ANNUAL MARKET ANALYSIS EDITION

Urner Barry's Reporter

the newsmagazine for the food industry professional

VOLUME 15 | NUMBER 3 | SUMMER 2020 | QUARTERLY

COVID-19's impact on the center of the plate


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SPECIAL THANK YOU TO
The Mainland Kitchen & Pub in Manahawkin, New Jersey, for opening up their restaurant for *Urner Barry's Reporter* cover shoot.

From the Editor's Desk...

When the *Reporter* team sat down a few months back and charted the direction our Annual Market Analysis issue would take, at that point I don't think any of us realized how far reaching the impact of COVID-19 would be, and how at that very moment our professional and personal lives were changing; perhaps forever.

Naturally, change is a part of the course of life. Successfully adapting to change is often at the root of success or failure, contentment or angst. For the food industry, change has typically been prompted by external factors impacting supply. In the past decade alone, animal disease, foodborne illness, extreme weather, and trade bans, among others, have significantly impacted the balance of supply and demand. When these influences act upon any given protein segment, the repercussions are usually "short" in duration and often regionally based, whether in the United States or globally. Never in the modern day has a human disease impacted worldwide consumer purchasing and consumption behaviors, and therefore demand for food, as has COVID-19.

Historically speaking, the food industry's fabric has been woven through change. Readiness to adapt to the whims of the consumer and the latest culinary trends are all in a day's work. However, the scale and immediacy of the change required in the path of COVID-19 has been unprecedented and, in fact, revolutionary. In one fell swoop, consumer demand underwent a virtual complete withdrawal from foodservice channels and surged into retail. Local grocers did not know what hit them. In the ensuing days, weeks, and months we had first row seats to perhaps the most fascinating dynamics ever witnessed in the business. No doubt these times will be remembered with strong emotion, scarred by first-hand accounts, for decades to come.

In the end the food industry is no stranger to hardship, nor is it immune to criticism; but it always rises to the occasion during times of need. Even when severe adversity tests its capabilities to their limits, the agricultural community is there 24 hours a day providing one of the most rudimentary necessities of life. This special COVID-19 issue of the *Reporter* is being dedicated to all of you who, collectively, are the business of food. You, who are its backbone. Whether on the front line of production or in the back office, thank you. Amidst uncertain, chaotic and frightening times, you have worked harder, longer, and smarter to ensure that our food supply is not only safe and wholesome, but adequate to satisfy the nutritional needs of the global family relying on you to get the job done.

We salute you.

Russell W. Whitman
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Urner Barry's
Reporter

THE NEWSMAGAZINE FOR THE FOOD INDUSTRY PROFESSIONAL

UrnerBarry
MARKET PRICES, NEWS, AND ANALYSIS

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AGRIBRIEFING

ONLINE GROCERY SALES SKYROCKET *amid coronavirus pandemic*

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As a novel coronavirus spread across the United States, consumers started to panic buy and stockpile essentials in preparation to stay home for a long period of time. Similar to an incoming snowstorm or weather event, Americans loaded up shopping carts in a mad dash to secure what their household would need if the virus came to their city or town.

As the number of positive COVID-19 cases grew, so did the number of consumers opting to order groceries online to protect themselves from going out and catching the virus. These extreme stay at home measures provided exponential growth and opportunity for online grocery services. According to Nielsen, consumer demands are pointing to an increasing role of technology in stores. Aside from the risk associated with being in confined areas due to the virus, about 64% of consumers claim their lives are getting busier, demonstrating a need for retailers to incorporate technology into the shopping experience.

When it comes to online grocery shopping, about 87% of global shoppers are either using or willing to use such services. During the pandemic, eMeals reported that 34% of respondents elected to send their weekly shopping list to an online pickup or delivery service rather than physically go into the store. About 97% of those who placed grocery orders online during this time plan to continue doing so in the future even though they experienced delayed delivery times and limited availability of products.

Walmart racked up impressive year-over-year online grocery sales growth in March. For the month, Walmart's online grocery sales reached nearly $900 million, up 21% from February, and 99% from the previous year. Grocery shoppers spent an average of $127 per order, which was 11% more than usual. However, average orders dropped to $98 within two weeks, 14% lower than usual, as shoppers found that items they wanted were out of stock.

As demand for online grocery services continued to surge in April, Instacart launched two new product features to speed up service and unlock more delivery windows. In early April, the company saw overall customer order volume up by more than 300% year-over-year. At that time, the average customer basket size was up by more than 25% month-over-month.

And it's not just the U.S. that is seeing a spike in online grocery sales.

In the United Kingdom, research from Mintel revealed that the online grocery market is forecast to grow by 33% in 2020. The rise follows four consecutive years of slowing growth, falling to a historic low of 2.9% in 2019. This forecast came as Mintel revealed a dramatic change in online shopping habits over the COVID-19 lockdown period. Before social distancing measures were announced, 7% of UK shoppers increased their total amount of online spending. Even older generations are adapting to technology. Since the outbreak began, 37% of those over 65 have increased the amount of online shopping they do.

In Australia, annual online grocery sales were up 34% during the fourth quarter of 2019. Nielsen found that in early March, those online grocery sales increased to 45%. Nielsen credited the spike to consumers looking to limit their exposure to crowds in stores.

Unpredictable events often have a way of accelerating the inevitable. Even though the pandemic has caused some temporary behavioral changes, some shifts seem to be more permanent. Nielsen estimates that e-commerce sales of consumer-packaged goods increased 91% from a year before in the week ending March 14. This shift to online shopping was bound to happen in the future, and the virus seems to be acting as a catalyst that has sped up the process. Shoppers that tried out grocery delivery for the first time due to fear of going out are expected to return for the convenience and attractive prices. This could completely reshape the traditional grocery shopping experience, potentially making the trip to the grocery store an activity of the past. UB

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Say goodbye to the handshake…

NAVIGATING BUSINESS INTRODUCTIONS AND GREETINGS WITHOUT YOUR HANDS

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Back in February, before the coronavirus lockdown, the organizers of the Boston Seafood Show recommended that 2020 attendees follow a “no-contact, no-handshake” policy. The recommendation left registered attendees scoffing. How do you avoid shaking hands at an event designed to connect buyers from around the country?

Fast forward two months and Dr. Anthony Fauci, the director of the National Institute of Allergy and Infectious Diseases, and member of the White House’s coronavirus task force, said that even after the coronavirus pandemic is over, people should stop shaking hands.

“As a society, just forget about shaking hands,” Dr. Fauci told Scott Thuman, Sinclair Broadcast Group’s chief political correspondent. “We don’t need to shake hands. We’ve got to break that custom.”

But how do you break an age-old habit? And what do you do instead?

Lifestyle and etiquette expert Elaine Swann, founder of the Swann School of Protocol, says that we’re going to have to recognize that interacting with one another is going to be awkward at first. She suggests making an effort to communicate verbally, more so than before.

“[Verbally communicate] that you’re going to refrain from shaking hands right now,” Swann explains of what to do during your first encounter with someone. “We have to actually say that. A lot of times people think with etiquette that the proper thing to do is somehow evade the truth. That’s actually the furthest from the case. Instead you should be truthful and respectful at the same time.”

Swann suggests saying something like, “I’m going to make sure that I’m doing everything to keep us both safe, so I won’t be shaking hands today. But it’s very nice to meet you.”

Jacqueline Whitmore, etiquette expert and author of *Poised for Success*, agrees that the best thing you can do is be honest.

“We don’t know if that person is taking care of an elderly parent, has small children or has a weak immune system,” says Whitmore. “It’s not for us to judge that person’s motives. I would just say to that person kindly and politely, ‘I would love to shake your hand, however, why don’t we elbow bump or fist bump.’ I tend to just like the nodding of the head and eye contact because it’s simple. It’s easy, it’s not complicated and it’s still acknowledging the other person.”

The most important thing is adopting something that works best for you, whether it’s a head nod, prayer hands, an elbow tap or fist bump.

Swann says once you figure out what works for you then do it as often as you would normally shake hands. And if you go in for a fist bump and someone just nods their head? Laugh it off.

“We do have to have to protect ourselves, but with anything in life we must find humor in it in order to help us get through the challenges,” says Swann. “So if you find that you’re greeting each other in an opposite manner laugh it off and focus on the personal engagement opposed to the lack of physical engagement.” UB

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Urner Barry introduces customized consulting

Urner Barry, the leading provider of protein market news and information in the food industry, is pleased to announce its newest offering designed to help customers develop better, data-driven business strategies through UB Consulting.

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UrnerBarry CONSULTING

UB Consulting offers unique insights using proprietary prices and trusted market indicators and statistics. The exclusive market perspective offered by our economists and analysts provides customers with premium insights into the datasets that impact their businesses now and in the future. Through discovery, research, and customized reports and presentations, UB Consulting customers can gain the confidence to take decisive action and hedge risk by leveraging this value-added service.

Spearheading this endeavor is returning Urner Barry veteran, Angel Rubio. Angel is rejoining the team as Economist, facilitating custom research reports, along with quantitative and qualitative analysis on behalf of Consulting customers.

Proud to welcome back Angel Rubio in a new capacity as Economist for Urner Barry.

Angel joined Urner Barry in 2006 as a seafood market reporter and went on to create the Mexican Beef Market report. He has been a guest speaker at numerous conferences domestically and abroad, bringing unique insights to customers around the world. Angel also worked as a Sr. Category Manager at Chicken of the Sea Frozen Foods, a Thai Union company, from July 2018 to February 2020.

Upon his return, Angel commented, "I'm thrilled to be back at Urner Barry again and leading this initiative. This new venture will allow us to bring data-driven intelligence to our customers in a meaningful way, and I look forward to working with all segments of the value chain in developing their market strategies."

With UB Consulting, customers can obtain valuable business strategies, custom research and analysis, forecasts, studies, financial due diligence, white papers, presentations and webinars. To learn more, call 732-240-5330 or email consulting@urnerbarry.com. UB

2019 egg product review

By **Brian Moscogiuri**
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To say there was a calm before the coronavirus "storm" would be an understatement when looking at the egg products sector. Liquid and dried prices struggled to come off 52-week-lows for much of 2019 and early 2020 as the industry dealt with expansion and over-production. As is often the case, surpluses in the graded sector lead to more eggs being processed, while there was a lack of any sort of x-factor event to spark export movement. That is not to say business for egg products was bad in 2019. In fact, many reported very strong demand for foodservice and manufacturing, which can be spurred by a strong economy.

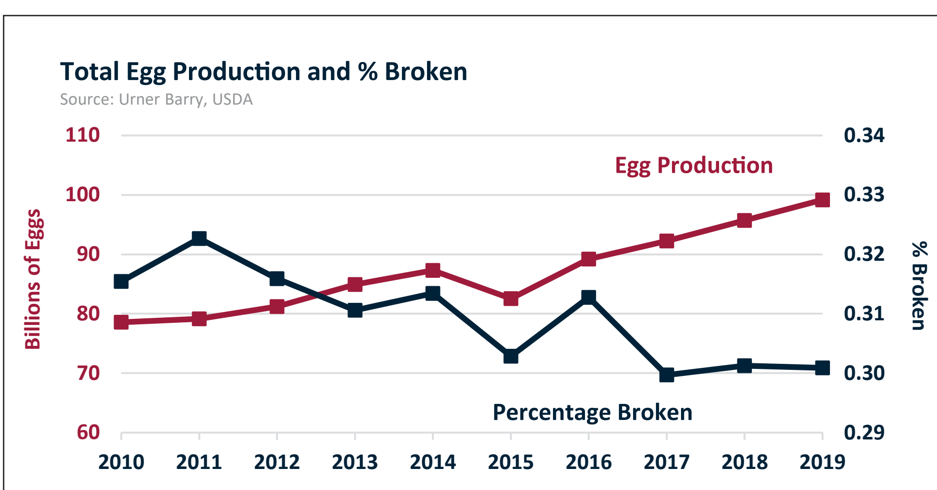
Stock prices reached all-time highs, unemployment rates continued to fall, and household incomes peaked in 2019. With additional disposable income, consumers spent more time out to eat, benefitting foodservice traffic, and subsequently sales of egg products. This ranges from breakfast sandwiches to condiments and dressings. Even with what most reporting as good sales, liquid whole egg, which is one of the best barometers of foodservice business in the egg industry, averaged only $0.31 per pound in 2019, the lowest level in the last decade.

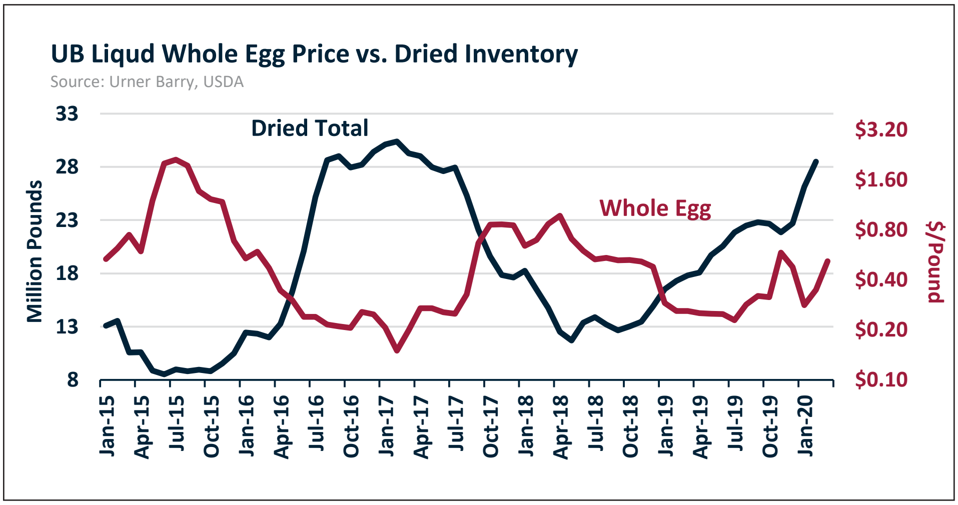
The discrepancy between foodservice demand, which takes more than 20% of total production, and whole egg prices was mainly due to overproduction. The number of layers in the U.S. averaged a record 337.11 million in 2019, producing an all-time high 99.17 billion eggs. A record 82.29 million cases of eggs were processed, yielding 1.94 billion pounds of liquid whole egg, 831 million pounds of liquid whites, and 416 million pounds of liquid yolk, all of which were unprecedented levels.

Processing is driven by the number of birds in in-line facilities and those owned or contracted by off-line breakers, but also by the amount of excess eggs unable to go into the graded channel. When graders are unable to move shell eggs into the carton market, they rely on the breaker for surplus removal. That was certainly the case in 2019, as Urner Barry's benchmark Midwest large quote averaged only $0.96 per dozen, the second lowest level in the last 10 years.

When processors have the opportunity to purchase cheap eggs, they may take positions and add to their dried egg stocks. That is evident in the USDA Dried Egg Inventory report as total stocks rose 10 million pounds to 26 million from January 2019 to January 2020. Exports can help to offset some of this inventory growth, but the global market was competitive in 2019. In fact, egg product exports hit 3-year-lows last year.

Overproduction, inventory growth, and a lack of export market left dried prices under pressure for much of the year. At $2.13 a pound, whole egg averaged the third lowest level over the last 10 years. Yolk faired slightly better when compared to the prior 10 years, but still averaged just above post-Avian Flu lows at $2.06 per pound. Whites performed the best of the three dried categories, averaging over $4.50 for the year. Call for whites continues to be supported by the health and wellness trend, foodservice offerings, and the growth of protein and meal replacement bars. This remains mainly a U.S. phenomenon, leaving U.S. processors uncompetitive in the global markets. Our European dried albumen market averaged just $2.68 per pound for comparison.





Producers and processors were well on their way to making output adjustments to begin 2020. Through the first quarter of the year the flock was cut back down closer to 330 million layers. Obviously, the COVID-19 pandemic has sent shockwaves through the marketplace, especially from a foodservice perspective. In addition to dealing with inventory growth and the overproduction due to cage-free expansions, processors are now dealing with the loss of significant business and uncertain timelines as to when/if demand will return to normal. UB

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Egg producers struggle to align production levels with demand

By **Karyn Rispoli**
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For producers, the U.S. egg market over the past year played out much like the opening passage of Charles Dickens' novel, *A Tale of Two Cities*. "It was the best of times; it was the worst of times." And the third quarter of 2019, by all accounts, represented the worst of times.

Legislative mandates and corporate pledges for cage-free eggs led to a production boom over the past several years. To meet those obligations, producers have had to add cage-free layers to their flocks, even though demand for them isn't yet in place. While some producers adjusted conventional outputs to offset the increase, others simply added. That became abundantly evident last April, when the USDA reported that the table-laying flock had grown to a record-high 344 million head, setting the stage for a severe supply-and-demand imbalance.

Our benchmark Midwest large quotation during the third quarter averaged just $0.83/dozen—37% less than the 10-year average for the same period. While that certainly didn't bode well for producers, it created feature opportunities for retailers who—even at a dollar a dozen—were still seeing decent margins given their buy-in levels. Heavy promotional schedules helped keep demand comparatively strong, but it wasn't nearly enough to compensate for the tremendous amount of supply that was flooding the market.

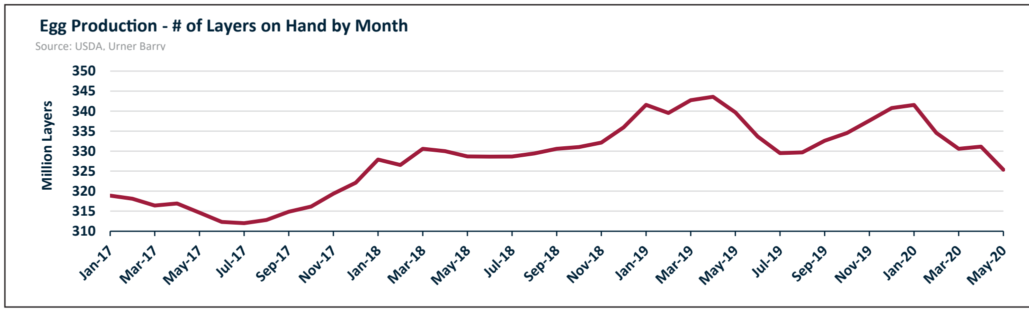
Producers recognized that a correction was in order and made sizable adjustments. By August, the flock had been culled by a remarkable 14 million head—one of the biggest reductions ever witnessed outside avian influenza, which decimated the flock in 2015. But 330 million layers is still a massive amount of production for any time of year, let alone the summer when demand typically lessens as consumers turn their attention to colder breakfast items, like cereal and yogurt.

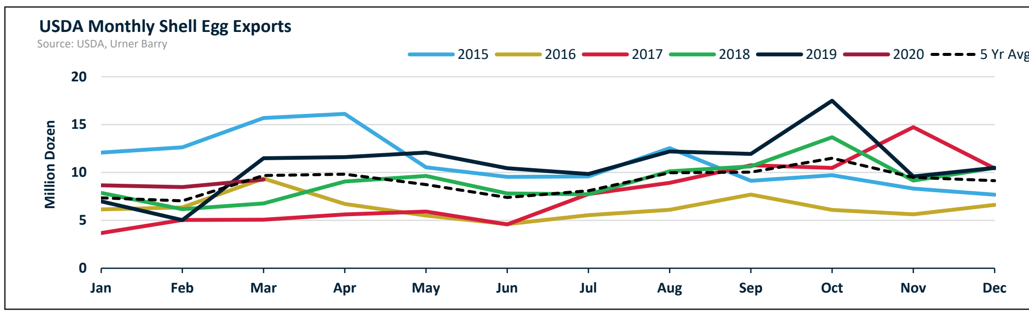
The fourth quarter was not shaping up to look much better. Prices languished at $0.75/dozen for the front half of October and failed to breach the dollar mark until the last day of the month. During that time, however, export interest was mounting—particularly from Canada and Mexico. According to the USDA, exports in October totaled 17.5 million dozen, up 28% year-over-year. That soaked up a lot of the excess supply that had been weighing on the market and helped salvage what was left of the fourth quarter. It still underperformed by historical standards, averaging only $1.17/dozen—16.5% less than the comparable period over the past decade.

The reprieve, however slight, was short lived though. In January, the USDA reported that shell egg inventories surged to a record 2.1 million cases and that layer number had expanded to 341.5 million—just 2 million shy of the previous year's all-time high. Prices that month averaged only $0.90/dozen, 31.7% less than the comparative 10-year average.

The new year, it seems, had ushered in an old problem: over-production. Producers, still nursing their wounds from one of the harshest year's in modern history, acted swiftly and decidedly. In only two months time they lowered the flock count by 11 million head. The cuts were intended to bring supply into better balance with demand, but no one could have predicted that demand would soon take a sharp and drastic turn.

Though it's difficult to characterize what came next as "the best of times" given the impact it had on the physical and economic health of our nation, the onset of COVID-19 in early March pushed retail demand—and prices—to unprecedented levels. Farmers who struggled to even cover the cost of production for much of 2019 were suddenly getting more than $3.00/dozen for their wares, as competition in the wholesale market drove prices up by 200%. But the story of 2020 is far from over. While retail demand provided a spring of hope for producers, foodservice demand—or the lack thereof—could mean they are facing a winter of despair. UB





The muted price impact of COVID-19 on European egg markets

By **Ben Leveau**
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The relatively muted price volatility in Europe due to mandated confinement has reflected the sharp contrasts in market structures between U.S. and EU egg markets, despite the many similarities.

Both the EU and the U.S. are large markets for egg consumption. They also have similar cycles, with Easter and Christmas at peak demand, and summer months usually on the low ebb of market prices. Additionally, they have a similar industrialized supply with the processing of eggs into egg products to be sold in bulk an increasingly important part of the overall supply and demand fundamentals.

Initially, the demand shock that stemmed from the mandated confinement in all countries followed a very similar pattern. There was a common first phase when households rushed to the supermarkets and bought long-shelf-life products such as pasta, and of course, shell eggs. In both regions, the supply chain was pushed to the brink as packing stations worked relentlessly to re-fill the emptying shelves. Packing stations reported demand doubling, sometimes tripling or even quadrupling.

On the retail side, however, prices in Europe were much more muted compared to the U.S. (see chart 1). Volumes sent to the supermarkets were surging in both regions but only prices in the U.S. increased from the pressure on the supply chain and the scarcity of shell eggs. European prices did increase, but not unusually so for that time of the year. That is because the market structure in Europe is much more geared towards stabilizing prices instead of letting market fundamentals play themselves out. The handful of retailers that operated in the major countries of the economic bloc can maintain fixed-price contracts with unlimited volume agreement. Some of these retailers have exclusive agreements with farmers and cooperatives. Therefore, the packing stations were just filling orders as fast as their capacity allowed without a subsequent impact on prices.

Farmers and cooperatives in each country are tied to their respective nations' retailers restricting the potential commercial outlets. Europe is not a unified shell egg market, but several distinct ones with varying degrees of quality requirements, contract structure and cultural preferences. Shell eggs are national to regional and industry eggs are much more pan-European.

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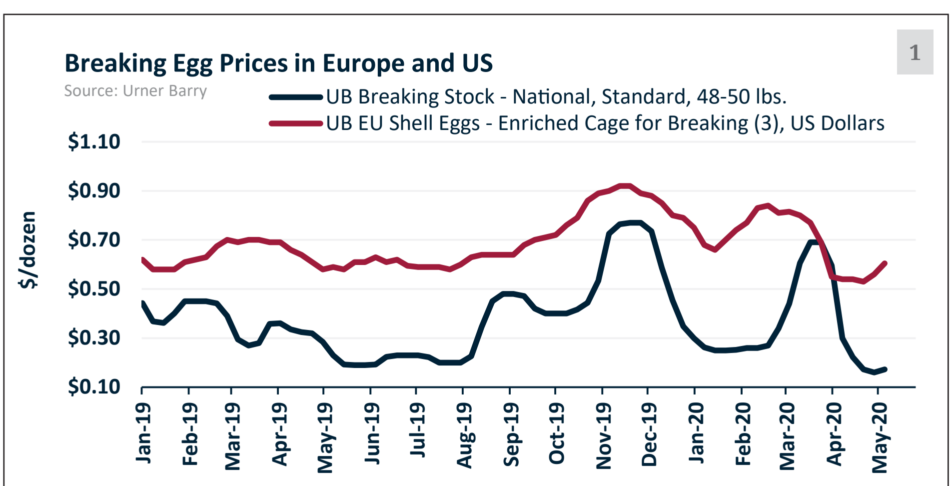
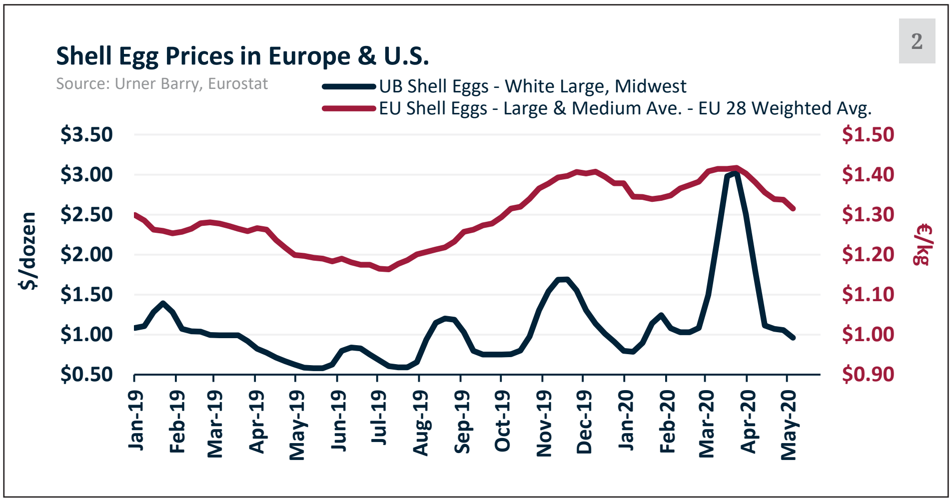


On the retail side, the marketing for food in Europe is about proving that it is from the country or the region you are from. In France, I have never seen a non-French egg in the supermarket. It is not done. You would think it would improve over time, but it is the opposite it seems. There have been a few food scandals in Europe and that has only accelerated the nationalism for certain food products, especially animal proteins. This has meant fewer commercial outlets for the many farmers and cooperatives.

Finally, European countries are transitioning from cage hens to cage-free hens, but no standard or plan has been put in place regionally. That means that barn eggs are prominent in Northern Europe but a rarity in supermarket chains in the



UK or France, where free-range is much more prevalent. Again, this has impeded the unification of the market like one would assume in the U.S.

What about industry eggs? In European industry, the spot market is more fundamental to the way businesses operate because the regular surplus has created a more active spot market. Also, industry egg flows are more pan-European than retail eggs. Consumers care much less about the origin of the eggs that are in their mayonnaise or their ice-cream. Poland, for example, provides the required cage eggs to the Netherlands and Germany, which has all but disappeared from the countries' supermarket shelves.

During the COVID-19 confinement, and like in the U.S., the closures of most food service establishments created a surplus of breaking eggs. We did see a much more pronounced impact on prices as enriched cage eggs started to fall precipitously. But whereas breaking eggs lost 31% of value in six weeks from the start of confinement, U.S. breaking eggs lost almost 80% in value during a similar period (see chart 2).

