported from Russia's Barents Sea fishing grounds. With the necessity of importers having to compete with the Asia live king crab market pricing for medium and smaller crab in the Far East, prices have steadily rose over the past year and half.

Even with what appears to be a healthy demand for crab here in the U.S. and Russian producers curtailing or suspending live crab production due to the coronavirus,



Russia will not be able to go back to processing crab for the U.S. overnight; however we will watch to see what the impact on the Russian king crab market will be over the next several weeks and months.

Currently the U.S. market's king crab supply, overall, is up almost 14% compared to 2018. Exports in 2019 were much less than 2018; down of 42%. The Alaskan golden quota was up almost 13% in 2019 compared to 2018, while the Alaskan red king crab quota was down almost 12%. UB

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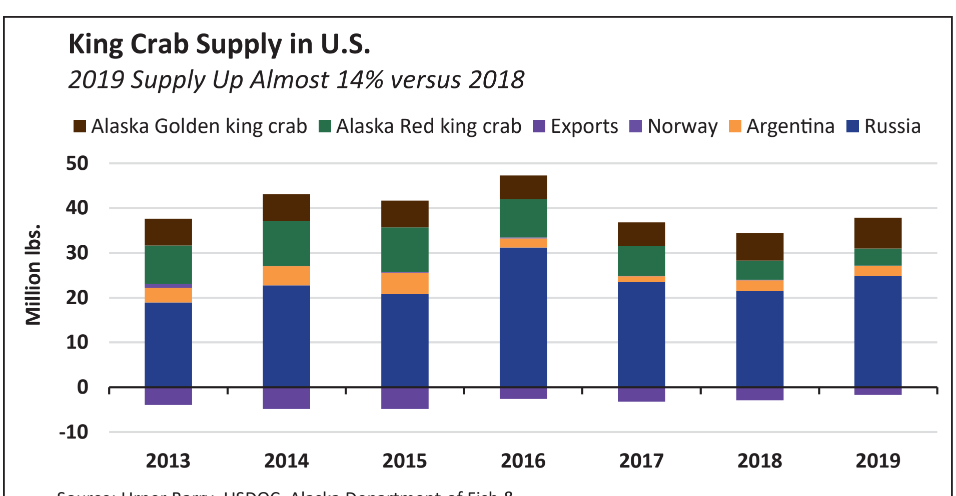
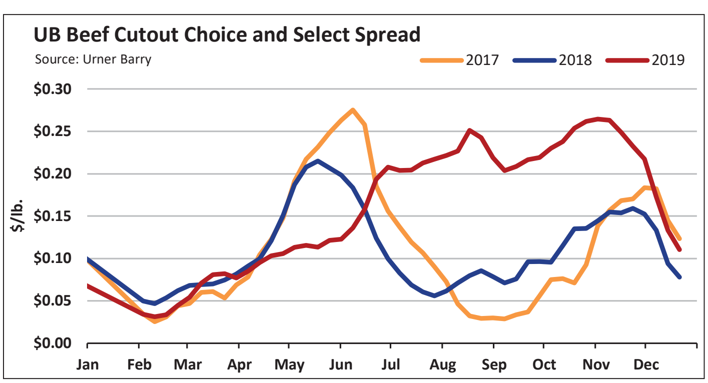


Demand for U.S. beef remains strong in the face of growing supplies

When December figures are released, the USDA projects 2019 total red meat and poultry production to be at a record with even bigger supplies coming in 2020. Strong interest, both domestic and foreign, has supported boxed beef and cattle prices. While there were some ups and downs, beef remained in the demand driven environment that started a few years back.

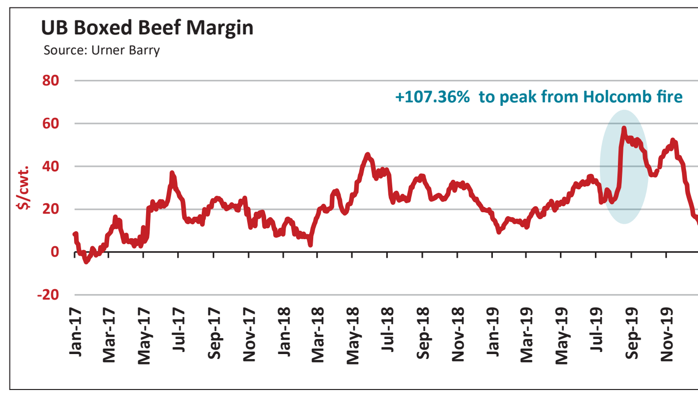
The strong summer season appeared to be delayed given its cold and wet unofficial start. But once it got going, there seemed to be nothing holding it back. Then during the late summer when retailers were procuring for the Labor Day holiday, there was a fire at the Tyson Holcomb, Kansas, plant. Suddenly there was concern of scarcity for the forward period that ads were written, and consumers wanted grilling items. This pushed the Choice and Select spread to widen contra-seasonally and it continued through the balance of the year. Leverage was exerted on the cattle owner as 5% of the weekly slaughter was taken offline in an instant, which forced live cattle prices to plummet and beef prices to skyrocket. The plant came back to half capacity in December with expectations that it would be fully up and running by the end of January. The market started to normalize when this happened.

Another major event in the protein world was the spread of African Swine Fever. China lost by some estimates 60% of their hog population, forcing the need for protein to feed the country. China swallowed up lean beef from Australia, which limited product that usually made its way to the United States. Processors here turned to end cuts to help and this fully supported prices, mostly rounds.



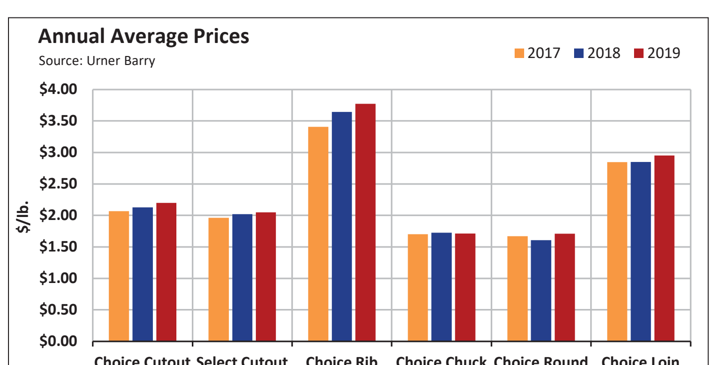
So, let's look at that supply picture first. Those margins discussed earlier averaged a record $29.474/cwt for 2019, driven largely by the widening late August into early Q4 from the fire, and solidly positive throughout the year, it was expected that packers would push as many animals through as they could. In fact, margins averaged nearly 17% above the previous record year, and 107% above 2017.

"… the USDA projects 2019 total red meat and poultry production to be at a record."



Federally Inspected slaughter edged nearly 2% higher to 33.069 million head. Slightly lighter cattle weights as owners worked hard to stay as current as possible, combined with these larger kill numbers, mitigated the gains in production a little. At 26.821 billion pounds, production was up a little over 1% to record large figures.

While there remains a lot of noise when it comes to the economy, by almost all measures it remains strong—especially growth in the United States. This has been the major contributing factor to strong beef sales. If you look at the next chart, prices have rallied on almost all items year-over-year, and trend higher over the last three on every single one. The lone exception for the year was the Choice chuck primal, held back by slightly lower exports on some other items.



Further proof of continued consumer demand is the ability for retailers to raise beef prices in the face of so much protein. The average price of all-fresh beef retail was $5.82/lb., or 2.3% higher.

On the export side, things were not as strong as expected coming into 2019. There were some headwinds from incomplete trade agreements and tariff wars. Despite all this, the numbers really were not bad at all. Our trade partners still demanded high quality U.S. beef. Through November, volume was down 2.59% from the same period in 2018. The value of product slipped nearly 3% year-to-date. This is coming off record highs in 2018 and should again top $8 billion in trade.

Demand continues to be needed to alleviate the growing supplies. The U.S. economy remains in a good spot to be supportive, but export markets are needed to really help. There have been some positive political developments that could lend support. The USMCA seems to be reached, Japan appears ready to open its borders to U.S. beef by lowering tariffs and coming to an agreement for more imports, and another large opportunity comes in the way of China, which agreed to Phase One of a long simmering back-and-forth. Beef, however, remains a risk if the economy turns or politics become nasty. UB

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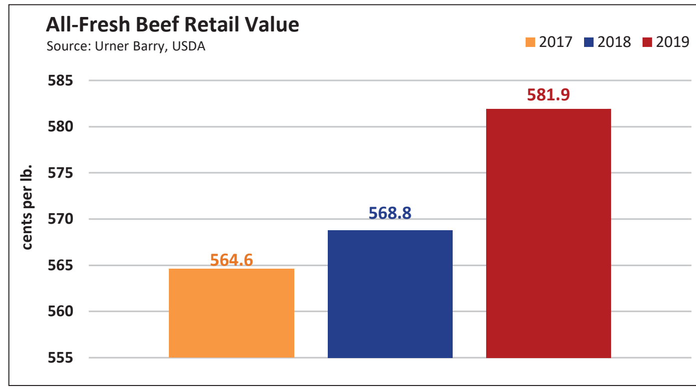

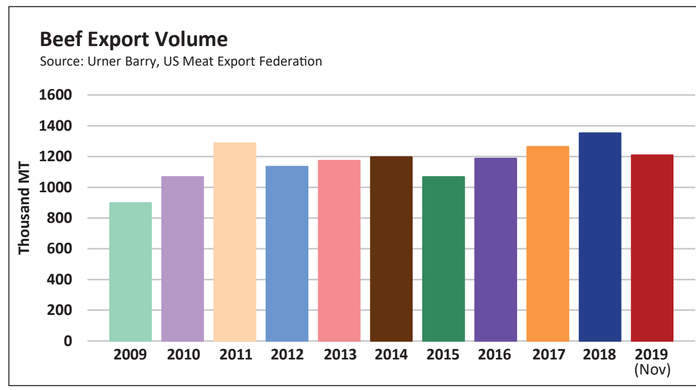

Boosting retail protein purchases more essential than ever in 2020

Paleo, high protein, and keto diet followers, rejoice.

With record-high domestic production levels across the beef, pork, and chicken industries—Americans will be encouraged to step up their protein consumption in a big way this year.

Last year alone, commercial production of red meat exceeded that of the previous year by over 2 billion pounds. And with uncertainty surrounding our export trade partners, global demand for protein, and the economic impacts from the coronavirus outbreak, the industry is looking to put as much product through existing channels as they possibly can.

Per capita consumption of red meat and poultry sits right around 225 pounds. Annual consumption of chicken is currently 96 pounds per person in the U.S. while pork sees 52.7 pounds and beef accounts for 57.8 pounds. However, what's interesting to note is the USDA is forecasting a slight drop (a few tenths of a percentage point) for both beef and pork in 2020. Meanwhile, chicken consumption is expected to grow by nearly two pounds per capita.

So how can the industry do its part to entice consumers to buy more protein (and assist in absorbing record inventories)? Jump on the consumer trends bandwagon and ride it all the way to the retailer.

Americans are hungry for protein. Consumers are becoming more and more health-conscious and protein plays a central role in nearly all diet programs. High protein and high fats are no longer things to fear from the fridge. Additionally, with advances in packaging and portioning, the meat and poultry industry has done well in meeting consumers where they are—offering convenient ways to buy, store and prepare their favorite protein staples.

According to research by the National Retail Federation, 83% of consumers say convenience while shopping is more important to them now compared with five years ago. While consumers overwhelmingly opt for quality and price in purchasing decisions, convenience offers retailers a competitive advantage.

"Time is a precious commodity for today's consumers," NRF Vice President for Research Development and Industry Analysis Mark Mathews said. "Shoppers are busier with commuting to work, dealing with family obligations or catching up on schoolwork, among other things.

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Naturally, convenience factors are playing a larger role in their shopping experience."

With the Super Bowl now behind us (one of only a handful of notable protein buying occasions post-Christmas), retailers are now looking ahead to the spring and summer grocery season, when the grills heat up, backyard barbeques ensue, and family vacations and picnics at the beach help buoy protein purchases.

Additionally, rising consumer confidence levels and a generally positive outlook on the economy helps encourage spending on quality protein—which has been particularly evident in the beef market. Consumers are willing to pay for quality to get a consistent eating experience, as evidenced by the reality of sustained higher prices despite greater supplies.

As the weather warms up, retailers will be positioning buying opportunities in front of shoppers. In recent years, a shift has been noted through research by the North American Meat Institute and the Food Marketing Institute, showing the majority of shoppers rely on in-store signage to discover features at the meat case, beating out circulars. With seemingly infinite ways to get in front of the consumer these days, it speaks volumes that in-store signage might just have the biggest influence on purchasing decisions.

Engaging with consumers must be a two-way street in order to really boost protein consumption. As consumer trends continue to evolve—from flavors and packaging to sustainability practices and transparency—the voice of both the loyal meat-eater and, especially, the occasional meat eater (with considerably more room to up their protein intake) needs to be heard all the way up the value chain if we're going to make a dent in the massive supply situation. But taking advantage of grilling season and protein's growing popularity will be a solid start. UB

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Gulf shrimp landings decline in December 2019

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Shrimp landings along the Gulf Coast of the United States continue to decline—a trend that has been in place for roughly two decades. The National Marine Fisheries Service (NMFS) is charged with counting and reporting the amount of shrimp taken from the five Gulf states every month. They recently released their December 2019 landings report which showed a haul of 5.3 million pounds compared to 6.5 million in December 2018. Lower year-over-year catches have been the norm and caps a 12-month period in which only 79.85 million pounds were landed. This is the lowest total in more than two decades. In comparison, 96.1 million pounds were landed in the entirety of 2018 and the 10-year average is nearly 104 million pounds.

Market watchers point to various reasons why landings have been in decline, some are isolated and some more structural. Long-term they point to things like a lack of effort or steadily increasing import volume. In isolated years, events like the Deepwater Horizon oil spill, "dead zones," and changes in salinity have affected landings.

A 10-year moratorium was put in-place resulting in no commercial shrimp permits being issued since 2006. This was later extended for another 10 years and will now expire in 2026. The impact on the size of the fleet has been significant. Between 2007 and 2014, 463 of the 1,933 valid permits were either surrendered or terminated, a loss of 24%.

The pace of imports has created an increasingly competitive marketplace and may have led to less effort. The volume of shrimp imported into the country have increased in each of the last six years and the current volume is twice as large as they were in the year 2000.

In 2019, low salinity due to significant freshwater intrusion was blamed for at least a portion of the diminished output. Floodways were opened to relieve accumulated freshwater flowing from the Mississippi River, which lowers the salinity in the marshes and alters the natural habitat of shrimp.

We never really know exactly why a wild fishery doesn't develop, it's probably a combination of factors, but the one thing we know for sure is that there are fewer U.S. origin wild caught shrimp available in the market. UB

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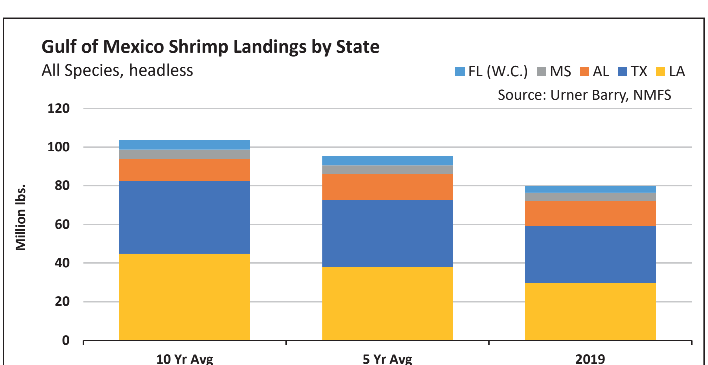

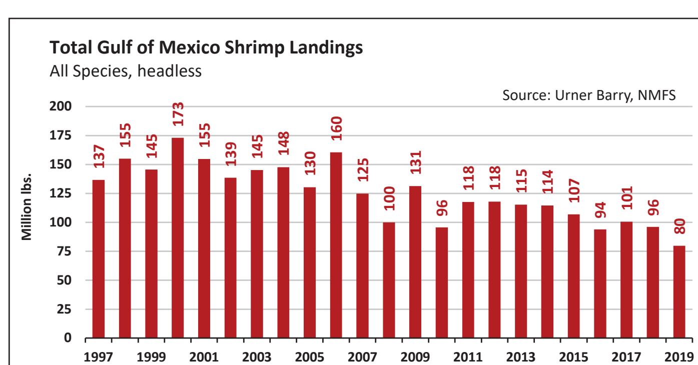

2019: a VOLATILE year for BELLIES

Bellies have again established themselves in 2019 as the most volatile item in the pork market and potentially across the entire protein market. The unsettledness can be attributed to instabilities in spot volume and buyer interest that creates rallies and slides that are regarded as unpredictable and extreme. To summarize 2019, a counter-seasonal rally between mid-February and mid-April resulted in a 64% price gain. This was then reversed, and a decline of 39% occurred between that peak and the week of the Fourth of July. Following that retreat, prices again rallied, this time by 75% over the course of just slightly more than a month. Over the next month, belly prices retreated by 46% and ended the year with two additional, though more minor, rallies before ending the year at the softest December prices we've seen in the Mandatory Price Reporting era. Many of these patterns were counter-seasonal to the typical trends noted for the belly market, which made an already difficult market to predict even more perilous.

In chart 1, we can see the price of the belly cutout primal versus the weekly negotiated trade volume for the belly component. In the past, weekly volume has been a fairly consistent indicator of when the belly price is getting ready to turn. For the eight instances noted in chart 1, from January 2018 until now, a low in volume closely preceded the peak in price and conversely, a high in volume then preceded a low in price. This is essentially the "high prices cure high prices" adage in chart form. When the price reaches a certain premium, buyers step away and volume therefore erodes prior to the rally ending. Likewise, when belly prices near a low, buyers see opportunity and step back in, resulting in higher volume just before the price begins to rebound.

Production and hog weights have always affected the belly market and this year both sectors increased year-over year. Pork production for 2019 was up 5% year-over-year. June showed a 10.7% year-over-year growth in production due to elevated hog weights and the increase of hogs in the market ready for slaughter. Heightened weights this summer were record highs for the months of May, June, and July due to cooler weather across the nation. For the

"Following that retreat, prices again rallied, this time by 75% over the course of just slightly more than a month."

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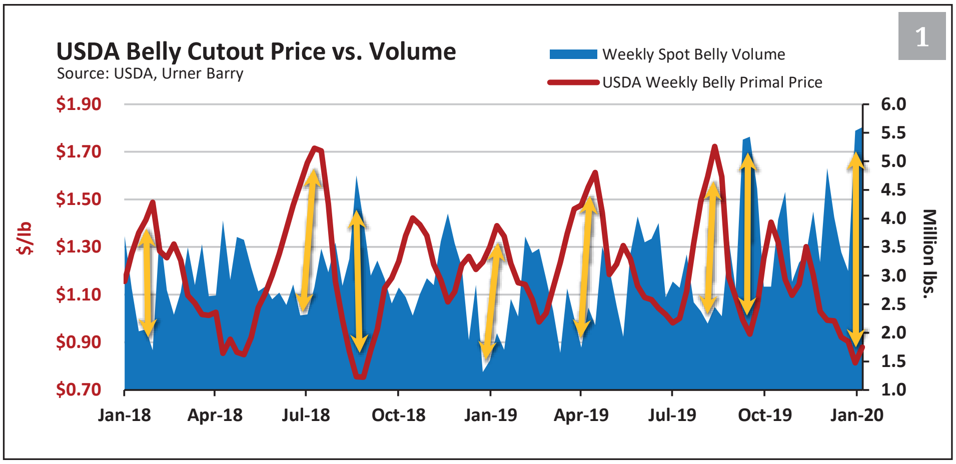

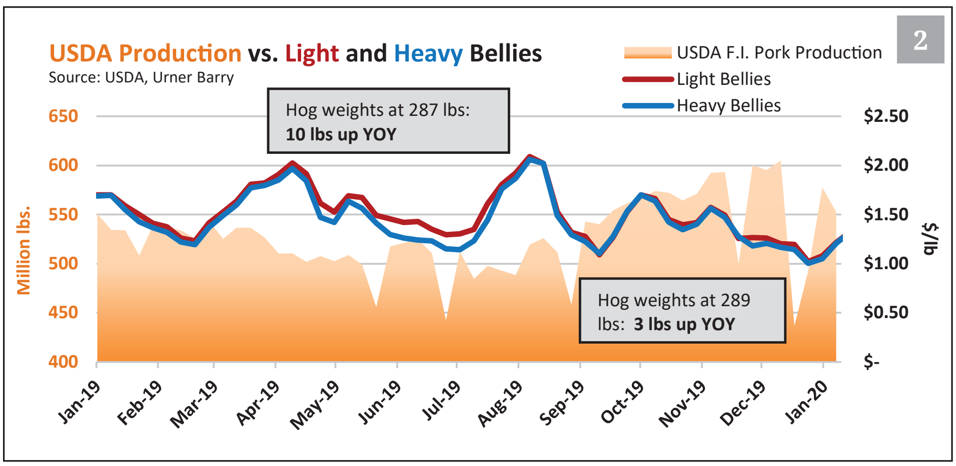

summer months we reached weights of 287 pounds; averaging 10 pounds higher year-over-year. December reached an all-time recorded high at 289 pounds; around 2-3 pounds higher than the respective time period for 2018. Increased hog weights limited the light belly offerings compared to heavies, creating a two-tiered market. As you can see from chart 2, heavy bellies saw a more extreme downslide during heightened production period in June. Also noted is the two-tier market appearing more prominently in June to July with a 16% maximum variance between lights and heavies and then again slightly in December as hog weights increased.