Here another marked difference is the flexibility in Europe to send breaking eggs back into retail channels. As the volumes became more restricted, retailers allowed packing stations to pack smaller eggs or eggs from hens that had been banned from supermarket shelves. This ability to switch market is much more pronounced in Europe than in the U.S., where markets are much more distinct.

Both regions have now started a certain level of deconfinement. Uncertainty remains as foodservice will struggle to return to full capacity and household habits return to pre-pandemic levels. But while we are likely to see more price volatility in the U.S., Europe is likely to have a much more muted response. UB

Is a new normal at hand?

By **Matt Busardo**
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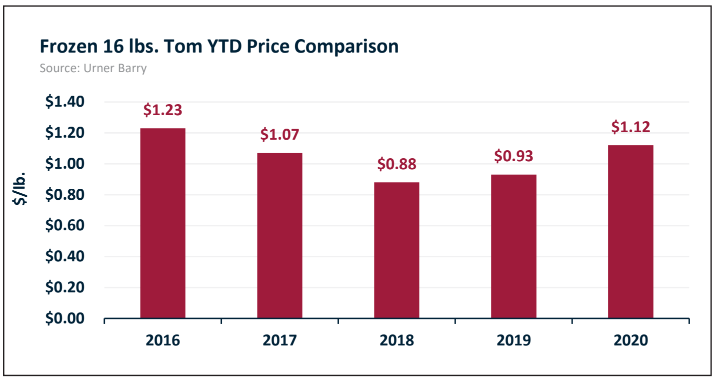
For many processors, a strong second half of 2019 signaled that the upcoming year would be the best they've had in many. Up to this point there had been little indication to point towards the contrary. In last year's issue we discussed a return to normalcy as the turkey industry finally got past the lingering issues of 2015's HPAI outbreak. But as this past year's holiday season came to a close and the new year came into full focus, it had many wondering if the mistakes of the past had been corrected for good and a new, more prosperous normal was in play. That certainly seems to be the case for whole body toms and hens as the successful end of the year has catapulted processors into a favorable position at the beginning of the summer, and is setting up a profitable holiday season. At the same time, downward trending slaughter figures help to project a strong finish to this year.

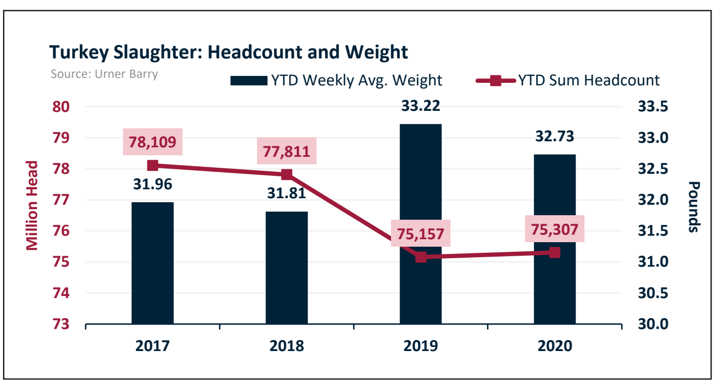
LOOKING BACK

Much like every other fall, the talk of the town as 2019's summer came to a close was whole turkeys. But sentiment seemed a little different this holiday. No longer did buyers dominate the negotiating tables and name their price. If you look back at the past couple holiday seasons you'll see prices remained mostly stagnant throughout Q3 and into year's end. This past year it appeared as though processors were beginning to take charge and hold tight supplies with confidence. From the end of September through the beginning of December the UB Frozen Tom quote rose almost 7%. What helped to bolster the undertone was the attractive and aggressive retail features which provided turkey center stage at grocers across America. Normally, the "free" turkey promotion was only used by retailers on the East Coast, but our data suggested this tactic was used much more prevalently throughout the U.S. A key indicator that from a supply standpoint showed a marked improvement was the year end USDA Cold Storage Report. Once tallied, total frozen turkey holdings were down 70 million pounds compared to 2018. Additionally, whole turkeys were over 35% lower year-over-year. Further buoying the industry was a strong improvement in export sales. When looked at on a year-by-year basis, 2019's figures increased roughly 5% and were projected to advance another 4% in 2020. As for RTC production, total turkey chilled and frozen totaled 1.47 billion pounds to end Q4. This figure is down 3.4% from the previous year.

RIDE THE WAVE

Coming off one of the most successful holiday seasons in years, industry leaders were poised to continue the momentum into 2020. Typically, at some point after Thanksgiving, and in some rare cases before, whole turkeys experience a price depreciation as buyers exhibit very little interest in paying the "holiday premium" and look to reset the market going into the new year. This price draw back usually lasts into mid-to-late January and, coincidentally or not, finally comes to a halt right around the annual IPPE convention. However, this year whole turkeys only experienced this to a slight degree. Processors remained ardent in their ask prices and exhibited a confidence at the negotiating table that hadn't been seen in years. Touting tight supplies and continued demand, the bottom price for whole turkeys ended up being roughly 17% higher than last year's floor. At first, buyers of whole birds exhibited hesitancy at the high prices and bullish processor stance. But after taking some time to review the landscape and make the rounds, they had no choice but to return to the negotiating table and make a deal. Processors were quick to use the freezer stock figures to back up their posturing. On a year-over-year basis, whole bird freezer stocks were down over 35% in January. From a production standpoint, as the first couple months of 2020 took place, eggs set totals fell in line with 2018. From a historic standpoint this is lower than previous years, further giving credence to players noting a continuing tight supply scenario. Compared to the early months of 2017, eggs set were almost 5% lower. That year, whole turkey prices saw a sharp and rapid decrease before Thanksgiving even took place, as offerings became ample and discounts were willingly accepted to maintain outward momentum.





SLAUGHTER

As we take a closer look at current slaughter totals, a clear effort to reduce production through headcount is evident. This push began in 2018 and gave way to a prosperous holiday season, so it comes as no surprise that processors would make a similar attempt this year. Thus far, it's paid dividends but one factor is still holding them back--heavy turkeys. As can be inferred by our chart, bird weights remain the biggest obstacle for industry players. So far this year, turkeys on average weigh almost 3% more than they did in 2017. It should be noted that 2019's figures are below last year by about 1.5%. However, these heavy birds are creating ripple effects in the marketplace. To that end, tom breast meat has seen sharp declines in value as oversupply, in conjunction with seasonally light demand, are wreaking havoc on the line.

NOW AND THEN

At the time of this publication, the turkey market appears to be poised for a banner year. Egg sets for the month of April showed multiple weeks of 8% declines and more. This will have a direct effect on Q3 and Q4 slaughter and the available number of head which are already looking to be in high demand. Another piece of the puzzle is that regional outbreaks of HPAI took out large numbers of commercial and breeder turkeys in portions of the country and further delayed processors in those areas from building up inventory. Moving on, 2020's export outlook has grown exponentially thanks in large part to the newly minted USMCA agreement, which has Mexico and Canada firmly entrenched as top export destinations for turkey. The latest export figures show Mexico's overall totals 14.5% above year ago data. Canada is almost 30% over 2019's figures. Further solidifying the undertone is the U.S. industry's renewed ability to export poultry to China. Early year totals were off a bit due to COVID-19 in the Far East, but recently demand has skyrocketed, and China is now the number two overall export destination for U.S. turkey for the second straight month. One factor that many weren't counting on was the frenzied retail related buying of protein at the outset of the virus outbreak in the U.S. Desperate to fill their barren meat cases, retailers sought out turkey processors to fill the void. In some cases the demand was so great that they began using inventory originally tabbed for Thanksgiving and needed to replenish those stocks down the road once the fervor subsided a bit. This rapid demand helped to advance ask prices for near and future delivery dates, as well as tighten an already snug supply scenario. Looking ahead, historically speaking whole turkey prices should and are anticipated to rise steadily as the year progresses and forecasted to finish the year as high as they've been in recent memory. With all these figures in mind, one can assume a bidding war of sorts will be in play as the holiday season comes into view and constricted supplies become prime property. With the likelihood of a successful 2020 on the horizon, one can't help but wonder if a new, more prosperous normal is at hand for the turkey industry. UB

Feeding the need...

By **Dylan Hughes**
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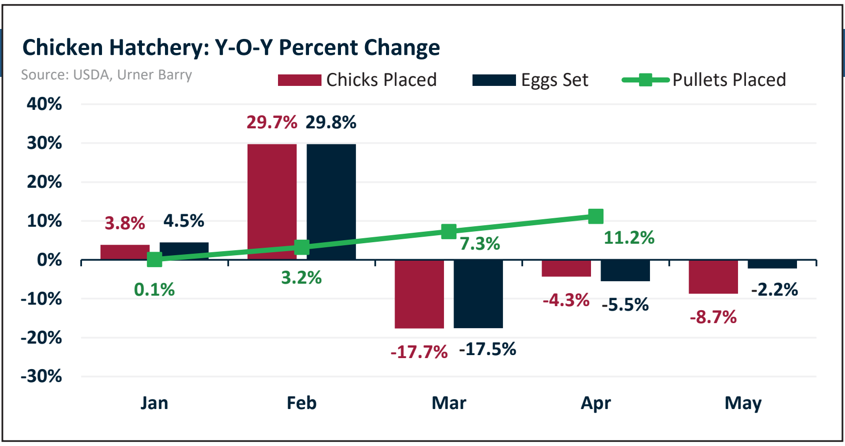
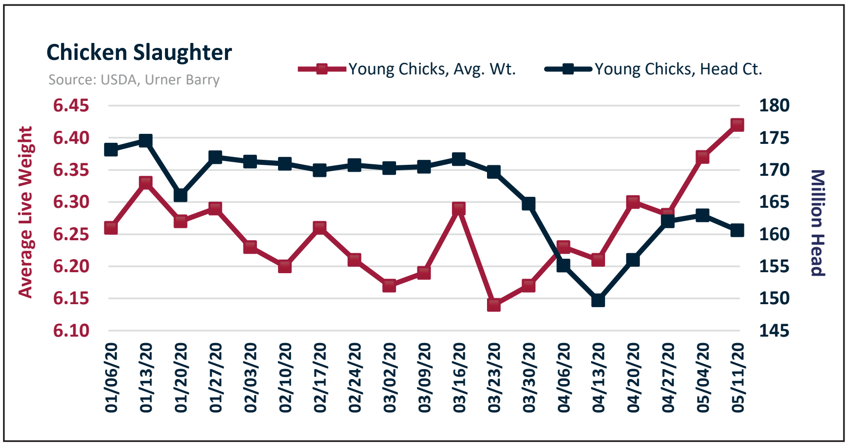
In the past year the chicken market has been a story of expansion and the need to provide enough chickens to satisfy it. At the same time, African Swine Fever (ASF) and COVID-19 provided a backdrop of genuine consumer need.

The livability challenges which were prevalent throughout the first half of 2019 fell to the wayside during early Q3 as headcount and average live weights eventually rebounded; surpassing the seasonal highs established back in 2018. Once again, the focus of the chicken industry shifted back towards expansions in processing capacity and thus, onto the increased need for more chickens; that is, if they were to meet their efficiency goals. It is no surprise then, that with livability troubles still lingering on the minds of processors and additional production needs looming, weekly egg set and chick placement figures advanced on a year-over-year basis in consecutive years.

In terms of the market's overall standing, a neutral, if not slightly diminished set of trade conditions were prevalent throughout the latter half of 2019. This scenario was not necessarily attributed to waning demand patterns, as much as it was rooted in the inability of demand to advance at the same pace that production levels were expanding. Record high ready-to-cook tonnage, when coupled with a stable, yet unextraordinary draw from top export trade partners, left those on the marketing side of the business with very few consistent channels through which to place additional product.

Speculative buying interest related to ASF did stimulate additional outbound movement to existing trade destinations, especially towards the end of Q4 when pork values shot higher. However, most buyers remained heavily focused on preemptively securing their preferred red meat requirements rather than replacing those needs with chicken. As a result, most sellers were forced to either let offerings go at a discount, or simply freeze any unsold product in hopes that the trade environment would eventually become more fruitful. As evidenced by public inventory holdings, which displayed a steady month-over-month rise and ultimately surpassed the previous all-time-high during Q4, it is safe to say that many participants chose the second option if they had the storage space available.





Upon transitioning into 2020, the initial Q1 market environment was generally characterized by the same key underpinnings which were already established. Consecutive year-over-year increases at the hatchery level carried into the new year with weekly eggs set and chick placement figures quickly reaching all-time-highs by the time the second week of January rolled along. New processing plants began to open their doors and existing plants took on a more focused disposition as they attempted to further refine their efficiency standards. Although the relatively attractive, and still eroding, price of corn and soybeans did not necessarily act as a catalyst for the industry's already scheduled production increases, it was certainly a welcomed and, perhaps, unexpected surprise following the late crop plantings of 2019. With little to hinder productivity, head count advanced by about 9 million birds each week or by 5.6% year-over-year. When coupled with live weights which averaged 6.25 lbs., or 12 points above 2019, Q1 RTC production rose substantially.

Buying and selling activity throughout January and February was relatively flat. Plenty of heavy birds led to ample spot availability of most key lines. Boneless breast prices hit record lows in January, which is where they resided until seasonal buying outreach began to re-emerge. This, along with anticipatory consumer demand related to COVID-19, resulted in additional buying enthusiasm from within the retail segment. Ultimately, this scenario propelled prices $.35/lb. higher by the end of March. Wings, on the other hand, didn't experience much in the way of seasonality following the NCAA Tournament cancellation. Export trade activity was mixed with COVID-19 providing its fair share of logistical hurdles for the industry. Reductions in export tonnage to Taiwan, Cuba and Hong Kong were offset by positive year-over-year performance from the Philippines, Vietnam and Mexico. Additionally, mainland China upped their pull during Q1, with volume increasing by over 150% month-over-month during February, and by 123% during March.

HATCHERY

In terms of forward-looking metrics and mindset, it is hard to beat the USDA's Chicken and Eggs Report. In 2020, the number of pullet chicks placed has been consistently increasing month-over-month and March was no exception. At 8.8 million head, the most recent figures reside at an all-time high. As it currently stands, 2020's monthly year-to-date average pullet placements display a 3.6% increase above 2019 levels. As previously alluded to, this unwavering increase in pullet placements is most likely a direct response to the gradual roll out of additional chicken processing plants over the past year.

As one might expect, the rise in pullet flock figures has materialized into substantial year-over-year advancements in the broiler supply flock as well. Throughout Q1, weekly broiler egg sets and chick placements continued to exhibit a clear year-over-year increase. However, once Q2 came along, hatch numbers declined sharply as COVID-19 induced labor shortages. Waning demand patterns forced processors to reluctantly scale back their production. Still, total year-to-date egg sets reside above 2019 levels by about 0.9%, while chick placement come in 0.2% lighter than the year prior. While these drops don't sound all that noteworthy, it is important to keep in mind that prior to COVID-19, weekly eggs set and chicks placed were consistently making seasonal and all-time highs.

SLAUGHTER

Closely aligned with the industry's improved processing capacity, chicken headcount began the year with a vengeance and easily surpassed the historic seasonal highs of Q1. Moderate weather, attractively priced feed, and more consistent livability out in the "field" also contributed to a year-over-year uptick in average live weights. However, in the wake of the recent global volatility, processors were forced to take immediate steps to curtail production. To that, they were faced with a few different options. They could delay slaughter and attempt to address the concern of increased weight through the use of strategic diets and medicine. Or they could euthanize them, or render the birds, and sell the by-product which includes feathers, blood meal, fats and oils. According to day-to-day dialogue, the lion's share of stout headcount reductions is attributable to rendering, the most favorable option among none that are preferable. On a year-to-date basis, headcount is currently situated 2.5% above this time last year, while average bird weights stand 1.8% or 11 points heavier than the year prior.

Continued on page 18

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EXPORTS

So far, export trade activity has been mixed, if not downright erratic at times, as buyers and sellers attempt to navigate through the global supply and logistical variables at play. This is especially true when considering oil-related liquidity challenges and the depreciated value of foreign currencies relative to the U.S. dollar. Still, with March's total chicken export figures coming in about 87.5 million pounds or 14.8% higher than the year prior, it underscores the overarching global need for cheap protein. Mexico remained firmly established as our largest trade partner while Taiwan, Cuba and Vietnam followed behind. Following a long-standing ban on U.S. poultry exports, mainland China finally began to import U.S. product. However, their initial draw proved to be on the underwhelming side given the stringent processor and cold storage approval process and the COVID-19 challenges that were impacting their supply chain at the time. That said, outbound volume destined for mainland China has gradually ramped up since the start of the year, with March coming in at 29.6 million pounds; enough to position them as our fifth largest trade partner.

COLD STORAGE

In light of this year's significant year-over-year leap in production figures, it is no surprise that total inventory levels have been some of the highest on record. However, upon breaking down public holdings by category, the backdrop becomes a bit more mixed. Wings for example, enjoyed a consistent level of outward movement into foodservice and retail channels during Q4 of 2019 and early 2020, which helped to keep frozen holdings well below the year prior. Although leg quarters and thigh meats still reside above 2019 levels, relatively attractive prices and an increased consumer focus at retail are helping to draw product from the freezer month-over-month. On the other hand, whole chickens, as well as breasts and breast meat holdings, continue to advance and are presently situated about 25% and 33% above April 2019 respectively.

"New processing plants began to open their doors and existing ones took on a more focused disposition as they attempted to further refine their efficiency standards."

WHOLE BIRDS AND WOGS

Whole birds and WOGs got off to a shaky start this year. Relatively steep prices at the year's outset, along with increased headcount, seasonally anticipated sluggish winter demand patterns, and fully packed freezers, placed downward pressure on spot values. More enticing price points did help to generate a temporary improvement in value-oriented demand patterns. However, "stay-at-home" guidelines quickly extinguished processor optimism during mid-April.

BREAST MEAT

Much like whole body birds and WOGs, the trade environment surrounding boneless breasts has been a rollercoaster ride. Heavier birds—and more of them—anchored values at an all-time-low of $0.87 throughout early Q1. Eventually quotations rose to a peak of $1.35 during late-March as seasonal demand resumed and COVID-19 fears spread. As plants increased their production in a pro-active step preceding the first domestic outbreaks of COVID-19, the market was fully saturated with product. In the absence of foodservice, values once again capitulated lower to $0.74, which is $0.13 below the previous all-time low. This historical price slide didn't last long though as retail outreach for any and all protein gladly picked up the supply-side slack and lent a bit more balance. Currently, jumbo boneless breast values are hovering about $0.25 above year-ago levels.

TENDERS

Highly enticing breast meat values, along with an ongoing increase in the number of birds crossing the line, have so far resulted in a relatively flat year for tenders. Although a gradual seasonal rise in values was noted during Q1, paid prices never crossed 2019's path, and fell sharply to a low of $0.79 in late April. With that said, marketers remain optimistic that foodservice, QSR and retail-oriented demand patterns will continue to improve as states roll back their essential business guidelines.

WINGS

The pull for America's favorite finger food fell short of the hype this year, especially following 2019's enthusiastic draw from within the foodservice, aka "wing house," sectors. With that being said, starting values were right on par with 2019 levels and there was a seasonal, albeit modest, uptick in quotations leading up to the Super Bowl. Although the anticipated dip in prices between February and March didn't materialize in 2020, the cancellation of the NCAA tournament marked one of the most sobering moments for buyers and sellers alike and threw the market values into a tailspin. Eventually retail demand and headcount reductions helped to stabilize wings, though paid prices continue to reside below 2019 levels.

LEG QUARTERS

Leg quarters, which are still one of the most cost-effective protein options available, have been an interesting study this year. While export draw for frozen product has remained fairly neutral through most of 2020, so far, domestic market experiences and trade sentiment have been highly divisive depending on one's exposure to retail buying channels. Despite indiscriminate draw from retail for leg quarters of all sizes during late Q1, grocery stores began to take on a more selective approach toward fulfilling their needs as supply levels caught up. This scenario, in conjunction with ease of bulk production, has resulted in rebounding 4/10 leg quarters and stagnating jumbo values. With grilling season knocking on the door, participants keep an eye on the charts to see if seasonal buying outreach might help provide a lift. UB

Production changes impacting the by-product market

By **Bill Smith**
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Expectations for the by-product market for 2020 are mixed. Year-to-date beef production is down 4.7%, but pork production is down only 0.4%.

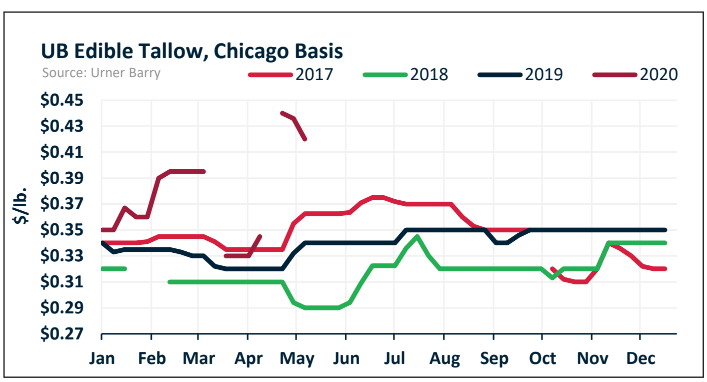
Demand from oleo chemical, biodiesel, feed, pet food, and baking play key roles in the tallow and grease markets. With so many different buying areas it is difficult to measure accurately when different buyers will impact the market.

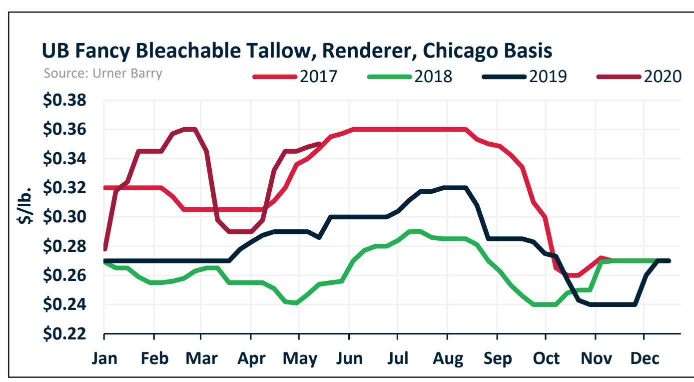
Loose lard and edible tallow are the two edible items that are featured in the by-product report. Loose lard was largely stable throughout the first quarter of 2020. Edible tallow traded at a premium in Q1 when compared to the equivalent time for 2019. In fact, the monthly average prices were 6%, 15% and 12%, respectively, for January, February and March compared to last year.

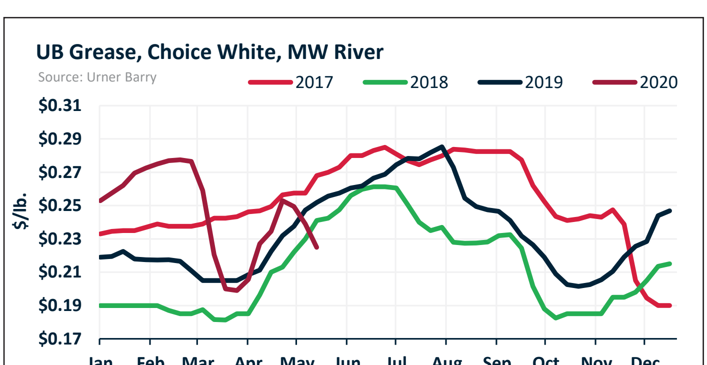
The first quarter of 2020 had monthly average prices for renderer and packer tallow that were both at higher price levels each month relative to the comparable month for 2018 and 2019. In both cases, February was the strongest month when comparing monthly changes to the previous year. Inedible tallow markets are expected to continue to trade at a premium to last year, but participants should keep a close eye on beef production.

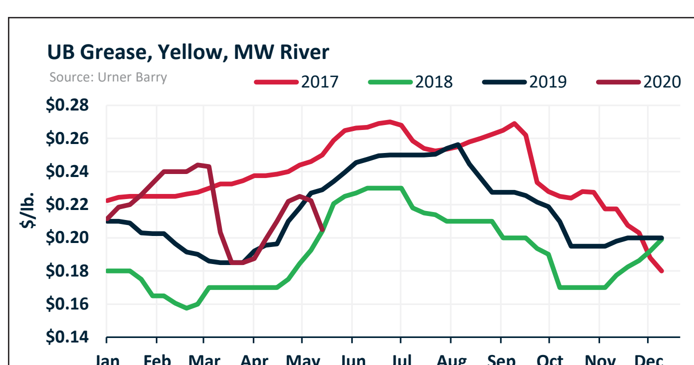
Choice white and yellow grease were generally stronger throughout the first quarter of 2020. Q2 opened with prices moving significantly lower on both Choice white and yellow grease. Prices started to rebound in late March to early April. Strength in that market was attributed to lower kill numbers and tighter supplies of used cooking oil (UCO) due to the coronavirus forcing many restaurants to temporarily close.

The by-product market continues to be largely impacted by production schedules and availability of raw materials. There is some uncertainty moving forward when looking at demand from all the different areas that affect the by-product market. UB









Lamb fluctuations in 2020

By **Chloe Krimmel**
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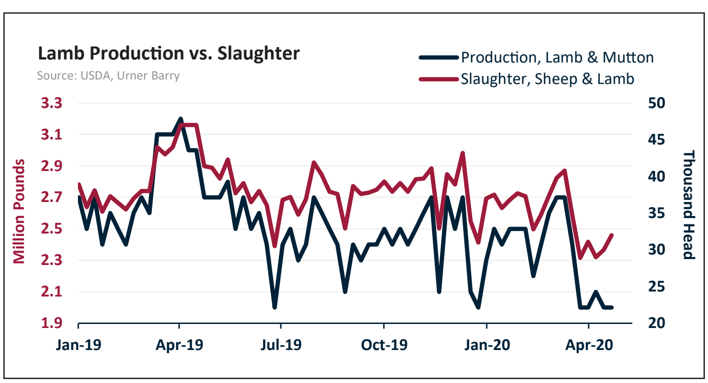
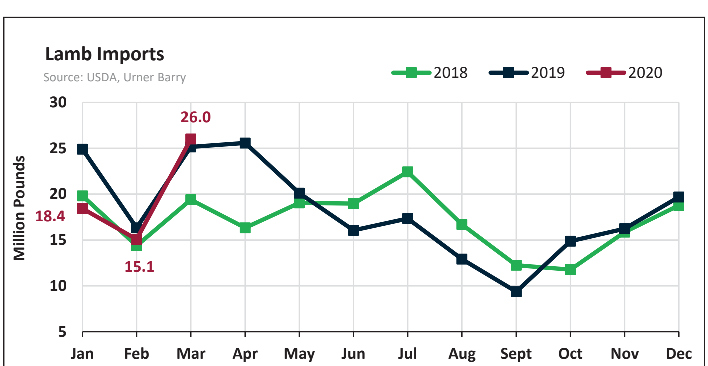
For quarter one of 2020, most boxed lamb cuts saw higher than average pricing compared to the previous year. Lamb carcasses also realized premiums, averaging 11% higher than 2019's prices for the first three months of the year. February and March typically see moderate price increases for specific cuts as the Easter holiday approaches. However, strength was observed throughout the lamb complex on a number of cuts going back to late 2019 due to a number of factors.

Tightness of supply for the lamb market was the leading factor for the beginning of the year with some contributing influences being lighter weights, a decrease of domestic inventory, and diminished imports. Live weights were down by an average of 4.6 pounds for the first three months in 2020 compared to the respective time period in 2019. According to the National Agricultural Statistical Service, domestic market ready sheep and lamb inventory was down 1% from 2019's 1.39 million. Both of those declines combined generated a 6.6% year-over-year decrease in production. A drop in imports was also added on top of the decline in production. Compared to the respective period for Q1 2020, an average decrease of 10% was noted for exports, further lessening inventory domestically.



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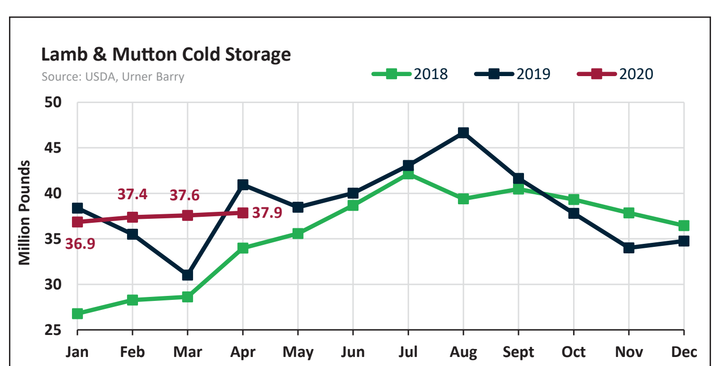
The impacts stemming from the COVID-19 pandemic largely began to be felt in March 2020 throughout the food industry, which created a large shift in all foodservice sectors and in turn vast changes in the lamb market. At-home and ready-to-serve meals became more highly sought after due to executive orders that prohibited dine-in services. Lamb relies heavily on foot traffic at dine-in establishments. With the dine-in sector closed for an indefinite period, as well as some plant closures in the middle of April, pricing, slaughter, and cold storage were all impacted in the beginning of Q2.

Noting from the slaughter and production chart, a large downward shift was observed from March 16 to March 30, ranging from 35-40%. After this reduction, production lingered at these low levels for most of April, with plant closures and labor shortages due to COVID-19. With diminished demand most of the items that were offered went to cold storage for March, increasing March's year-over-year increase by over 24%. April's cold storage went down year-over-year but saw an increase month-over-month.



With absent foodservice and limited retail spot movement for several lamb components, most lamb cuts saw a downward shift in pricing througout the month of April, with exception to the shoulder cut. Losses throughout the components ranged from 2% to 18% from March 30 to May 7. Given the diminished movement in the market, as well as a combination of plant closures and labor shortages, lamb carcass pricing dropped 16% for the respective time period. With lackluster foodservice demand in May and a slow reopening of the economy expected, lamb pricing is likely to be steady with cold storage sales prominent. UB

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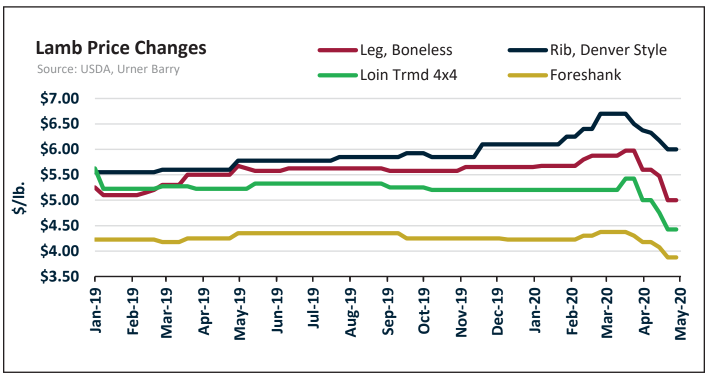
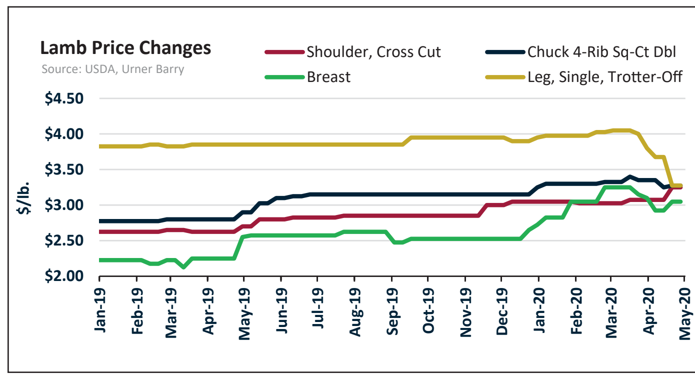
"With the dine-in sector closed for an indefinite period, as well as some plant closures in the middle of April, pricing, slaughter, and cold storage were all impacted in the beginning of Q2."





Veal keeps it mixed in 2020

By **Chloe Krimmel**
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The veal market was fairly mixed at the start of Q1 in 2020, with some boxed veal cuts seeing slight increases while other items saw diminished pricing in the market. Shoulder clods and hotel racks saw a weaker tone in the market for Q1. In March 2019, the shoulder clod averaged $6.70lb. and in March 2020 it averaged $6.00lb., showing a 10.4% decrease from the previous year. Likewise, hotel racks saw a 0.7% decrease for the respective period. On the other hand, breasts, loins, legs and osso buco all saw an increase during Q1. Breasts where the largest increase for the particular time period; averaging $1.57lb. in March 2020 compared to an average of $1.43/lb. in March 2019, around a 10.5% decrease from the previous year. Loins saw a 9.4% increase, averaging $.55/lb. while osso buco saw around a 5.2% growth and leg TBS averaged only a 1.8% rise year-over-year.

Due to veal remaining heavily reliant on foodservice and special occasions such as holidays, weddings, and other occasions, demand for most items dropped in the first month of Q2 and cold storage became heavily utilized. Throughout the last two years, cold storage was used less and less for veal, slowly declining each month with March 2020 seeing the first year-over-year increase since August 2018. Cold storage usage helped to offset the lackluster retail and nonexistent foodservice and kept some cuts barely steady for the start of Q2 when demand was highly diminished.

Calf weights saw an 8.8 pound increase year-over-year for the first three months of 2020 compared to the respective time period of 2019. Slaughter was down around 6.6% for Q1, with February seeing the largest decrease, around 16%. March remained unchanged from the previous year. For the first month and a half of Q2, yield was also challenged with COVID-19 due to plant closings and absenteeism, creating an average decrease of 39% in year-over-year numbers for both slaughter and production. With the slow return of production and a measured comeback of foodservice across the country, veal pricing is expected to remain mixed with unsettled undertones. UB

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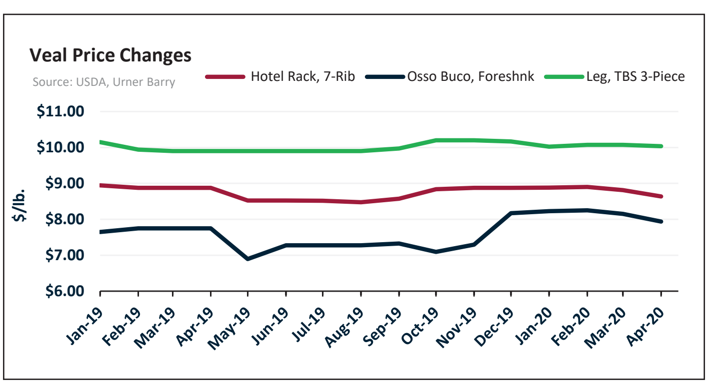

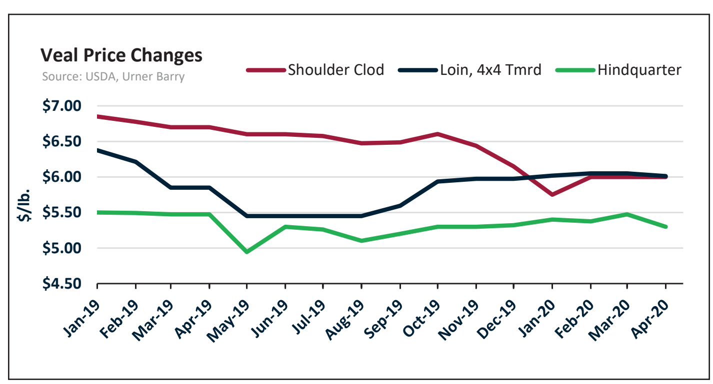

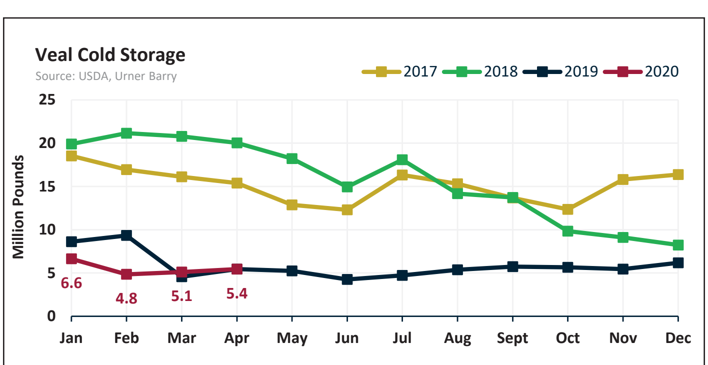

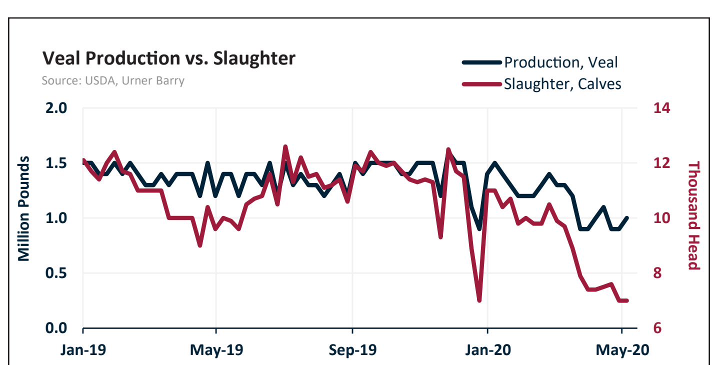

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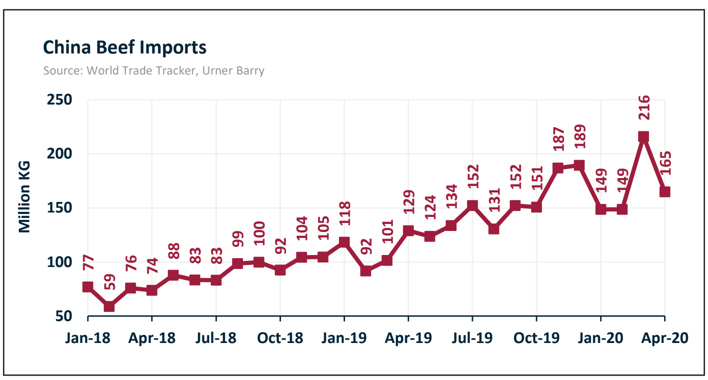
A volatile time for imported beef

By **Joe Muldowney**
joemo@urnerbarry.com

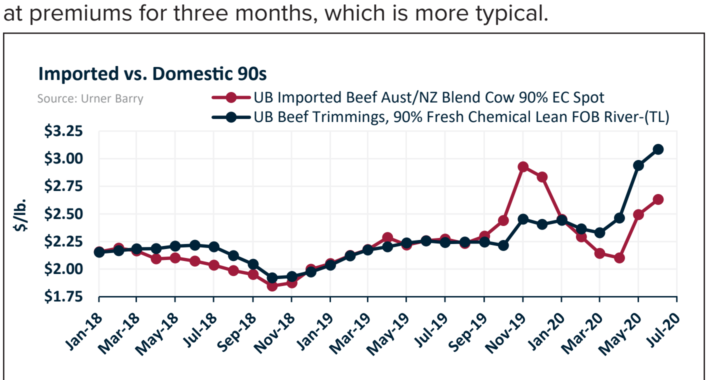
It's been a volatile time for imported beef prices with Asian pork shortages, market corrections and COVID-19 related market events all having an impact on trading levels.

China has been an emerging buyer of beef from South America, New Zealand, and Australia. As its economy grows, people in the region have changed their diets to include more beef, which is considered a luxury item. Beef exports to China accelerated to a frenzied pace in the summer of 2019, as African Swine Fever resulted in significant losses of their pork supply and beef was a preferred substitute. Both quantities and prices plateaued with December imports peaking as China prepared for their New Year celebration.



But the market in China stalled late last year and early in 2020 as speculators stockpiled beef and wholesale prices advanced significantly. This ultimately contributed to a market correction in the region and caused a decline in both imports and prices early in 2020. The situation was exacerbated when COVID-19 surfaced in the city of Wuhan and parts of China went on lockdown prior to Chinese New Year celebrations, which is normally a peak demand period.

In the U.S., the diversion of Australian, New Zealand and South American grinding material to other regions and resulting price advances provided significant cover to the market for domestic lean beef and cuts from the fed cattle sector. In 2019 Australian/New Zealand 90% boneless beef traded at premiums to the U.S. domestic fresh market for nine months, the previous year it traded at premiums for three months, which is more typical.



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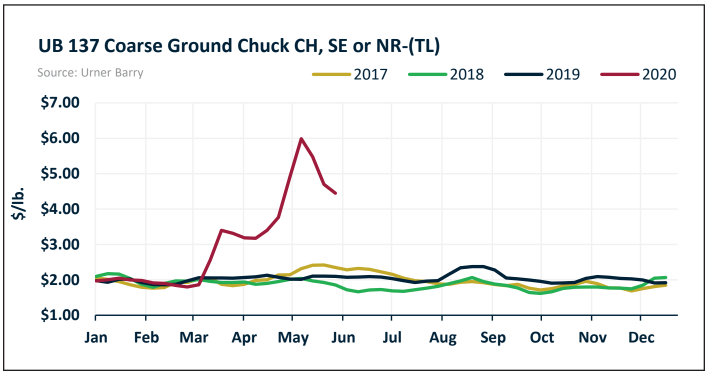
While China would remain a factor in the markets all year long, the arrival of COVID-19 in the U.S., and the impact that it had on both domestic supply and demand, were major influences in the market from March into the summer.

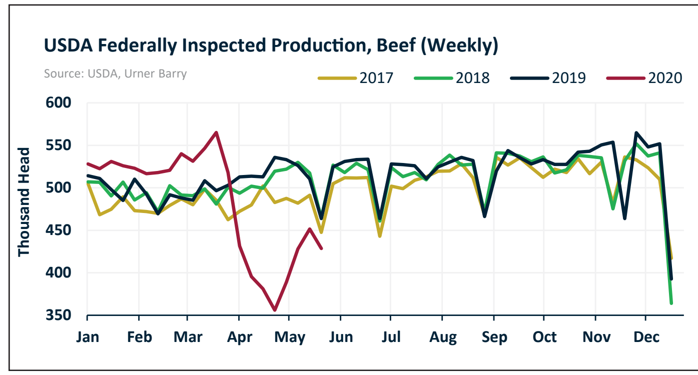
When the U.S. initiated COVID-19-related lockdowns, the market for grinding materials struggled with the loss of demand. New Zealand quickly enacted social distancing measures at their beef packing plants and this seemed to affect the volume of offerings, but it did not matter much as U.S. buyers went into hiding. Non-essential businesses, which included in-restaurant dining, were shuttered. It was widely thought that at best, fast food restaurants could only maintain 60-70% of their normal traffic through drive-thru windows, which were allowed to stay open. With uncertain demand and consumer traffic, restaurants and processors serving the sector worked their finished goods inventories down and purchased raw material mostly for immediate needs. White tablecloth foodservice items, such as peeled tenderloins, plummeted into the $400s/cwt., levels not seen since the last millennium.

People were under shelter-in-place orders and non-essential travel was discouraged. Consumer reaction was to stockpile necessities. The immediate shift from away-from-home dining to at-home dining stressed retail supply chains. Pictures of empty meat cases were common on social media outlets and in the news and this fueled even further increases in beef demand. Much of the beef buying was for ground beef, a historically inexpensive (that would change later) and easy-to-prepare food.

Processors servicing retail beef clients were actively securing raw material to fill the need. QSR business slowly increased and many were surprised at the ability of drive-thru windows to maintain store traffic. According to eports in April, QSR business had not yet returned to "normal," but it was also more resilient from the bearish projections that existed in March.

As we moved further into spring, businesses slowly started to reopen, but beef packers and processors were contending with outbreaks of COVID-19 in their plants. U.S. domestic beef production plummeted in late April and as of early June has yet



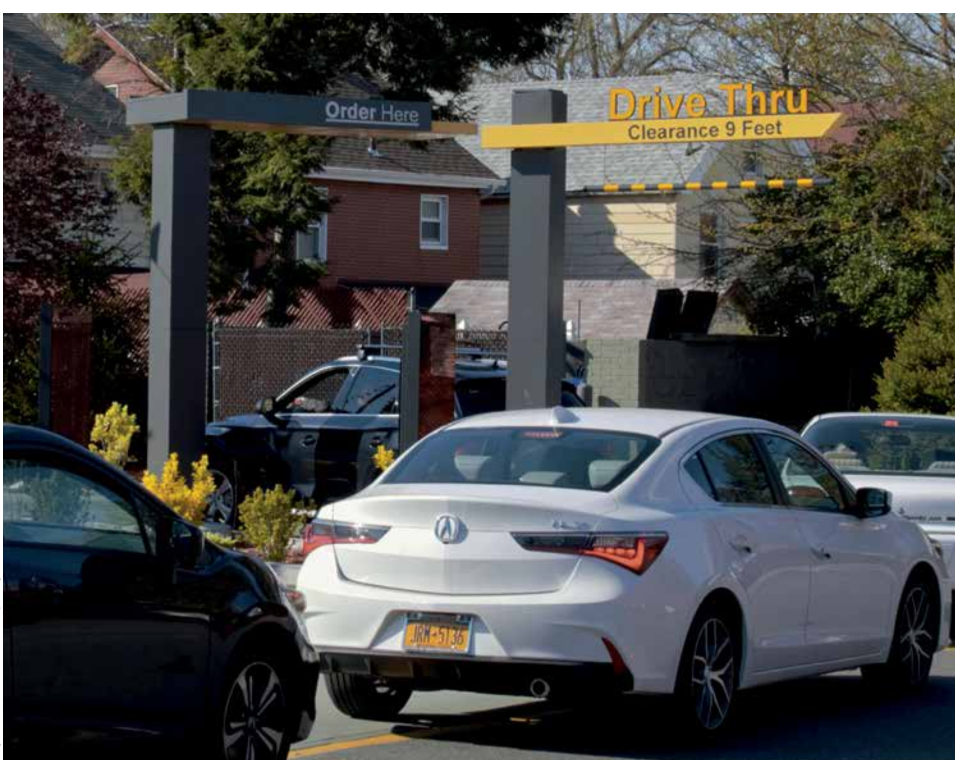


to fully recover. The lower production, short position of buyers and rebounding demand caused domestic beef prices to surge. Fresh 50s, which saw a low of $18/cwt. in March, rallied to over $300/cwt. in May. High-side trades on U.S. domestic 90% boneless beef moved from the $220s/cwt in late March to over $300/cwt in May. Wholesale values for coarse grinds more than tripled from March to May, along with boxed beef raw materials that commonly go into grinds.

Strength in domestic beef prices helped lift values for imported manufacturing beef. The timing was fortuitous for importers who purchased material overseas at the height of the market late in 2019 when Chinese demand made it necessary to inflate bids to draw material to the U.S. Material that would have been sold at a significant loss in March could now be sold at a profit in May. Importers also found new customers in processors who were shorted on fresh product as grinding operations cast a wider net to get the raw materials necessary to fill building orders. The reintroduction of Brazilian and Argentinian beef to the U.S. market also provided processors with another source of beef.

By mid-May, U.S. beef production was rebounding but still considered to be somewhat short of normal. Prices for fresh 50s, wholesale coarse grind prices and boxed beef cuts were well off their tops. Fresh 90s prices had leveled off a bit but remained resilient in early June and continued to provide cover to imported lean manufacturing beef. The future remains somewhat uncertain, with constrained beef production contributing to higher U.S. fed cattle weights. Consumer buying behavior also remains somewhat of a question in the second half of the year. For continuous updates on the imported beef markets and more be sure to go to www.comtell.com. UB

“…many were surprised at the ability of drive-thru windows to maintain store traffic.”



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Expansion and filling the U.S. supply gap

By **Jocelyn Garcia Rojas**
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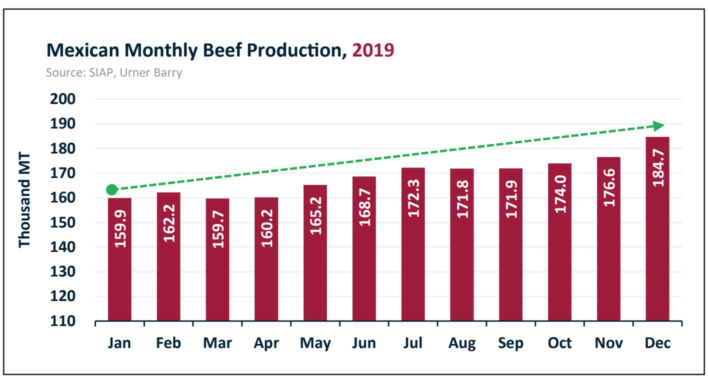
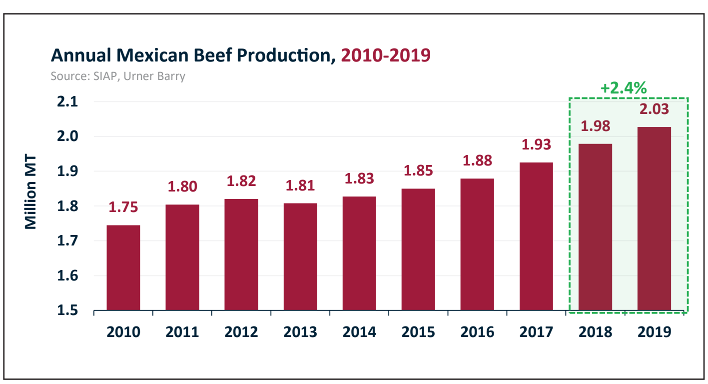
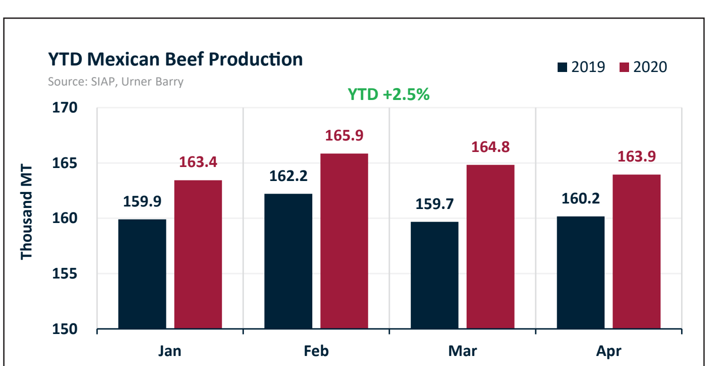
PRODUCTION

Overall, Mexico continued to expand production month-over-month in 2019. Annual beef production for 2019 totaled about 2 million metric tons, which met the predictions for the year and resulted in a 2.4% increase compared to 2018 production. Currently year-to-date production is up 2.5% as of the end of April.

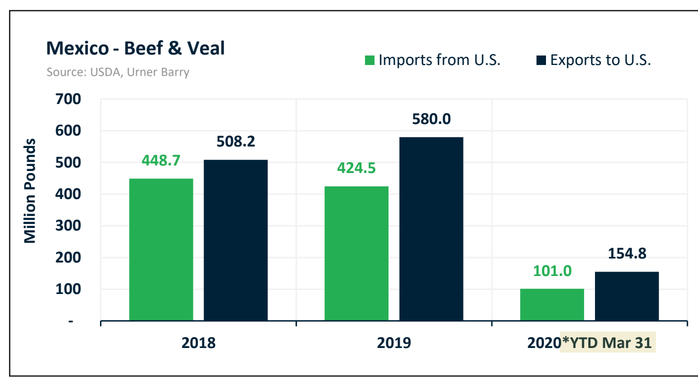






EXPORTS & IMPORTS

Despite continued trade disputes last year and ongoing political turmoil between the United States and Mexico, the U.S. remains the primary export destination of Mexican beef. Mexico is the second biggest beef supplier for the United States. In a statement to Azteca Noticias, Director of Mexican Beef Exporters Association Rogelio Perez said that, "about 83% of Mexican exports are sent to the United States and Mexico currently only exports about 12% of what it produces," reflecting an opportunity to expand exports. Last year, Mexico's beef and veal exports to the United States totaled about 580 million pounds, a 14.1% increase compared to 2018. In 2019, Mexico imported 424.5 million pounds of beef and veal from the U.S., down from 2018's 448.7 million pounds.



USMCA & COVID-19

On June 19, 2019, Mexico became the first country to ratify the new North American trade deal. The United States followed and on January 29, 2020, President Donald Trump signed the United States-Mexico-Canada Trade Agreement (USMCA). Canada passed bill C-4 to implement the USMCA on March 13 of this year but did not ratify it as a result of the House of Commons suspending itself due to the coronavirus outbreak.

The first cases of COVID-19 in North America were reported in the U.S. in January 2020, however, impact and restrictions reached their peak in March. Plants began closing at the end of March, and throughout the month of April the U.S. felt a supply gap amid population panic-buying and slaughterhouse bottleneck. During this time, U.S. orders increased as a result of a beef supply shortage. Mexico had no reported plant closures but did implement preventive measures at packing plants, like more space between line workers and temperature checks.

Wholesalers and retailers looked to Mexico to help fill the gap. Mexican packers seized the attractive opportunity to increase their

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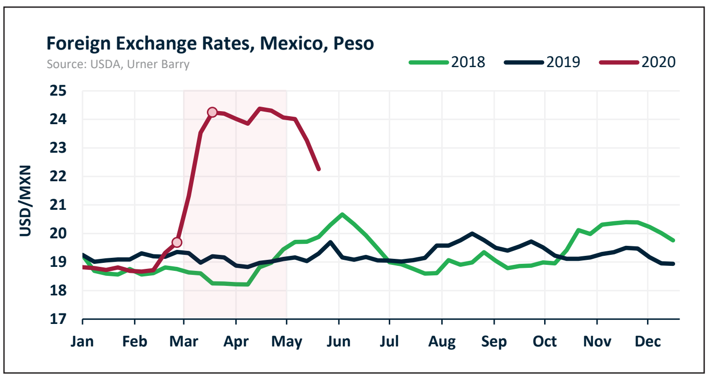

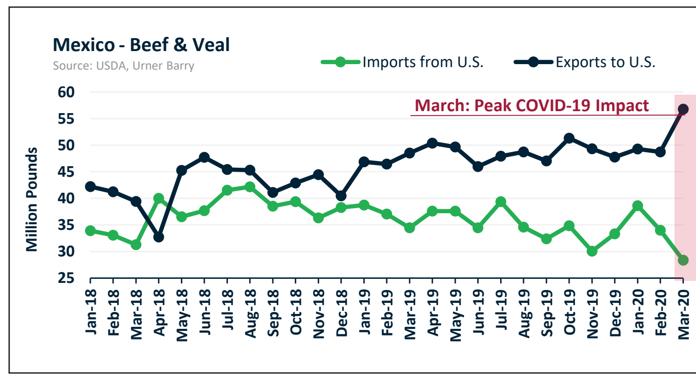

export volume as much as logistically possible. The dollar to peso exchange rate and higher prices being paid proved a very attractive opportunity for Mexican sellers.