November into December also saw many other factors affecting the market. Holiday-related processor downtime for Thanksgiving and then again at the end of December for Christmas and New Year's, which both fell mid-week, impacted demand and forced sellers to discount in an effort to prevent supplies from becoming burdensome. Finally, cold storage has also had a significant impact on belly flows. Both September and November cold storage inventories were at 15-year highs while December saw a year-over-year increase of around 61% at 68 million pounds. Many have contended with either a lack of labor to put product into the freezer, or, if the labor is there, an overall lack of available space in the freezer. Either way, this situation has been detrimental to demand for bellies. UB

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Dutch nitrogen pollution highlights future livestock shifts for key egg exporter

The Netherlands has been under intense pressure from the EU to reduce its nitrogen pollution, including that from livestock production. This means the country could face future problems sustaining a national agricultural model that has helped them achieve significant exports of key animal proteins, including shell eggs and egg products.

In May 2019, the highest court in the Netherlands ruled that the current Dutch policy with regards to "reactive nitrogen" is contrary to European Union legislation. This has prompted various policy proposals to reduce pollution, including lowering the country's speed limit, cancelling infrastructure projects, and reducing livestock numbers.

While there are several sources of nitrogen pollution that may adversely affect air, soil and water resources, agriculture is one of the main culprits in many countries. Currently, per capita nitrogen emissions in the Netherlands are four times the EU average, with about 60% coming from agriculture, according to a November 2019 Reuters article. Livestock can cause nitrogen pollution through its manure.

For some years the country has exceeded the EU mandated level of nitrogen emissions and the debate is intense within the country as to whether it does need to substantially reduce its livestock to meet the mandated levels. Some local politicians have notably suggested to dispose of six million hogs and 50 million chickens.

Despite the country's relatively small size, Dutch agriculture is a key export sector with a global reputation for innovation and productivity. In fact, the Netherlands is the world's second largest agricultural exporter behind the United States. According to the

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Dutch government, agricultural exports reached €90.3 billion while agricultural commodities accounted for nearly one-fifth of all Dutch commodity exports.

> **“The poultry business is not in the spotlight as much as the pork business. In my opinion, [the nitrogen policy implications] will not be that bad for egg business and poultry meat. It is not a very big threat…”**

The country’s highest export value includes products like fresh flowers, plants and bulbs. However, animal proteins are a close second and third. In 2019, meat exports brought in €9.77 billion and dairy and eggs exports were close behind at €9.55 billion.

If we take the shell egg sector, the Netherlands has some 30 million laying hens producing some 630,000 tons, according to the International Egg Commission. Last year, close to 385,000 tons, or about 60%, were exported to neighboring countries in the EU, mostly Germany but also Belgium and Switzerland.

Various industry sources interviewed for the article have, however, rejected the idea that laying hens could be reduced due to the nitrogen pollution issue.

“The poultry business is not in the spotlight as much as the pork business. In my opinion, [the nitrogen policy implications] will not be that bad for egg business and poultry meat. It is not a very big threat,” a shell egg trader said. This was echoed by most sources.

However, shell egg industry participants also accepted that laying hen capacities should not increase in the future either, with planning for new capacity expected to be increasingly difficult. This had already been the case previously and the nitrogen pollution policies will only exacerbate the difficulty.

In a December 2019 Feedinfo article, Dutch-based Co de Heus CEO, De Heus, summed up the problem: “Due to market initiatives to diversify meat production towards more animal welfare production, stocking densities are likely to decrease and new permits are difficult to obtain. This does not only apply for the Netherlands but also for Germany and Belgium. Unfortunately, we therefore expect a shift of production to other countries, for example to Poland.”

This shift in supply is already happening in some areas due to laying hen welfare issues. In the last few years cage eggs have almost been phased out of Germany, Belgium and the Netherlands as large retailers move to cage-free. However, large volumes of cage eggs are finding their way back into the Netherlands or Germany via Poland as egg processors still require cage eggs to produce the liquid or powders that large food processors need to produce their mayonnaise, confectionaries or other egg-based products.

While supply patterns are changing to adapt to new regulations, it is nevertheless creating social frictions in Western Europe and suggesting tougher decisions may lie ahead. For instance, the government said it would subsidize €200 million to help pig farmers who want to exit the industry. And last December, Dutch farmers and construction workers blocked roads with tractors and gathered outside the offices of the Dutch national broadcaster to protest new environmental pollution rules. UB

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The Lent Roundup: A look at shrimp, salmon, tilapia and cod

Forget about the Feast of Seven Fishes on Christmas Eve. The Lenten season is the biggest time of the year for seafood, and this year the annual religious observance begins on February 26.

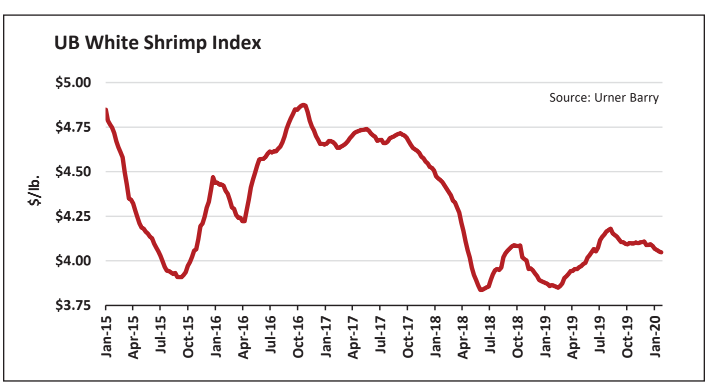
Seafood might have the lowest household penetration when looking at other fresh food departments like meat, deli, produce and bakery, but during the six weeks leading up to Easter, seafood is the star of the show, or rather the plate. Many Catholics abstain from eating meat on Fridays during Lent, and the seafood industry sees a boost in sales during this period. According to Nielsen, U.S. retailers generated $1 billion in seafood sales during the six-week Lenten season in 2017.

Let's take a look at the markets for some of most consumed items:

SHRIMP

As overall seafood consumption increases during the Lenten season, the importance of this time period is not lost on those throughout the value chain. Shrimp is no exception as it remains the number one selling seafood item in the United States, with a total consumption of 4.4 pounds in 2017.

Looking back at the last few years, larger imports have pressured prices lower. The Urner Barry HLSO Farm-Raised White Shrimp Index topped at $4.88 per pound in October 2016 with a double bottom trough of $3.84-3.86 per pound in June 2018 and January 2019. Prices have bounced off the floor since the latter and have traded in a range.



The popularity along with these prices have made shrimp an attractive retail feature. According to the Urner Barry Retail Features, shrimp buying opportunities averaged nearly 8.6 million between 2017 and 2019. But when you dive into the data a little more, the popularity during the Lenten season and even drilling down further to the week leading to Ash Wednesday, is emphasized. Buying opportunities for Lent averaged 1.1 million during this same period, or 12.28% of annual buying opportunities. This slightly outpaces the weighting of the 40 days to the full year. The more impressive statistic is the growth in buying opportunities in the week leading up to Ash Wednesday. The results are as follows: 13,788, 14,707, and 18,114, or a growth of over 31% from 2017 to 2019.

But the popularity of shrimp during Lent isn't just a U.S. thing. During the lent period demand rises across seafood products with many European retailers promoting a range of discounts. As such, there is typically an uptick in demand for shrimp across all species and categories. European markets have seen a significant increase in total consumed tonnages in recent years on the back of favourable prices. According to Global Trade Tracker, Europe consumed around 7,000t more fish in March 2019 compared to February of that year in the lead up to Easter.

SALMON

Salmon is always a staple for Lent. During the National Fisheries Institute's Global Seafood Market Conference in Orlando, we heard several retail buyers mention that salmon is what helps to move the needle of seafood sales at the seafood counter.

Buying opportunities for salmon during Lent usually increase at retail starting with Ash Wednesday. Many market participants mention every year that the busiest period always seems to be the lead into Ash Wednesday and the last week of Lent. Occasionally, during the 40 days, salmon sales may even drop off as the concentrated focus on promotions always seems to be at the beginning and end of Lent.

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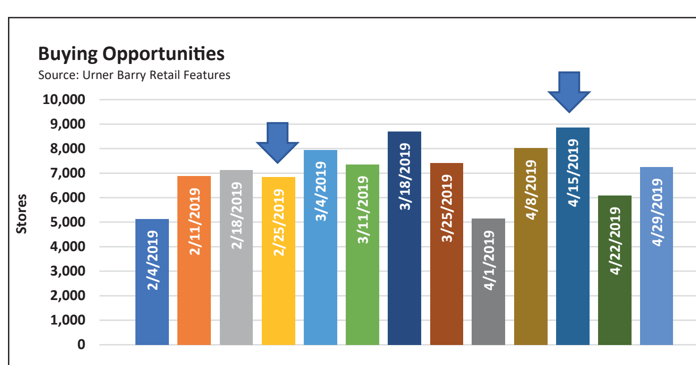

Appealing to all the senses

Wildly consistent

		Net Weight	Item #	Pack
P&D Tail Off	10/30	1.5 lbs	75080	14x1.5
	30/30	1.5 lbs	75081	14x1.5

Pier 33 Gourmet BY: GRAND KRUST

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The Lent Roundup

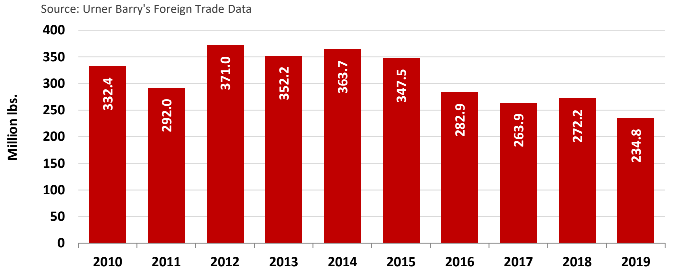
Continued from page 20

Last year the retail buying opportunities for salmon were active. The surge at the beginning of Lent indicated by the first arrow and Holy Week indicated by the second arrow shows the rise and fall of retail promotions through the 40 days.

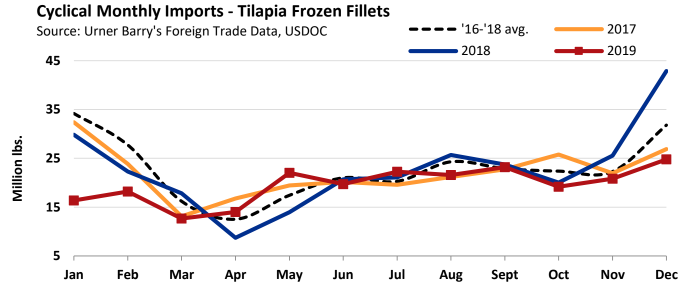
As of this writing the market is adjusting lower towards the end of January. This can be typical for this time of year prior to Valentine's Day and the kickoff to Lent. 2020 has yet to play out, but salmon historically speaking will play a large role during Lent.

TILAPIA

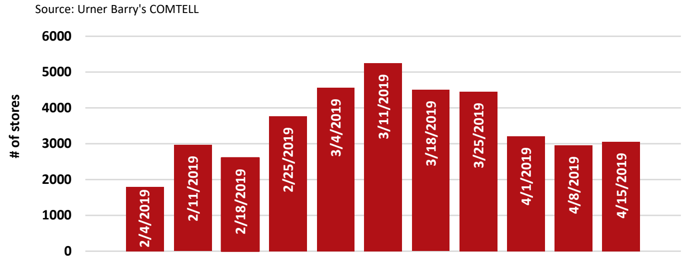
The market for tilapia frozen fillets, the largest species imported from China into the United States, is reportedly steady with a decent inventory and tempered demand as we head into the Lenten season. With production at a standstill until efforts begin again after the Chinese New Year, inventory levels will diminish, and prices could firm. Industry players anticipate prices falling once production is up and running and imports start flowing again, as we have seen in previous years. However, with tariffs and the newly concerning coronavirus, external factors could shake up seasonal market movement very quickly.



Total 2019 Imports Tilapia Frozen Fillets
Source: Urner Barry's Foreign Trade Data



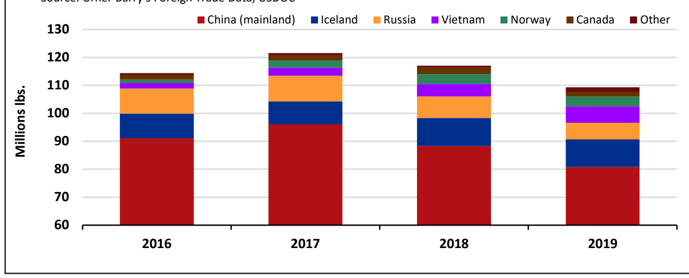
Cyclical Monthly Imports - Tilapia Frozen Fillets
Source: Urner Barry's Foreign Trade Data, USDOC



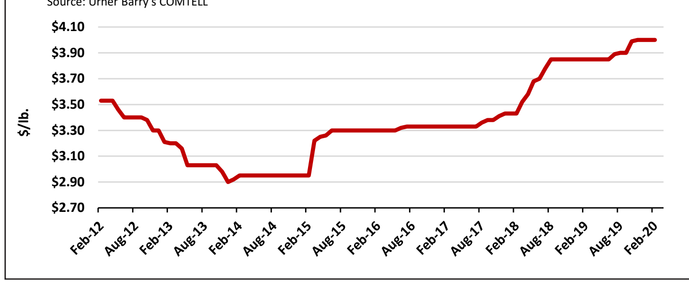
Lent 2019 Tilapia Buying Opportunities
Source: Urner Barry's COMTELL

COD

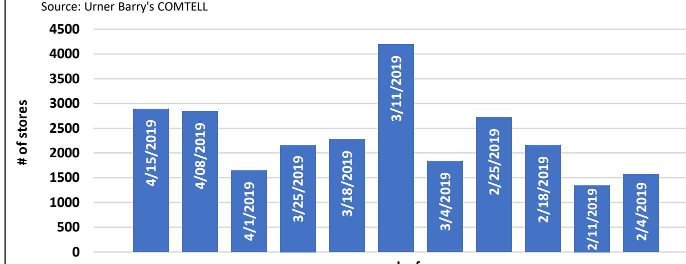
At the start of 2020, twice frozen Atlantic cod prices are listed at all-time record highs leading into the Lenten season, with boneless/skinless fillets averaging at the $4.00/lb. mark. While demand is adequate, current supply is reportedly constrained with processors shut down for Chinese New Year. Although we will see an increased quota for 2020 in the Barents Sea, the North Sea cod quota was cut in half, allowing low stocks to recover.



Total Cod Frozen Fillet Imports by Country
Source: Urner Barry's Foreign Trade Data, USDOC



Atlantic Cod, Sknls/Bnls, Shatt, Double Fz, 8-16 oz
Source: Urner Barry's COMTELL



Lent 2019 Cod Buying Opportunities
Source: Urner Barry's COMTELL

Industry participants expect prices to remain steady through Q1, although it is still much too early to tell if there will be any disruptions to the market attributed to the coronavirus. UB

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From the recipe box

Samuels and Son Seafood, a commercial and wholesale seafood market based out of Philadelphia, knows exactly what their customers want for Lent.

"Lent is a traditional holiday with traditional customers, so there's traditional fish," William Bradford, Marketing Communications Manager for Samuels Seafood, told *Urner Barry's Reporter*. "It's always salmon, tilapia, cod, and of course, shrimp… those four are always big ones."

According to Bradford, the traditional fish tend to stay year after year—but different brands of these traditional fish can pick up around Lent. For example, chefs have been buying Oishii Shrimp, a new product line that was introduced by Mazzetta Company in January 2019. These shrimp are harvested through dedicated small-batch farming methods and go from swimming to frozen within four hours due to the close proximity of their shrimp farms to their production facilities.

"[Oishii] has this really vibrant red color and is very flavorful," explained Bradford. "It has the rock star package and marketing and chefs are picking up on it. We're also stating to see interest in the retail end of it as well, so it's kind of a really cool cycle there."

Another brand that's become popular for Samuels is Jail Island Salmon. This line is sustainably raised off the East Coast of Canada and is delivered to Samuels in as little as 48 hours from harvest in order to ensure peak freshness.

Samuels and Son Seafood often get requests from retailers to provide cooking techniques, and see an increase in these requests as retailers prepare for Lent. We were able to get Samuels and Son Seafood Chef Anne Coll to provide *Urner Barry's Reporter* with one of their recipe card suggestions for Jail Island Salmon. We hope you try it out over Lent! UB

Photo credit: Paul Stamegna

Herb Crusted Jail Island Salmon

with dill horseradish sauce

INGREDIENTS
Four 6 ounce servings of Jail Island salmon skin off
Kosher salt
Pepper
1 TBSP fresh chopped dill
1 TBSP chopped parsley
1 TBSP chopped tarragon
1/3 cup of bread crumbs
Zest of one lemon

DIRECTIONS
In a small mixing bowl, combine the herbs, breadcrumb, lemon zest, a tsp. of olive oil, and salt and pepper. Preheat oven to 400 degrees. In a medium size saute pan heat olive oil on medium heat. Season the salmon with salt and pepper on both sides. Sear salmon on one side for 3-4 minutes. Place the salmon on a small sheet pan with parchment paper seared side down. Top each piece of Jail Island salmon with herb and breadcrumb mixture. Roast the salmon in the oven for 4 minutes until it is golden brown. Serve with dill horseradish sauce.

Dill Horseradish Sauce

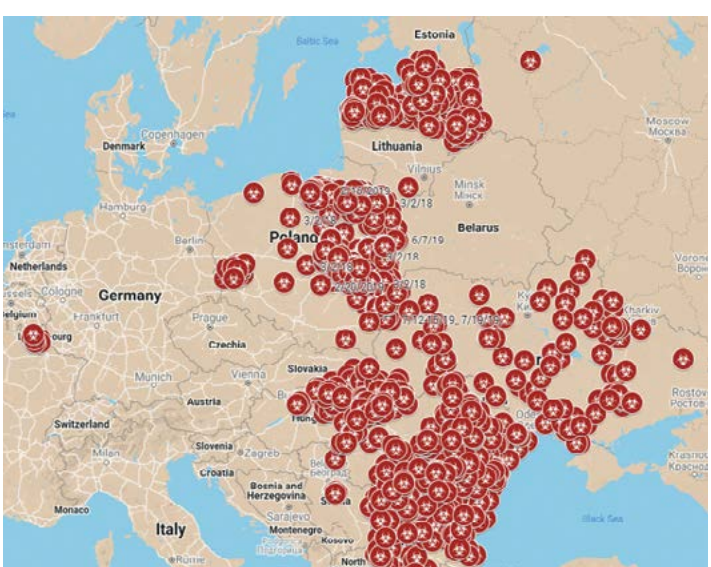
INGREDIENTS
½ cup of crème fraiche
1 tsp horseradish
1 tsp whole grain mustard
Zest of one lemon
1 tsp fresh dill chopped finely
Salt and pepper

DIRECTIONS
Combine all the ingredients in a bowl. Whisk together. Season with salt and pepper. Store in an airtight container.

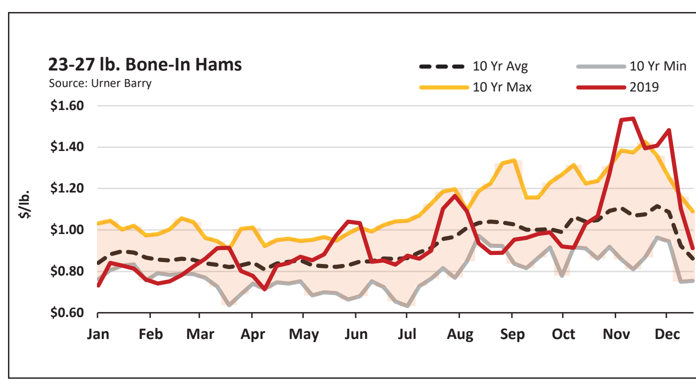
RECIPE BY CHEF ANNE COLL

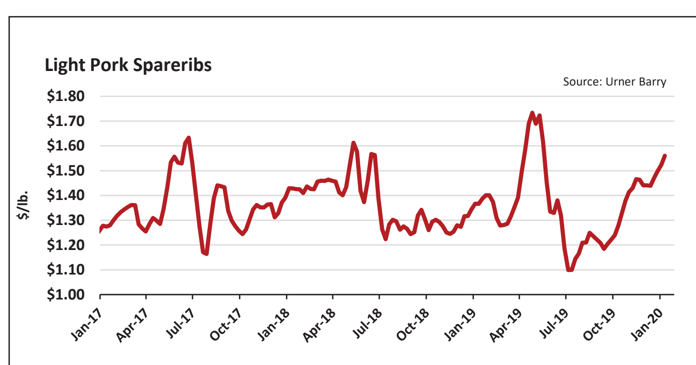
ASF Update: Global pork exports to China soar in 2019

Since the beginning of 2018, African Swine Fever (ASF) has spread to over 20 countries, resulting in hundreds of millions of hogs lost, with China easily taking the brunt of the impact. This issue is far from over and the repercussions of those losses will likely be felt for years to come. With that, it is time for yet another quarterly update on the state of the global pork industry.

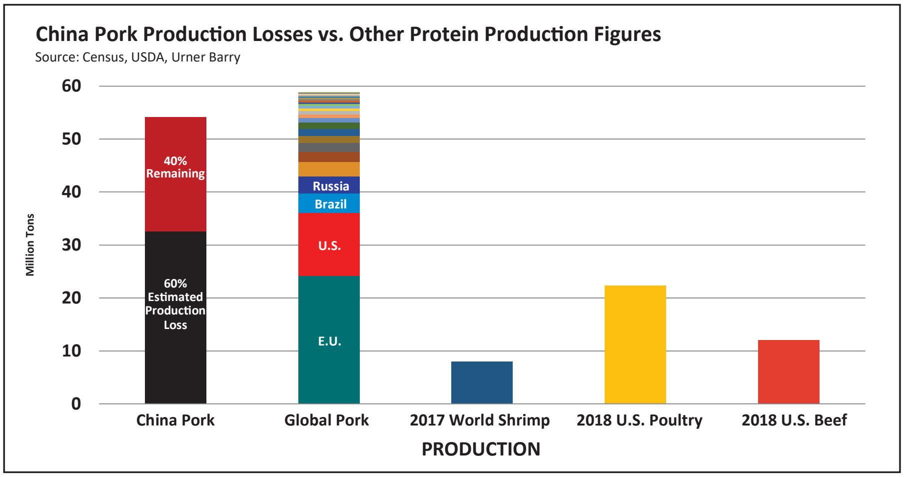


Chinese demand for pork can have a very notable impact on domestic U.S. prices, especially if it coincides with when U.S. buyers would be looking to purchase as well. This occurred several times last year, with two prominent examples being found within the ham and the sparerib markets. For hams, while American processors were securing product ahead of the holidays, China was buying hams for the Lunar New Year. This convergence in demand sent ham values skyrocketing, briefly trading at record levels for December. Likewise, for spareribs a wave of Chinese demand hit earlier in the year, right as the U.S. industry was securing product ahead of Memorial Day. Again, prices spiked into rarified air.

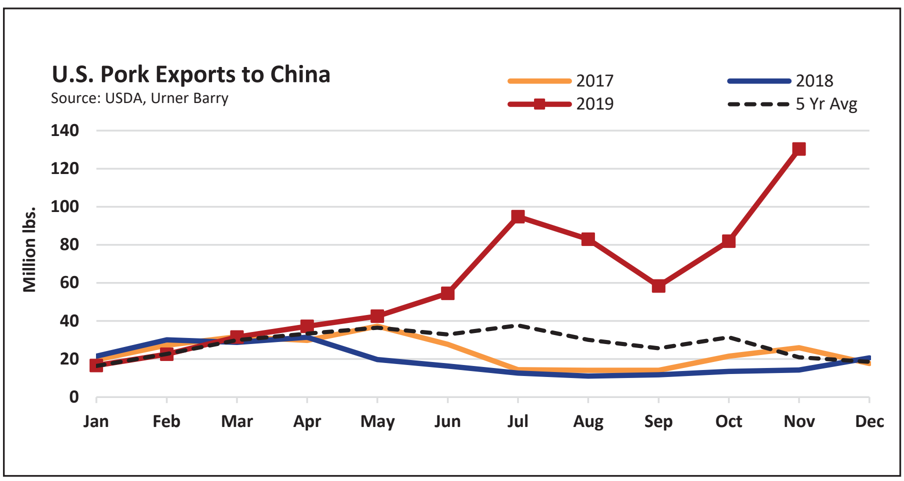




Some estimates put the Chinese hog herd loss at upwards of 60%. The following chart puts that tonnage up against several other protein markets for perspective.



December export numbers were not available at the time of publication, but we can see that January through November was a banner period for U.S. pork exports to China. The year to date total for that 11 month period was up 210% versus 2018.



The United States was hardly the only beneficiary of China's insatiable demand for pork. Spain, Germany, Denmark, Netherlands, and Brazil all saw massive increases in their shipments of pork to China. Overall, global exports of pork to China were up over 150% compared to 2018. UB

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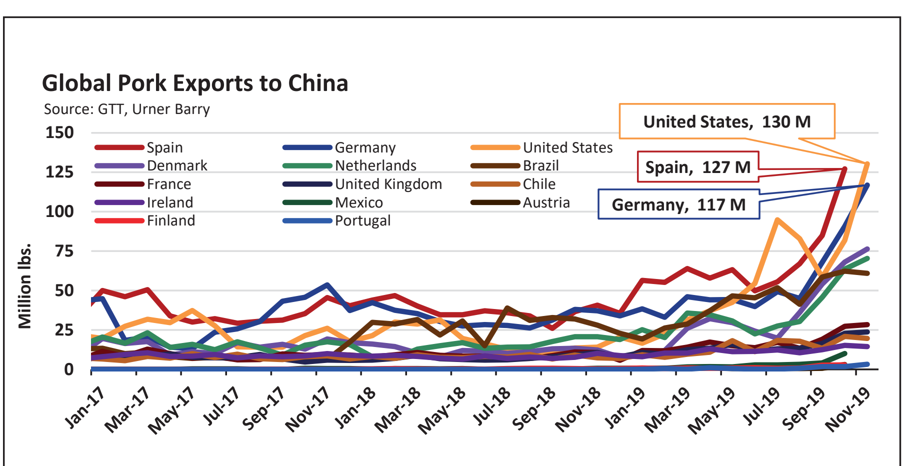

"Chinese demand for pork can have a very notable impact on domestic U.S. prices, especially if it coincides with when U.S. buyers would be looking to purchase as well."

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Access to UK waters...

Fishing rights and the ongoing Brexit saga

Politically sensitive negotiations continue to cast a shadow over UK waters.

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Long deemed as unfair to the UK fishing industry, the Common Fisheries Policy (CFP)—which gives all European fishing fleets equal access to EU waters—has continued to lose favor. While the UK officially departed the European Union on January 31, 2020, it's fishing industry remains bound by the CFP until the end of a transition period.

TAKING BACK CONTROL

Despite smaller economic significance—0.1% of UK economic output—taking back control of fishing stocks was a pivotal argument for Brexiteers.

As negotiations unravel, the UK's departure from the single market regime is set to have a considerable impact on European fisheries. EU members, particularly France and Denmark, have deep-rooted fishing history off the shores of the UK and stand to lose a great deal if trade talks are one-sided.

Considered to have less bargaining power, Brussels still has ample room to maneuver. With more than 70% of fish caught by UK vessels exported to EU members, import duties in return for access to European markets pose a real threat to British fishermen. In the event of a no deal, the UK will automatically abide by World Trade Organization (WTO) schedules with tariffs ranging from 6% to 18%, which would weigh heavily on domestic fleets.

With the UK allocated a meager 30% of fishing ground stocks, Brexiteers are eager to see withdrawal from the overarching fisheries policy. With several vulnerable stocks, such as cod—a popular British delicacy—remaining on the catch list, the CFP has also been scrutinized by environmentalists.

ON THE HORIZON

While several obstacles stood in the way of British Prime Minister Boris Johnson abandoning the much-maligned fisheries policy, the introduction of the Fisheries Bill on January 29, 2020 delivered a legal guarantee that the UK will leave the CFP by the end of the transition period. This allows the UK to control access to its waters for the first time since 1973.

With new quotas failing to meet the longstanding objective to end overfishing by 2020, the UK is set to abandon the CFP and adopt a multi-annual management plan as opposed to the existing annual TAC scheme.

Under international law, the UK will assume the rights of an independent coastal state once it leaves the EU. At the end of the transition period—February 1 until December 31, 2020—the UK will automatically be given exploration and exploitation jurisdiction over 200 nautical miles from its shore. EU members will have to negotiate access to continue fishing in UK waters from 2021 onwards. However, some have argued that the UK lacks landing and processing capacity to deal with existing fish stocks. To mitigate this shortfall—provided negotiations go somewhat to plan—EU states will be allowed to fish on terms that best suit UK interests.

At the time of writing, concerns were also voiced by UK fishing bodies that European fleets could be given access to UK waters in exchange for access to the bloc's financial markets. These concerns were amplified by the relocation of multinational corporations, with Total, a French energy giant, moving its treasury department from London to Paris, while Lloyds, a British retail and commercial bank, relocated to Brussels to offset potential Brexit bottlenecks.

TRADE-OFFS

Balancing the profitability of fisheries and protecting vulnerable fish stocks has long divided invested parties and environmentalists. While the intention of the CFP is to manage fish stock across the EU, criticism over unreasonable quotas continue to outweigh efforts to foster a dynamic fishing industry.

There are fears that Brexit could jeopardize the catch of certain species and lead to the loss of thousands of jobs if a free trade agreement is not reached. Home to a diverse marine ecosystem, Falkland Islands—an archipelago in the South Atlantic Ocean—has been highlighted as one such area at risk. To date EU fisherman travel to the archipelago to capture Loligo squid, which is then exported to Spanish ports, mainly Vigo. With no custom fees at present, the introduction of duties could wreak havoc on the industry. Aside from squid, the future of cod, haddock, pollock, as well as some shellfish, is uncertain.

On January 20, 2020 The European Commissioner for Environment, Oceans and Fisheries, Virginijus Sinkevičius, announced that the EU aims to reach an agreement with the UK on fisheries relations by July. A review of the CFP would take place in mid-2022, by which stage the UK may no longer be subject to its rules. With UK-EU trade negotiations set to commence at the end of January, reaching an agreement that covers all aspects of fisheries trade by July is ambitious.

Forecasting the outcome of negotiations is a challenging task, though numerous trade-offs can be expected. Brussels is likely to press for access to resource rich waters while Mr. Johnson will try to acquire favorable post-Brexit access to the bloc's financial markets.

Regardless of the outcome, parties on both sides of the negotiation may feel they were dealt the weaker hand. UB

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The health food craze...

When CLEAN EATING goes TOO FAR

Over the past several years, people of all ages have become fascinated with, if not transfixed on, the latest dietary trend of healthy eating. Perhaps a natural reaction to the increased prevalence of processed food in our day-to-day, or simply a byproduct of social media hype, "clean eating" is a general term used describe the prioritization of eating a nutrient-dense diet packed with wholesome, high-quality foods which support good health and overall well-being. Those who partake on these diets generally try to avoid chemical additives, preservatives or any other ingredients that are deemed inessential or unnecessary to their nutritional needs.

When a health professional or nutritionist uses the term "clean eating," it is most likely to describe the process of improving the quality and combination of foods within a diet. In other words, the selection of foods and the nutritional makeup of each food should align with an individual's established physical and mental health, longevity and energy goals. While an exact classification of whole foods is subjective and varies by individual, most people would agree that items such as vegetables, fruits, nuts, legumes, healthy fats, oils and lean proteins all fit the general definition. A clean-eating dietary plan is typically used to inspire and motivate individuals to substitute these wholesome foods in the place of refined and processed foods.

So, who is the target audience for a clean-eating diet? Whether it is raw food, all organic, or gluten free, many people are already committed to a clean eating diet in one way, shape or form. The short answer is that, given the sheer amount of high caloric, processed foods that are so prevalent in today's culture, most people do stand to benefit from strategically adding in some whole foods to their everyday diet. Ultimately, it comes down to routine and moderation. Foods that are too high in salt, sugar, calories or carbohydrates, for example, aren't likely to cause much of a concern for most people unless they are consumed too often. Replacing some of these items with a healthy alternative is a habit that can only benefit a person in the long term.

So where is the downside?

Occasionally, people are simply too strict with these new dietary changes. When coupled with the positive feedback loop of social media and the opinions of others which aren't necessarily rooted in traditional nutritional or medical studies, sometimes a seemingly beneficial habit can go awry and evolve into an unhealthy obsessive behavior. While some people are able to traverse their way through the pseudoscience studies and biased recommendations out there, others are simply too busy or far too overwhelmed with the conflicting information and instead, choose to stanchly adhere to their concept of what healthy eating is. Because many clean eating programs aim to restrict certain types of food groups, oftentimes individuals miss out on essential minerals and nutrients. This scenario is a dangerous one which has the potential to negatively impact an individual's quality of life and even their wellbeing.

Nutrition experts use the term Orthorexia to describe a pattern of health-conscious eating that snowballs into an obsessive, psychologically restricting and occasionally dangerous eating disorder. Although not officially recognized in the Diagnostic and Statistical Manual, awareness of this disorder is on the rise. Unlike anorexia where individuals obsess over weight control, those with orthorexia continue to eat on a regular basis, but have an unhealthy fixation on the health properties of the foods that they consume. Of course, this doesn't impact all individuals who partake in a clean-eating diet. It seems that some people are more susceptible to certain eating disorders than others. It is important to keep in mind that, before partaking on a strict dietary change, to do your research and speak with a health professional first. Human biology is extremely complex and something that can't be summed up in a few overzealous social media posts. Sometimes good intentions, when paired with unwavering discipline, can work against an individual if they don't have all the facts in order before making such a drastic dietary decision. UB

Article contributed by **Dylan Hughes** | dhughes@urnerbarry.com

Australia's devastating wildfires...

The bushfire crisis impact on beef

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The wildfires ravaging Australia since June 2019 have been extraordinarily devastating. They are estimated to be the worst to date with over one billion animals said to have perished and over 15 million acres of land scorched. A slow, sustained build-up of drought throughout Australia over the past year, on top of extreme heat and strong winds, is considered the main reason why these record setting fires have been raging for months. The fires are an unmeasurable hit to the overall Australian economy, and multiple industries have suffered—including different aspects of the Australian beef industry.

Despite the devastation and loss, beef production hasn't been as harshly affected as was initially believed. The total loss of cattle due to the fires is estimated to fall somewhere between 140,000 and 180,000 head. Other estimations see the overall loss going as high as 450,000 cattle. Even if that higher end estimate is the case, it still quantifies to a small percentage of the total being raised in Australia. To put those numbers into perspective: Australia slaughters roughly 8.5 million cattle each year. Of course, the number of cattle killed due to the fires is expected to rise while more information continues to be released. Liquidation of cattle continues to be on the heavy side, however, due to the sustained drought.

Feed is one area that has been causing a strain on the industry throughout this crisis. In conjunction with the rising temperatures, costs have also been on the rise. That has had a direct effect on how quickly cattle are sent to slaughter due to the money required for continuous feeding. On the other end of the spectrum, feed hasn't been able to be transported to fire ridden areas due to the risk involved. Truckers are refusing, or unavailable, to take routes where there's a high likelihood of the hay, which can easily catch fire, getting scorched. This, in turn, raises the cost of transportation of feed for cattle owners.

In light of the destruction, farmers and ranchers are believed to have taken every necessary precaution that they could to protect their livestock, feed and land, but fires are unpredictable. A simple gust of wind could rapidly send massive flames on a completely different trajectory, pushing it into areas believed to be protected. In some cases where efforts were made to preserve livestock, mass evacuation via overland routes took place as they moved them to "safer" farmlands. Luckily, and in the spirit of cooperation, many in areas not affected have opened their land for temporary storage. Other farmers have had the unenviable task of having to vanquish their own livestock due to injuries sustained by the fires. In the end, it will quite possibly take years to determine the extent of the harm done to livestock, land and farmer alike. UB

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A LOOK BACK AT THE live lobster MARKET IN 2019

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The lobster industry faced a plethora of issues in 2019. From the downturn in the Maine harvest, to federal regulations aimed at protecting endangered North Atlantic right whales, to the sudden outbreak of the coronavirus; each challenge had the potential to alter business and the long-term future of the fishery.

Official Maine landings for the year will be presented during the state's annual Fisherman's Forum in March. As of this writing, NOAA's preliminary Maine catch estimates for the year are coming in around 97 million pounds, with industry experts predicting landings closer to 100 million pounds. Even with the higher estimate of 100 million pounds, 2019 landings will be 16% lower compared to 2018, 25% lower than the peak harvest reported in 2016 and the second lowest harvest recorded since the 96.2 million pound haul in 2010.

As a result of the lower landings, Maine ex-vessel prices paid started to trend higher than May 2018 and finished the year 15.3% higher than the 3-year average.

2019 pricing followed the normal, seasonal pattern, peaking mid-February, with NE selects hitting a 5-year high of $14.05, outpacing 2018 by 8% and 20.3% higher than the 5-year average of $11.68. Net supplies are lowest in the first part of the year; fishing efforts and landings slow as demand increases for the Chinese New Year and Valentine's Day; all price supportive. However, many participants were caught holding high priced inventory, hoping for continued demand from China. Sales slowed and accumulated inventories weighed on the market. There was an effort to move product before the Canadian fishing season opened and prices declined. In fact, prices remained depressed, trailing the 5-year average throughout the summer.

The fishing efforts for both Maine and Canada in the third quarter were reported to be well below previous years. Due to low inventory throughout the industry and a strong demand from the processing sector, pricing again followed the seasonal trend. However, select prices hit record levels with an average price of $11.88 in late October, finishing the year 16.4% higher than the 5-year average.

Total 2019 live exports registered 79 million pounds, with 54 million being shipped to Canada. These figures are 26% lower compared to 2018 and are 29% below 2016, the peak export year which saw exports exceed 110 million pounds. Monthly volume to Canada through September trailed 2018, picking up in the third quarter, outpacing both 2017 and 2018; however, year-to-date exports to Canada are 13.1% lower year-over-year. Year-to-date U.S. exports to China registered 6 million pounds, down 68% year-over-year. Meanwhile, year-to-date live imports from Canada registered 51 million pounds; the third declining year in a row and the lowest recorded since 2012. The shift in imports as a result of the trade war continued as Canada focused more attention on the live trade with China. According to Statistics Canada, $409 million worth of live lobster was shipped to China in 2019.