For May program negotiations, Mexican packers reported an urgency from U.S. buyers that resulted in programs being closed the first week of April. Normally, programs for the next month close mid-month. Furthermore, more exports to the U.S. resulted in support for the Mexican domestic market, as inventories became tighter.

As a consequence of the volatile market, plant reopenings, and the number of COVID-19 cases decreasing in the United States, Mexican packers reported a different tone from U.S. buyers. For most, programs for June took until the last week of May to close. Export prices, at best, stayed steady with April prices, but mainly saw a decline. Mexican beef sellers continue to monitor the unsettled U.S. market closely for trade opportunities. UB

Boxed beef market continues to hum along...Until it doesn't

By **Holly Graga**
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and **Gary Morrison**
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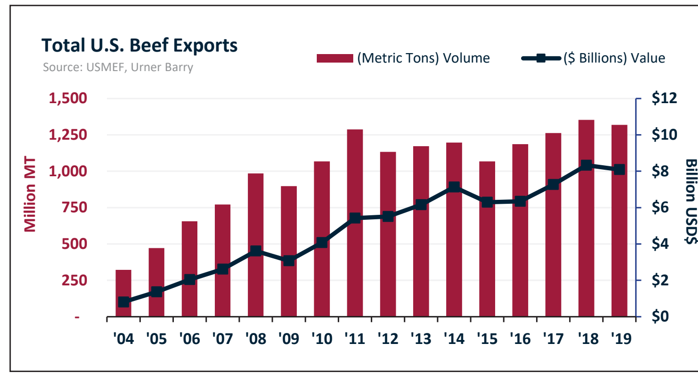
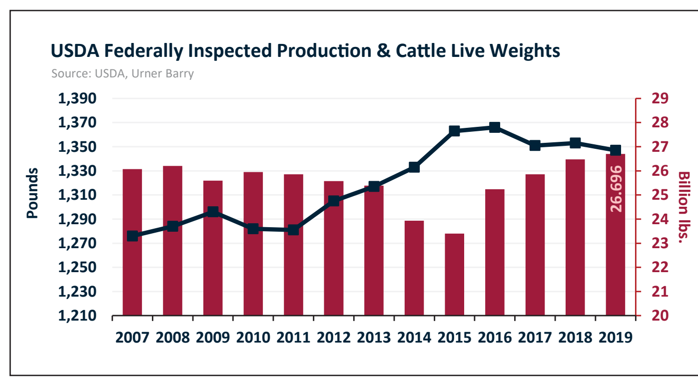
While businesses have continuity plans in place to deal with, recover from, and operate during a potential disaster, there are some things that no one can see coming. It only takes one black swan event to show just how fragile any commodity market is. And the live cattle and boxed beef market is no different. But what happens when one of these events is directly followed by another?

The boxed beef market was looking to shape up just like some of the most recent years. A booming U.S. economy was keeping unemployment at record levels, which pressured wages to the highest in history, and in turn resulted in the largest contributing factor for the continued success of beef. The stage was set for another great year for beef markets. But the first shoe to drop was the discovery and devastating spread of African Swine Fever (ASF) that decimated hog supplies in China, prompting a shortage of pork and really all protein in China. Then there was the fateful night in August 2019 when a Tyson beef plant caught fire. The disruption throughout the supply chain was swift. Things started to normalize towards the end of the year and into the new one, but then the global COVID-19 pandemic hit which shifted supply and demand in an even more volatile fashion. Most countries initiated shut-down measures to stop the spread of the virus. What has become known as the "Great Lockdown" started in March, and while it has loosened, it is still very much in play as we sit here today.

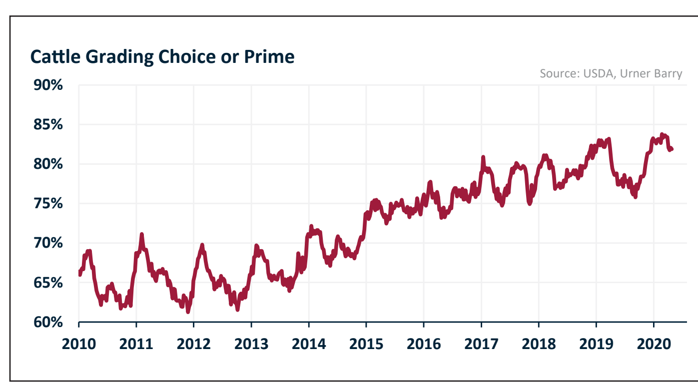
Let us set the stage of where the beef market was leading into August 9, 2019 when the Tyson Foods Holcomb, Kansas, plant was decimated by a fire. Demand for high-quality remained strong. Coming off record highs and despite some trade challenges, U.S. beef exports were 1,319,319 metric tons, just 2.5% off the previous year's high marks. The total dollar value exported was $8.089 billion, about 3% lower. Exports eased across most countries, but it was more political posturing than anything else. The 2020 year started strong given the protein deficit around the globe. With China batting ASF with an estimated loss of upwards of 60% of their hogs, and given they consume more pork than the world produces, they needed to take protein from some of our other trade partners. Through March of this year, U.S exports were up nearly 9% in tonnage.

After years of expansion, inventory of all cattle and calves as of January 1, 2020 fell slightly to 94.4 million head. This broke the six-year trend and indicated that the herd started a contracted part of the cattle cycle. Despite this, there was still plenty of beef to go around.



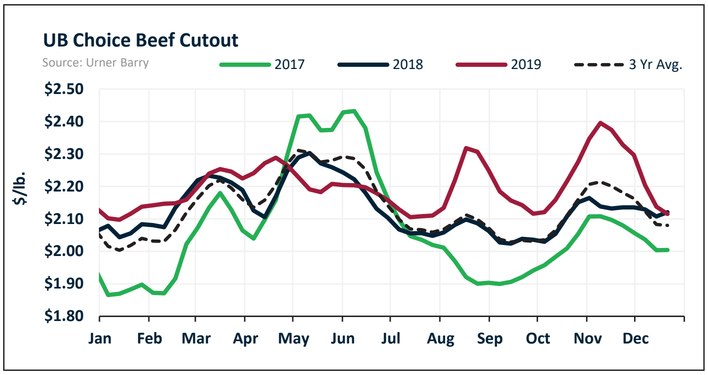


Beef production was still large despite the contraction of overall supplies to start the year. Incentives to keep slaughter levels high given margins, the availability of live cattle, good weather for the most part, and the demand for product, outweighed the slightly lower weights for the year. Beef production hit 26.696 billion pounds in 2019, a nearly 1% increase.

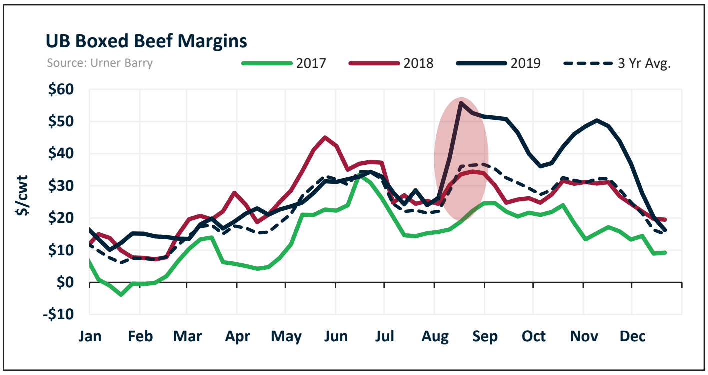


Beef packers continued to give consumers what they want, and that is a high-quality, consistent eating experience. The percentage of cattle grading Prime or Choice averaged nearly 80% in 2019, which is a new record, only to start through April 2020 averaging 83%. The concern moving forward is the production issues in the COVID-19 pandemic and the backlog of cattle that is forming, which would have ensuing issues on yield grade as they get larger and larger.

With all that data in the forefront of our minds, let us look at the reaction of wholesale prices through 2019. Despite another year of growing production, prices overall remained seasonal and slightly better. That was until the August Tyson plant fire. The timing led to a perfect storm for pricing. The supply side shock disrupted about 6% of production. Almost immediately, live cattle prices plummeted behind the production cutback. But an already strong year was compounded by what was now taking place. Retailers needed product for the upcoming Memorial Day holiday about one month out. They were scared into scarcity and more concerned with having proper inventory levels regardless of price. Overall prices shot up 5% in one week, but was more pronounced on things like ribeyes, strip loins, and ground beef.



At the same time, cattle were bid lower. Cattle prices broke the buck for only the second time in the last 10 years, and the first time since 2016. This led packer margins to record levels, more than doubling (107%) in just two short weeks. They remained elevated until the market started to normalize in December when the plant reopened to limited capacity and released the news that they would go back fully online in January. Margins compressed back to the norm to end the year.



While there were market challenges and one unforeseen event, the market seemed to be heading back to normalcy after sorting itself out. Then came the second black swan event that shocked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the world. COVID-19 spread rapidly, and the deadly virus sparked international measures to try and slow the infection rate. The response varied in its timetable and severity from country to country, and even within states here in the U.S.

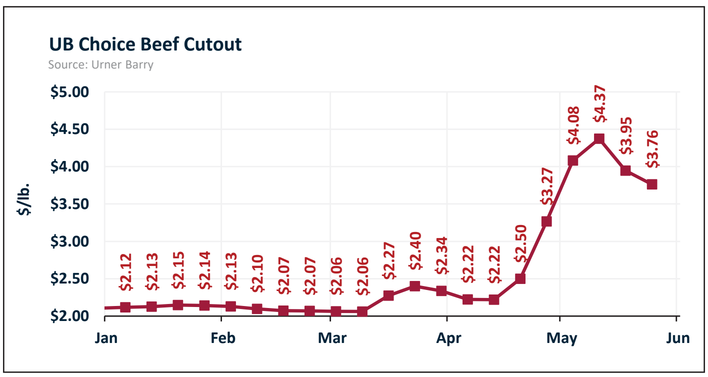
I like to look at the pandemic time in phases. In the first phase towards the middle to end of March, the United States essentially entered the "Great Lockdown." States started instituting some sort of stay-at-home orders and prohibiting non-essential travel and work. These measures also canceled events, business travel, professional sports leagues, and large private gatherings. The initial run on the supermarket caused the first shock in the protein supply chain. People rushed to stores to stock up on the essentials and any protein they could get their hands on. This sent prices to new highs. The strength was generally broad based but ground beef, inside rounds, and shoulder clods saw the largest increases. People were cooking at home more and wanted convenience and value. But as foodservice operators were forced to close there was weakness in tenderloins, briskets, and skirt steaks.

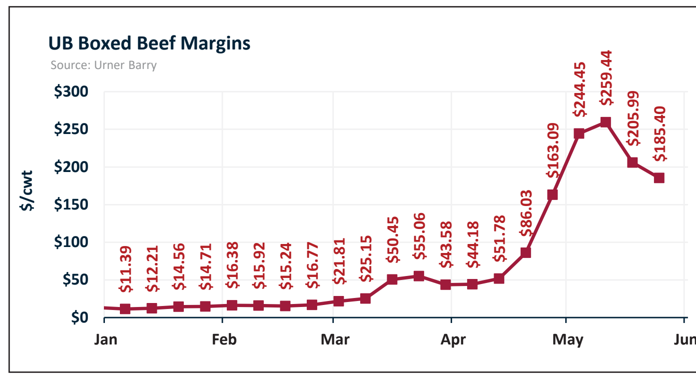
Continued on page 30

Continued from page 29

The second phase of the consumer during the pandemic came after the first two weeks of panic buying. People came to the realization they would be home a little longer but appeared to be well stocked. Some were losing their jobs or were concerned with the possibility that it would happen and were cognizant of spending at the grocery store after their initial large purchases. Stores also limited the number of shoppers at one time or limited the quantities on certain items. At this point production was still at full capacity and even hit a record 684,000 head for the week ending March 22. This prompted prices to soften just a little, evidenced by the chart below.

The third phase was when plants either proactively started to shutter to protect workers or were forced to after positive COVID-19 tests. Slaughter dropped 36% in one month to a low of 438,000 head. It was not only beef that was affected, but pork and poultry as well. This supply shock across proteins at one time was unique and severely disrupted the supply chain. There were continuous media stories that the country was going to run out of meat, which snowballed itself as scared consumers went out and again stocked up on large quantities of beef, further limiting the supply at stores. This sent beef prices piercing records daily with the pace of gains unprecedented. When all was said and done, the UB Choice Cutout averaged $437.30/cwt for the week ending May 9, 97% higher than week ending April 11. The rising tide lifted all boats now and not only was ground beef and end cuts participating in the rally, but middle meats and thin meats saw improved interest. The end of this phase also saw the improvement of slaughter rates, but still well below pre-COVID levels and the





limited opening of foodservice operations around the country. Now competition for the limited supply was fierce. As live cattle prices fell as well, given how the market reacted to the Tyson fire when only 6% of capacity was taken offline, margins also became record setting daily. But towards the back end of this rally and likely phase, even with seasonals helping, there started to be extreme push back on the traditionally overvalued beef prices. Discounts started to surface across the board.

The next phase will now include the increased opening of states and businesses across the country as well as the hope that production returns to near normal levels. Nobody knows what that will look like as restrictions are set by each governor.

It is going to take a while to get back to some sense of normal. The supply chain bent but did not break this time, and labor appears to be the biggest concern moving forward. Companies must balance the safety of their workers with getting back some financial losses. The risks are now clear, but the extent remains unknown. UB

DOMESTIC BONELESS BEEF MARKET

Production schedules driving domestic boneless beef

By **Bill Smith**
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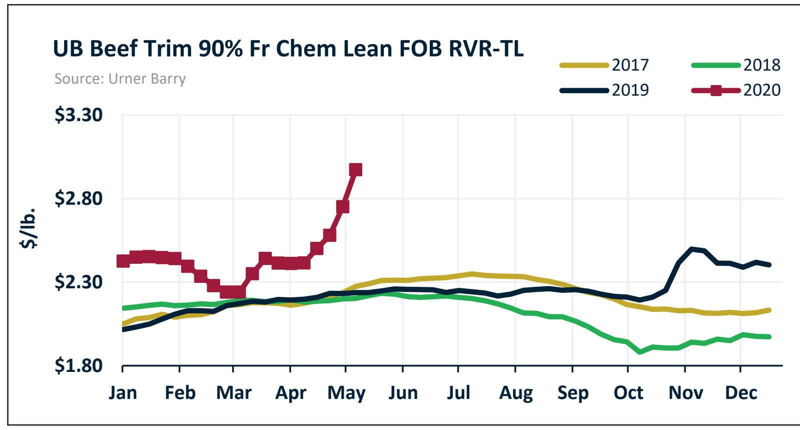
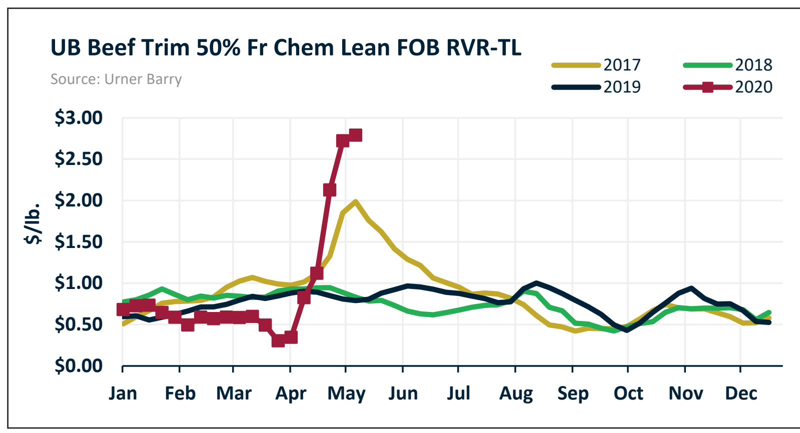
This year opened with domestic fresh 90s prices at a premium when compared to 2019. Fresh 50s were a little weaker in the first quarter but then prices improved in April before skyrocketing in May. At the end of the first quarter the cattle slaughter was up 2.6% relative to the same time frame for 2019, cattle live weights were down 34 pounds, beef production was up 4.8%.

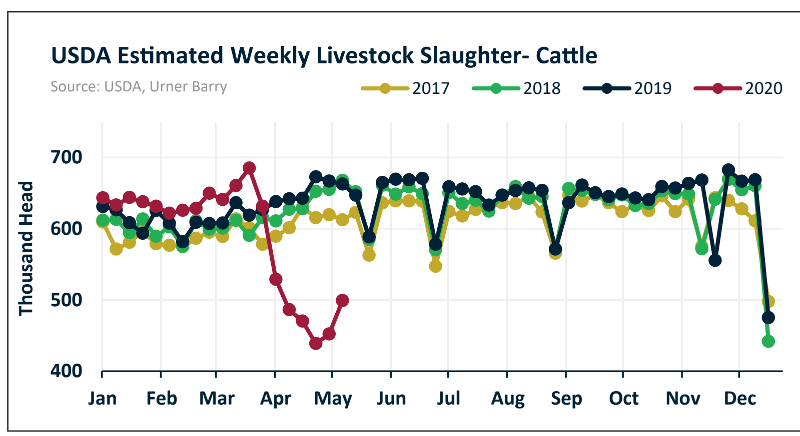
Fresh 90% lean boneless beef prices for the first quarter of 2020 were at a premium compared to the equivalent time for 2019. Monthly average prices for the first quarter were up 20%, 11% and 7%, respectively when associated to the same month's price for last year. Federally inspected cow and bull numbers for the first quarter were roughly 2% higher. Demand has been active. So far this year, import arrivals from major suppliers of grinding meat are up. Australia is up about 4% and New Zealand is about 12% higher than the same period for 2019.

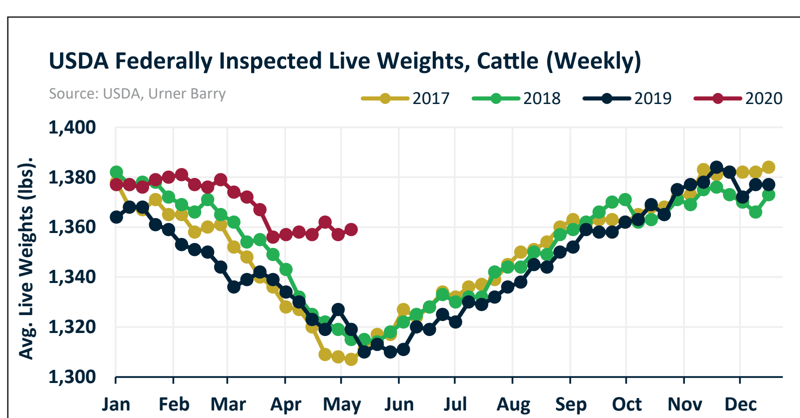
Fresh 50s began 2020 with the monthly average price for January being up about 15% compared to January 2019. February was significantly weaker than expected with the monthly average price dropping to $55.89/cwt; 17% lower than last year. March prices were down slightly compared to February, down 31% relative to the same month in 2019. Production schedules heading into the summer and fall months could have a larger impact on pricing.

As 2020 progresses, prices for both fresh 50s and fresh 90s will likely remain volatile. Cattle slaughter numbers are expected to improve as production schedules increase going into the summer and fall. Cattle weights were down in the first quarter but are expected to continue to increase as we move through 2020. UB









Bringing record exports, herd size, and production into a pandemic

By **Russell Barton**
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January 2020 began much like the first quarter of 2019, with ASF-related herd losses resulting in record export interest from China. But despite that, record production kept pork values at reasonable levels. However, roughly around the time of the Chinese New Year, the coronavirus pandemic began in China, creating shipping and logistical issues at their ports at the onset, with labor shortages and worldwide fear following closely. This slowly spread to the U.S. in March, with the tail end of the quarter beginning a period of market dynamics never seen before.

In anticipation of strong export demand and record production capacity, we entered the year with ample hog supplies.

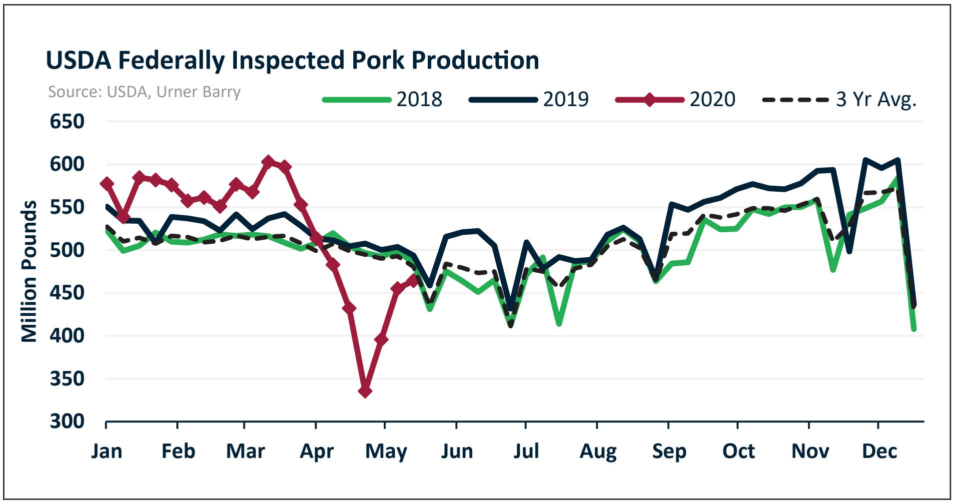
The U.S. inventory of all hogs and pigs on March 1, 2020 was 77.6 million head. This was up 4% from March 1, 2019. Breeding inventory, at 6.38 million head, was up slightly year-over-year. Market hog inventory, at 71.3 million head, was up 4% from last year. The average pigs saved per litter was a record high 11.0 for the December-February period, compared to 10.70 last year.

Looking at the National Daily hog market during the first quarter, livestock traded between \$48.94/cwt and \$58.49/cwt, and averaged \$51.78/cwt on a weekly carcass basis. This compares to an average of \$53.49/cwt a year ago. This would change drastically during the COVID-19 pandemic as plant closures created a backup in hog supplies. During April and May, National carcass prices averaged roughly \$37/cwt.

Q1 2020 saw a federally inspected hog slaughter at approximately 34,313,200 head, which represents an increase of 8.2% from year ago levels. Sows comprised 2.4% of the slaughter. Federally Inspected pork production was 8.6% greater than a year ago. This too would change dramatically in April and May due to plant closures and absenteeism. The week that encountered the most hinderance to production was that of May 2, where the weekly product collapsed to 335.5 million pounds, 34% under a year ago.

Exports ended the quarter on a high note. Total exports to all destinations was at a record high during March, up 36% from a year ago. Exports to China, Mexico, Japan, and Canada were up 349%, 9.5%, 18.2%, and 8.1% respectively, year-over-year. Exports to Canada, Honduras and South America were all at record highs. While weekly export numbers show that flows to China have remained stout during the pandemic, other countries, such as Mexico, have gone through periods of reduced demand as their own foodservice industries have been impacted by the effects of COVID-19.

As for pork prices, even with record pork production, higher exports helped to keep overall wholesale pork values slightly higher for the majority of the first quarter of 2020. The beginning of the coronavirus pandemic resulted in a massive push at retail as consumers stockpiled meat upon news of nationwide social-distancing measures. Cutout values ranged between \$65.83 and \$81.24/cwt in Q1, compared to \$61.06 and \$82.48/cwt in Q1 2019 on a weekly basis. As we moved into April and May, pork prices first collapsed as foodservice operations closed their doors, then underwent one of the sharpest rallies in history with reduced production combining with seasonally improving demand. As a result, the pork cutout rose by roughly 115% between April 13 and May 11. UB



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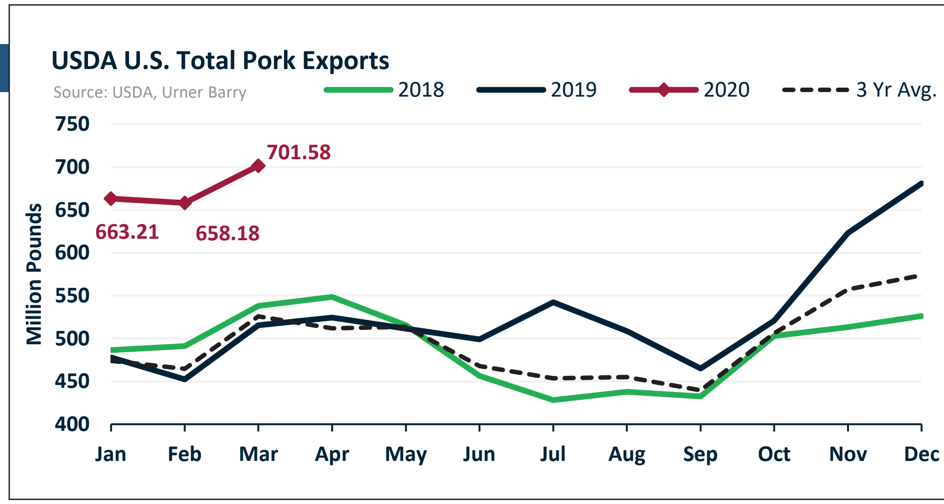
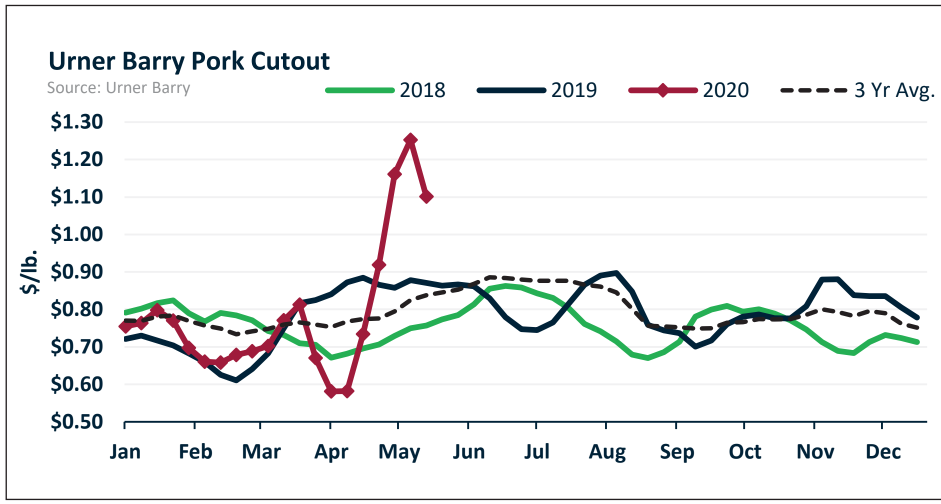
"In anticipation of strong export demand and record production capacity, we entered the year with ample hog supplies."