As we go to press, the coronavirus outbreak and the shutdown of China's borders are weighing heavily on the live market. With the sudden loss of China as an importer of Canadian hard-shell lobster, and the uncertainty of current stored inventory, prices have retreated as excess supply floods the market. It is unclear when China will be opening its borders and the impact on trade flow is unknown at this time, marking yet another challenge the industry will face in 2020. UB

Article contributed by **Liz Cuozzo** | Lcuozzo@urnerbarry.com

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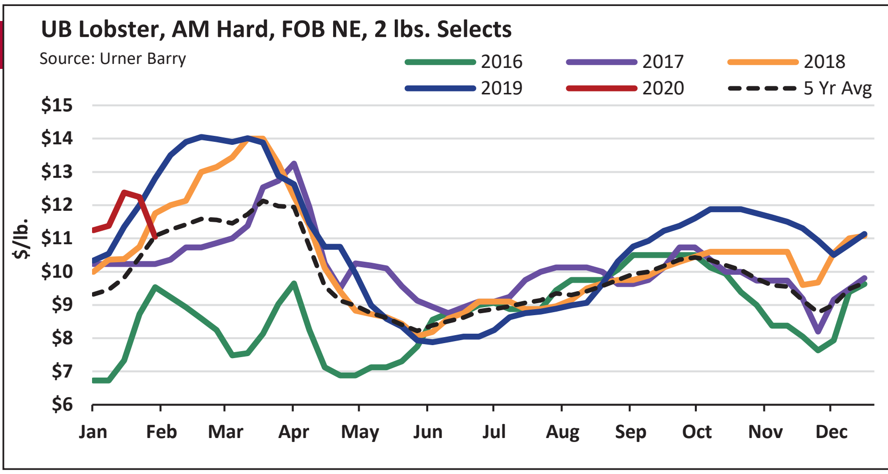

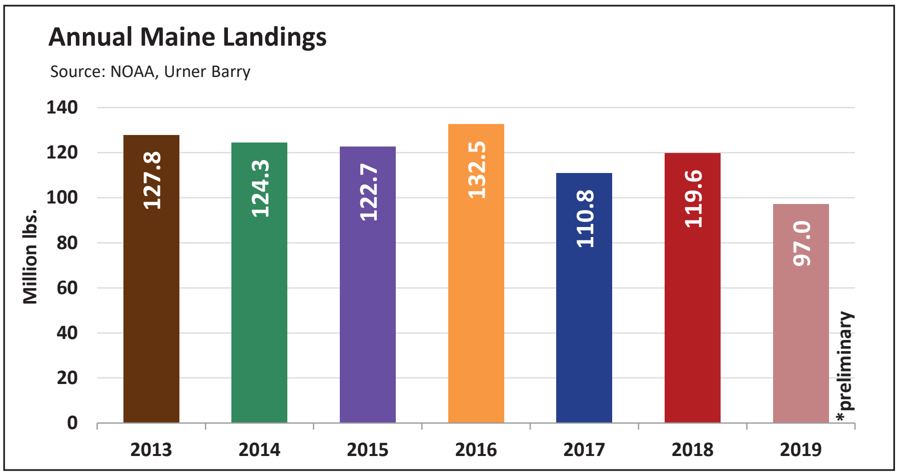

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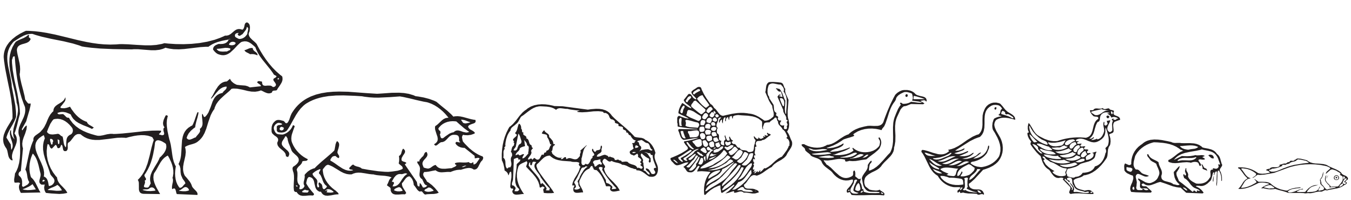
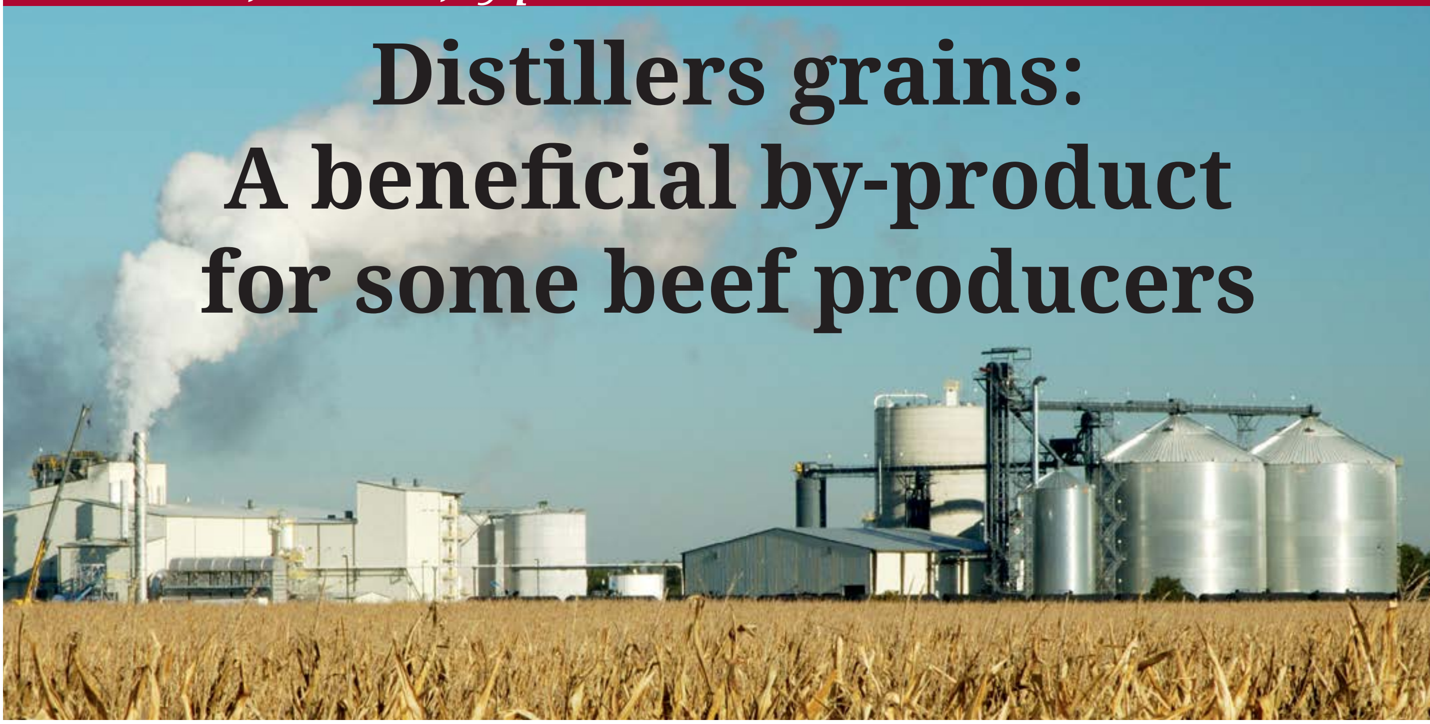


A nutritious, delicious, by-product...

Distillers grains: A beneficial by-product for some beef producers



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Ethanol: The seemingly innocuous word has been a hotly debated point of contention for 15 years and counting. Introduced in 2005, the Renewable Fuel Standard (RFS) is touted as America's clean fuels policy. The federal program mandates annual volumes of biofuels to be blended into the nation's fuel supply. What started out as four billion gallons of renewable fuel in 2006 will balloon nine-fold to 36 billion gallons by 2022, according to the U.S. Department of Energy.

The U.S. Department of Energy reports that 95% of ethanol is produced from corn. According to the Iowa Corn Growers Association, the U.S. ethanol industry produces on average nearly 90,000 tons of distillers grains per week. The debates surrounding corn ethanol are extensive and ongoing. For opponents, discussions surrounding this form of biofuel may conjure, at the very least, images of farm lobbyists and sprawling fields riddled with soil erosion. For advocates, the term may be envisioned as a phrase shrouded in gold, a promise to reduce reliance on imported oil, and a way to support American crop farmers.

Debates aside, there is another by-product of corn ethanol, one that is neither politically charged nor nearly as vilified: Distillers grains, and lots of it. For some cattle producers, feeding distillers grains to their livestock is an attractive option to increase weight in their animals or for supplemental use in winter feed.

Distillers grains are composed of the protein, fiber, mineral, and fat fractions of the corn kernel after corn has been fermented to make ethanol. Once considered a burdensome waste product, distillers grains are now recognized in the livestock nutrition industry as a low-cost feed ingredient.

Distillers Dried Grains with Soluble (DDGS) are the most utilized form of the corn by-product, as wet and modified grains are more difficult to store and transport. According to the University of Minnesota, DDGS are a good source of protein, vitamins, and minerals for growing and finishing cattle. On average, grain-finished cattle take about 18-25 months to reach market weight.

"Once considered a burdensome waste product, distillers grains are now recognized as a low-cost feed ingredient."

Research conducted by the University of Georgia and Cumberland Valley Analytical Services found that distillers grains normally test between 85% and 95% total digestible nutrients (TDN), signifying DDGS as an excellent source of energy. Due to the upsurge in ethanol plants across the Midwest, distillers grains are readily attainable and offer a less expensive protein source than other feedstuffs such as soybean meal.

Studies at the University of Georgia emphasize the importance for cattle feeders to consider the mineral content of DDGS. DDGS are high in phosphorus and sulfur but are low in calcium. As precaution, the University of Georgia suggests limiting DDGS to 30-40% of the animal's total feed intake to avoid excessive mineral consumption.

Each cattle operation is unique in their applications and methods. While distillers grains may not be suitable for every feed yard, it is an increasingly considered option as ethanol production continues to expand. For some feeders, the silver lining to ethanol may in fact be gold, in the form of golden distillers grains. UB

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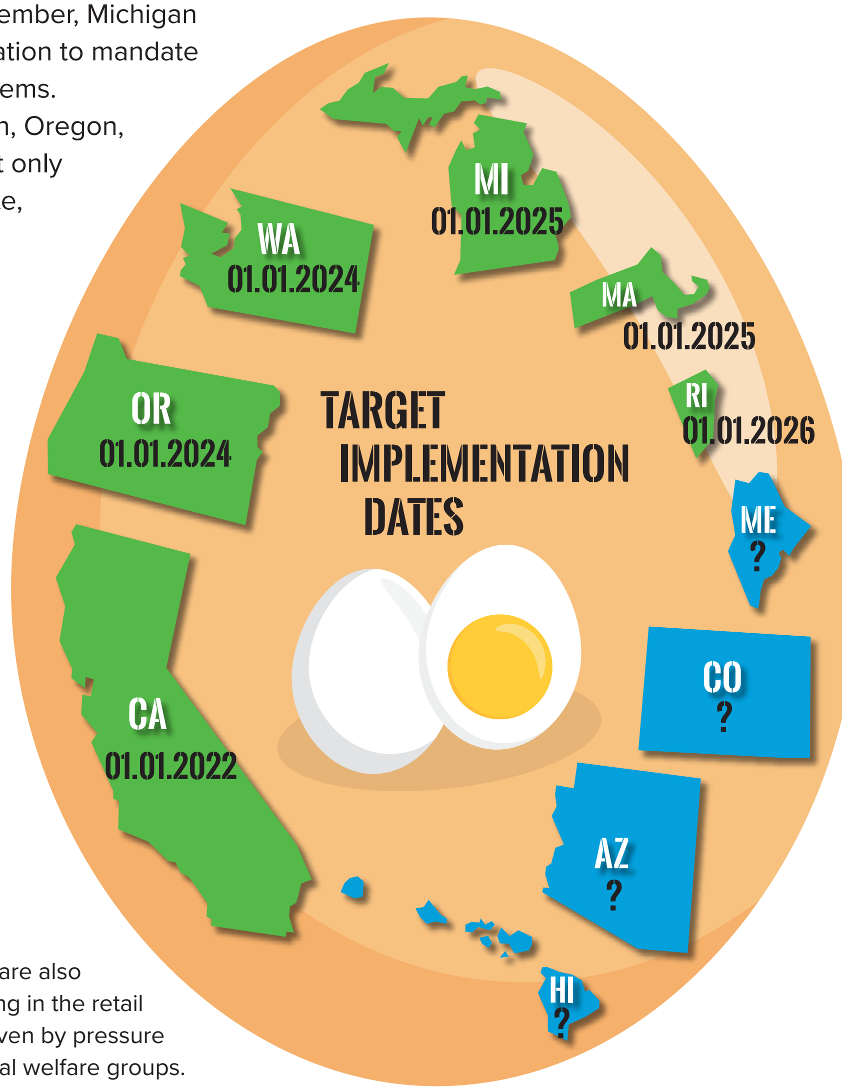
Egg prices under pressure as cage-free expansions push national flock to record-high levels

With the passage of Senate Bill 174 this past November, Michigan became the largest egg-producing state in the nation to mandate that egg-laying hens be housed in cage-free systems. Michigan joins the ranks of California, Washington, Oregon, Massachusetts and Rhode Island in requiring that only eggs from cage-free hens may be sold in the state, regardless of where they are produced. Arizona, Colorado, Hawaii and Maine may soon be added to this growing list. Chad Gregory, president of United Egg Producers (UEP) told attendees at this year's International Production & Processing Expo in Atlanta that legislation is currently being pursued in each of those states, with a target implementation date of January 1, 2025.



Cage-free initiatives are also proliferating in the retail sector, driven by pressure from animal welfare groups. To date, more than 400 companies have pledged to sourcing 100% cage-free eggs by 2026 or sooner.

These cage-free commitments have come at a tremendous expense to producers—in more ways than one. The most obvious costs are those associated with converting current barns to cage-free housing systems, an endeavor that UEP projects could top $10 billion. But these pledges are also hitting producers' bottom line as they grapple with getting outputs in balance with consumer need.

U.S. Department of Agriculture data shows that since August 2016 the national cage-free flock has more than doubled—jumping from 30.5 million to 69.6 million head. At the same time, the overall number of layers has increased from 306.7 million to 340.7 million head—

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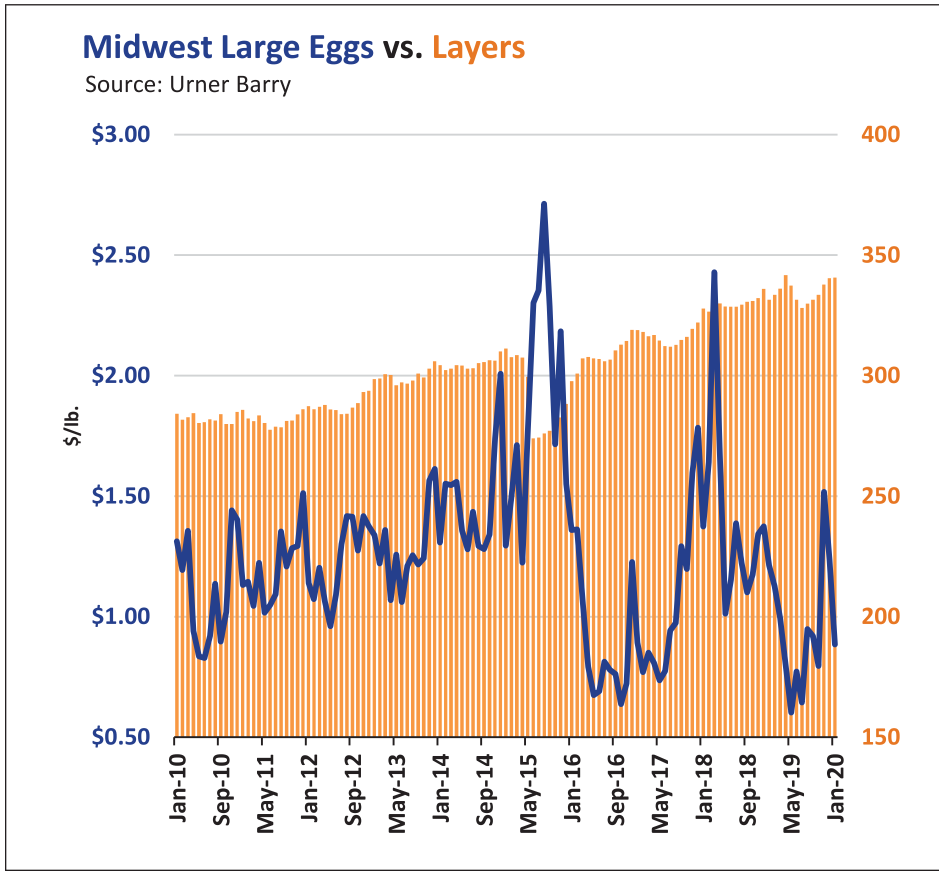

the net effect of which yields a 39.1 million surge in cage-free layers and only a 5.1 million reduction in caged layers.

While consumption has been respectable by all accounts, it simply cannot keep pace with the production increases. Surpluses in the wholesale market have caused shell-egg prices to drop to near-record lows over the past year, making it exceedingly difficult for producers to operate at a profitable level—let alone arm them with enough incentive or revenue to keep building cage-free facilities. Urner Barry data shows Midwest large conventional eggs averaged just $0.95/dozen in 2019–that's 45cts, or 23.3%, less than the 10-year historical average. UB

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Seafood Expo GLOBAL

Illustrations by ©setory/Getty Images

PAST

Originally called
EUROPEAN SEAFOOD EXPOSITION

Held in Brussels since
1993

3,000
seafood professionals attended

230
companies exhibited

3,614
square meters of exhibit space covered

PRESENT

29,288
seafood professionals from around the world attended

40,625
square meters of exhibit space covered

2,020
companies exhibited

Buyers from
155
countries attended

89
countries exhibited

Brussels event
BROKE RECORDS IN 2019

FINAL SHOW IN BRUSSELS
April 21-23 2020

Visit
URNER BARRY
at Booth
6-842

FUTURE

Seafood Expo Global will move to
BARCELONA
April 27-29 2021

Organizer
DIVERSIFIED COMMUNICATIONS
expects the 2021 show to bring in more than
100
MILLION EUROS

The new venue Gran Via Fira Barrcelona features
240,000
total square meters

Compiled by **Amanda Buckle**
abluckle@urnerbarry.com

Exploring meat-plant blended products

It's no secret that alternative proteins have continued to gain traction from both the retail and foodservice sectors. Plant-based options are becoming more prevalent each year.

However, Americans are still eating a tremendous amount of meat annually. According to the USDA, per capita consumption of poultry and red meat was just under 220 pounds in 2018.

As vegans and meat eaters tussle over health benefits, sustainability and other factors of the human diet, companies have decided to combine both meat and plants to create blended options, providing yet another alternative for consumers.

These products have become a trend of late and may find footing over the next decade. Major players are getting into the mix, like Tyson Foods and its Chicken Plus product line, and Applegate, a member of the Hormel family of products featuring blended burger options.

One of the key drivers behind blended products are consumers' willingness to introduce more plants into their diets. Applegate's Director of Innovation Jenny Burns described this group as "plant-curious."

Burns also said that Applegate has heard from some consumers regarding concerns over the ingredients in plant-based options.

"Some of the plant-based options have a certain level of processing and I think there are consumers that are trying to stick with a minimally processed diet," Burns said. "The ingredients didn't fit with their food philosophy, so the [blends] are a great option so they can get a great experience with the meat and add plants as well."

These products will blend meat with a plant or plant formulation aiming to please eaters that are looking to increase their vegetable intake or lower their meat intake.

Photo courtesy of Applegate

Katherine Miller, Vice President of Impact at the James Beard Foundation believes that blended products are a way for consumers to continue eating meat but also take steps to improve the sustainability and quality of what is on their plates.

The James Beard Foundation, which hosts a massive award show honoring chefs, restaurants, books and more, is behind the Blended Burger Project, alongside the Mushroom Council. The project aims to encourage chefs to create tasty blended options to show the benefits and taste of blended foods.

"It provides an alternative for people who are looking for dietary, environmental or personal reasons to reduce their meat consumptions without completely cutting it out," Miller said. "This isn't a no-meat option, this is a blended burger and the idea that we can provide alternatives for vegans, vegetarians, flexitarians and meat-centric is one of the more exciting aspects of this initiative."

As companies look to create a blended product, Paul Shapiro CEO of the Better Meat Co. creates plant-based formulas for them to blend into their meat.

Shapiro said that companies that are looking to put a meat product onto the market that is lower in saturated fat and cholesterol, has fewer calories and more fiber, can use these formulations, just as Tyson Foods did in their Chicken Plus product line.

Shapiro noted that the formulations the Better Meat Co. creates have high inclusion rates, meaning that products can be near a 50-50 meat-plant split.

"That enables [companies] to make a chicken nugget that has a quarter cup of vegetables per serving in it, even though you cannot see, taste, or detect vegetables in any way," Shapiro said. "It just takes like a regular chicken nugget."

Shapiro believes that the flexitarian market is an obvious target for blended products. However, he says there is also plenty of consumers that would like to eat more plant-based, but don't necessarily want to eat less meat.

A sentiment that both Shapiro and Miller shared was the idea of people "having their meat and eating it too."

Many people are interested in plant-based options and gaining health benefits they may deliver, but they are not interested in giving up burgers or chicken. This is the market space blended products are looking to fit into.

Burns further assessed the dietary benefits of the company's Great Organic Blend Burger.

Right on the front of Applegate's packaging for its beef burger blend, it boasts that its product has 35% less calories and 45% less fat than a beef burger. Consider the company's commitment to using grass fed beef and organic plant ingredients, the nutritional benefits of the product are significant.

From an environmental standpoint, Shapiro compared meat-plant blends to a hybrid car; when completely plant-based products are more like electric cars. Electric cars make up 1% of the vehicle market, much like plant-based make up 1% share of the meat market.

One of the drivers behind such a small market share are the costs. Completely plant-based options typically come with a much higher price tag when compared to conventional meats. However, a hybrid option could keep costs lower and be a more realistic option for the average consumer.

"If the automakers could have a technology that would allow them to easily hybridize 99% of the cars they sold, why not do that?" Shapiro said. "That's what we are doing in the meat industry by giving them technology so they can perform with a much lighter footprint on the planet."

Creators of blended products do have taste at the forefront of their minds. They want to ensure that although their products may only contain a portion of the meat compared to its counterpart, it tastes 100% the same, if not better.

"Taste matters," Miller exclaimed.

In Applegate's blended burgers Burns says the mushrooms mimic and compliment the texture and taste of meat. Creating a product that tastes the same as a burger makes it much easier for the consumer to accept the product and put it on their dinner table.

For the turkey burger, the blend does improve the eating experience of the product. Burns highlighted that some consumers find a turkey burger bland. The blended option adds more flavor to them mix.

"For the people that aren't eating as much plant-based but are looking for lighter, healthier options on a weeknight, this is a great product for them," Burns said. UB

Article contributed by **Ryan Doyle**
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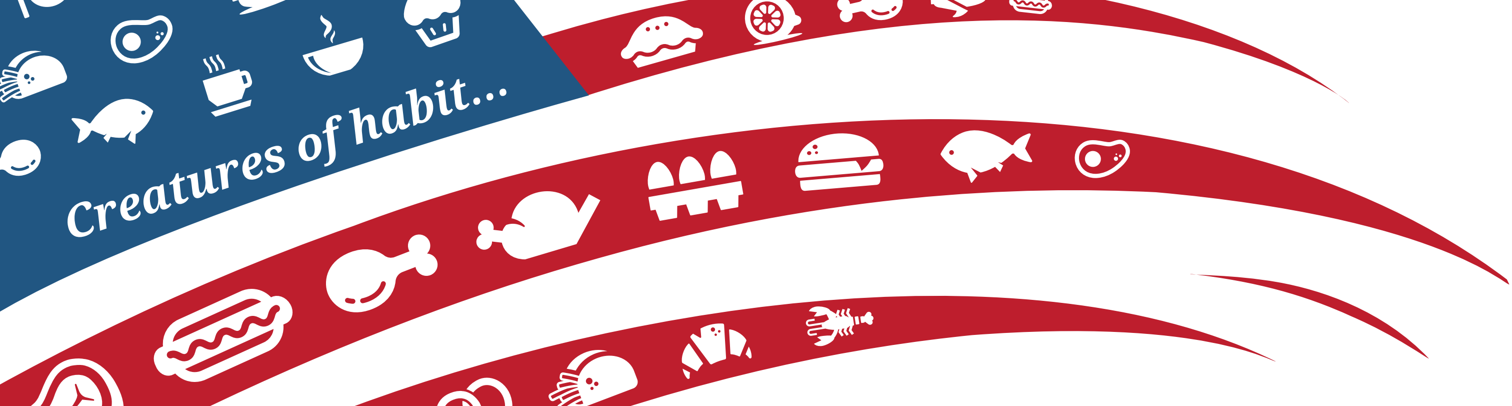

EATING PATTERNS ACROSS AMERICA

While trends like alternative proteins and CBD infused foods appear to be on the rise, American consumers are surprisingly creatures of habit when it comes to their eating patterns — albeit with a modern twist. Foods being consumed today are influenced by multiple factors including ethnicity, generational group, and health consciousness. For example, the NPD Group reports that 16% of consumers regularly use plant-based alternatives such as almond milk, tofu, and veggie burgers. However, 89% of these consumers do not consider themselves vegan or vegetarian. There is opportunity for companies trying to produce healthy foods to grow as consumers are being influenced to be health-conscious when making food decisions.

According to Nielsen, the gap between intentions to eat better and actions is not from lack of effort. Nearly all Americans have purchased low-fat food or beverage items this year, but households only do so about twice a month. With that said, visits to quick service restaurants have increased by 630 million visits since 2014. Meanwhile, total visits to restaurants declined more by more than 700 million visits.

Statistically speaking, healthy eating patterns have not been superb. In 2018, one in five Americans identified as obese, and approximately 23% admitted to never or rarely exercising. However, Americans have promising intentions for the future, presenting retailers with the chance to capitalize on this optimism by focusing on what consumers strive to eat versus what is literally consumed.

"Americans have promising intentions for the future, presenting retailers with the chance to capitalize on this optimism by focusing on what consumers strive to eat versus what is literally consumed."

When companies can encourage consumers to eat responsibly they can align with long-term health goals that are becoming increasingly more common, but difficult to sustain. While store-brand food and beverage sales were up nearly 5% in 2018, they hover at just 3% above sales a year ago, representing a growth of 2%. This small growth points to opportunity for all brands. Both retailers and manufacturers have the potential to succeed in executing a healthy product that consumers will want to change their eating patterns for. When it comes to a diet that Americans are willing to follow, it's the foods that boost healthy lifestyle goals that will bridge the gap to healthier eating in America, and break those bad habits. UB

Article contributed by **Andraia Torsiello**
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Icons created by Samtoon/Getty Images

Nutritional science—the AEB's foundation driving demand for U.S. eggs

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

As you may be aware, the primary mission of the American Egg Board—the marketing arm of the U.S. egg industry—is to increase demand of U.S. eggs and egg products via research, education and promotion. While you'll often hear about the AEB's marketing and business development efforts, you may not hear as often about the critically important science being advanced by the AEB's nutrition research group, the Egg Nutrition Center (ENC).

For decades now, the ENC has administered a best-in-class research program that provides funding to leading research universities, enhancing our knowledge about the health benefits of eggs and egg nutrients, while also providing science-based information to health professionals to help them better educate their clients and patients on the role eggs can play in healthy diet patterns across the lifespan.

ENC EGG NUTRITION CENTER

Today, I will provide an inside look at our research program and how we're breaking ground in nutrition science, benefiting both our industry and consumers. It is precisely because of the growing body of scientific knowledge that I daresay The Incredible Egg today enjoys nutritional status on par with the superfoods.

NUTRITION AS A FOUNDATION

Frankly, nutrition is the foundation of everything we do at the AEB. That is why the ENC makes sure that this foundation is based on credible, science-based nutrition information. The integrity of this process is our priority, ensuring the research funded is of the highest quality and the messages we develop are supported by science.

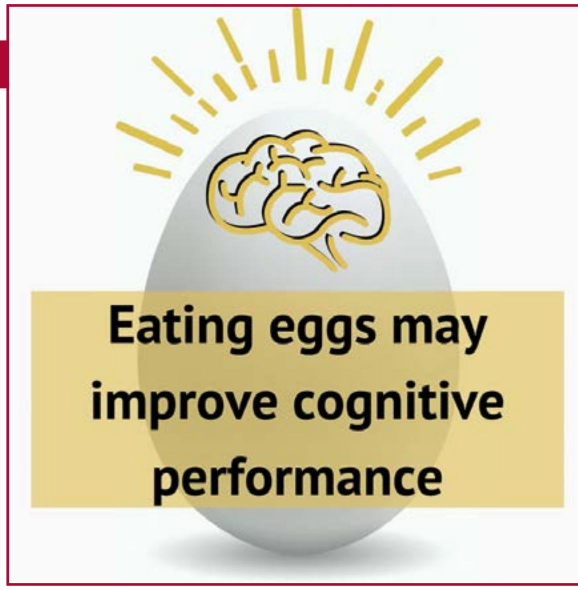
The dividends earned from the ENC's nutrition science and communications efforts extend well into the AEB's other marketing and promotional activities. For example, nutritional research informs programs like the AEB's Eggs in Schools, which provides science-based nutrition information to school nutrition directors. And it plays a key role in the AEB's consumer marketing campaigns—particularly during the New Year's health and wellness window, which in recent years has become a key marketing drive period thanks to nutrition research.

RESEARCH AS A GAME-CHANGER

The AEB's ENC has a track record of advancing science with a real impact on our industry, the health community and consumers. Take, for example, the history of dietary cholesterol and how sound nutrition research established eggs as part of heart-healthy diets.

Dating back to the 1970s, Americans were told to eat less fat and cholesterol, and along with that, fewer eggs. Research sponsored by the ENC in the late 80s and 80s helped spark new thinking around this issue, which contributed to a changed view of dietary cholesterol, egg consumption and heart disease in the scientific community.

Eventually, the 2015 Dietary Guidelines Advisory Committee made both history and headlines when dietary cholesterol was removed from the list of nutrients of public health concern. These recommendations were reinforced more recently in a 2019 American Heart Association report on Dietary Cholesterol and Cardiovascular Risk, in which it was stated that eggs can be part of heart-healthy diets, and may be particularly important in older individuals and those following primarily vegetarian or plant-based diets.



EGGS AS A BRAIN FOOD

With conclusive science around eggs and heart-healthy eating, the ENC is looking into new and innovative research opportunities. Perhaps the most exciting area of ongoing investigation focuses on the benefits of eggs and egg nutrients on cognition and brain health. Nutrients in eggs such as choline and lutein have been shown to contribute to cognitive health across the lifespan—both in children during critical times of growth and development, as well as in aging adults.

In fact, research funded by the ENC has shown that choline intake by pregnant women can lead directly to improved cognitive performance of their children later in life. With the American Academy of Pediatrics and the Dietary Guidelines for Americans increasingly emphasizing brain health alongside heart health as being important factors to consider in dietary recommendations, the foundation provided by this research should keep eggs and egg nutrients at the forefront of the nutrition conversation well into the future.

The investment by America's egg farmers in this program has far reaching benefits—to the scientific community, the general public and society, and, of course, the egg industry—setting the bar for what best-in-class industry-led research can accomplish. UB

We welcome your questions or feedback. Feel free to contact the ENC directly at ENC@eggnutritioncenter.org and visit EggNutritionCenter.org.

Another record year of shrimp imports in 2019

©Magone/Getty Images

2019 shrimp imports show six-straight years of growth and records in each of the last five. Imports grew by a mere 0.4% to 1.543 billion pounds led by India, and to a lesser extent, Indonesia. India easily crossed over the 600-million-pound mark, shipping a record 623 million pounds; and Indonesia set a record by exporting 294 million pounds of shrimp to the U.S. India, our number one trade partner, accounted for just over 40% of all shrimp imported in 2019, and when combined with Indonesia accounts for 59%. Ecuador, Vietnam, and Mexico also shipped more to the U.S. Notable countries that shipped less to the United States for the full year compared to 2018 were Thailand and China.

INDIA

India is not only the largest supplier to the U.S. but is also the biggest producer in the world with an annual output of 770,000 metric tons. Imports from India were higher in each of the 12 months of 2019. The result was a 14% gain year-over-year and increases in all categories; shell-on (+12%), peeled (+14.7%) and cooked (+17%). In terms of the size distribution of shell-on shrimp, we saw fewer U/15, 16-20 and 51-60 counts, and more 21-25 through 41-50 counts.

India has established its dominance growing steadily and rapidly over the course of the last decade. Output has grown from a mere 100,000 MT in 2009 to 770,000 MT in 2019. In terms of trade with the U.S., they've grown 1300% over the same time period and have seen their share of the U.S. market grow from just 3.6 to a market leading 40%.

INDONESIA

Indonesia's shrimp output has been growing, but not as steadily and certainly not at the same pace as India. Annual output there has grown from 180,000 MT to 340,000 MT during the same timeframe and has been as high as 370,000 MT. Indonesia shipped a record 294 million pounds of shrimp into the U.S. in 2019. They arrived at this record by shipping more shell-on (+2.7%), cooked (+1.9%) and breaded (+100.4%), but less peeled (-8.9%) shrimp.

ECUADOR

Much like India, Ecuador has been experiencing significant growth in shrimp production. Between 2009 and 2019, output there has grown from 180,000 MT to 590,000 MT. Ecuador is now the third largest producer in the world and second in terms of contribution to global trade flows since China keeps most of their output in their own domestic market. Ecuador sends close to 70% of their exported product to Asia, so they are third in terms of U.S. supply. Still, Ecuador shipped 183 million pounds of shrimp to the U.S. in 2019, a 9.3% increase over the prior year. They shipped more shell-on (+4.5%) and peeled (+15.9%), but less breaded (-19.6%).

VIETNAM

Vietnam has also been steadily increasing shrimp production, growing from 200,000 MT in 2009 to 530,000 MT last year. They maintain their position as the fourth largest supplier to the U.S. by shipping 3.2% more or 134 million pounds of shrimp. They shipped more shell-on (+3.4%), peeled (+10.5%) and breaded (+48.5%), but less cooked (-11.8%).

THAILAND

Thailand hasn't returned to pre-EMS production levels which easily exceeded 500,000 MT but have been consistently close to 300,000 MT in recent years. In terms of U.S. supply, it has declined for three-straight years. Shipments from Thailand fell 14.9% in 2019 to 93 million pounds. This is significant as Thailand hasn't shipped fewer than 100 million pounds to the U.S. in more than 20 years. At one time, Thailand was our largest supplier, shipping as much as 450 million pounds in a single year.

U.S. IMPORTS OF SHRIMP BY TYPE

	2019 (1,000 lbs.)	2018 (1,000 lbs.)	% Change
SHELL-ON	542,671	516,917	+5.0%
PEELED	674,990	665,308	+1.5%
COOKED	178,856	205,750	–13.1%
BREADED	111,679	115,185	+3.0%

MEXICO

Mexico is a much smaller producer than any of the other countries discussed, producing roughly 100,000 to 140,000 MT annually, but its proximity to the U.S. makes it an important trade partner. Mexico supplies the U.S. with both farmed and wild shrimp, and is a critical supplier of HLSO shrimp, especially 21-25 count. In 2019, Mexico shipped 18.8% more shrimp, going from 54.9 to 65.2 million pounds; 97% was HLSO.

CHINA

China has reduced shipments of shrimp to the U.S. by 60.6%. As a rule, China doesn't participate in the in-shell market, so this lack of product affects the peeled, cooked and breaded categories. This change is directly attributable to African Swine Fever. China needs to fill protein commitments, so they are shipping less to the U.S., as well taking supply from key trade partners, most notably Ecuador.

Headless shell-on imports, including easy peel, increased 5% in 2019. The primary driver was growth in 31-40 and larger count shrimp.

The peeled and deveined category continues to grow, up 1.5% in 2019.

2019 imports of cooked (warm water) shrimp declined 13.1% from last year.

Breaded imports fell 3% from 2018.

Trade flows have changed in recent years, but it seems that one thing that has remained constant is the growing supplies of imports into the United States. And India seems positioned to dominate almost unwilling to give way to any other country. UB

U.S. IMPORTS OF SHRIMP BY COUNTRY

	2019 (1,000 lbs.)	2018 (1,000 lbs.)	% Change
INDIA	622,985	546,263	+14.0%
INDONESIA	293,576	291,706	+0.6%
ECUADOR	183,068	167,314	+9.3%
VIETNAM	133,670	128,710	+3.2%
THAILAND	95,499	109,538	−14.9%
MEXICO	65,171	54,860	+18.8%
CHINA	44,281	112,025	−60.6%

"India accounted for just over 40% of all shrimp imported..."

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Conquering polystyrene pollution…

WORMS + TRASH = VALUE?

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More than 14 million tons of polystyrene foam, commonly misidentified as Styrofoam™, are produced globally every year. It's 95% air, so the sheer volume of 14 million tons is almost unimaginable. Polystyrene is highly functional and cheap to produce, but it is also incredibly cost prohibitive to recycle and has a decomposition lifespan of more than 500 years. Even after that, it persists as easily dispersed microparticles that compromise both living and mineral resources. Styrofoam's impending consequences on the environment prompted the science community's fierce quest for a solution.

It was discovered about five years ago that mealworms can subsist off a polystyrene diet. The revelation was sure reason to feel optimistic, but concern remained: Could mealworms digest not only the foam, but its additives?

Polystyrene is commonly treated with hexabromocyclododecane, or HBCD, a flame retardant. The Environmental Protection Agency is evaluating HBCDs risk on grounds of causing endocrine disruption and neurotoxicity, while the European Union plans on banning it altogether.

Only time could reveal the long-term effects of HBCD on the worms and the potential for large scale application of this idea because, honestly, is tons of toxic mealworms the solution to tons of plastic?

Fortunately, Stanford scientists conducted a study that monitored mealworms fed only HBCD enhanced polystyrene. Worms excreted half the plastic as tiny, partially broken-down fragments and the rest as carbon dioxide, while all the HBCD was excreted 24-48 hours after ingestion. The mealworms sized up as healthy even against their counterparts who ate a regular diet. The healthy worms who ate the plastic were in turn fed to healthy shrimp, who remained in tip-top shape.

"The potential value this discovery holds for feed, recycling, and adjacent sectors is massive."

Anja Malawi Brandon, study lead author at Stanford, said, "This is definitely not what we expected to see. It's amazing that mealworms can eat a chemical additive without it building up in their body over time." The potential value this discovery holds for feed, recycling, and adjacent sectors is massive. Cleaning the environment and feeding stock all with one worm is a win-win.

However, the HBCD the mealworms leave behind is still a problem, and the effect of other additives in different plastics on the worms is yet unknown. Brandon added: "This is a wake-up call. It reminds us that we need to think about what we're adding to our plastics and how we deal with it."

Some of the damage that's been done to the Earth in the plastic crisis can maybe be reversed, but the pressure is on consumers and industry titans both to reduce reliance on single-use plastics and innovate lasting, sustainable, bio-degradable solutions for foodservice and packaging. UB

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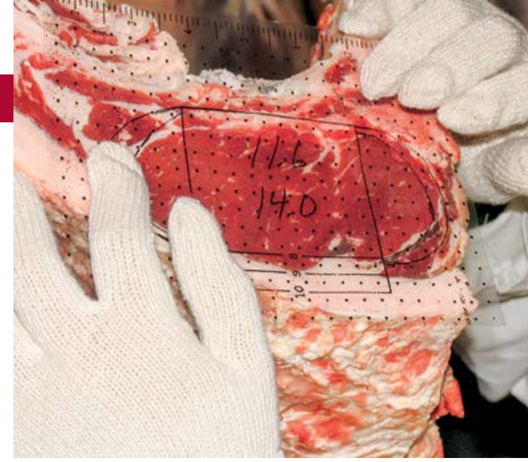
Precision drives predictability...

Beef grading from past to future

Article contributed by Natalie Jones, **Certified Angus Beef®**



Photos courtesy of Certified Angus Beef®

Eating satisfaction for beef has improved over the years, and, in step, so has the ability to measure it.

What's stayed the same? The importance of marbling.

"Marbling is like butter in the pan of potatoes," says Dale Woerner, Texas Tech University meat scientist.

Research supports that kind of fat as part of a healthy diet, and consumers are demanding more high-quality beef.

"The last 20 to 25 years is a rebound of grade because of increased emphasis on genetics," the scientist says. That started in 1978, "when CAB (the *Certified Angus Beef®* brand) came in and changed the game" in establishing premium Choice.

"Today, the most progressive producers aren't talking about percent Choice. They are focused on CAB and talk about the percent of cattle in premium Choice and Prime," Woerner says.

What is changing is how that marbling is found: Since approval in 2006, camera grading systems have added consistency in most major packing plants.

Camera systems have evolved to calculate yield and quality grades, ribeye area and marbling scores from millions of pixels in a digital image, segregated into red or white (lean or fat) amounts measured by pixel size.

"It's really not much different than predicting the weather," Woerner says. "We utilize algorithms, or what the modern folk are calling 'artificial intelligence' to turn a machine into a human grader. But machines don't wake up in a bad mood or with a hangover or a personal issue with the one working next to them."

In 800 nanoseconds—one of those is a billionth of a second—these systems calculate everything they are asked to do, ready for the next on the line. That's happening now. What's next?

"X-ray vision and x-ray technology is definitely coming our way," Woerner says.

What may seem even more advanced is also being tested in research settings: Rapid Evaporative Ionization Mass Spectrometry (REIMS).

The technology uses metabolomics (the large-scale study of small molecules) to tell how much of a protein is intact or degraded to any degree, then comparing differences to predict tenderness, he explains.

A device reminiscent of an arc welder cooks a tiny sample, takes in the molecular signature from smoke and measures each compound. REIMS may even be able to differentiate beef by breed and origin, provide data on how it was raised and guarantee tenderness.

"We could, in fact, sell beef on a tough or tender basis by sorting those carcasses at the time of grading," Woerner says.

Other emerging grading technologies will measure data that tells us more about beef than many ever thought to ask, he adds.

But the industry is on a good course already.

"I just think the quality of beef is improving because of the producers' commitment to quality, genetics and feeding," he says. "In the scientific world, we're advancing by measuring improvements to differentiate quality or yield. Part of that is so that we can better market beef products in a way that's more meaningful to a consumer. Ultimately it will drive beef demand to a higher level." UB

After a 5-year respite...

CHINA AND TRADE: WHAT IT MEANS FOR THE turkey industry

©guru86/Getty Images

Article contributed by Joel Brandenberger, **National Turkey Federation**

There's no better way to kick off a new decade than with a turkey industry win. But, best of all is two wins.

Trade is vital to the future prosperity of the turkey industry, and the international trade situation has been in turmoil for some time, but stability began to return in January with the signing of two major trade agreements: Phase One of a U.S.-China trade deal and the U.S.-Mexico-Canada Agreement (USMCA).

For the turkey industry, USMCA was a critical victory in that it eliminated uncertainty with our biggest trading partner—Mexico—and creates an opportunity for a modest expansion of exports to Canada. But, as important as avoiding disruption to our number-one market is, the China treaty may have a more lasting impact.

What, exactly, does China really mean for the turkey industry? China's consumers demand protein, and renewed access to China signals opportunity for the turkey industry.