Coronavirus brings many ups and downs for fresh pork

By Chloe Krimmel
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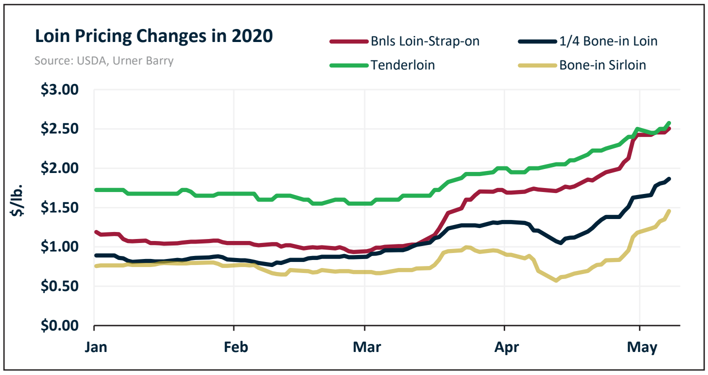
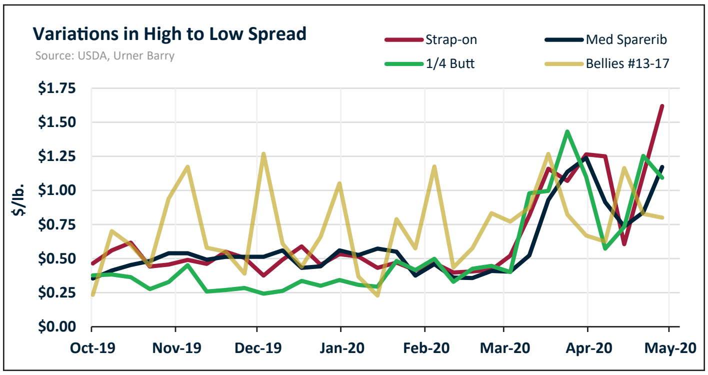
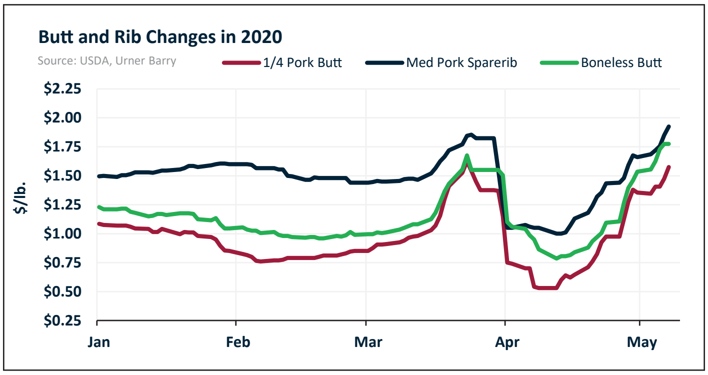
Throughout 2019 and most years prior, wide ranges and a significant degree of volatility was almost exclusively earmarked for the belly component. However, as 2020 moved forward into March, the industry reacted to the quickly evolving COVID-19 environment, in which extreme price movements across almost all primals were noted. Over the course of the pandemic the market has undergone three distinct phases; a monumental period of heightened demand from retail, followed by the bearish impact of foodservice closures, and most recently, virus-related plant closures across the country. These events led to vastly wider ranges and significant price swings, rarely seen throughout most of the pork market.



Whenever a market moves quickly in one direction, it is unlikely that all participants will be on the same page in the same moment, resulting in large spreads between the lows and highs of a given quote. Below, we see the weekly spread between the lows and highs of boneless loins, medium spareribs, bone-in butts and derind bellies. While bellies see this fluctuation customarily, it is rare that there is this much variation among the retail items.

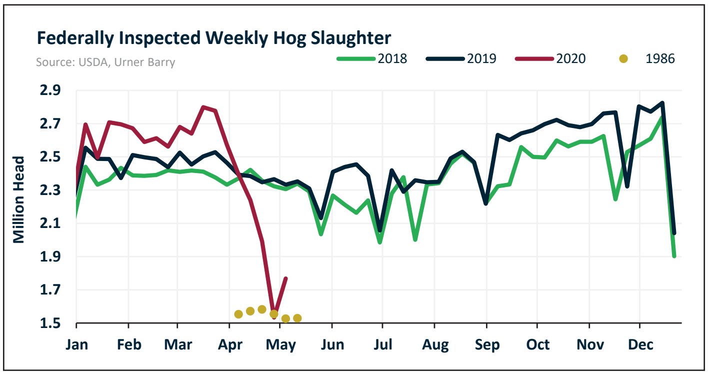
> **"From March 28 to May 2, slaughter dropped 44% and noted lows not seen in the spring months since the 1980s."**



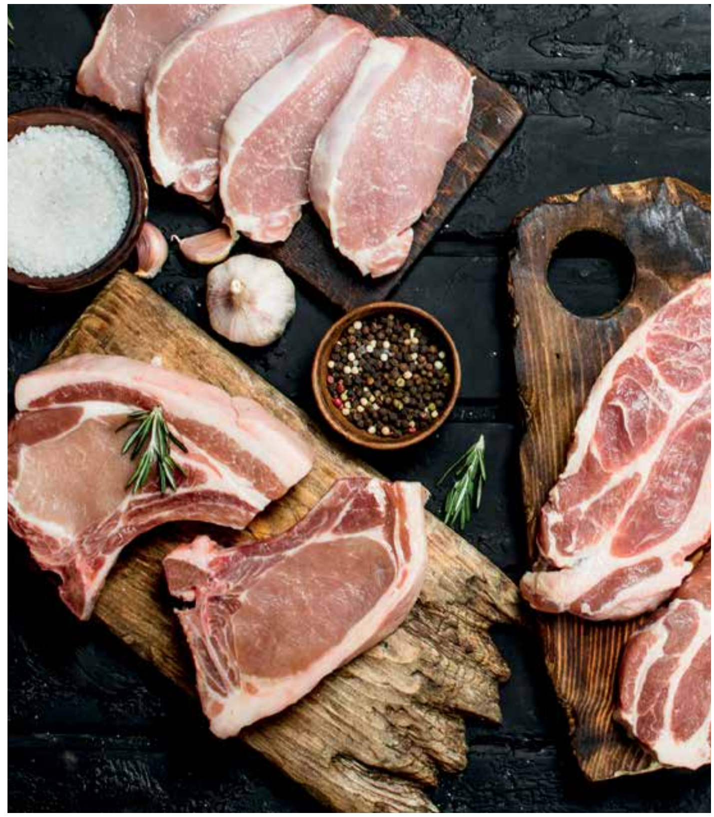


During the first phase, starting the week of March 16, prices for these components saw abnormally large increases. This occurred because, upon news of quarantine and other social distancing measures, customers flooded retail and club stores, stocking fridges and freezers with enough raw or ready-to-serve food to hunker down for an unknown period of time. The protein market saw quickly rising prices as stores rallied to fill the needs of the consumer. The second phase commenced around March 30, with softer retail demand, school closures and widespread foodservice closures weighing on the market and supplies for butts, ribs, and a number of other items increasing. With considerably fewer opportunities to move some of these items due to these factors, both butts and ribs lost around 45% by the last week of April. However, loin items stayed elevated during this time as they were sought after in retail.

As a result of such large price decreases for both butts and ribs, buyers became more interested in these specific components. Not only on the domestic front, but also internationally, where the increased dollar was offset by the drastically lower prices. Approximately around the same time as this amplified demand, the third phase began, where pork plants started to close fairly rapidly due to coronavirus cases and overall labor shortages. As a result, from March 28 to May 2, slaughter dropped 44% and noted lows not seen in the spring months since the 1980's. This combination of increased demand and diminished production created tightened supply in the market, quickly moving prices of many pork items upward. This growth was not only noted for the butts and ribs, but for the entire loin complex and lean trimmings as well, due to lack of boning labor in the plants.



A fourth phase began in mid-May with plants slowly re-opening under a set of new guidelines to help create a safer environment for workers. A full steady to firmer tone lingers throughout most items in the retail complex due to the diminished slaughter and increased retail demand since mid-April. From that respective period, bone-in loins have seen gains of 72%, medium ribs have seen a surge of up to 95%, and bone-in butts have seen substantial gains of around 139%. Wide ranges and price fluctuations are expected to continue for most items in the fresh pork market as production increases, summer grilling interest grows, and foodservice establishments see more gradual openings. UB



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URNER BARRY'S SPECIAL

COVID-19 REPORT

On January 6, 2020, Urner Barry ran a story titled "Mysterious Pneumonia Outbreak in China Linked to Seafood Market."

The article detailed how an unknown virus caused 27 pneumonia cases in the city of Wuhan, and how the government had implemented measures to contain the spread. On January 22, the CDC released a statement detailing the first case reported in the U.S. In just a few short months, this virus would go from a mystery illness in China to "COVID-19," a virus which would upend the day-to-day life of billions of people and send shockwaves throughout the food industry.

It is extremely rare that you can paint the various protein markets with the same brush. For one, the protein industry contains innumerable correlations, that push or pull depending on a host of factors. If beef is too expensive, pork and chicken become highlighted. If the economy is strong and disposable income rises, more expensive items, like steaks and lobster, are favored over traditional budget-conscious foods. In addition, each of these proteins, and specific cuts within, have their own unique set of fundamentals that drive their price. This is where COVID-19 has been a truly unique event across the food industry. The effects of this virus have been strong enough to overrule the individual fundamentals and long-standing correlations to instead move swaths of items together under new, shared COVID-19 market drivers.

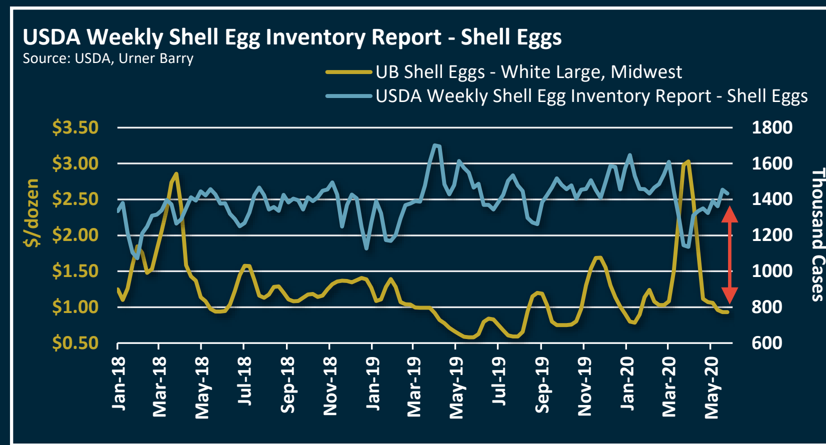
With few exceptions, proteins have shared three to four distinct phases between February and mid-May. Phase 1 was the rush to retail as consumers were made aware of impending social distancing and quarantine measures on a national scale. This resulted in empty shelves of everything from eggs to pasta.

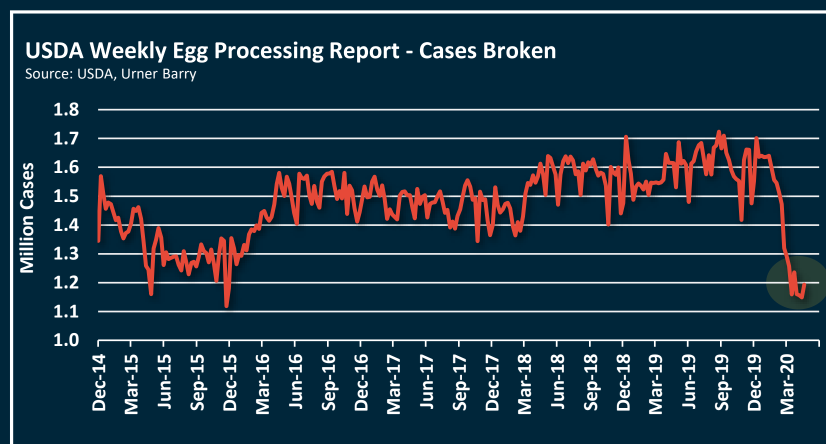
As the severity and fear of the virus rose, we entered phase 2, with broad based foodservice, school and event closures and cancellations. This had the opposite effect on the values of many cuts, as items such as wings for March Madness, shrimp on cruises and ribs at BBQ joints no longer had a destination. This phase also coincided with millions of workers finding themselves applying for unemployment, and many others living with financial uncertainty.

While some proteins, such as shellfish, remained in phase 2 largely due to the lack of foodservice, others moved on to phase 3, in which the virus hit processing capacity. April was riddled with plant closures, which, especially among pork and beef, turned a down market into one in which record highs were achieved in record time.

Fast forward to the present and the world is attempting to find normality. This could be considered phase 4 as states gradually ease restrictions, foodservice re-opens and slaughter and processing plants come back online. However, the environment we are attempting to enter is not the same one we left. The unemployment rate, hesitancy to dine out or travel, reliance on delivery services, social distancing in public places and a number of other factors ensure that this rebuilding may be a slow process and even then, may not result in the "norm" as we knew it. This is a journey that the world is sharing, and with any luck, all industries, including the food industry, will come out stronger and more prepared for the future.

EGG MARKET





The onset of COVID-19 pushed demand—and, in turn, prices—to unprecedented levels. Sources reported retail orders as much as six times greater than normal as panic-stricken consumers began stockpiling grocery staples—chief among them, eggs. Shell egg inventories were quickly depleted, plummeting 29% from the January peak to a 15-month low of 1.5 million cases. Buyers struggled to keep up with consumer demand and were forced to compete aggressively in the spot market for incremental supply. Prices skyrocketed 200% to a record-high $3.09/dozen.

But the meteoric rise seen in March was met with an equally precipitous drop in April, as social distancing measures delivered a crippling blow to the foodservice industry. According to United Egg Producers, 22% of the nation's egg supply is designated for foodservice. At its lowest point, foodservice demand had dropped by 80% as a result of the virus, which means roughly 60 million layers suddenly had no home for their eggs. Processors who built their business models around foodservice were forced to offer breaking stock or liquid into the spot market at substantial discounts. In the weeks following the record-high shell egg market, UB's breaking stock and whole egg prices hit record-lows. Sellers turned their attention to the graded sector and in April, prices tumbled more than $2.00/dozen. By the second week of May, graded prices had retreated to pre-pandemic levels.

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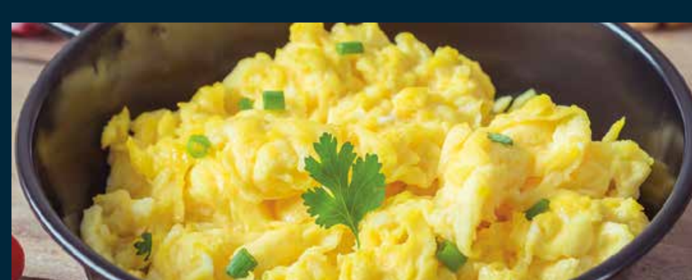
Processors have had no choice but to adjust their outputs. Cases broken reported by the USDA hit some of the lowest weekly levels seen since the 2015 avian influenza outbreak. This was a result of both eggs being diverted into the graded channel and aggressive molt schedules.

As we approach the third quarter of 2020, producers are once again faced with the same challenge as last year—bringing outputs into better alignment with demand. This time around there is an added layer of complexity; that is "the new normal." Foodservice demand has bounced back from recent lows but it's impossible to say if and when it will return to full strength. While producers are making adjustments, they are cautious in their approach—some might even argue overly cautious. The USDA reported in May that the flock count dropped to 325 million head, the lowest it's been since December 2017, but only a 1.7% reduction from April. Whether that's enough to counterbalance the lost foodservice demand remains to be seen.



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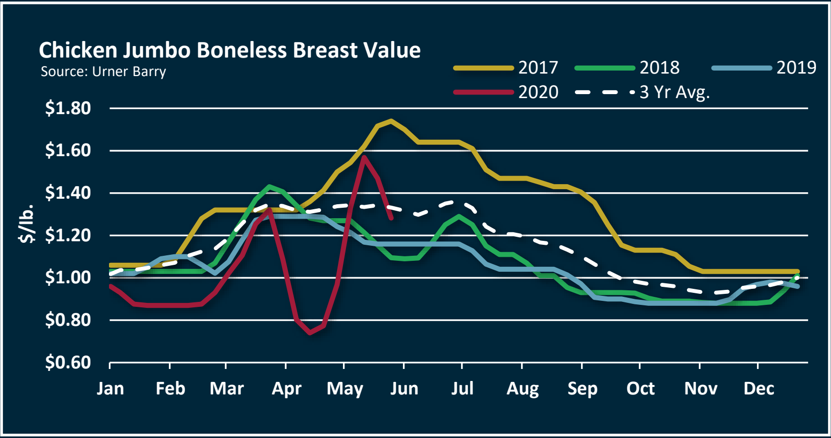
POULTRY MARKET

CHICKEN

It is difficult to overstate how impactful COVID-19 has been to chicken production. Most chicken companies have been forced to contend with elevated worker absenteeism, thereby greatly reducing production of labor-intensive lines, such as boneless meats and parts, and adding too much of easily produced items, like whole birds and leg quarters. Downtime on all levels of operations was severe. Between the weeks ending March 21 and April 18 chickens slaughtered dropped 12.8% from a weekly seasonal all-time-high of 171.7 million head to 149.7 million—the fourth lowest seasonal figure on record. The production bottleneck forced chickens to remain out in the field longer than planned which contributed to May's near record 6.40lb. average bird weights. With very few alternatives, in late Q1 cutbacks at the hatchery level began to help slow the rapid flow of production.



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Closures of QSR and dine-in establishments following "stay at home" guidelines resulted in a surge of anxious consumer demand into retail and away from foodservice. As red meat supplies dwindled, wholesale buyers transitioned even heavier towards chicken. Processors answered the indiscriminate call the best they could if it was presented in a retail friendly package. Jumbo breast meat values swiftly rose from the all-time low of $0.84/lb. in February to $1.32/lb. by mid-March. As retail demand became satiated, and without foodservice channels to fill, freezers filled up and market values plummeted; descending to a new record low of $0.74/lb. When value-driven outreach remerged in April, processors were inundated with internal challenges related to the virus which, against refreshed demand, led to an upward price rally that peaked at $1.58/lb.

TURKEY

From a supply standpoint, fresh tom breast meat production experienced the greatest exposure and impact in the path of COVID-19. Processors are forced to navigate virus outbreaks and the volatile fluctuations in the available workforce. As a result, the labor-intensive line saw sharp declines in output and, therefore, availability on the streets. Short term cooking needs outweighed fiscal concerns and when offerings were uncovered, buyers were forced to pay steep premiums. Part production was similarly but not as severely affected, largely because of the seasonality component of meat. Elsewhere, whole birds were also impacted, but this was more due to the buying patterns displayed from retailers and the public rather than supply issues in and of themselves.

As stay at home orders began to sweep across the country, consumers rushed to their local supermarket and left meat cases empty. Now barren, retailers turned to whole turkeys to help fill that void and re-stock them. As the spike in demand continued, grocers began to tap into their holiday supply, and some were forced to replenish as the fervor subsided. Ground turkey requirements helped absorb drums while distributive demand boosted parts values. All-time low foodservice needs and a less constricted beef and pork pipeline eventually led to a retreat in drum demand. In the case of breast meat, lack of supply coincided with seasonal requirements. As spring emerged and sheltering rules were relaxed, the short supply of competitive protein options further bolstered demand.

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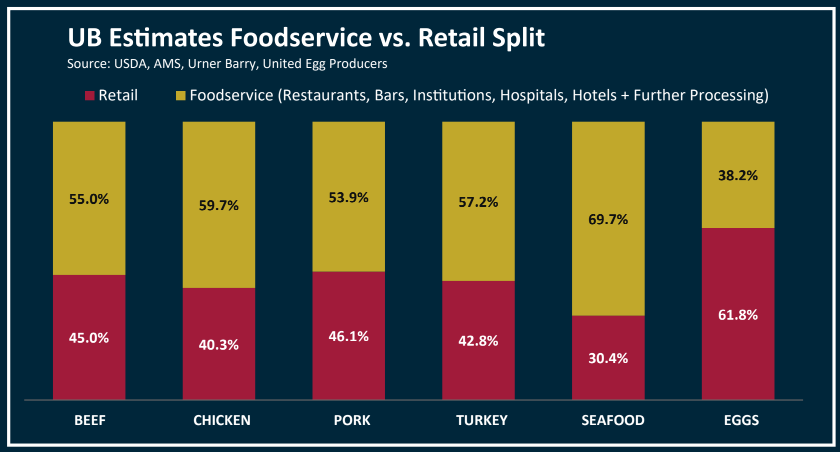
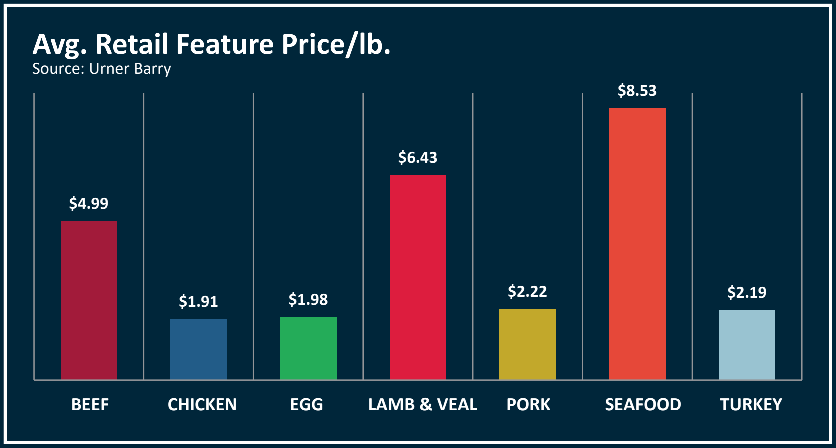
SEAFOOD

If industry opinions and recently published in-house estimates are correct about the foodservice vs. retail/grocery split for seafood, which is about a 70/30 split respectively, then this industry is likely going to be one of the worst hit by the current pandemic. This argument assumes that consumers prefer to eat seafood away from home rather than at home, and as we know, food expenditures away from home have outpaced those at home over the last of six years.

While this might be true to some extent, many species have made solid advances in their retail presence, such as shrimp and salmon, just to name a few. But not all species have enjoyed this growth at the retail level, and therefore we believe looking at the seafood industry as a monolith is not only an oversimplification, but also misleading.

Taking the same two species as an example, we can argue that shrimp and salmon are probably not perceived by the consumer as luxury items anymore. But we can also argue that they are certainly not a substitute for lower-priced proteins like chicken or ground beef.





Now, such perception could be attributed to rising incomes for the last 10 years, meaning consumers are able to afford items between $7.99 or $9.99 per lb. more often, or for other reasons like increased health-conscious consumers and positive advertising. The bottom line is that despite some of the gains seen in retail for some species, the overall consumer perception of seafood, with a few exceptions, is that it is higher-priced than other land-based proteins, in addition to less familiarity to preparing them at home.

Going forward we can expect increases in retail promotions for main driver items like shrimp and salmon, despite significant drops at the beginning of the pandemic. Further, prices to consumers must be at levels in which they perceive as valuable. While we are aware this term means different things to different people—particularly at different income levels—we must assume that due to high unemployment, overall incomes will decrease despite stimulus checks and rising unemployment benefits. In other words, it is safe to assume that consumers will change the way they spend their money on food, particularly for items that are high-priced relative to others.

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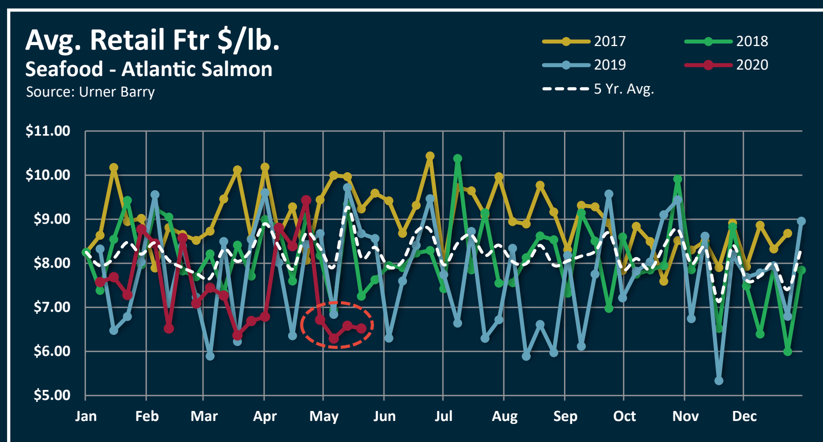
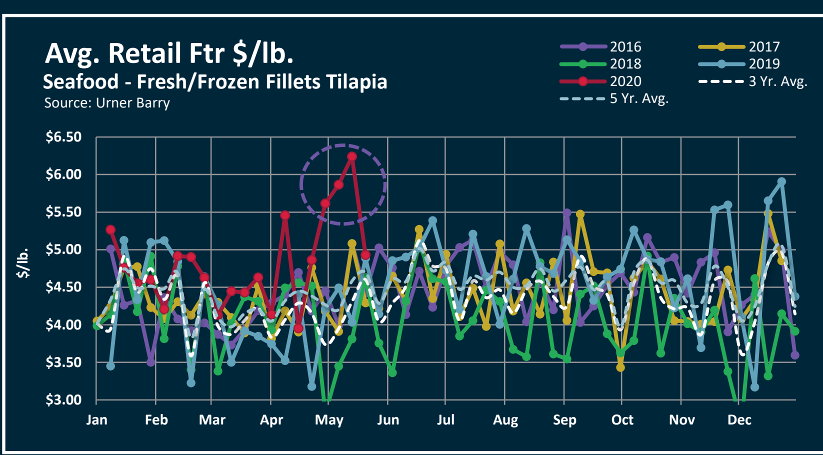
For instance, we have already seen retail feature prices adjust lower for Atlantic salmon. Lessons from past crises suggest demand for lower-priced items increases as incomes decline. During the initial rush of the pandemic, demand for eggs and ground beef outpaced supply and sent wholesale and retail prices to record-high levels. At the same time, retail promotions declined steeply. Similarly, lower-priced items like tilapia also saw retail prices rise to levels not seen since 2014, and diminished promotions to the lowest level since we began collecting retail data in 2012.