Prior to 2015, China was the second-largest export market for U.S. turkey products. At its peak, the annual value of turkey exports from the U.S. to China was $71 million, a significant source of revenue for the turkey industry. Re-opening the door for business in China secures a huge win for turkey growers and processors across the country by creating the potential for this to once again become a major market for our products. It is predicted that turkey exports could generate $100 million in sales and poultry breeding stock at least $60 million more. This confirmed a key breakthrough late last year.

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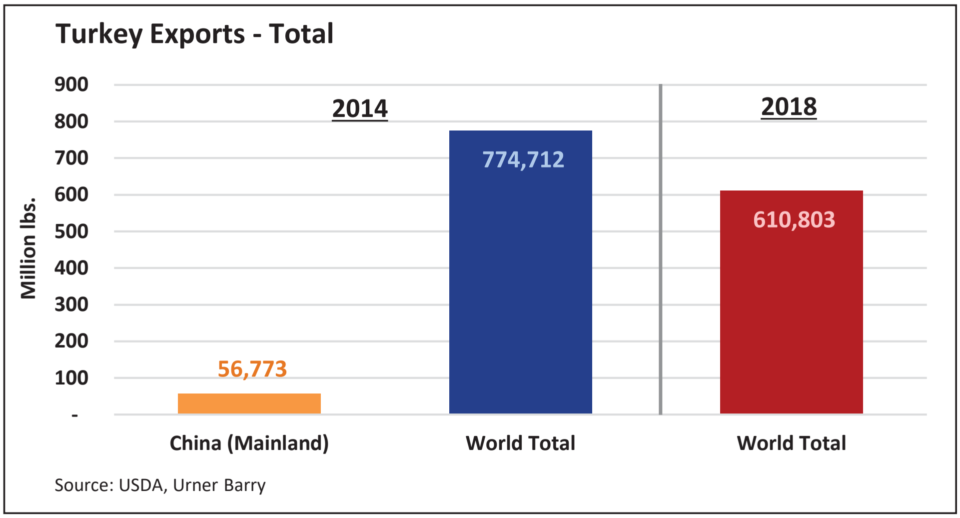
In November, after many months of negotiations between U.S. trade officials and China, the Chinese government announced the country had finally lifted its five-year ban on imports of U.S. poultry products. If you don't remember, the ban was enacted in early 2015 following the detection of highly pathogenic avian influenza (HPAI) in the U.S. Although our country has been free of HPAI since 2017, China had yet to lift the ban. This action was a long time coming, and NTF was appreciative of the Trump Administration's dogged determination, especially officials within USDA and the Office of the U.S. Trade Representative, during what were often tense and difficult negotiations.

In mid-January, President Trump and Chinese Vice Premier Liu He sealed this promise of a brighter trade future when they signed the Phase One agreement.

NTF Chairman Kerry Doughty and other leaders in the business community were present at the ceremony in the White House residence. Under this agreement, China's imports of U.S. agriculture, including meat and poultry, will total at least $80 billion in sales of all U.S. products over the next two years, with commitments from China to purchase an additional $5 billion in agricultural products annually. Negotiators will next work to finalize a protocol for the regionalization of poultry diseases, including HPAI. China has also committed to fully lifting the ban on other U.S. poultry commodities, including live birds. We are hopeful that additional turkey products, including feathers, are back on the market there soon.



NTF has worked tirelessly in the pursuit to regain access to the Chinese market. It's true that questions still remain around the U.S.-China trade relationship and if current tariffs on U.S. poultry products will be lifted anytime soon. Nevertheless, as shipments of U.S. turkey make their way into the country and NTF and our members work to gain a better understanding of the import process, we understand that this trade relationship is one that has major implications for the entire industry.

From the farm to the plant, America's turkey producers are committed to raising high-quality, nutritious products. This opportunity to once again enter the Chinese market acknowledges that long-standing commitment. NTF is prepared to continue working with our partners in government to take advantage of this opportunity and ensure that Chinese consumers have access to American turkey products. UB

What to expect from Urner Barry's 2020 Executive Conference

Urner Barry will host its 44th annual Executive Conference at the Bellagio in Las Vegas, Nevada, from April 26-28. Decision makers from the poultry, egg and red meat industry will convene to network, learn and advance their professional development at the must-attend event of the year.

Over 400 top executives from the most instrumental companies in the protein industry make the annual pilgrimage. Throughout its 40-plus year history, the Executive Conference has featured a diverse crowd of business leaders, analysts, political figures, and experts to provide attendees unmatched wisdom on the global protein industry.

UB Executive Conference

"Throughout its 40-plus year history, the Executive Conference has featured a diverse crowd of business executives, analysts, political figures, and experts to provide unmatched wisdom on the protein industry."

Urner Barry's 2020 schedule is filled to the brim. A discussion about marketing in the protein industry will kick off the event. With scrutiny coming at the meat trade from all sides, the protein sector is under a tremendous amount of pressure to produce more product for a growing population, while keeping costs low. How can the industry better market itself to consumers? How can the negativity be overcome? Speakers, like Anna Ashton from the US-China Business Council, David Fikes of the Food Marketing Institute and Brett Stuart of Global AgriTrends, will dive deep into the most pressing topics with unrivaled insight.

Attendees will also gain an education on the grain market, securing valuable knowledge and a further understanding of how it impacts the protein industry's growth and marketing efforts. Another focus will be on macro-economic trends. A look at the big picture will help businesses understand what's ahead, reduce risk and make better informed decisions.

As 2020 begins to unfold, trade relations, tariffs and a charged political climate are bound to impact the agricultural industry. The Executive Conference will explore these influences and more in a multi-layered approach, including an intensive discussion from a panel of industry leaders, each uniquely positioned within the food business. Naturally, no dialogue in the protein industry can be had without a thorough exploration and update of African swine fever.

No Executive Conference would be complete without hearing from Urner Barry's expert market reporters as they take the stage yet again to discuss markets and what the future holds in poultry and red meat. Meanwhile the egg reporters will discuss key factors that impacted the U.S. and European egg markets over the past year.

Taking place in the heart of Las Vegas, the Executive Conference also leaves time for enjoyment. A welcome reception, cocktail parties and a golf outing at Bear's Best luxury golf course will make for another unforgettable year. UB

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The Manzella Report


RICH NELSON
Allendale Consulting


BRETT STUART
Global AgriTrends


TODD THURMAN
SwineTex

Meet SCOTT RASMUSSEN, the 2020 Executive Conference KEYNOTE SPEAKER

Those attending Urner Barry's 2020 Executive Conference in Las Vegas will get to see Keynote Speaker Scott Rasmussen take the stage.

Rasmussen is one of the world's top public opinion pollsters. He's been dubbed as a "driving force in American politics" by the Washington Post and a "key player in the contact sport of politics" by the Wall Street Journal.

As one of the top pollsters in the nation, Rasmussen commits to enhancing public dialogue through data-driven analysis that explores underlying currents of public opinion.

2020 will be a pivotal year for American politics. Trade relations, tariffs, transportation laws and an upcoming election could all have significant impacts on big businesses. Rasmussen will provide insight into the political landscape and a look at what changes leaders can expect depending on the electoral results.

Throughout his career as a pollster and digital media entrepreneur, Rasmussen can best be defined as an innovator. In 1978 he took advantage of new satellite communications technology to create the Entertainment and Sports Programming Network alongside his father. It would be shortened to ESPN a few years later.

Rasmussen would continue to find himself ahead of the curve by moving away from traditional telephone polling methods, to the internet in 1994, becoming the first pollster to offer data directly to the public.

As the digital era moves forward, Rasmussen has partnered with market research company HarrisX to use next-gen practices to develop reliable polling.

In 2018 Rasmussen published his latest book *The Sun is Still Rising: Politics Has Failed But America Will Not.* The book dives into Rasmussen's optimism about America's future, despite his deep pessimism about the current political system.

Urner Barry's 2020 Executive Conference will take place at the Bellagio in Las Vegas from April 26-28. UB

Grab 'n go kits get meat into the snack aisle...

Snack time is all the time:
How protein processors are getting into the mix

Nearly every American has made "snack time" an essential part of their routine. Admit it, keeping a bag close at hand at your desk or taking a quick stop to the pantry before dinner is a given.

According to Dataessential's latest Snacking Keynote Report, 96% of consumers had at least one snack yesterday and 97% of foodservice operators have a snackable item on their menus. And now, the snacking habit is something that the protein industry is looking to capitalize on. As cookies and chips still dominate the snacking scene, healthier and protein-packed options are growing. With more consumers searching shelves and menus for snack options, companies are innovating to please an ever-growing audience.

Photo credit: StarKist

"Snacking, in general, is becoming less mindless and more purposeful," Ashley La Croix, Senior Manager Brand Communications, for Tyson Foods explained. "People no longer only look at their snacks as the thing that will tide them over until their next meal."

Protein companies are taking various approaches to snacking. Tammy Shaw, Director of Retail Marketing for Cargill Protein North America explained how the company is finding ways to incorporate

©ViaDee/Getty Images

meat and other high protein items into packs, which allows for adults to fill up throughout the day.

“Everything that our insights tell us is that snacking is important and high protein is important in a busy lifestyle,” Shaw said.

But during a time when everyone is sharing their meals and snacks on social media, taste isn’t the only factor for consumers when picking a snack.

Recent research from Mintel suggests that packaging is an important factor when consumers are deciding on a snack. As Marcia Mogelonsky, Director of Insight, Mintel Food & Drink, puts it, “eye-catching colors, engaging textures and creative packaging all contribute to a snack’s success.”

Photo credits:
Castle Wood Premium Snacking: Cargill
P3 Portable Protein Snack and Natural Snack: Oscar Meyer

Unique packaging and marketing options like Tyson Foods’ Hillshire Snacking products is how another protein giant has found footing in the snacking market. Cargill’s Castle Wood Reserve Premium Snacking brand follows a similar suit.

Products from both brands display premium and quality cuts of meat and cheeses to make on-the-go kits a more appetizing option for consumers with busy lifestyles.

They are packed with protein and require no preparation.

Consumers looking for unique packaging and high protein options is great news for protein processors—just look at the number of on-the-go products already out on the market. Companies have already begun to feature on-the-go protein packs that fit seamlessly in a lunch bag.

StarKist’s tuna pouches are optimal to fit in a purse or backpack. With a variety of flavors and options, this alternative to traditional canned tuna means less prep and easy storage for snack time. Oscar Meyer’s P3 protein packs are featured in a unique package with three pockets filled with protein items like turkey, ham and cheddar cheese.

As is always the case, taste matters. Protein processors are looking to create a strong eating experience with their snacking options. While protein remains at the center of the plate, or package in this case, finding flavors that complement each other is important in snack products.

Companies are sticking with popular deli options for most meat snacking options. Turkey, ham, salami and other meats typically found on sandwiches have been the most favored options.

Shaw explained that the culinary team creating the Castle Wood Reserve Premium Snacking packs worked to create a perfect mixture of sweet and salty, all while packing 12 grams of protein inside one package.

Innovation will continue when it comes to snacking, but one thing will remain the same: tomorrow nearly everyone will reach for another snack. UB

Article contributed by **Ryan Doyle**
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Photo credit: Tyson Foods

National Fisheries Institute celebrates diamond anniversary

NATIONAL FISHERIES INSTITUTE

The National Fisheries Institute (NFI) is celebrating their diamond anniversary. The non-profit organization has been educating regulators, reporters, and politicians about seafood safety, sustainability, trade and nutrition for 75 years now, and they have no plans on slowing down. Urner Barry spoke to Lynsee Fowler, NFI's Director of Communications and Multimedia, about how the organization started, how they've changed, and what they see in the future.

***UB REPORTER:** What can you tell us about NFI when it started?*

LYNSEE FOWLER: It's no surprise that NFI traces its roots to lobbying- we are an advocacy association through and through. After World War II there had been federal rationing. A lot more people were eating seafood instead of meat, making the market really prime for expansion since more Americans were being exposed to seafood. However, there were price controls put in place by President Franklin D. Roosevelt that were meant to prevent post-war inflation. Unfortunately, those price controls were negatively affecting seafood businesses. That led to a small group getting together in 1944 in Washington D.C. and agreeing that seafood needed representation in Washington to address federal policy issues like price controls.

Above: A seafood spread is featured at the annual Congressional picnic on the White House lawn hosted by President Ronald Reagan and First Lady Nancy Reagan. NFI was heavily involved in sponsoring and providing the seafood. Below: An NFI award ceremony from the association's formative days. Photos courtesy of NFI.

NFI was officially incorporated in 1945 and in that first year, NFI was actually successful in getting those price controls on seafood removed, and that did not go unnoticed. By 1946 we already had several hundred member companies in our ranks. I think it illustrates that there was this vital need for a national seafood body.

***UBR:** How has NFI changed over the past 75 years?*

LF: I think it's important to consider what the industry looked like in 1945. Things like the frozen seafood industry was still in its infancy, so something as simple as fish sticks didn't really exist yet. Things like fish fillet sandwiches at fast food restaurants were still years away. It was really just a fundamentally different market.

Prior to World War II and NFI forming, the industry was largely made up of individual companies that had regional and local concerns with small associations in place to address issues within that space. But they really didn't take into account national issues. NFI was the first time there was this designated group of people that could speak for the broader seafood community. NFI worked on everything from price control policies to food safety issues and the Magnuson Stevens Act. It was continuing to evolve like the industry was, like it continues to today.

Trade and nutrition issues, fighting fraud, and media relations started to become more important components of what NFI does. At one time we were sending mailers out and now we have weekly videos. We used to have annual conventions and that has changed into the data-focused Global Seafood Market Conference. The importance of having a seat at the table has not changed, but how we communicate and on what issues has. It's also important to remember that NFI is a member-driven group, so the companies that invest in us really believe in the work that we do and they direct it. They continue to be engaged and they are the ones that move us forward.

***UBR:** Where do you see NFI in the next 75 years?*

LF: I sat down recently with a former NFI executive director, Lee Weddig, about his time leading the organization. He ran NFI for about 30 years and he stressed to me how important it was that NFI provided a unifying voice for the seafood industry. For NFI members in Maine, Florida, California, and all across the U.S. to reach out to their members of Congress and regulators and all sharie the same message and advocate for the same thing. I had this "aha" moment– because decades later, this strategy is still key for us. Currently NFI members represent all parts of the value chain: harvesters, aquaculture companies, exporters, importers, processors, and more. Having everyone come together to work on issues pre-competitively and advocate for the same thing, is so crucial to NFI and its members being successful. I think that will continue to be the case over the next 75 years so we're excited, our members are so innovative and forward-thinking and engaged—they'll continue to drive the work that we do... since they have in 1945.

The National Fisheries Institute is encouraging members to share their NFI memories on social media using #NFI75. UB

Article contributed by **Amanda Buckle** | abuckle@urnerbarry.com

60 seconds with Frank Dulcich, the new board chairman of NFI

Frank Dulcich was announced as NFI's new board chairman at their annual meeting in Orlando in January, replacing Todd Clark of Endeavor Seafoods. Dulcich is the president and CEO of Pacific Seafood Group and a long time member of NFI. So, what does Dulcich plan to do in his new role? *Urner Barry's Reporter* was able to grill the new board chairman:

***UB REPORTER:* What is your goal as new chairman of the board?**

FRANK DULCICH: My goal as chairman is to ensure the best-kept secret in our industry, gets out. NFI has been a vital part of the progress the seafood community has made over the last 75 years. I want to highlight the importance of our membership and how active membership can transform our association and industry. In 1945, the first year of our association, NFI met its stated policy goal of removing price controls on seafood after World War II. We have had numerous successes since our first year, from our involvement in the reauthorization of the Magnuson-Stevens Act, to improving dietary guidelines, and to working on trade negotiations with the current administration. NFI has been successful in large part due to active members stepping up in their commitments and adding to NFI's collective strength, to make the industry better as a whole. It's time to remind the seafood industry that the NFI contributes to us all.

***UBR:* Can you talk about your 4-year plan with the executive board members?**

FD: Our Officers and Executive Committee are developing a strategic plan in which to lead our industry and differentiate our member companies. As an NFI member, our owners/CEOs/presidents sign a commitment to complete economic integrity and truth in labeling in everything we sell. NFI provides world class access to seafood information from production to consumer. We are developing a 2020 vision by looking retrospectively at what we have done well as an organization and prospectively looking at what needs to change or improve.

***UBR:* How do you plan on getting the Future Leaders class and alumni more engaged?**

FD: The Future Leaders are a wonderful resource with their energy and ideas. We must engage our Future Leaders much deeper into NFI, to ensure our next generation is developing their skill sets to be the next industry leaders. We are working with our incredible staff to develop a plan for continued engagement, education, and connections for our Future Leader alumni.

***UBR:* How do you plan on encouraging NFI members to share ideas?**

FD: We must first engage our members to better understand their needs. However, communication is a two-way street. We need our members to reach out as well, engaging staff and other members. This is important—and that is why we are developing a plan to reach out in different ways to our membership. The NFI Officers are well versed in the day-to-day of what occurs at NFI, the Executive Committee is updated frequently, and the NFI Board has regular meetings. It is a structure that has worked, however we need to engage the hundreds of other members that are not Officers, Executive Committee Members, or Board Members.

***UBR:* Can you talk more about the proposed database of political connections, knowledge, locations, etc. that would benefit NFI members?**

FD: First of all, it's much more than a database. It will be one of NFI's greatest differentiated assets. It will encompass our intellectual, informational, and political assets. It will build intellectual capital for our members. This program will allow us to act and react quickly to emerging threats or to promote and educate on important issues. It will greatly benefit our NFI members because it will provide a powerful new tool to use in our advocacy. UB

Article contributed by **Amanda Buckle**
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Be the change you want to see...

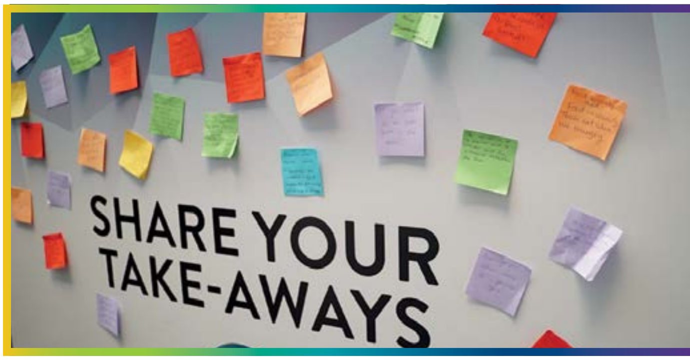
LASTING IMPACTS FROM THE 2019 WOMEN in FOOD & AGRICULTURE SUMMIT

The business of agriculture is essentially the oldest industry on earth—one that has transformed massively through innovation, refinement, and technological advancements over the course of history. However, like other industries worldwide, there is one area of agriculture that hasn't kept up with the pace of change: gender equality.

Extensive research has shown that there is a gender imbalance in the food and agriculture sector, with female representation at the leadership level and on company boards at astonishingly low numbers. Yet, women play an essential role from the barn all the way to the boardroom.

Recognizing the need to diversify the talent pool in order to solve the biggest issues facing the industry today (not the least of which includes the need to feed a growing population) and highlight the immense contributions of women, the first-ever Women in Food and Agriculture initiative was born.

The year-long campaign, initiated by AgriBriefing in 2019, aimed to shine a spotlight on the women who work to feed the world—culminating in an event that would bring together thought-leaders from the biggest food and agriculture companies from all over the world to tackle the issue of diversity and the future of our industry.



This past December, industry professionals descended on Dam Square in Amsterdam to attend the first-ever Women in Food and Agriculture Summit. The three-day event featured a jam-packed agenda with top speakers, practical workshops, and ample networking. Delegates heard from Dame Fiona Kendrick, Microsoft's Claudia Rössler, Baroness Rosie Boycott, Margot Slattery of Sodexo Group, the UN's Rima Al-Azar, Jack Bobo of Futurity, Rabobank's Barbara Baarsma, World Bank's Geeta Sethi, as well as representatives from Bayer, Unilever, Cargill, Bunge, Elanco, ADM, and campaign partner Alltech—just to name a few!

The content and presentations were truly second to none—but the energy and collective experiences that transpired throughout the event was something no one really could've prepared for.

Ever-present in the room was an indescribable feeling of empowerment. Attendees at the 2019 Summit had the privilege of being part of something truly special and took home with them lasting impressions and friendships.

Jackie Applegate, President, Global Vegetable Seeds & Environmental Science at Bayer, said: "The event has been fantastic. We had a great networking session; everything has been really well-planned. And it's in a really lovely hotel with very interesting and charming people. What more could one want?"

"I've made loads of new contacts," said Laura Ryan, Director, Lavenpark. "This event is all about community-building."

The supportive environment that was grown from this event was beyond comprehension. It was ground zero for real change as networking opportunities inspired actionable solutions and a commitment to diversity and inclusion across segments.

Mark Lyons, President and CEO at Alltech, noted: "The atmosphere has been fantastic. The energy level in the room, the conversations—real, genuine interaction going on, not just chit-chatting and exchanging business cards. It's been a very enjoyable event for everyone."

And most importantly, it's an endeavor that is paving the way for future generations of problem-solvers and innovators.

"It's been wonderful. I've really enjoyed seeing a bunch of strong, female leaders on stage," said 17-year old Natalie McCaffery, who presented a student perspective on STEM in Ag during the conference. "It's great to see people that I can look up to and hopefully I want to be in their shoes when I get older."

With the overwhelmingly positive feedback from the 2019 event, the Women in Food and Agriculture Summit will be back in a big way in 2020. Visit www.wfasummit.com to get updates on this year's show and learn how you can be a part of the change you want to see. UB

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"...the energy and collective experiences that transpired throughout the event was something no one really could've prepared for."

Riding the wave of seafood success...

Seacuterie boards HANG TEN in food trends

Trends within the food industry come and go as quickly as a viral meme, however, two major themes have seen some longevity. The rise of seafood transcending out of the fine dining space and into all price points and mealtime options has been on the rise. From triple digit sales growth for poke bowls to the breakfast scene embracing a seafood twist on old classics, seafood, no matter the application, has staying power.

Also gaining traction are small bites and plate sharing menus, including charcuterie boards. Consumers have responded positively to the option of variety, allowing themselves to indulge in a few items of smaller quantity over the span of one main course.

With success of both trends, it is surprising they haven't converged sooner. Recently born and soon thereafter trending, SEAcuterie combines two of our favorites: heart-healthy seafood and quick bites. (Three if you include a pretty sweet photo-op for social media!)

Seacuterie offers a variety of pickings, much like the original charcuterie board from which it was derived. However, seacuterie is grounded by the majority of the items offered being seafood or of the sea, thus elevating the experience even further.

Without having to commit to a full meal, seacuterie's biggest attribute is allowing consumers the ability to try something new with little to lose, a roadblock the seafood industry is always working to overcome. Seacuterie adds a fun, social element to the eating experience, usually including some education along the way if your server or host is well versed on the items offered.

The next time you're hosting family and friends hit up the seafood market and mix up the familiar meat and cheese display with smoked salmon toast paired with Greek yogurt and a honey drizzle, jumbo lump crab dip with salted crackers, spicy cajun shrimp with sliced cucumber and avocado, braised octopus, and little neck clams sautéed in white wine. The best accoutrements tend to be sourdough bread, pickled vegetables, seaweed chips, and fresh dill, a platter that will surely engage your guests. UB

"...Recently born and soon thereafter trending, seacuterie combines two of our favorites, heart-healthy seafood and quick bites."

Article contributed by **Lorin Castiglione**
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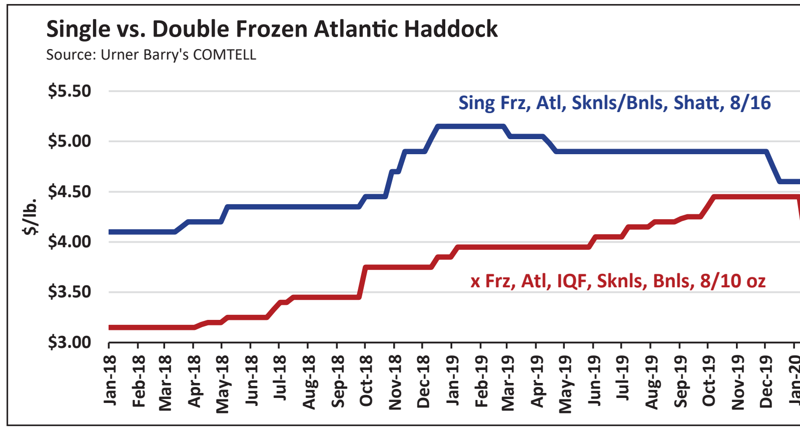
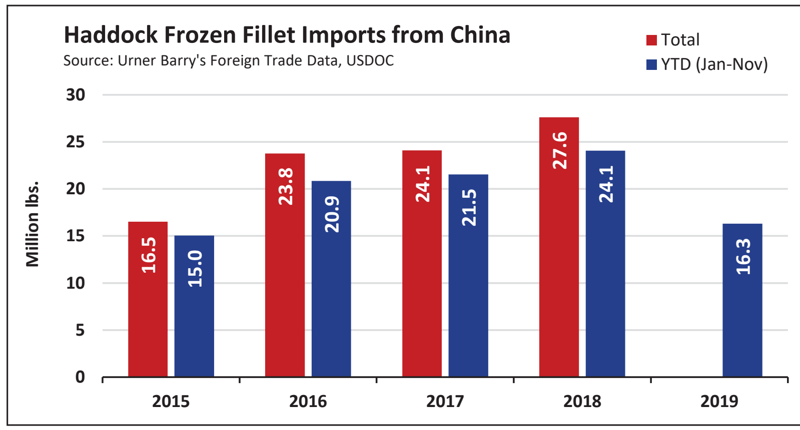
Haddock market unsettled amid tariff exclusion





On December 17, 2019 the Office of the United States Trade Representative released a notice stating:

> *"Pursuant to the product exclusion process, the U.S. Trade Representative has determined that the additional duties provided for in heading 9903.88.03 or in heading 9903.88.04 shall not apply to the following particular products, which are provided for in the enumerated statistical reporting numbers: (1) 0304.72.5000..."*

HTS code 0304.72.5000 refers to frozen haddock fillets, originally listed on the $200 Billion Tariff Action (List 3) imposing a 10% tariff effective September 24, 2018. The increase to 25% was levied on May 10, 2019 after being postponed on January 1, 2019 and then again on March 2, 2019. The proposed increase to 30% originally planned for October 1, 2019 and delayed until October 15, 2019 was subsequently dropped and the tariff remained at 25% until the product specific exclusion was granted on December 17, 2019.

Wholesale prices have been greatly affected along the way, to the point of twice frozen product coming into range of single frozen, which historically trades at a premium of about $0.80 higher.

Since the exclusion, the twice frozen haddock market has been extremely unsettled. Each company must evaluate their current inventory levels and their positioning within the market, among other factors, to determine how to handle pricing on the product moving forward. Some industry players have dropped prices significantly, others are taking a more gradual step-down approach, and some have reported their prices vary sale by sale, depending on the customer and volume. The consensus has been that it could be a few weeks for the market to settle to gauge a better read on current wholesale prices.

To show the scope of quotations received, Urner Barry has broadened the range of twice frozen haddock until the market settles itself. Currently listed prices are quoted between $3.75 to $4.25 per pound across all sizes of frozen fillets.

In looking at import data, year-to-date volume (January-November) of haddock frozen fillets from China fell 32.4% behind the same 2018 timeframe or 26.4% below the previous 3-year average.

Looking ahead, market participants have anticipated prices to settle by April, after Chinese New Year and the Lenten season are behind us, while others are more optimistic, estimating a shorter correction period. UB

Article contributed by **Lorin Castiglione**
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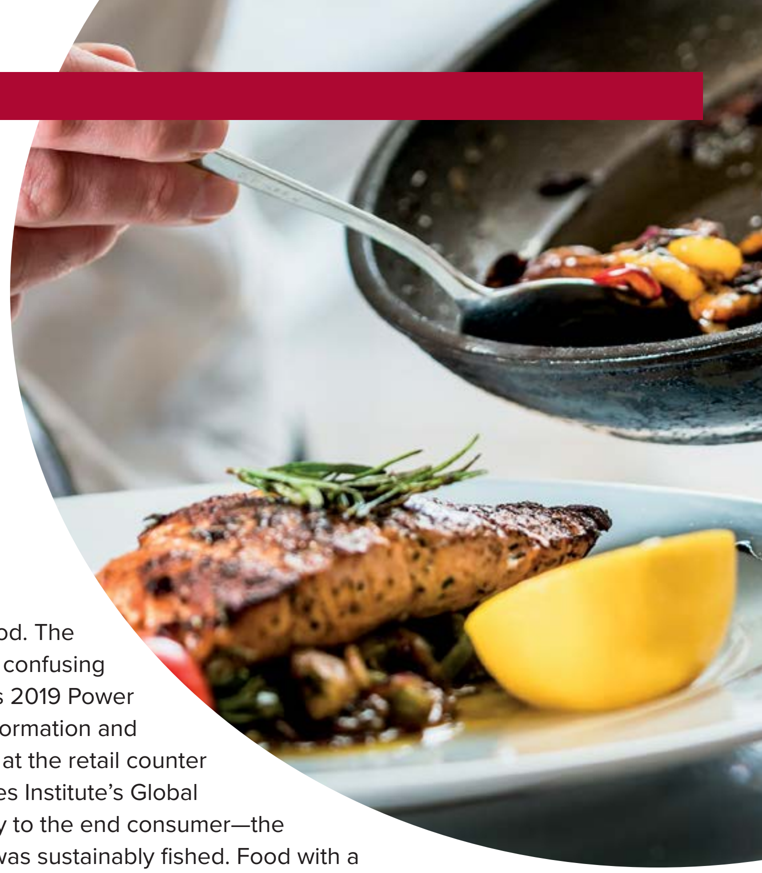
From sea to plate…

SUSTAINABLE SEAFOOD
MAKING ITS WAY TO THE RESTAURANT SECTOR



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There are few supply chains more complex than those involving seafood. The intricate journey from sea to plate has many layers, often resulting in a confusing narrative for the end buyer. According to the Food Marketing Institute's 2019 Power of Seafood survey, customers are frustrated by the lack of available information and knowledgeable providers regarding their seafood purchases, whether at the retail counter or in the restaurant sector. A reoccurring theme at the National Fisheries Institute's Global Seafood Market Conference this year was the concept of telling a story to the end consumer—the story of where the fish comes from, how it was caught and whether it was sustainably fished. Food with a traceable history tells a story and allows consumers to distinguish between competing seafood products.

The issues of overfishing, poor fishery management and ocean pollution have been widely disseminated, leading to the rise of the sustainability movement. Americans consume roughly 16 pounds of seafood annually, most of it outside the home. The health benefits of adding seafood to our diet has registered with consumers. As demand for seafood increases, the idea of sustainable seafood takes on a more pressing role, in both the retail and restaurant sector. According to the National Restaurant Association, sustainably sourced seafood is a hot trend and in high demand by restaurant diners. Restaurant operators and chefs are cognizant of the more informed consumer, one who is seeking high quality, sustainable options. By varying menus beyond the most widely consumed species, restaurants can move from the overfished stocks to underutilized species, expanding their customers knowledge. It also affords seafood providers the ability to charge a premium for fish with a verified background.

The Monterey Bay Aquarium, was one of the early advocates for promoting sustainable seafood, developing the Seafood Watch program in 1999. Since then, numerous advocacy groups have sprung up with the common goal of educating chefs and consumers on seafood that is fished or farmed in environmentally responsible ways. One such program is the James Beard Foundation's Smart Catch program. By attaining the Smart Catch label, restaurants must adhere to a menu that meets or exceeds 80% sustainability according to FishChoice and data from NOAA Fisheries, as well as agree to three yearly reviews. By displaying the Smart Catch label, restaurants are raising the awareness of sustainable fisheries and telling the consumer a story about their values and products.

Following in the footsteps of previous food movements, the hope is that sustainable seafood will not be a choice, but a way of life. UB

Article contributed by **Liz Cuozzo** | lcuozzo@urnerbarry.com

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Breaking the bank for Fido...

Americans continue to spend more on their pets

Do you feel as though your pet is a member of your family?

If the answer is yes, you are a part of a growing number of Americans that feel similarly. Gone are the days of our pets being treated as second class citizens. Today, they're cherished members of our families, with their own Christmas stockings and birthday parties. All this love and adoration is translating to our wallets. According to a survey conducted by the American Pet Products Association, Americans are estimated to have spent $75 billion on their pets in 2019. That figure is over $15 billion higher than just five years prior.

Upon breaking down the key figures, food was the largest expense to pet owners, consisting of approximately $31.7 billion in 2019. That is an increase of about $1.3 billion in just one year.

Urner Barry's Senior Vice President and poultry market reporter, Russ Whitman, comments that the current set of market events within the mechanically separated category, lead down only one conclusionary path. Unseasonably strong market strength can be attributed to the enhanced level of demand for pet food. He states that a shift in the consumer mindset has taken place within the last few years, to feed our furry friends in a much more health conscious way. The result he says, was a 6% increase in trade values during Q4 2019—a period when the norm is to lose value. Hot dog buyers and other traditional users have now been forced to compete with a segment which historically was an outlet for rendering, not a deep-pocketed competitor.

"For decades, pet food has been conventionally made from diseased and dying meat, hard-to-digest grains, and fillers," explains Javier Morales, the Director of Operations at Darwin's Natural Pet Products. "As a result, we've seen a rise in preventable diseases, and pet owners are seeing a need in the market for pet food made from real, high-quality proteins, formulated without grains and fillers. Darwin's is proud that our meals meet that demand."

Morales' sentiment seems to be shared throughout the pet food segment, as nowadays, you're more likely to see nutritional information on dog food that contains items such as deboned chicken thigh meat, or turkey drumstick meat, as opposed to anything with by-product, grains or fillers.

But this shift towards using high quality ingredients isn't unique to poultry. Traditional red meats and seafoods have also benefitted. According to Urner Barry's Foreign Trade Data service, overall U.S. pet food imports grew 11% in the last year. Imported seafood such as salmon, tuna, crab, shrimp and mackerel have experienced gains, while lamb and beef maintain a strong presence. With companies pivoting from cheap fillers to human grade ingredients, items previously subject to a high degree of seasonality can now be a force in the market throughout the year.

With higher pet food costs seemingly a non-issue for the consumer, large companies and entrepreneurs are beginning to take notice. In February 2018, General Mills announced its purchase of natural pet food company

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Blue Buffalo for a whopping $8 billion. CNN reported at the time that General Mills had not sold pet food for about 50 years, and CEO Jeff Harmening called the purchase of Blue Buffalo a "portfolio reshaping strategy." The company reported in an earnings call this past September that their pet food sales hit $368 million in the first quarter of fiscal year 2020.

With all these businesses investing heavily into the pet food segment, growth is at an all-time high. Time will tell if the consumer is willing to keep up. UB

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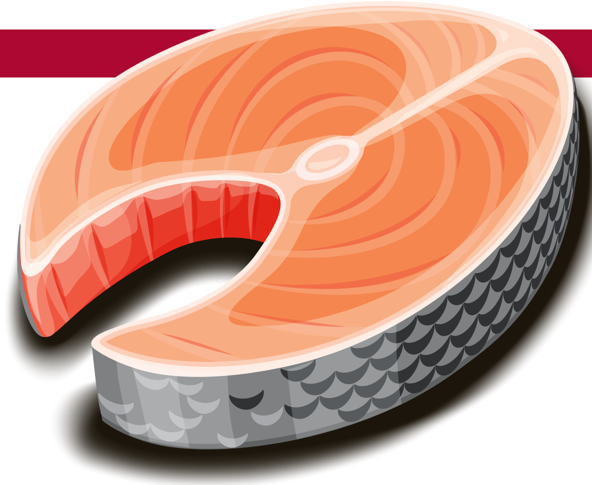
Drastic swings plague the farmed salmon market



From the 52-week low in the farmed salmon index in the middle of October to the 52-week high seen in mid-to-end of January—in 14 weeks the farmed salmon market has seen a change of 45% with a few ups and downs in between.

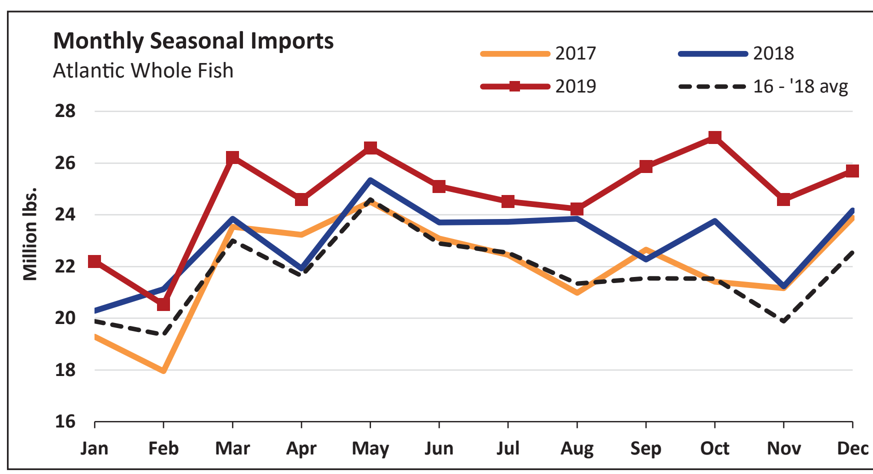
Farmed salmon is a staple on restaurant menus and in retail cases. However, from the end of summer 2019 through the beginning of February 2020, the market has, at times, been plagued with severe volatility. As of this writing, in the midst of the coronavirus outbreak in China, the market has plummeted ahead of the week of Valentine's Day.

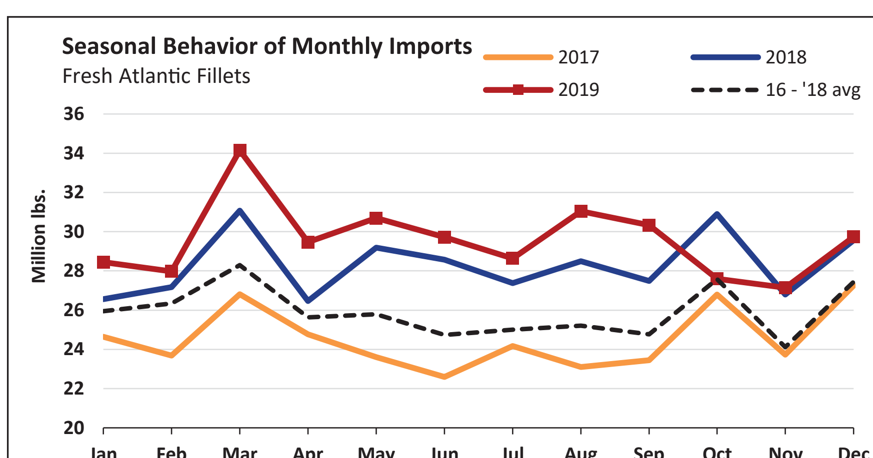
The farmed salmon market saw gains during the month of December, but the market rapidly adjusted higher during January 2020. Buying opportunities at retail were extremely active, totaling almost 27,000 buying opportunities or number of stores featuring farmed salmon for the month.

However, since that high point, the farmed salmon index has dropped 14% and the undertone continues to be barely steady to weak.

There are a few factors that are contributing to the current, immediate state of volatility.

The last week of January saw the number of stores featuring salmon drop 17% compared to the third week in January. The farmed salmon market saw additional product coming to the U.S. due to the coronavirus outbreak. Norway and Chile, both of whom send fish regularly to China, halted sales to the country. This extremely short turn of events, coupled with slightly less demand at retail and in the spot market in comparison to the previous few weeks in January, caused a plunge in prices for the farmed salmon market.





Buyers report a lack of confidence in the current market. In the whole fish market especially, buyers appear to be making only small commitments given some uncertainty in the market surrounding China. The expectation is that there will be additional supplies when they need them and can find more value then.

It's hard to say how long this situation will last, but it still speaks to a trend that the farmed salmon market has seen over the past six months. The volatility, and more recently these quick dips seen in the index, look to be more exacerbated in 2019/2020.

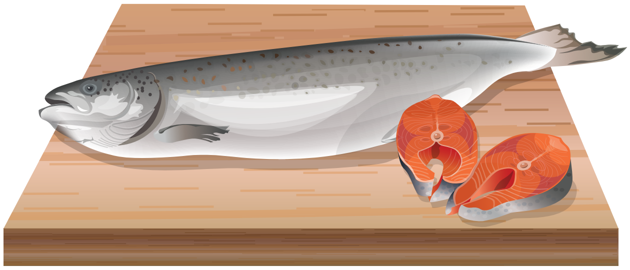
A FEW DYNAMICS TO LOOK AT ARE AS FOLLOWS:

- **Overall higher imports for both fresh whole fish and fresh fillets. Looking at the cyclical patterns you can see that imports have been trending well above the three-year averages for all of 2019.**

- **More recently we saw higher volumes harvested in the late summer and fall of 2019 from the West Coast of Canada, which in turn, caused some more significant downward pricing pressure on the market during that time.**

- **Protests in Chile in late October 2019 caused a fast uptick in the market, which was then followed by a hard and fast downward turn on the entire farmed salmon complex once product flows resumed into the U.S. market from Chile.**

- **After strong demand in January for farmed salmon, the coronavirus is now wreaking havoc for the market and creating significant downward pricing pressure.**



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We will see what Valentine's Day and the beginning of Lent bring to the farmed salmon complex. From a historical perspective, the markets usually rally for both Valentine's Day and Ash Wednesday. As we march on towards the spring, it has certainly been a roller coaster for fresh farmed salmon over the past several months. UB

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

The New North American Free Trade Agreement

The North American Free Trade Agreement was established 26 years ago, creating a trilateral trade agreement between the United States, Canada, and Mexico. NAFTA was created to eliminate trade barriers and tariffs on more than one-half of Mexico's exports to the United States and more than one-third of U.S. exports to Mexico. While agriculture has generally performed well under NAFTA, the Trump Administration introduced important improvements that will enable food and agriculture to trade fairly and expand exports of American agricultural products. This facelift created the United States-Mexico-Canada Agreement, or USMCA. Building on NAFTA, the United States, Mexico, and Canada agreed to collaborate on agriculture matters, improve transparency, and consult on matters affecting trade among the countries. Several provisions were agreed upon to reduce the use of trade distorting policies. For example, the USMCA will not use export subsidies or World Trade Organization special agricultural safeguards for products exported to each other's market. The USMCA will improve commitments to increase transparency and consultation regarding the use of export restrictions for food security purposes.