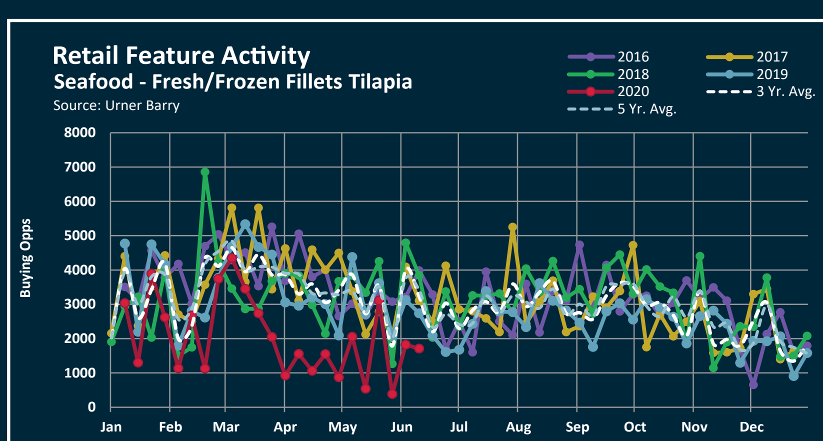


With a significantly diminished foodservice sector and strong sales at grocery stores, seafood purveyors will have to adapt quickly as restaurants across the country continue to suffer. One possible outcome that we are partially seeing develop is that seafood companies will continue to compete fiercely for limited space at grocery stores, at least in the short-term, mainly to stay afloat. At the same time, some will continue identifying opportunities in sectors showing rapid growth, such as delivery meal kits, prepared meals, or even direct sales to the consumers through online and social media advertising.

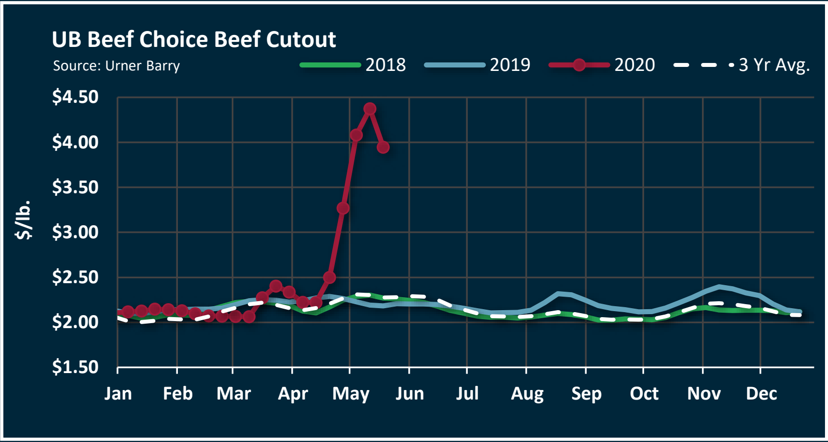


But as we mentioned before, all species will be impacted differently, and for many obvious reasons. First, not all seafood species' dependency on foodservice is equal, nor all production and logistics' nuances are similar; from harvesting and processing farmed-raised peeled and deveined shrimp in India, or flying out fresh Atlantic salmon whole fish from Chile, to processors waiting on the news of the fishing season for snow crab in Canada. Therefore, each industry within the seafood sector must be analyzed independently.

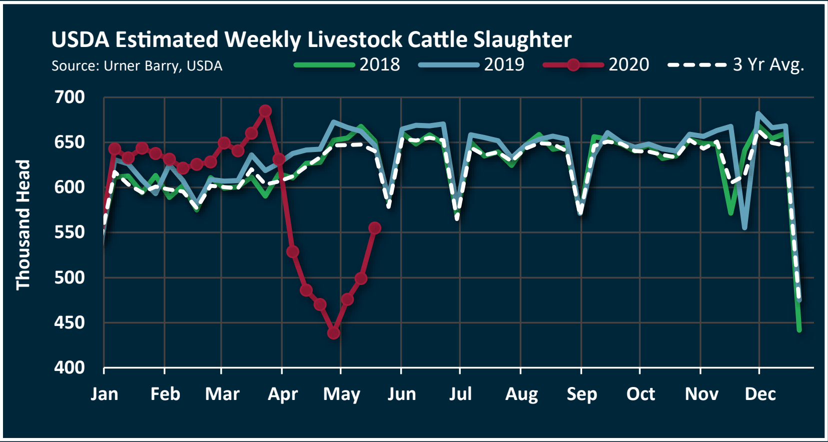
Yet, regardless of each species' overall exposure to a partially paralyzed foodservice industry, the truth is that strong retail sales and an aspiring increased presence in rapidly growing sectors is unlikely to offset the lost sales from foodservice. Until there is a vaccine for COVID-19 widely available, we must assume some sort of social distancing will remain; from the fish cutting room, to restaurant occupancy restrictions. Despite the grim outlook in the short to possibly medium term, like any other crisis, new innovative ways to market seafood products will certainly arise. Unfortunately, this painful transition period will see the industry as a whole struggle.



BEEF MARKET



Ramifications from the "Great Lockdown" were felt throughout the supply chains of all proteins. There were both positive and negative supply and demand shocks which contributed to historical price volatility. As states started to issue stay at home orders in mid-March, there was a run on the supermarket with consumers stockpiling all essentials, beef included in that list. Retailers had a hard time keeping supplies in stock daily. Beef prices rallied to record levels. The next phase was marked by the easing of consumer purchases as they came to the realization that they probably had enough product and the economy was facing mounting job losses. In addition, foodservice outlets, where beef has large exposure, were being shuttered or relegated to only delivery and/or takeout. There was some softness in prices during this time. The third phase was where the negative supply shock across all proteins happened simultaneously. In addition, some states started to ease restrictions on foodservice operations, so competition for available product was fierce. Prices pierced the short-lived records of only a few weeks ago and the UB Choice Cutout hit $443.68/cwt on May 13, a gain of $210.01/cwt from the start of the shutdowns. Packer margins followed suit and hit record levels.



As margins expanded during this pandemic, even during the beginning, packers were incentivized to kill as many animals as they could. Slaughter averaged 653,000 head during March, hitting a record 684,000 head slaughter the week ending March 21. As the pandemic spread, and plants had to shut down operations in response to positive COVID-19 tests, preventative measures, or labor shortages, slaughter levels plummeted. The peak to trough in this cycle fell nearly 36% to a low of 438,000 head. This scarcity and constant news about the broken meat supply chain was the driver of the spike in prices. Production has started to rebound as more plants open, but still sits about 13% below the three-year average.

Demand has shown a clear leadership change during this time. With people at home for longer periods of time and government mandated rules on foodservice operations, food spending at home overtook food spending away from home for the first time in a very long time. People still need to eat and appeared to pull demand forward, especially during periods of concern over supply. There is also the fact that while foodservice business is a large driver of beef demand, it is not just the regular operations that are concerning. Business travel, sports stadiums, and other large-scale gatherings need to return to help. There are some risks associated with beef demand as economists argue if this will be a prolonged economic recession or a v-shaped recovery.

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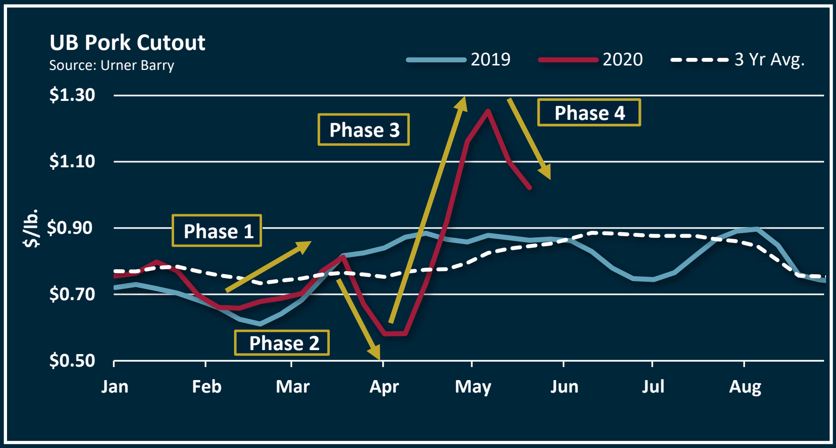
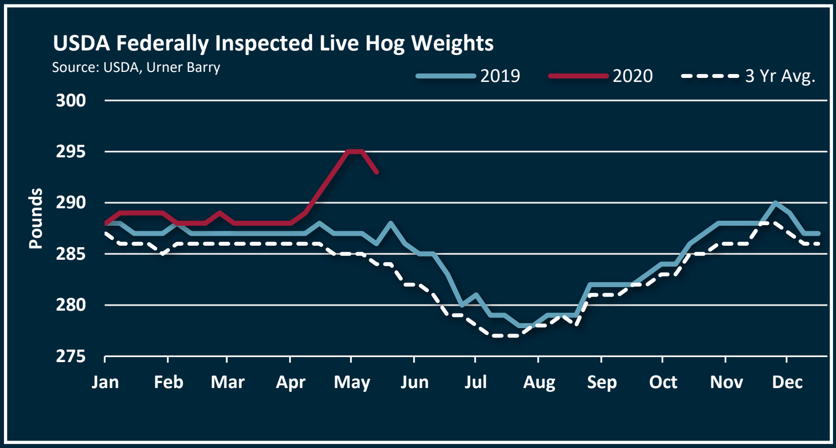
PORK MARKET

The pork market has undergone three distinct phases during the COVID-19 pandemic and is currently in the middle of experiencing the fourth phase. As described in the introduction to this issue of *Urner Barry's Reporter*, the first phase was a consumer rush to retail, followed by the closure of HRI operations, then mass plant closures and finally, the resumption of production and gradual reopening of restaurants, and arrival of warmer weather. From trough to peak, during the third phase, where production cuts led to a widespread rally in pork prices, the pork cutout rose by 130%. Since that point prices have receded by a notable amount, with losses seen across nearly all primals.



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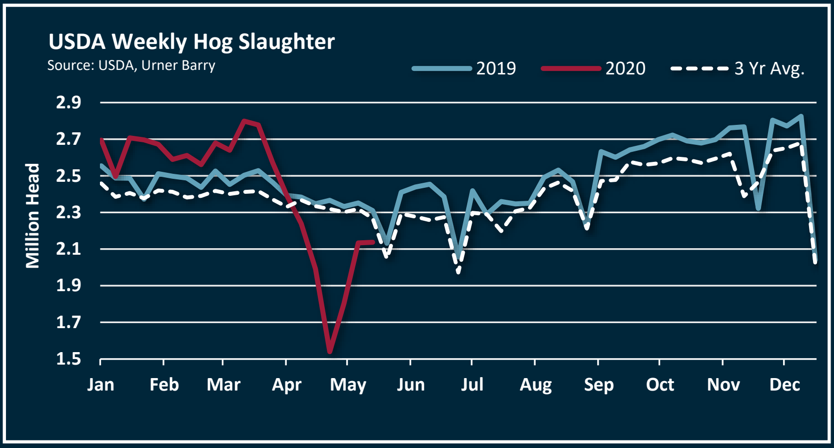
The lost production time resulted in a significant backup in hog supplies, and hog weights are one of the clearest ways to see how far from current the herd has been. During phase three, average live weights rose from an average of 288 to 295 lbs. This put weights 8 pounds over last year and 10 pounds over the 3-year average.

As plants gradually reopen and employees return to work, production has slowly been improving. In mid-March, weekly slaughter reached a 2020 high of 2.79 million head. However, as a slew of plants either closed or were severely hindered by absenteeism, the slaughter plummeted, reaching a low of 1.53 million head the week of May 2, representing 827,000 fewer hogs than last year and the smallest weekly harvest since 2003. Weekly slaughters have since increased by roughly 500,000 head, and further improvement is anticipated as the country continues to come back online.

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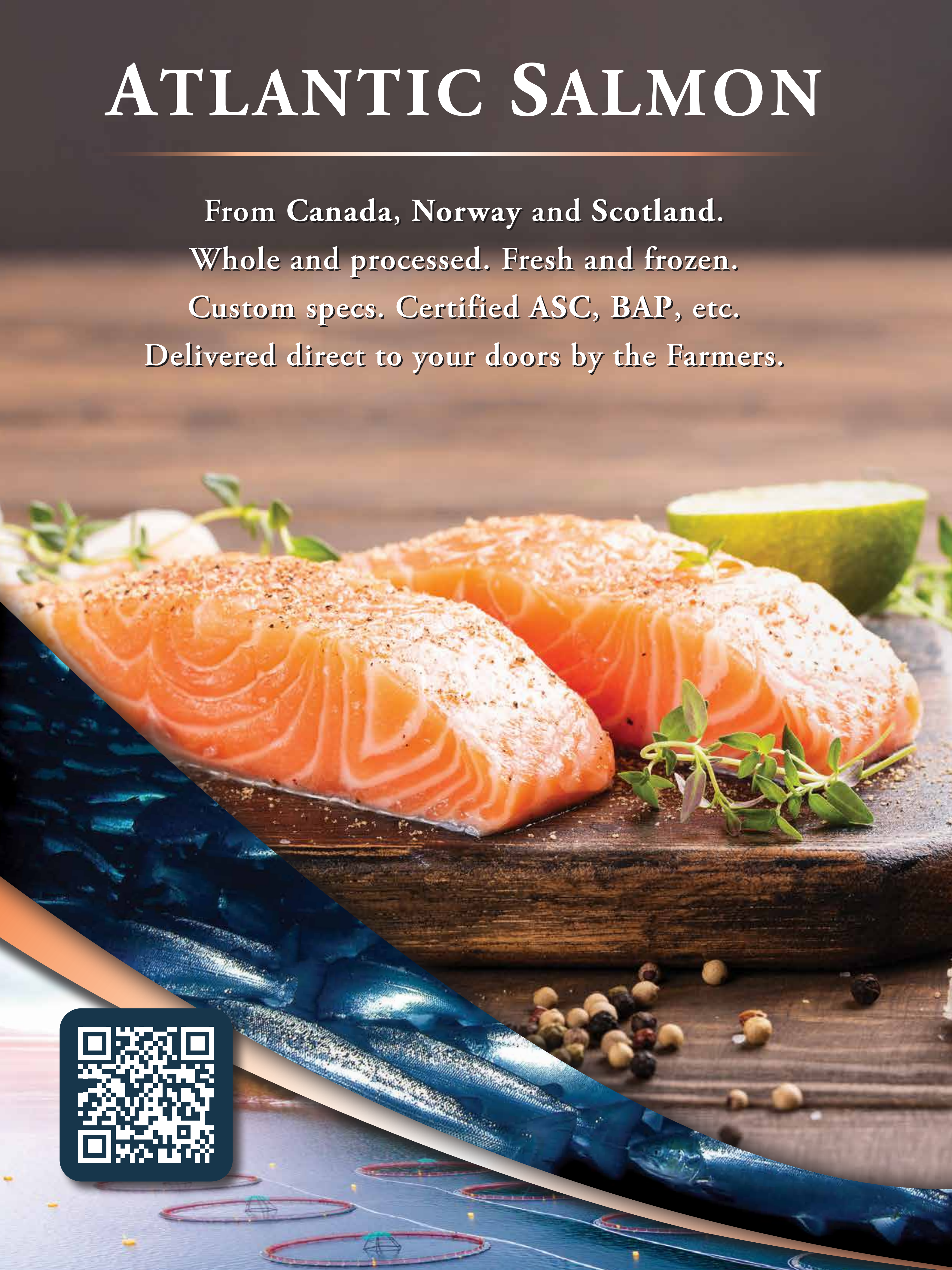
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Shrimp imports continue to set new records

By **Jim Kenny**
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and **Gary Morrison**
gmorrison@urnerbarry.com

Record shrimp imports again lasted only one year as 2019 imports edged slightly higher from the all-time high set in 2018. When all was said and done, total U.S. shrimp imports were 1.540 billion pounds compared to 1.533 billion pounds last year, or just 0.4% higher. This is now the sixth-straight year we have experienced year-over-year growth. Our number one trade partner, India, pierced straight through the record imports they sent to the United States only one year ago when they become the first country to ship over 500 million pounds. Not only was the amount higher, but at nearly 623 million pounds, it was the first time any country crossed that mark. The top five supplying countries gained market share from the previous year, accounting for 86% of total imports. Following India were Indonesia, Ecuador, Vietnam, and Thailand.

THE TOP SHRIMP SUPPLIERS

India: The annual total from the country was a record 623 million pounds; a 14% increase over the previous record in 2018. Our number one trade partner accounted for over 40% of all shrimp imported into the United States, widening the gap from last year. Shipments of both shell-on shrimp, including easy peel and peeled, increased double digits; 12% and 14.7% respectively.

Indonesia: While it was only marginally higher at 0.6%, it was still the ninth straight year of increased shipments from Indonesia. Indonesia was once again the second largest supplier of shrimp to the U.S. market. Indonesia increased shipments of shell-on (+34.6%), peeled (+1.0%), and breaded (+329.7%); but shipped less cooked (-1.5%) products into the U.S.

Ecuador: Shrimp imports from Ecuador recorded a 9.3% increase in 2019 from the previous year. This country remained the third largest trade partner. When China shut down trade with some Ecuadorian plants during the year, the proximity to the United States and the ability to meet needs made it a natural counterparty. Shipments of shell-on shrimp from Ecuador gained 4.5%, and an even larger 15.9% increase in shipments of peeled shrimp as the country expanded its value-add capacity.

Vietnam: Like the other countries in the top four, shipments from Vietnam gained in 2019 from the previous year. Imports were 4 million pounds greater, or 3.2% over 2018. Vietnam increased shipments of shell-on (+3.4%) on a smaller scale this year, but reversed course on peeled (+10.5%) and cooked (-11.8%) from last year's trend. Breaded (+48.5%) imports were the big winners, closing the gap with China. Despite the lower cooked shrimp imports, Vietnam remained the top supplier of cooked shrimp to the U.S. in 2019.

China: The widespread prevalence of African Swine Fever (ASF) that killed upwards of 60% of hogs in China, and the need for protein to meet those demands, led China to alter their trading habits. Not only did they look for protein around the globe, but they kept their domestic protein as well. Shipments from China were nearly 68 million pounds lower, or 60.6% less. Losses were broad based, but their primary product shipped to the U.S. is breaded shrimp. Despite a 39.0% loss, this was still the number one supplier. The lead, however, compressed from 60% last year to only 37% this year as others filled the shortfall.

Thailand: Like China, Thailand was the only other major supplier to ship less shrimp to the United States than the previous year. This followed last year's trends as well. They shipped 14.9% less shrimp than 2018. A small gain in shell-on and breaded were outpaced by losses in other types.

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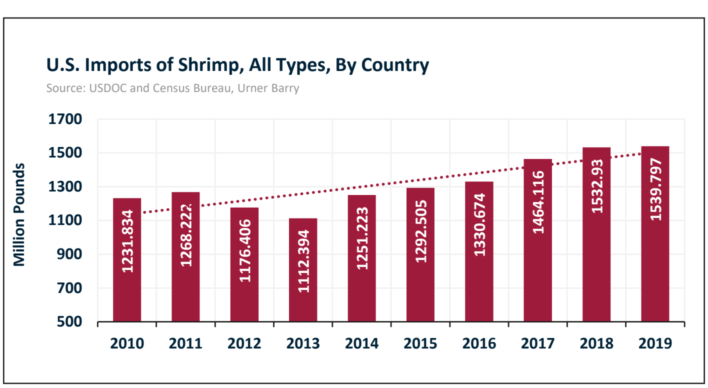

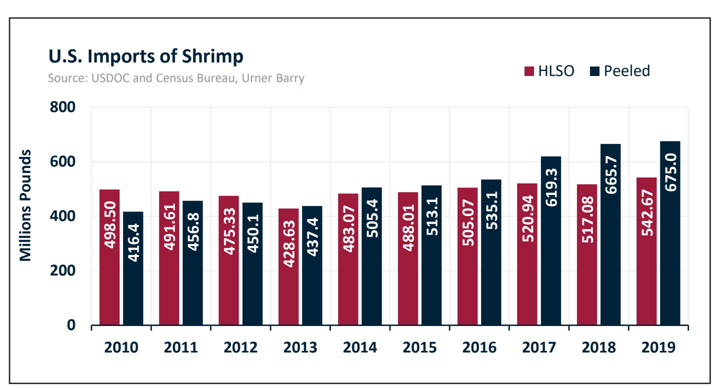

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THE PRODUCT MIX

Shrimp imports to the U.S. in 2019 saw slight advances on headless shell-on shrimp, including easy peel and peeled shrimp. However, there was declines in cooked and breaded shrimp. The losses in the latter two categories were driven mainly by slowing imports from China.

Peeled shrimp continued to be the number one category in terms of imports into the U.S. In 2019, there was 675 million pounds that came into the U.S. This was 132 million pounds more than the second-place category of headless shell-on shrimp. Cooked and breaded shrimp came in at nearly 179 million pounds and 112 million pounds, respectively.

Shell-On: The volume of headless shell-on imports, including easy peel, reversed course from last year, as imports grew 5% for 2019. The increases in 31-40 counts and larger outpaced year-over-year losses on 41-50 counts and smaller. The 21-25 count was the leader in volume and percentage gain. Price incentives drove some of the business as replacement values (imports $/lb.) for HLSO shrimp fell again, nearly 4% or $0.15/lb.

Peeled: Imports of peeled shrimp edged 1.5% higher, or 9.7 million pounds. The gains from top trading partners India, Ecuador, and Vietnam outweighed losses elsewhere. Replacement values (import $/lb.) for peeled shrimp, when compared to last year, are $0.19/lb. lower.

Cooked: Cooked (warm water) imports were down 13.1% or 26.9 million pounds. Large declines from Vietnam, Thailand, and China dragged imports lower. Thailand continued to decline and shipped under 30 million pounds of cooked to the United States.

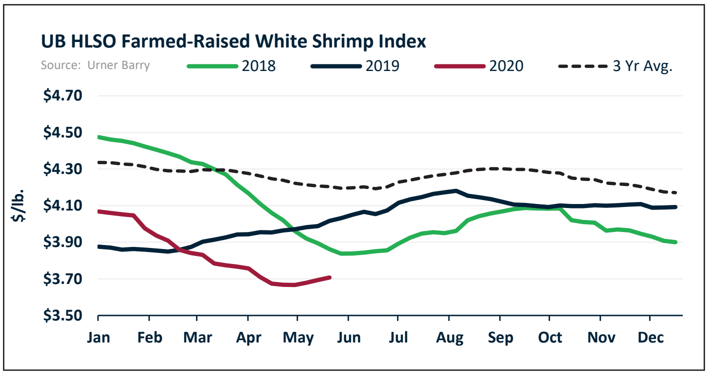
Breaded: The large decline of breaded shrimp from China dragged overall imports in 2019 3% lower than last year.

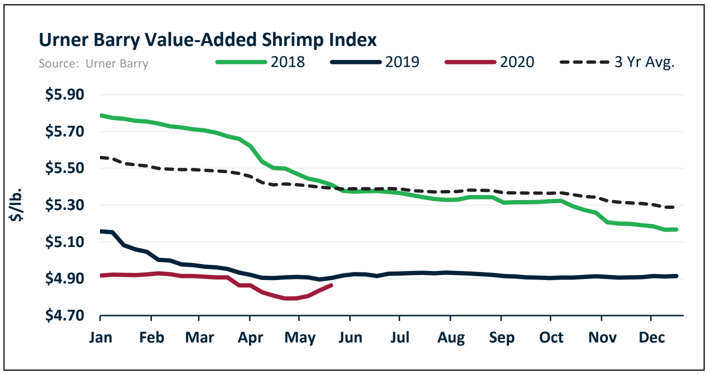
THE SHRIMP MARKET

Farmed White: The market for headless shell-on shrimp strengthened January through early August before moderating the balance of the year. This market action was largely in-line with the pace of imports, which lagged early before outpacing the year ago rate for the balance of the year. Meanwhile, the peeled shrimp market tested all-time lows, but price action varied by size. Large and mid-count shrimp marked all-time lows in Q1, but quickly rebounded in the summer season as the pace of imports failed to keep-up with summertime demand; late year these prices then moderated. Smaller count peeled shrimp steadily moderated throughout the entirety of the year. Cooked shrimp traded in a narrower range and mostly in-line with the historical trends.

Farmed Black Tiger: The index fell quite significantly during the year as many of these products failed to garner widespread interest. Except for the ongoing support noted for very large shrimp, anything 13-15 count and smaller succumbed to the widespread availability of farmed white shrimp.

Wild, Gulf of Mexico: The market found ongoing support throughout the year as the fishery failed to fully develop. The National Marine Fisheries Service reported Gulf of Mexico landings of just 79.9 million pounds; 16.25 million pounds or 17% below the January to December 2018 total of 96.1 million pounds. This is the lowest annual total in our records which go back to 1997.

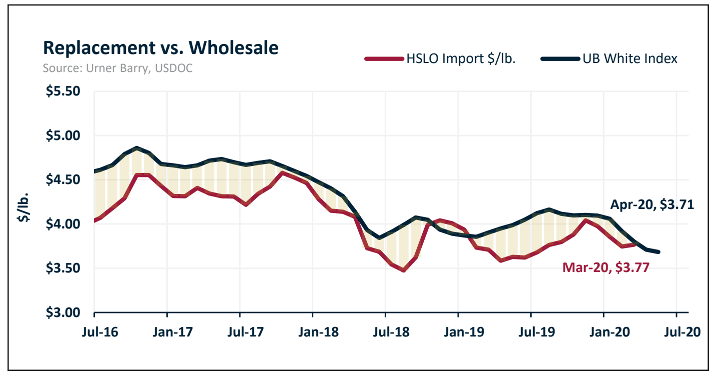


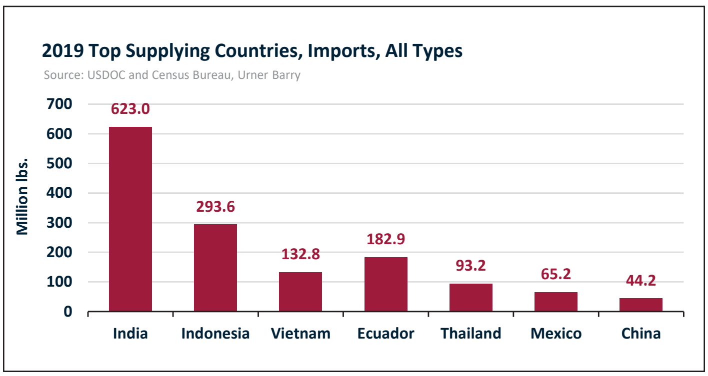


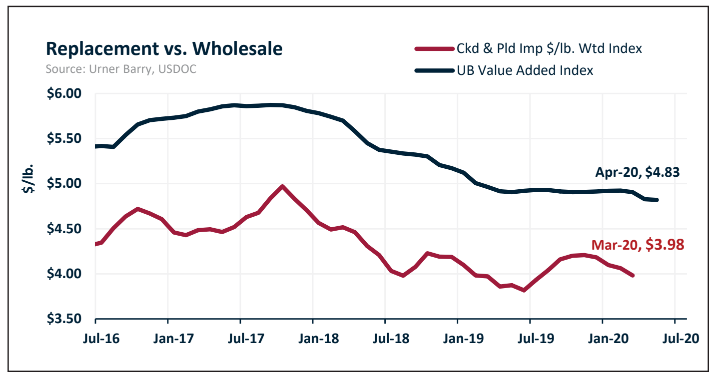
THE SHRIMP OUTLOOK

Through the first three months of 2020, shrimp imports are 15.2% higher. Imports from four of our top five supplying countries are above year ago levels. India (+20.9%), Indonesia (+23.4%), Ecuador (+49.9%), and Vietnam (+2.1%) have all shipped more shrimp in the quarter; only Thailand (-23.4%) shipped less. Also, we have imported more of each product form; shell-on (+28.7%), peeled (+6.4%), cooked (+4.6%) and breaded (+33.0%).

The impact of COVID-19 is historic and the largest disruptor any of us have ever experienced. Please refer to our special pull-out section for additional analysis. UB







A year in review – An uncertain future

By **Liz Cuozzo**
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If we have learned anything over the years, it is that the seafood industry is resilient. In the last three years alone the lobster industry has had to contend with the 25% retaliatory Chinese tariff and the subsequent loss of export markets, the downturn in the Maine harvest, federal right whale protection rules and the latest; the COVID-19 outbreak. Before we tackle the impact that the coronavirus has had on the live lobster market, let us first review 2019.

Live lobster pricing for 2019 has followed the normal, seasonal pattern, peaking mid-February, with NE hard shell selects hitting a record five-year high of $14.05, outpacing 2018 by 8% and its five-year average by 20.3%. It is during this time in Q1 that net supplies are lowest as fishing efforts and landings slow while 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. As sales with China slowed, accumulated inventories began to weigh on the market. There was an effort to move product before the Canadian spring fishing season opened in April. Market prices retreated. In fact, prices remained depressed, trailing the five-year average throughout the summer.

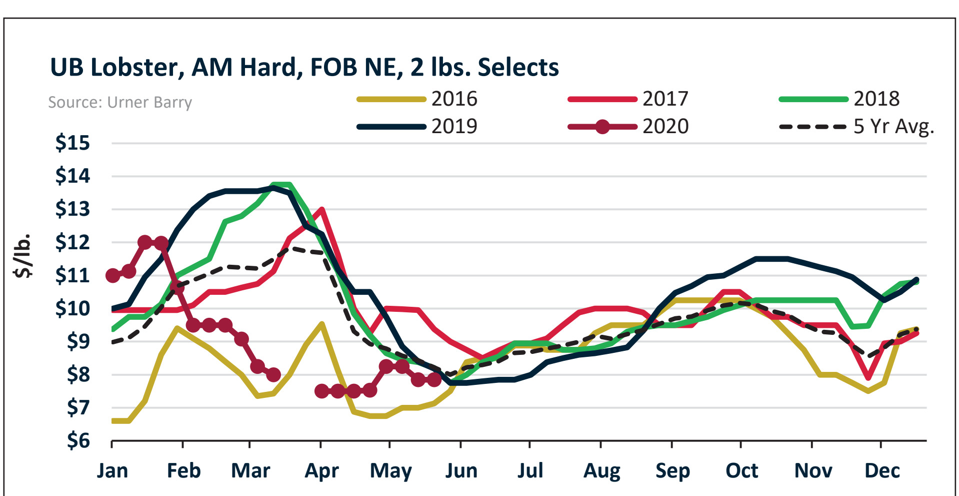
The 2019 Maine fishing season got off to a slow start, delayed three weeks due to the cold, wet spring in New England. Landings from June through October were 24% below the same time-period in 2018. Total 2019 Maine landings registered 98 million pounds, 19% less than in 2018 and 26% lower than the peak harvest recorded in 2016. As a result of the lower landings, Maine ex-vessel prices paid started to trend higher than 2018 in May and finished the year 15.3% higher than the three-year average.

Due to low inventory throughout the industry and a strong demand from the processing sector, pricing again followed the seasonal trend. Prices for New England hard shell selects hit record levels in late October with an average price of $11.88; finishing the year 16.4% higher than the five-year average.

Total 2019 live exports for the year registered 79 million pounds, with 54 million being shipped to Canada. Exports for the year are 26% lower compared to 2018 and are 29% below peak export year 2016, which saw exports exceed 110 million pounds. Year-to-date exports to Canada are 13.1% lower 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 because of the trade war continues as Canada focused more attention on live trade with China. According to Statistics Canada, $409 million worth of live lobster was shipped to China in 2019.

The emergence of the COVID-19 outbreak in Q1 2020 has been keenly felt in the live lobster market in terms of trade flow, price and sales. First quarter imports of live lobsters from Canada were down 19.6% compared to Q1 2019, registering 9.5 million pounds; the lowest Q1 import volume recorded in over 10 years. March imports totaled 2.5 million pounds; a 40.5% decline compared to its 10-year average of 4.2 million pounds.

Shipments of live lobster to Canada in Q1 totaled 651,492 pounds; a 49.4% decline compared to Q1 2019 and trailing their five-year average by 14%. Total year-to-date exports are down 52.8% year-over-year, with exports to China off 59.1%.



Prior to the COVID-19 pandemic, there was a general inventory shortage throughout the industry. The pent-up demand from processors and exporters were price supportive. New England hard select prices peaked on January 20 at $12.38, outpacing their five-year average by 28%. North American tails and meat prices were also at record levels. However, as China, Europe and the U.S. went on lockdown to curb the spread of the coronavirus, restaurant closures became the norm and live lobster sales dwindled. Currently prices are $8.05, down 35% from January.

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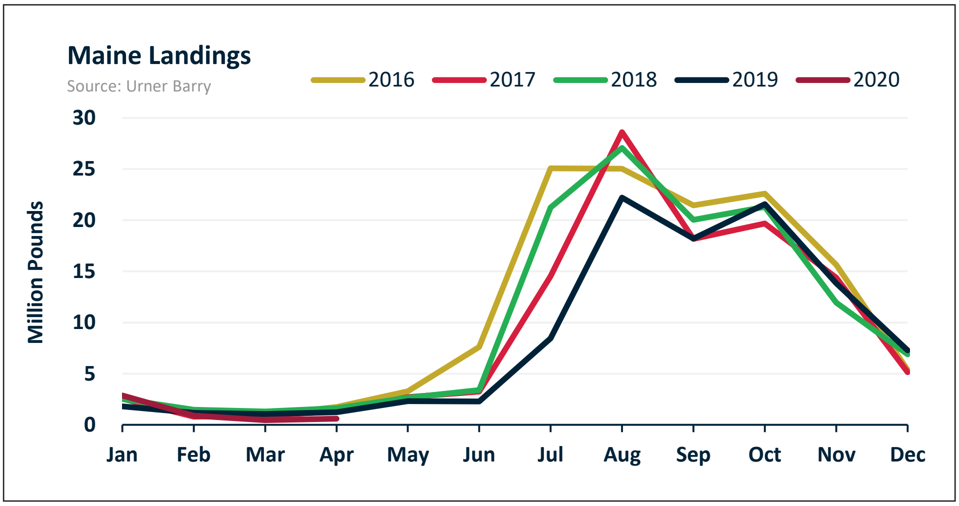
As we go to press, the Canadian spring fishing season is now underway amid a depressed market. There is little to no foodservice business and limited demand from the retail sector. There is much uncertainty as to catch levels, shore price, processing capabilities and current stored inventory levels. Although trade between Canada and China has resumed, sales are slow and are at reduced volumes. It is feared that as we move beyond COVID-19 and get back to a sense of normalcy, it will be a process that may take longer than expected. Until that time, the live market will likely remain unsettled. UB



U.S. scallop supply decreases for the first time in 4 years

By **Lorin Castiglione**
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THE DOMESTIC FISHERY

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

According to the NEFMC Council Report, Framework Adjustment 32 to the Atlantic Sea Scallop FMP, which contains catch specifications for the 2020 and 2021 (default) fishing years, has been approved by NMFS for implementation which includes six access area trips down from seven in 2019, and 24 open area days-at-sea. The access area possession limit will be set at 18,000 pounds per trip, however, full-time limited access vessels will be able to exchange allocations in 9,000 pound increments for all areas. Due to dense aggregations of smaller sized scallops that take longer to handle and shuck in the Nantucket Lightship South area, Framework 32 will allow a two-person increase in crew limit for this area only. These allocations are projected to result in landings of about 52 million pounds of scallops in fishing year 2020. While this is roughly 10 million pounds short of the 2019 projection, landings of this size are still well above previous years.

SCALLOP TRADE

Total scallop imports into the United States fell short of 2018 by 11.2 million pounds, totaling 35.3 million pounds. One key factor that attributed to this shortfall was the original implementation of the increased 25% tariff that was set to begin on January 1, 2019. This caused a rush of product into the country in December 2018, as well as less Chinese imports throughout the 2019 year. With this major fall in imports from China, Canada became the largest scallop supplier to the United States for the first time since 2004. Canada accounts for roughly 23.3% of the 35.3 million pounds of scallops imported into the U.S. Other shipped fewer scallops to the U.S. in 2019, including China (-63.7%), Argentina (-39.8%), and Mexico (-30.7%). Canada (4.7%), Japan (74.2%) and Peru (131.6%) all increased year-over-year from 2018.

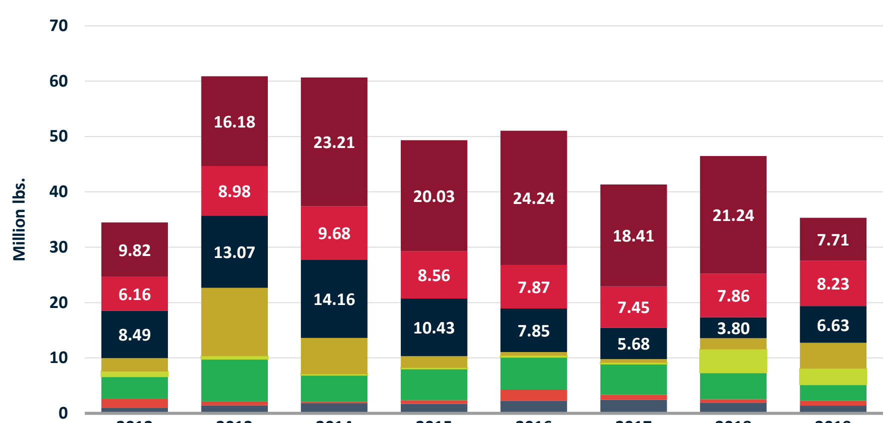
Export activity has fallen year-over-year since 2017 and is the lowest volume on record since 2002 reported 10 million pounds exported. Canada remains our largest export destination, accounting for roughly 31.9% of the 2019 exports; the Netherlands (17.5%) and France (12.3%) are the second and third major export destinations.

Fewer imports, larger landings, and a decline in exports resulted in a decline of our net supply. Our net supply calculation suggests an annual total of nearly 80.3 million pounds compared to 87.3 million in 2018. Despite the retreat, the 2019 net supply is still well above previous years.

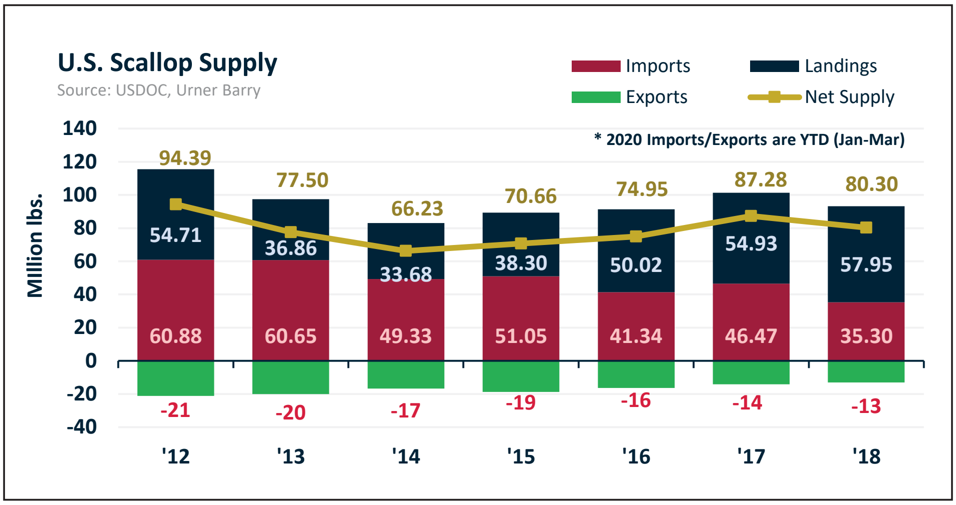
THE MARKETS

The market for U.S. origin sea scallops saw a wide price gap between all-natural, dry and processed scallops at the start of 2019. While processed scallops remained relatively steady throughout most of the year, prices on all-natural and dry scallops retreated in Q1 and Q2, steadily strengthening through the end of the year. The average price paid for a domestic dry U10 in 2019 was $15.64, up 28.4% from the previous year average of $12.18/lb. Dry 10/20 count scallops ran flat to the previous year, increasing less than 2%, recording an average of $10.47/lb. in 2019.

Yearly Imports by Country
Source: USDOC, Urner Barry



	2012	2013	2014	2015	2016	2017	2018	2019
China	9.8	16.2	23.2	20.0	24.2	18.4	21.2	7.7
Canada	6.2	9.0	9.7	8.6	7.9	7.5	7.9	8.2
Japan	8.5	13.1	14.2	10.4	7.8	5.7	3.8	6.6
Peru	2.4	12.3	6.5	2.1	0.7	0.7	2.0	4.6
Mexico	0.9	0.5	0.1	0.1	0.2	0.2	4.2	2.9
Argentina	4.1	7.7	4.8	5.7	5.9	5.6	4.8	2.9
Philippines	1.7	0.7	0.3	0.7	2.0	0.9	0.6	0.9
Other	0.9	1.4	1.8	1.7	2.3	2.4	1.9	1.4



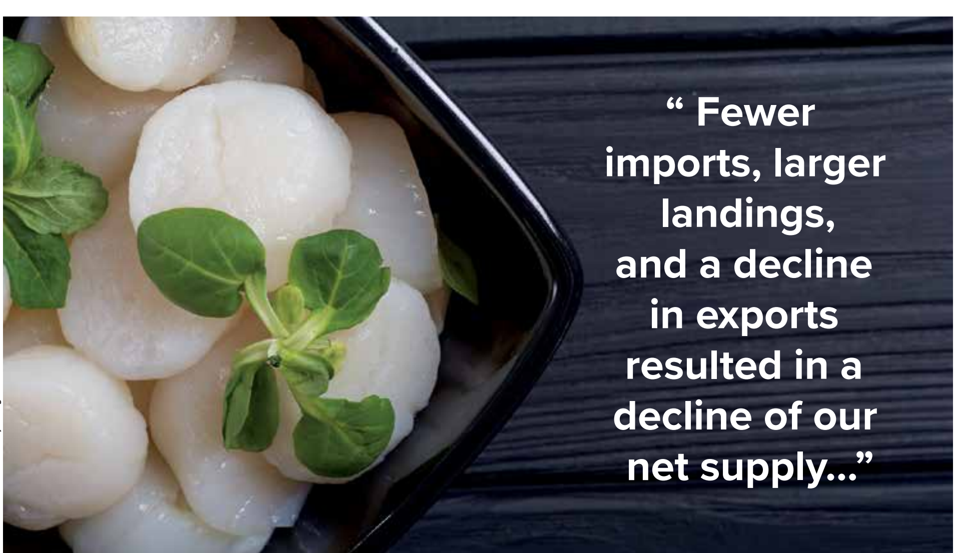
The 2019 Canadian season proved to be successful with strong landings consisting mostly of 30ct sized scallops and larger. Fisheries and Oceans Canada increased the initial TAC from 5,525MT to 6,075MT after favorable spring survey results. Seasonally, Canadian prices remain firm until the U.S. season begins in April. The average price paid for a 10/20 count Canadian sea scallop in 2019 was $11.9/lb., only falling $0.01 from the 2017 average.

China bay scallops were affected not only by the tariffs but also increasing labor costs overseas, causing prices to strengthen across all sizes. Industry players report that this market could see a new norm, with smaller sizes staying domestically within China and other Asian markets to be used within the live/dried/cooked applications. If that's the case less product would be exported to the U.S. Due to the timing of the seasons, this market is not anticipated to be affected by the coronavirus as production ended in December and the new season doesn't begin again until October.

LOOKING FORWARD

Originally we expected to see prices strengthen, especially on larger sized scallops in the wake of the 10.5 million pound harvest reduction for domestic sea scallops. However, as the country shut down in the wake of COVID-19, foodservice and restaurant sales came to a halt and wholesale prices have softened earlier than previous years.

As the country begins lifting restrictions, we are seeing some uptick in sales in those certain areas and the industry is cautiously hopeful this trend will continue as we phase into our new normal. UB



King Crab sees stable U.S. demand; Canadian snow crab season begins to flow into a starved market

By **Janice Schreiber**
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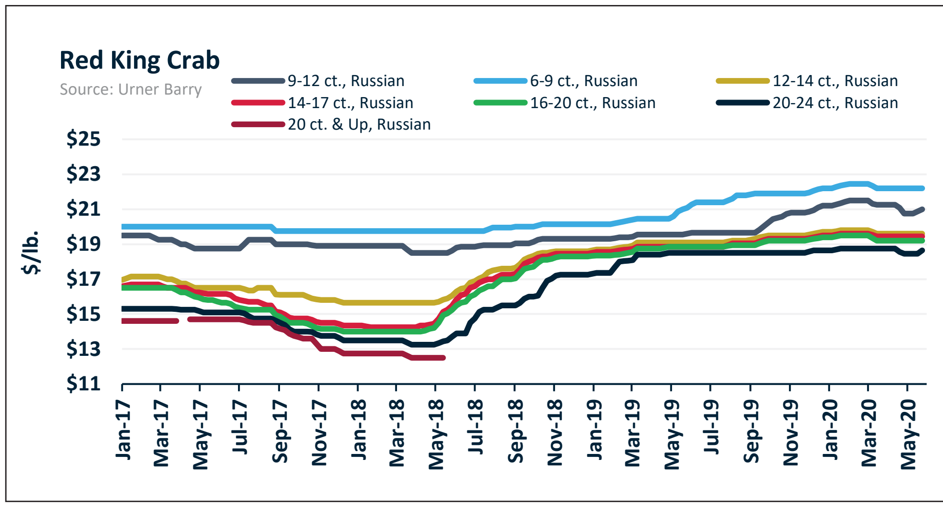
KING CRAB

Over the past several years the theme has been similar for the king crab outlook: lower supply, higher prices, and constant competition in Russia against the Asian markets who are paying top dollar for live king crab. Although overall king crab imports ended the year higher in 2019, up 12.4% and in Russia up 15.8%, prices did not retreat. Overall prices for all sizes of king crab remained stable to climbing throughout 2019.



Asia continues to command much of the red king crab supplies. Demand from U.S. buyers remains solid, which has led to broad based buying as they rather have the product despite the size preference. Despite an overall increase in supply this has led to steady to higher prices throughout the sizes. The compression of prices of various sizes further supports this.

2020 has thus far seen a decline in imports through the first quarter. Overall imported crab through March 2020 is down 19.2% year-to-date and Russia is down 24.5% year-to-date. Current imports are also tracking well below the seasonal average and well off the three-year average. April imports are expected to be low due to the effect of COVID-19 on both supply and demand.

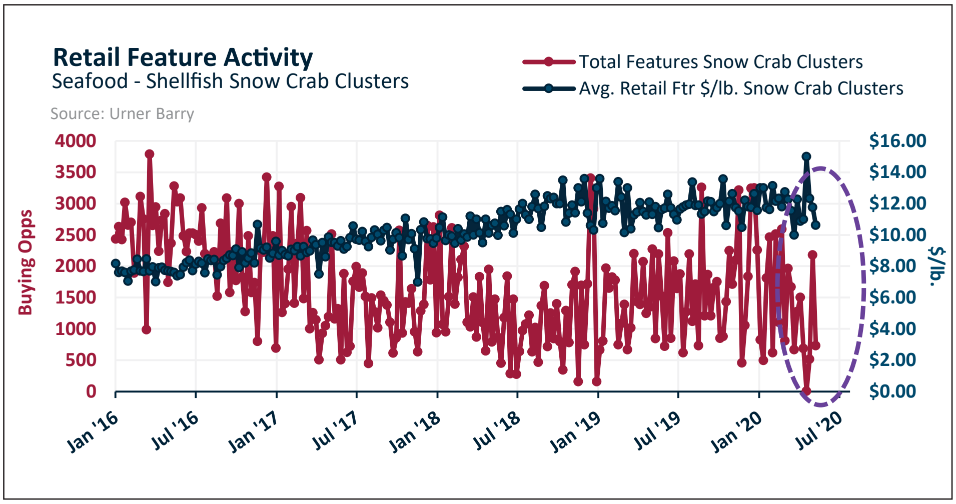
Initially, king crab pricing for all sizes for both red and golden king crab were "frozen in place," a regular occurrence for many frozen seafood items. As the weeks ticked by, however, and foodservice demand continued to be dormant, 9-12 count Russia red king crab began to adjust lower, about mid-April. However, by the second week in May, as restaurants began to open and restrictions on movement in many states began to ease, demand increased. Pricing has rebounded as of this writing.

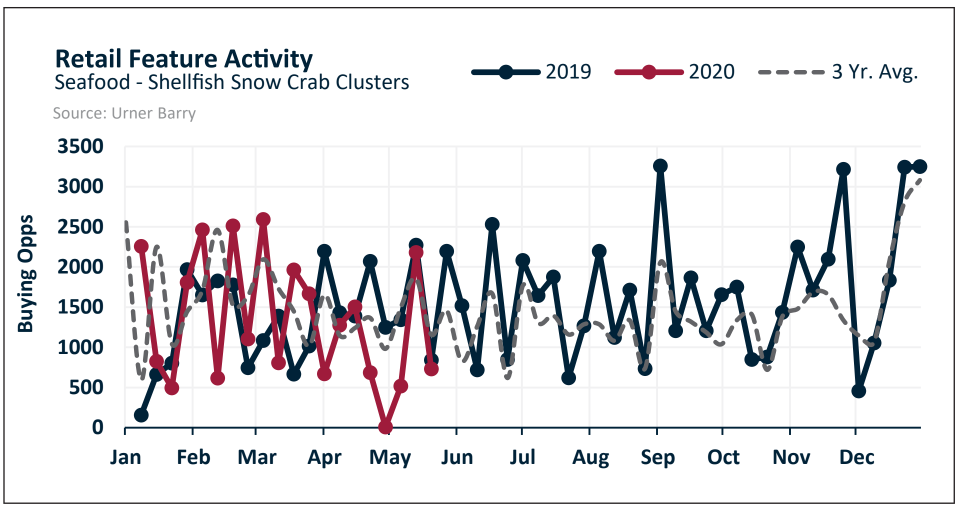
Domestic supplies remain extremely tight. Out of Alaska, the quota remains extremely low for red king crab, dropping again for the 2019-2020 season to 3.8 million pounds, an 11.6% decrease from last season. Spot activity has been low and pricing has not been established as of this writing. The quota has been caught and the fishing season is complete out of Alaska for red king crab from Bristol Bay.

SNOW CRAB

As the season continues to get underway in Canada out of both Newfoundland and the Gulf of Saint Lawrence, the U.S. is starting to see snow crab flow back into a starved marketplace.

The previous season out of Canada saw record high prices with the all-time high hitting $9.55 at the end of February 2020 on 5-8s out of the Gulf. Supplies out of Canada in 2019 also ended the year 14.7% higher than 2018; thus suggesting





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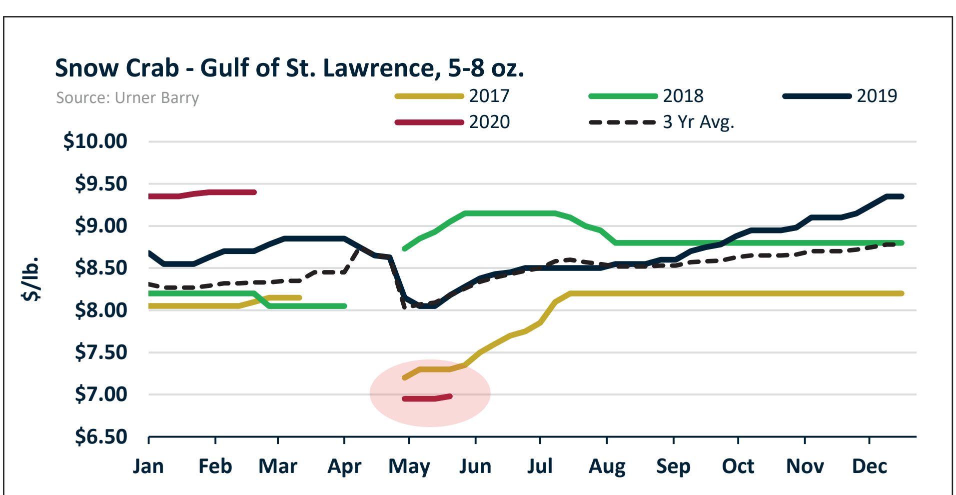
an increased demand for snow crab with both higher prices and higher supply in the U.S. market.

One of the bigger stories of last season, in regards to Canadian snow crab, was its presence at the retail counter. Consumers continue to frequent retail over foodservice, and retailers are again reported to be extremely active buyers of snow crab in this current season.

Retail features or buying opportunities at the end of May increased in comparison to the previous week. In addition, the average price for snow crab clusters also adjusted lower and has been the trend over the past two weeks.



The number of buying opportunities is so far showing a similar pattern to last year. Levels in 2020 for the end of May did not rise as high as levels seen in 2019, but are above the three-year average.

Market participants do report that available supply into the spot market as of the end of May in the U.S. has been barely adequate in comparison to the demand for product. The pace at which the crab is entering the market is also noted. Measures in place to protect workers from COVID-19 does appear to be affecting the pace at which crab can be produced. Grid closures in the Gulf have also impeded some fishing.

2020 prices on 5-8s out of the Gulf are well below last year's levels and also well below the three-year average. However, when you look at the five-year average, 2020 is right on pace. UB

A Mid-Atlantic favorite, crab meat weakens amidst slow foodservice demand

By **Janice Schreiber**
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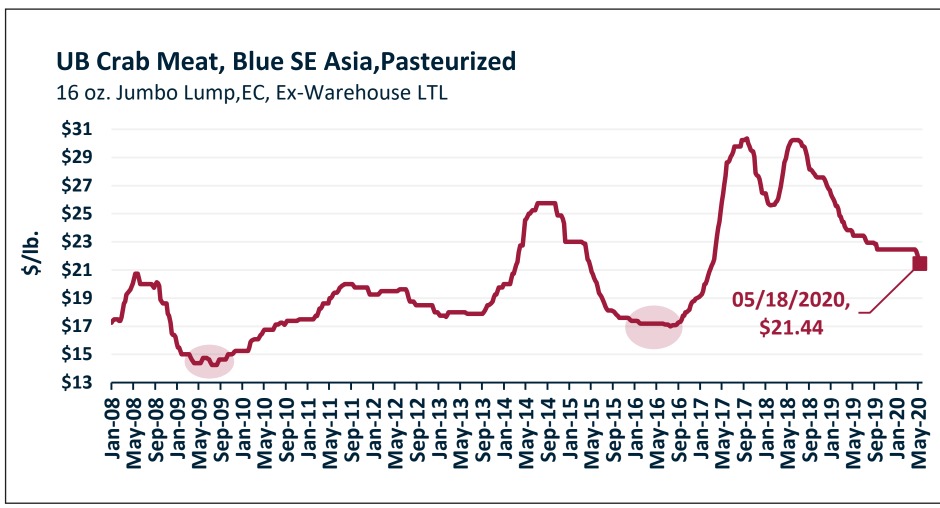
The middle to end of May is typically the start of the crab meat industry's most active time of the year in the Mid-Atlantic. As life amid COVID-19 starts to settle in and we look to the new-norm, the 2020 outlook is a blur. As of this writing, with the kickoff to summer happening, crab houses, restaurants, and even the beaches are still somewhat restricted up and down the Mid-Atlantic shore communities. Every state and even beach community is a little different and that makes the situation extremely fluid.