The USMCA was drafted on September 30, 2018. Only two months later, it was signed by three countries at the G20 summit in Buenos Aires, Argentina. However, the ratification by each country has proven to be a longer process. On June 19, 2019, Mexico became the first country to ratify the new trade deal. On January 16, 2020, the U.S. Senate passed the USMCA by a bipartisan vote of 89-10, following a House vote of 385-41. Meanwhile, on January 29, 2020, Deputy Prime Minister of Canada, Chystia Freeland, introduced legislation to kick off the ratification process. Canada will be the last country to ratify the deal. Canada and Mexico are the first and second largest markets for U.S. food and agricultural exports, totaling more than $39.7 billion in 2018 and supporting 325,000 American jobs.

Reflecting on trade in recent years, pork retaliatory tariffs reached 20% and threatened to increase as tensions escalated in 2018. With the USMCA now in place, these tariffs are null and the 0% tariff for the U.S., Mexico, and Canada will resume from NAFTA. The largest amendment affecting the U.S. pork market are the sanitary-phytosanitary (SPS) provisions that now go beyond that of the World Trade Organization's SPS agreement. These amendments would help increase transparency in the global protein markets: affecting import checks, conducting system-based audits at facilities, improving certification processes, and advancing science-based decision making. The main goal is to maintain and protect the human, animal, and plant life or health, as well as work together to resolve any issues that might arise in the future.

The USMCA will also benefit poultry products. The Office of the United States Trade Representative reported that in addition to the $600 million worth of poultry and egg products that the United States exported to Canada in 2017, Canada will provide new tariff rate quotas for the United States. Chicken exports will increase from 47,000 metric tons to 57,000 metric tons by year six of the agreement, increasing 1% for an additional 10 years. Egg and egg products will see an increase from 1.67 million to 10 million dozen eggs, and egg-equivalent products in the sixth year of the agreement will grow 1% for an additional 10 years. Also, Canada has agreed to allow 30% of import licenses for shell egg imports to be granted to new entrants. For turkey, Canada has agreed to provide the United States access equivalent to no less than 3.5% of the previous year's total Canadian turkey production. This will allow the United States to export an additional 1,000 metric tons of turkey products each year for the next 10 years, and potentially more going forward.

The USMCA will advance United States agricultural interests in two of the most crucial markets for American farmers, ranchers, and agribusiness. These two key trading partners are important destinations for U.S. protein, and there is potential for many years of future growth under the USMCA, having now been signed by President Trump. The deal will take effect once all three nations have ratified the agreement. UB

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An OVERVIEW of TRADE in 2020

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2020 has brought into view fresh trade tariffs for the United States, focusing on increased exports and creating mutually beneficial agreements.

The trade deal between the **U.S. and Japan** will help the export market for both U.S. fresh and frozen beef and pork as tariffs will decline in stages. Safeguards are also in place to protect Japan, and will be phased out over time for both the beef and pork markets.

The **U.S.-China deal** has been creating media buzz for months with constant tariff increases in multiple industries. With African Swine Fever prevalent, Phase One of the deal would help to increase exports for both beef and pork, even if tariffs have not changed. Retaliation tariffs will remain for the time being. One thing to note is that China will have the ability to utilize tariff waivers, which can lead to competition limitations in the market.

The Phase One Agreement was signed on January 15, 2020. For U.S. beef, age restrictions will be removed upon completing a risk assessment, and the traceability system the U.S. already has in place will be recognized. Furthermore, China has eased residue standards and will "adopt maximum residue limits (MRLs) for zeranol, trenbolone acetate, and melengestrol acetate for imported beef." Phase One marks a significant opportunity to sell beef into the Chinese market.

For pork, the deal expands the allowable product scope for U.S. pork and pork products, including processed items.

The ban on poultry commodities will be lifted, including live birds, and a protocol for the regionalization of poultry diseases will be finalized, ensuring that future trade disruptions will be minimized.

An agreement governing the export of U.S. live breeding cattle to China will be negotiated.

Lastly, the agreement will provide U.S. fishermen and seafood companies "expanded access to China's rapidly growing market for imported products." China has agreed to allow imports from U.S. seafood and fishmeal facilities that are in good standing with the FDA and NOAA, among other things.

The U.S. and China are expected to expand on these efforts in Phase Two of the agreement. UB

Trouble at sea...

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NATUNA ISLANDS AND CLAIMS OF *sovereignty*

Major confrontation on the cusp of the South China Sea hit headlines in December as dozens of Chinese fishing vessels entered waters off the Natuna Islands, which falls within Indonesia's exclusive economic zone (EEZ).

While tensions have eased over the resource rich waters, Chinese claims of sovereign rights within the jurisdiction threaten to escalate the situation.

COUNTERPRODUCTIVE

While there are overlapping maritime claims, China's actions to reignite tensions over the territory is counterproductive to ongoing negotiations over the South China Sea.

As it stands, China is actively involved in negotiations with Brunei, Malaysia, Vietnam and the Philippines over the South China Sea. Indonesia, however, excluded itself from talks as it does not consider waters surrounding the Natuna Islands to be part of the disputed area. As such, Jakarta had little reason to participate in negotiations for the binding Code of Conduct. With that said, recent tensions around the Natuna Islands may well see Indonesian authorities side with ASEAN claimants, which could prove costly for Beijing.

Friction reached a boiling point on December 30 as Indonesian warships and supersonic fighter aircrafts known as F-16 fighter jets were dispatched to patrol the territory. Adding to these measures, President Joko Widodo—better known as Jokowi—called upon Indonesian fishing vessels to compete with Chinese poachers. Several days later Jokowi informed media at an official visit to the Natunas that there would be "no compromise" to securing the nation's territorial sovereignty.

GREY ZONE

As a countermeasure, Indonesia is set to diversify avenues of foreign investment.

Despite the simmering dispute, regional neighbors Japan and South Korea, as well as the U.S., have been invited to invest in the Indonesian islands, according to Minister for Maritime Affairs and Investment Luhut Pandjaitan. Bloomberg reports that north Natuna has been identified as a potential fishing port, while southern Natuna could serve as a naval base. With the promise of building much needed fisheries infrastructure the investments may buffer Indonesia's position and reduce the chance of military conflict with China.

ASEAN member Vietnam has also stepped forward as a potential investor in marine processing. Foreign Minister Retno Marsudi met with Hai Nam Co—one of the leading seafood exporters in Vietnam—in Ho Chi Minh City earlier this month to discuss a potential joint venture with Indonesian companies for a fisheries processing facility in the region.

Reducing Indonesia dependency on Chinese investment has long been cited as a hindrance to development. According to local reports, Indonesia's private debt to China amounted to $16.1 billion in 2018. Major investment in fisheries could reduce dependence on Chinese funding and potentially unlock long-term growth.

STANDOFF

While the standoff over Natuna's waters is far from settled, the dispatch of coast guard ships on January 9 has seen Chinese fishing vessels move away from the Indonesian EEZ. As the siuation unfolds, regional neighbors will continue to monitor Beijing's geopolitical agenda and its expansive territorial claims.

While China's trend of grey zone fishing operations remains an international concern, Jokowi's firm stance on sovereignty, coupled with peaceful diplomacy, seems to have reduced the chance of future incidents over the territory—at least for the time being. UB

Article contributed by **Michael Nesbitt**
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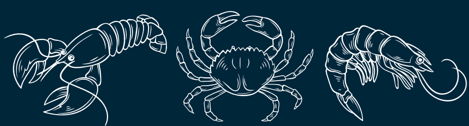
Looking for a healthy delight packed with lean protein? Try shellfish.



Found in either salt or freshwater, shellfish can be divided into two groups: crustaceans and mollusks. The former being lobster, shrimp, crayfish and crab while the latter being scallops, oysters and clams, as well as other species.

LOW IN CALORIES AND HIGH IN OMEGA-3 FATTY ACIDS

Dished up as a starter or a main dish, shellfish have multiple nutritional benefits, including a host of micronutrients—iron, zinc, magnesium, and vitamin B12—as well as healthy fats and lean protein.

According to the USDA, an 85-gram serving of shrimp contains 72 calories with 17 grams of protein and 0.43 grams of fat, while the same size serving of lobster meat contains 64 calories with 14 grams of protein and 0.64 grams of fat, most of which is composed of Omega-3 oils.

With a high presence of vitamin B12, shellfish consumption can boost general wellbeing. From supporting bone health to helping prevent osteoporosis, vitamin B12 also supports red blood cell formation, anemia prevention, reduces the risk of heart disease and can even improve your general mood.

COOKING METHOD

The nutrition of shellfish is greatly dependent on the way it is prepared.

If you're looking to cut down on calories, then avoid breaded or fried dishes and go for the healthier steamed or baked option. Or if you like the taste of oysters or clams they can be eaten either raw or partially cooked.

Next time you're in the grocery store, consider checking out the seafood counter. UB

Article contributed by **Michael Nesbitt**

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MEET URNER BARRY'S NEW EUROPEAN MARKET ANALYST

Michael Nesbitt

Joining the team in August 2019, Michael Nesbitt is Urner Barry's latest edition to the European office in Toulouse, France.

Known as Mike to his friends and colleagues, he joined the European office following a lengthy stint in emerging markets, mostly Southeast Asia, where he applied his trade as an editorial manager and market analyst for a macroeconomic reporting firm. While the world of seafood reporting is an entirely new area of research for Michael, his on-the-ground research experience and ability to map out emerging economies is a solid foundation to build on his new role.

Having attended school in both Northern Ireland and South Africa, he went on to graduate from the University of Johannesburg with a degree in economics and econometrics. After a few years working in finance he moved onto economic reporting, where his role took him to a host of developing countries across Asia and Africa. If you ask him where he enjoyed the most, he'll probably tell you Myanmar—formerly known as Burma—where he witnessed the former pariah state oust its military junta.

When he first got wind of the job opportunity with Urner Barry, he was excited at the prospect to return to the continent and help the company expand its European market portfolio. Focused on seafood, he reports on shrimp trade with a focus on Vannamei, Coldwater (Pandalus Borealis), Black Tiger and Red Argentina varieties.

Outside the office he is a sports fanatic. Most weekends he can be found playing football, hitting golf balls or nervously watching Manchester United go to battle in the Premier League.

Mike will be on hand at Seafood Expo North America (Booth 364) in Boston this March and Seafood Expo Global (Booth 6-842) in Brussels this April. Be sure to drop by to say "hi!" UB

Setting the global standard…

IOSCO's principles for financial benchmarks

IOSCO is an acronym for the International Organization of Securities Commissions, which, "is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector." IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. In short, they don't raise the bar for the securities sector, they are the bar.

In that capacity, a set of policies, principles and guidelines have been developed for price reporting agencies. A price reporting agency (PRA) is typically a privately owned publisher and information provider, such as Urner Barry, who reports and assesses prices, market conditions and other commodity specific data, in the interest of market transparency. The metal, gas, oil, feed and food industries all utilize these agencies for business guidance. Largely developed out of a need to help provide structure, integrity and transparency to oil price reporting, the IOSCO principles for financial benchmarks have been "adapted" and are currently utilized by PRA's throughout the commodity sector.

IOSCO's principles cover every aspect of market price reporting and the intimate details germane to the price discovery process, with the end-goal of creating transparency and unbiased reporting. They include but are not limited to conflict of interest, bribery, the expectations of data submitters, reporter growth and continuous education, in concert with over-arching methodologies, which cover core procedures, and individual methodologies that drill down into the unique reporting requirements of individual proteins.

Adherence to established, tested and reliable reporting philosophies in order to provide comprehensive, reliable and affordable market prices, news and analysis is essential. The stakes are higher, and the stakeholders recognize the need to achieve the upmost level of transparency. And so does Urner Barry.

Being the standard medium through which buyers and sellers gauge fair market value across the food supply chain isn't enough. Over 160 years of dedication to transparency and unbiased reporting is undoubtedly commendable, but Urner Barry's commitment to reliability means we continually review our methodologies, guidelines and procedures to make sure they represent up-to-date reporting practices.

To underscore Urner Barry's dedication to achieve the best reporting practices possible, over the past year and a half the company has been on a path to compliment and bolster our time-tested reporting philosophy. An involved process of aligning our methodologies with the guidelines set forth by the International Organization of Securities Commissions is well-underway. Urner Barry's over-arching methodology and individual methodologies can be found at **www.urnerbarry.com** or scan the QR code below.

Price reporting agencies and the IOSCO principles for financial benchmarks exist to ensure reliable, comprehensive, unbiased and transparent market reporting. Although a high bar to achieve, alignment with these principles helps make certain that the highest standards in market reporting are attained, which is integral to maintaining and building upon Urner Barry's leadership position in the field. UB

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"...stakeholders recognize the need to achieve the upmost level of transparency. And so does Urner Barry."

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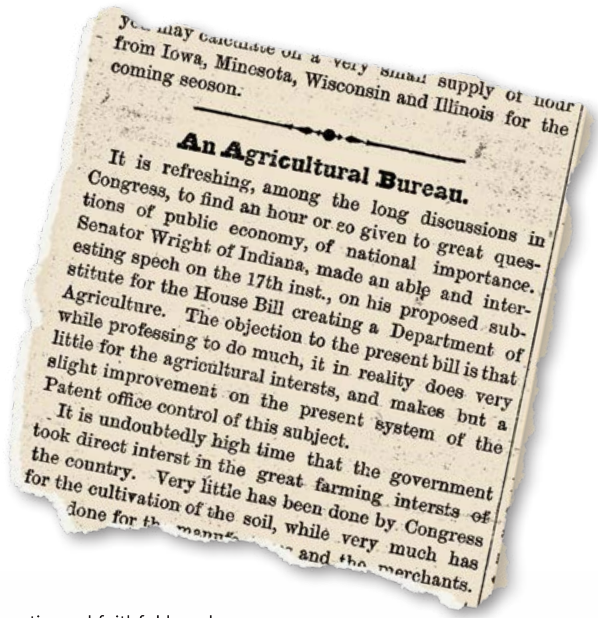
From the Urner Barry archives…

The evolution of the USDA

According to an Urner Barry *Price Current* that dates back to 1862, Senator Wright of Indiana proposed a substitute for the House Bill creating a Department of Agriculture. The objection to the current bill was that while claiming quite a bit, it actually did very little for agricultural interests, and only made a slight improvement on the present system. Senator Wright reviewed with great interest German and European plans, and suggested the organization of a Department of Agriculture in the United States containing four bureaus: Science and Practice of Agriculture; Natural History Connected with Agriculture; Agricultural Chemistry; and Agricultural Mechanics, Manufactures, Commerce, and Statistics. Wright argued that an Agricultural Department was certainly needed, and that it should be devoted to increasing all aspects of knowledge on agricultural subjects. At that time, Wright believed this could be created at a cost of less than $60,000 annually. The Senator added that farmers demand something more than a mere name. Farmers wanted a department of government gathering statistical information.


You may calculate on a very small supply of flour from Iowa, Minesota, Wisconsin and Illinois for the coming seoson.

An Agricultural Bureau.

It is refreshing, among the long discussions in Congress, to find an hour or so given to great questions of public economy, of national importance. Senator Wright of Indiana, made an able and interesting speech on the 17th inst., on his proposed substitute for the House Bill creating a Department of Agriculture. The objection to the present bill is that while professing to do much, it in reality does very little for the agricultural intersts, and makes but a slight improvement on the present system of the Patent office control of this subject.

It is undoubtedly high time that the government took direct interest in the great farming intersts of the country. Very little has been done by Congress for the cultivation of the soil, while very much has done for the manuf… and the merchants.

This proposed House Bill would grow to become what is now known as the United States Department of Agriculture, or USDA. Although Abraham Lincoln's main concern during his presidency was to preserve the Union, the agricultural legislation he signed revolutionized American farming. On May 15, 1862, Lincoln signed into law the act establishing a Department of Agriculture. A couple years later, at his last annual message to Congress, Lincoln said, "The Agricultural Department, under the supervision of its present energetic and faithful head, is rapidly commending itself to the great and vital interest it was created to advance. It is precisely the people's Department, in which they feel more directly concerned that in any other. I commend it to the continued attention and fostering care of Congress." Instead of a bureau, Congress established a department to be headed by a commissioner. The act has remained the basic authority for the department to the present day. UB

USDA

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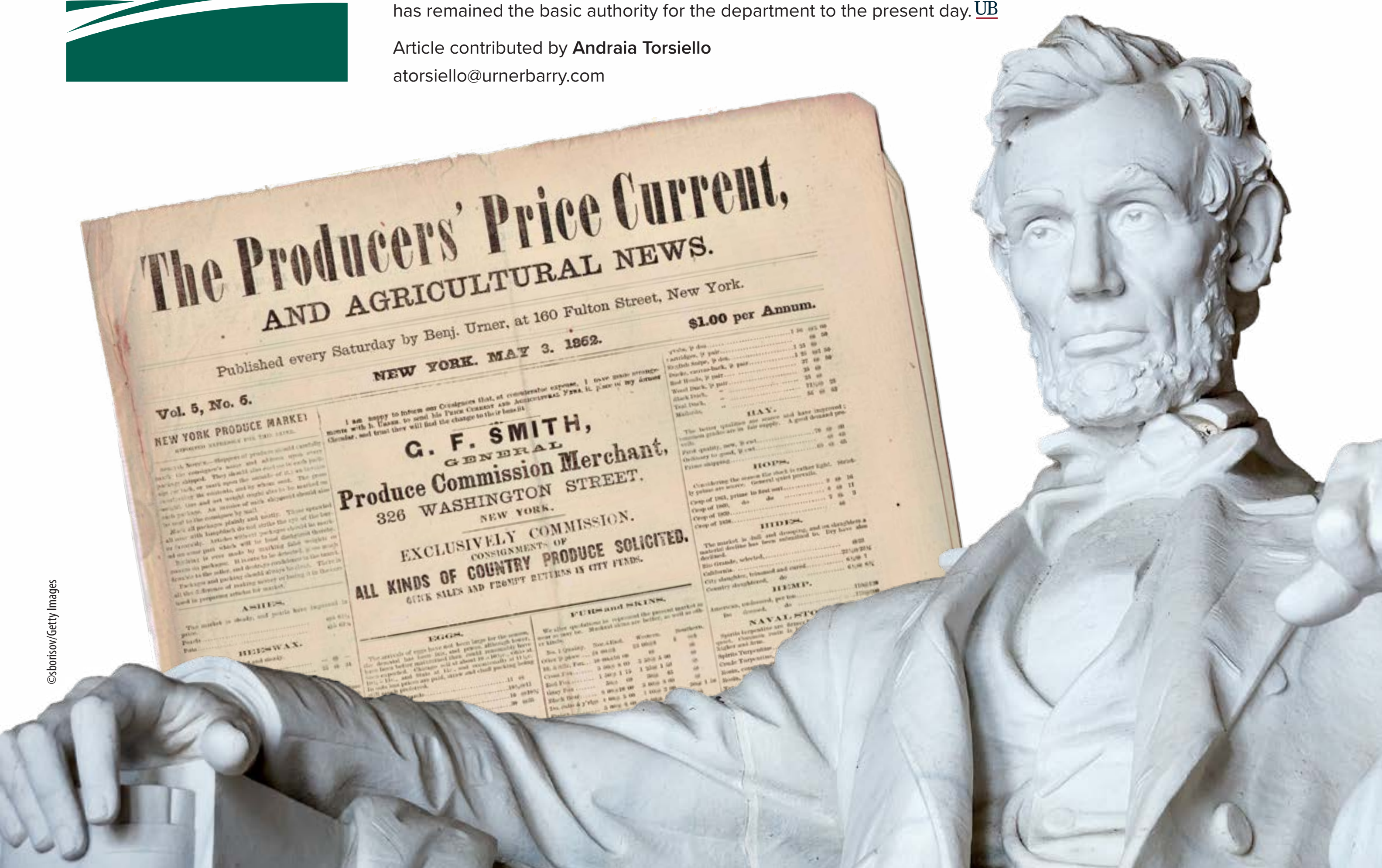

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