Overall, demand at foodservice, which hit its lowest levels in March, has begun pick up throughout the month of May. Most market participants report that demand is still off from pre-pandemic levels, but there are improvements.

Overall, the blue and red swimming crab meat markets have been adjusting lower since the middle of the summer in 2018. Coming off all-time highs, the market has trended lower throughout most of 2019 and 2020; now the situation looks to be exasperated due to the coronavirus. All grades are currently at 52-week lows but remain well off of all-time lows seen in 2009. The current market is also still a good amount higher than more recent lows seen in August 2016.

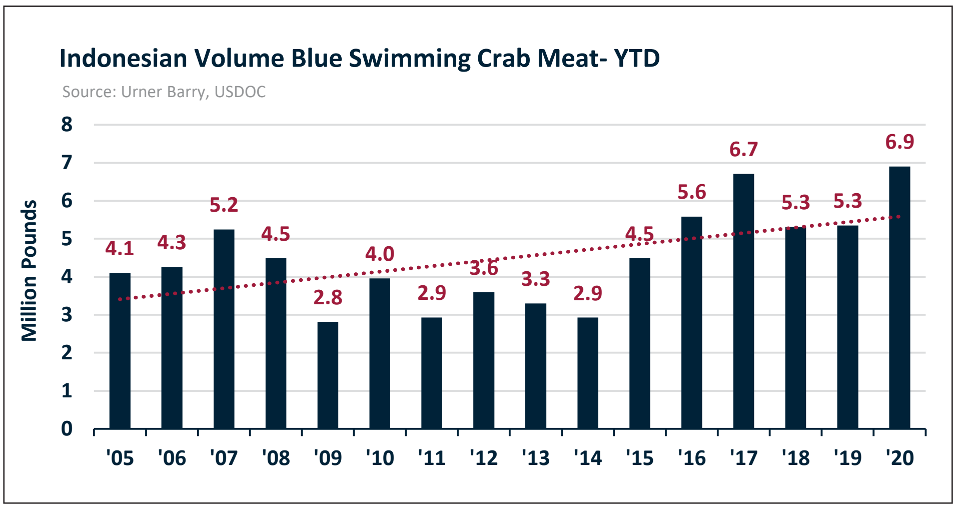


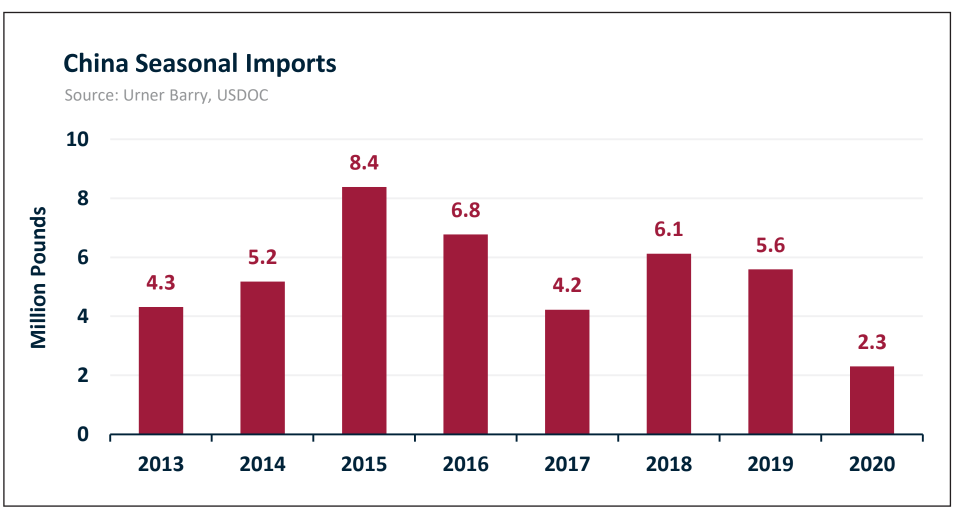
Many of the blue swimming crab meat sellers continue to watch their inventories closely. Negotiating sales overseas has become a lot different since COVID-19 hit. Many of the producing countries—like Indonesia, India, Philippines, Thailand, and Vietnam—have all experienced lockdowns during the pandemic, thus making producing crab meat for shipments slower than normal. Trucking routes are impacted, plus there are issues with labor and implementing social distancing measures and other safety requirements. Although the market is seeing an increased time to receive replacement product, committing to additional product is met with an extremely quiet demand in the U.S. market. Many importers report that pricing overseas is attractive but are unsure if they are willing to take a substantial reorder yet. Many importers report a desire to be more conservative until foodservice business picks up some more. The situation remains extremely fluid as many are hopeful the orders will return.

SUPPLY

The blue swimming crab meat's largest producing country is Indonesia and thus far the supply coming out of this country is the highest we've seen dating back to 2005. 2017 is the most recent period of time when the market saw over 6 million pounds in the first quarter. This pace will most likely change after we see imports from April and May, but the volume that reached the U.S. market in Q1 was a record. Ramadan this year lasted from April 23 through May 23, and much of that time was during the height of the lockdowns across the world. The festival that concludes Ramadan, Eid al-Fitr, will be much different this year and several reports indicate that the mandatory leave portion of the holiday will be taken later this year in December. Overall, the affect that Ramadan can have on the production and supply coming out of Indonesia will have a very small impact as compared to previous years.

Current supply out of Indonesia is well above the three-year average. Replacement product pricing for blue swimming crab meat is lower than levels seen last year and is also currently lower than the three-year average. March is at $9.82 which is 9.7% lower than the same time period last year and is 8.8% lower than the three-year average. Therefore, after several years of holding onto higher priced inventory, many market participants should be able to replace product at a lower level this year.





RED SWIMMING CRAB MEAT

The red swimming crab meat market continues its hardships into 2020. The Chinese tariff increase of 25% that plagued the market in 2019 was removed in March. However, due to COVID-19, any additional demand that would have been seen at foodservice has been limited.

Most of 2019 saw adjustments lower. A market that started at record high levels in 2018 has been trending off of those levels for well over a year. In addition, imports have been at record-breaking low levels. The seasonal total from October 2019 through March 2020 is 2.3 million pounds, down 60% from the same time period last year. Currently, China is in conservation for red crab, meaning that they are not fishing crab currently and that harvesting will not begin again until mid-August. One of the larger questions beyond demand at foodservice for red swimming crab, and hopefully post the initial "Great Lockdown," is the 25% tariff. All of 2019 and the first three months of 2020 saw a 10-25% tariff on Chinese red crab. The tariff was lifted towards the end of March, however, it may be implemented again and remains a huge headwind for when crabbers will get back to harvesting in mid-August. With blue swimming crab meat continuing to come off its high levels and a potential tariff hanging in the balance, it is a tough position for importers of red swimming crab meat to be in, and like what was mentioned last year, does not provide much motivation for importers to reload product. UB

"This pace will most likely change after we see imports from April and May, but the volume that reached the U.S. market in Q1 was a record."

Seasonal slowdown coupled with a pandemic; headwinds remain for farmed salmon complex

By **Janice Schreiber**
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With Memorial Day in the rearview and June upon us, the farmed salmon market is not only experiencing its typical seasonal summer slowdown, its attempting to hold on with what feels like an exacerbated response to the COVID-19 pandemic.

The farmed salmon index fell to its 52-week low at the beginning of May. The index did bounce back slightly with the help of firming prices out of Europe; supplies of European fish in the U.S. market are very light and currently meet a quiet demand. Price levels for European fish in some cases are $2.00 a pound more than Canadian whole fish of similar size.

Meanwhile, many sizes in the Canadian and Chilean market for whole and fillet are at 52-week lows and are currently seeing fully adequate supplies coupled with a demand not active enough to keep a stable spot market. Supplies continue to outstrip current demand, even with retail extremely active and foodservice demand consistently picking up each week as states start to ease restrictions due to COVID-19.

Unfortunately, as of this writing, even with the movement at retail and the pickup at foodservice, the farmed salmon complex marches into the summer months with the market continuing to dip closer to all-time lows, which for the index dates back to November 2011.

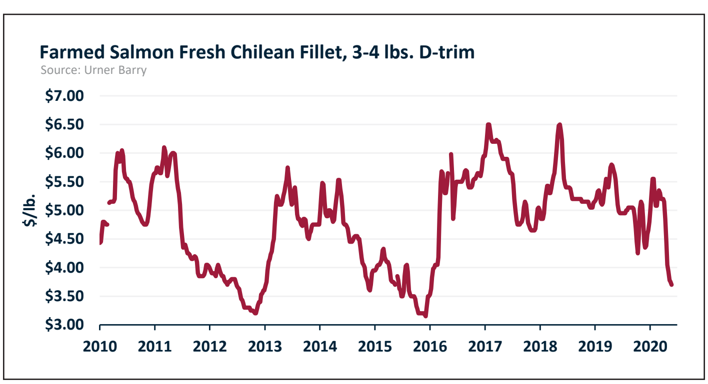
TRENDS

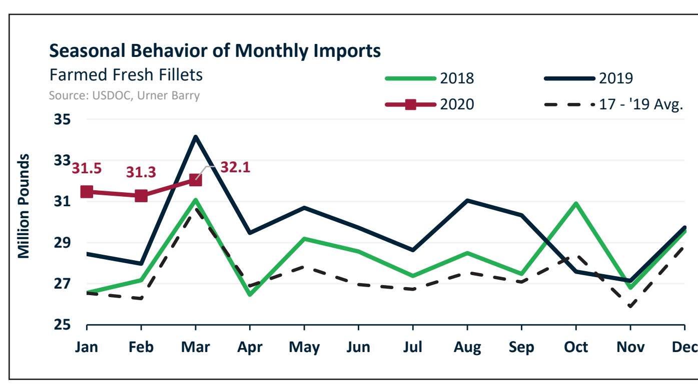
Chile ended 2019 up 18.3% and Chilean whole imports though March 2020 are up 84.3%. Norway, on the other hand, saw 2019 levels lower, down 11.1%.

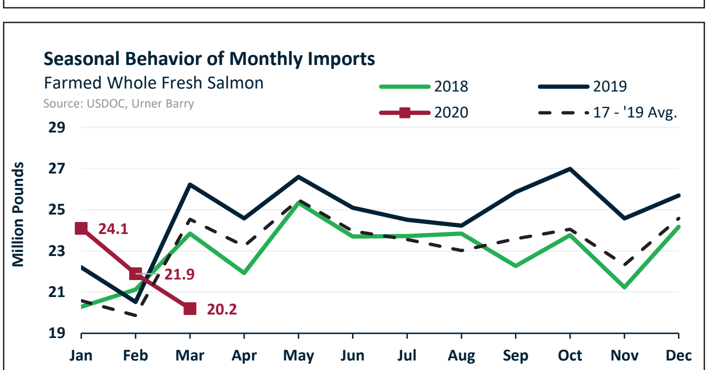
Canada, the market share leader in the category, continues to see its shares dip. Scotland, who ended 2019 up 25.9%, has been slow. Imports have been significantly lower through the first quarter, down 57.5%. Norway and the Faroe Islands are down slightly and up slightly respectively through Q1. April imports and most likely May will be down significantly due to the lack of passenger flights available out of all origins, but especially the European nations; Norway, Scotland, and the Faroe Islands. Canada, however, saw a 15% uptick in March 2020, most likely due to its proximity to the U.S. market and the fact it didn't need to be flown into the U.S. market unlike its counterparts in the category. This trend could continue into April and May.

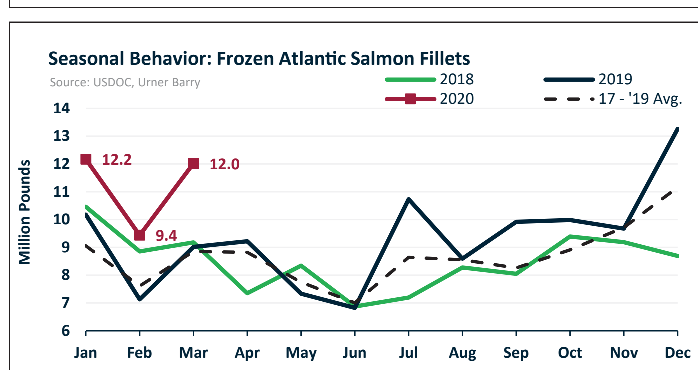
FILLET MARKET

The Chilean fillet market continues to see downward pricing pressure and the market continues to trend dangerously close to historic lows. Even with retail demand reported to be surging most weeks, the retail activity does not appear to be enough









to offset the volume of fresh fillets hitting the market. Prior to the first week in June, most reported incremental improvements in the foodservice sector. Demand was beginning to pick up each week. However, as of this writing, curfews are in place in most major cities across the U.S. due to protests and rioting; this unrest across the country works to counter the gains seen in foodservice over the past few weeks.

Imports of fresh salmon fillets through the first quarter remain higher overall, up 4.7% as compared to the same period last year. However, fresh fillet imports from Chile did drop in March compared to February, down 1.7%. Imports may be lower into April and May because of the lack of airspace due to less passenger flights headed to the U.S. from South America. The salmon industry has had to rely almost solely on cargo planes.

Volatility has plagued the Chilean fillet market for most of 2019 and has rolled into 2020 with the obvious headwinds noted throughout this article and others.

Since the beginning of March 2020, 3-4 pound fresh Chilean fillets have dropped 37.5%. As of this writing, the market is seeing 52-week lows but is still above the all-time lows seen in 2015 of $3.00 a pound. As stated previously, they are trending dangerously close.

"Since the beginning of March 2020, 3-4 pound fresh Chilean fillets have dropped 37.5%."

The fresh fillet market is not the only place where downward movements is noted. The frozen portion and fillet market are also slipping amid the lack of foodservice demand. A lack of demand is currently coupled with all-time imported volume. Overall, the category is seeing a 27.7% increase year-to-date. Specifically, Chile, who is the category leader, is up 32.6% year-to-date and imports for March 2020 were 30.8% higher than those seen in February 2020. These year-to-date imports are at an all-time high with information dating back to 2009.

Increases in the volume of frozen fillets out of Chile look to have begun in July of last year when imports hit over 10 million for the first time since January 2019. The July increase was outside of the seasonal norm and 24% higher than the three-year average. Since that time period the frozen fillet market has seen imports over 10 million pounds in a month three additional times: December 2019 (13.2 million), January 2020 (12.2 million) and now March 2020 (12 million).

From a market price standpoint, both the frozen fillet and portion markets out of Chile are sliding. Historically, much of the frozen salmon products are destined for foodservice. With that demand hit extremely hard by the COVID-19 pandemic, supplies look to be backing up and discounting has been reported.

Haddock sees volatility, pollock remains steady

By **Lorin Castiglione**
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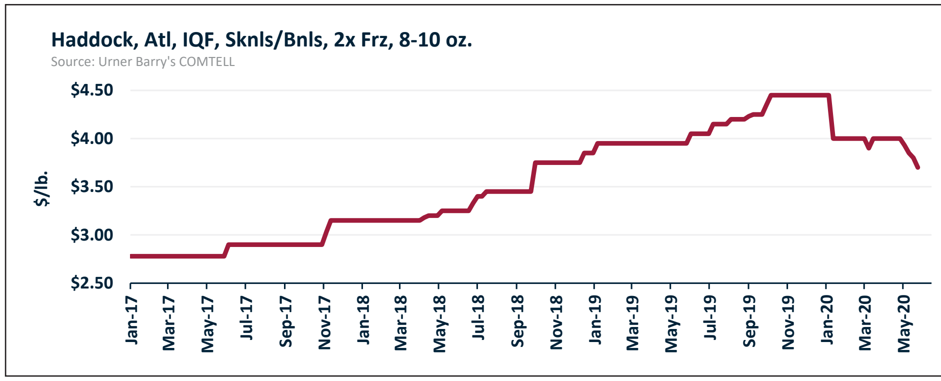

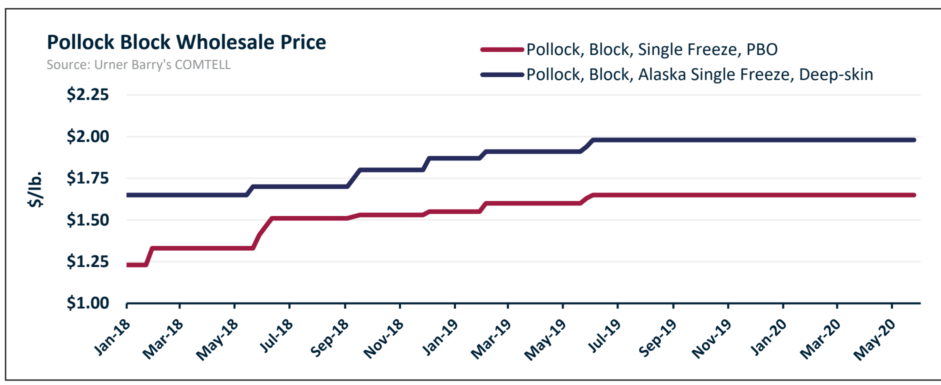

HADDOCK

2019 made for a momentous year for haddock as the market saw a rollercoaster of events. Frozen haddock fillets from China, originally hit with a 10% tariff beginning September 2018, then increasing to 25% in May 2019, saw prices steadily climb to record highs until finally being granted an exclusion in December 2019. This allowed prices to finally soften the following month.

Because of those tariffs, importers exercised conservative buying habits with the higher priced product, and months later we saw a shortage here in the U.S.

In addition to conservative buying in 2019, other key factors that strengthened prices during that time include delays in Chinese production due to the lasting impacts of COVID-19, strong Lenten sales in the United States, and reports of the new season catch not measuring up to the previous season, which caused the price of raw materials to increase overseas.

More recently, prices have softened on twice frozen haddock due to a slow recovery of the foodservice and restaurant sectors as the U.S. began to lift restrictions on dining establishments. As we continue on the path to a new normal, the market continues to hover on the line of unsettled.

POLLOCK

The market for reprocessed pollock blocks has remained steady amid all the disruptions stemming from the COVID-19 outbreak. The Alaskan pollock "A" season runs from January through April in the Gulf of Alaska and Bering Sea, with many vessels currently headed back home after finishing their first fishing season of the year as planned, with supply intact. With fleets having been out at sea since January, there has been little threat or exposure to the coronavirus during this run.

As anticipated, sales have sharply shifted from foodservice to retail, and with the growing number of orders being received, it is the swift uptick in demand that is now becoming burdensome for producers.

Currently the market for single frozen, PBO reprocessed pollock blocks average $1.65/lb., while deep-skin blocks trade at a premium, averaging $1.98/lb. For now, these prices remain steady.

Pollock "B" season fishing begins in June. UB

Is mahi ready for a return?

By **Liz Cuozzo**
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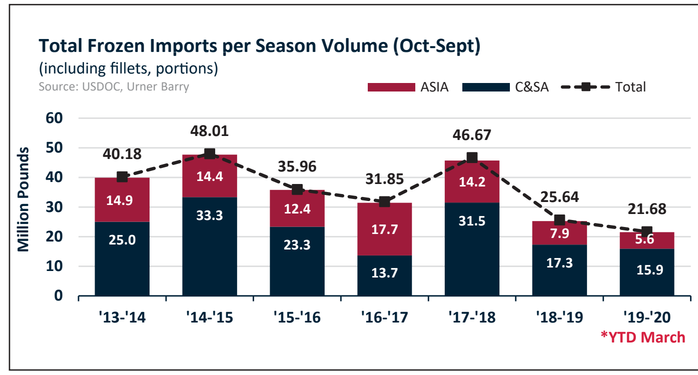
The 2019-2020 fishing season in Central and South America has come to an end, with imports peaking in Q1 of 2020. Although current season total imports (October-March) registered 22 million pounds, 54% higher than the previous season for the same time frame, we must remember that we are coming off a record low volume 2018-2019 season. In fact, total production per season for 2018-2019 registered 26 million pounds, 18.75% less than the previous record low 2016-2017 season. This is in stark contrast to the prior 2017-2018 season, which had imports totaling 47 million pounds. Following such a strong season, importers were left with robust, high priced inventory that carried over into the 2018-2019 season. With little demand from the marketplace and no incentive to import, the market found itself in recovery mode. Importers reduced orders, pared down inventories and offered discounts throughout 2018-2019 to keep product moving. Market prices adjusted accordingly.

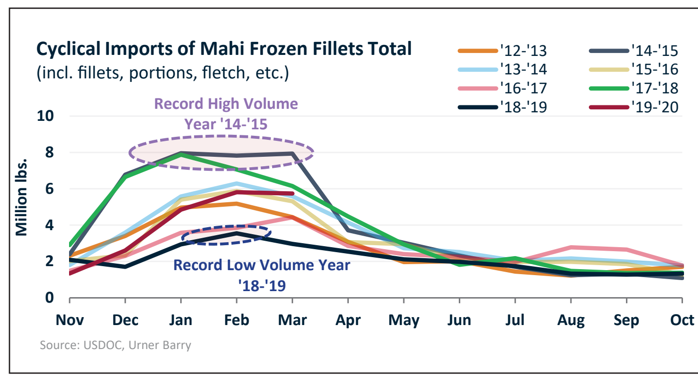
The frozen mahi market over the years has seen its share of wild fluctuations in terms of import volume and price gyrations. Historically, low production seasons, such as the 2010-2011 and 2016-2017 season, have been followed by surging market prices the ensuing year. Frozen mahi prices in 2012, and again in 2017, spiked so high that many restaurants removed the species from its menus. With this sudden rise, mahi basically priced itself out of the market and out of favor. Once off a menu, it is no easy feat to return.

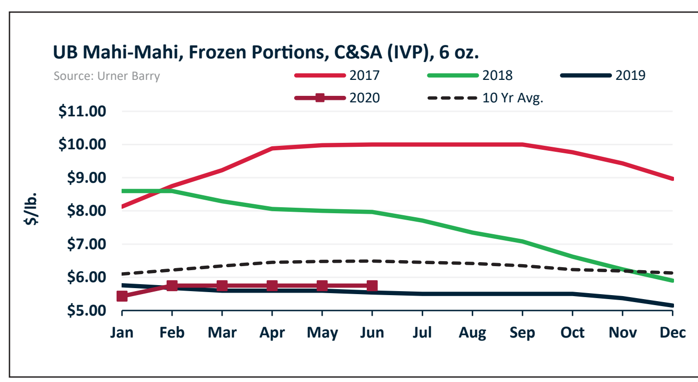
Similarly, seasons with increased imports, such as the 2014-2015 and 2017-2018 season, were followed by weakening market prices the subsequent year. With each price escalation there was inevitably a noticeable correction to more normal levels. Market prices for frozen mahi C&SA 6 oz. portions hit an all-time high of $9.65 in May 2017 and has since corrected to the current average price of $5.50; a 43% price reduction over three years. If we have learned anything it's that the marketplace craves consistent, stable prices year in and year out.

Import volume for the 2019-2020 season (October-March) is comparable to those recorded for the 2012-2013, 2013-2014 and 2015-2016 season, with imports peaking in February. The average import volume per season (October-March) for these years were 24 million pounds. Not only are import volumes similar, but during this time frame market prices remained relatively stable.

If we combine total imports for the 2018-2019 season and year-to-date imports for this season (October-March), we imported 9.1% less than the comparably low production season 2015-2016 and 2016-2017. Historically, with two low production seasons, we would assume that market prices would rebound strongly, as they did in 2017. Not only did prices not skyrocket, C&SA 6 oz. portions corrected 30.2% from $7.88 in May 2018 to the current price of $5.50. Prices remained steady throughout 2019, dipping late in the year to $4.90, only to rebound to $5.50 this year.







Importers have adapted their holdings to reflect the reduced demand from the marketplace. As we navigate the impact of COVID-19, many importers have delayed shipment of product. Most believe current inventories are well suited for the eventual return of the foodservice sector, in addition to the upcoming summer grilling season. With continued stabilization of imports vs. price, mahi may once again find itself back on the menu. UB

Tilapia market thrives amid COVID-19

By **Lorin Castiglione**
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Tilapia frozen fillets is the single largest seafood product imported into the United States from China. In the U.S., at 1.11 pounds per capita, tilapia is the fourth most consumed seafood species behind canned tuna, salmon and the frontrunner, shrimp.

IMPORTS AND SEASONALITY

The United States imports, on average, 430 million pounds of tilapia a year with 314 million pounds, or roughly 73%, coming directly from China.

Import volume largely follows a seasonal pattern. The endcaps, January and December, are the highest volume months. While December 2018 was well above average, January 2019 fell well below; all reactionary to the tariffs. The increased 25% tariff was originally planned to go into effect January 1, 2019, causing importers to rush as much product into the country prior to that date. This is on top of the larger volume orders placed prior to Chinese New Year and the upcoming Lenten season. January 2019 volume fell below average because of the influx of product the month before. The date of the increased tariff was subsequently pushed back until May 2019.

March and April produce the lowest volume for the year depending on when Chinese New Year falls as production stops during this time. Imports gradually increase from there with a plateau around October and back up to finish the year off.

Import volume of tilapia frozen fillets fell 13.7% or 37.4 million pounds in 2019 compared to 2018, resulting in a 10-year low. Once again, a key factor that attributed to this fall were the tariffs.

2020 import volumes are in line with the previous three-year average for the first two months of the year, however, March volume dropped 39.8% below the previous three-year average. Import volume totaled 8.7 million pounds, the lowest March on record since 2006.

PRICE

What we have seen in the past, is that when tilapia reaches a certain elevated price point, demand drops dramatically and is slow to recover. We saw a flat market for a little over two years after this occurred in 2015. In 2018 the market began to pick up in September when the initial 10% tariff went into effect, marking the start of some upwards pressure on the market and gaining momentum when the 25% eventually went into effect in May 2019.

In order to keep demand intact, overseas packers did everything they could to absorb any added costs associated with the tariffs to help keep the volume of their orders from falling. Finally, in March 2020, frozen tilapia fillets under 115 grams, or just over 4 ounces, were excluded from the 25% tariff.

COVID-19

Compared to other markets like shrimp and lobster, the U.S. tilapia market has seen minimal disruptions on price or supply in the U.S. This is largely because importers begin preparing in September for the upcoming Lenten season, as well as their suppliers' Chinese New Year holiday leave, to make sure their inventories cover them through April and into May.

With Chinese New Year being extended and additional quarantine measures put into place in China, it added up to about 45 days of total tilapia production time lost. This means that harvests were delayed, resulting in a larger stock and essentially creating some pressure on smaller sized fillets within the market.

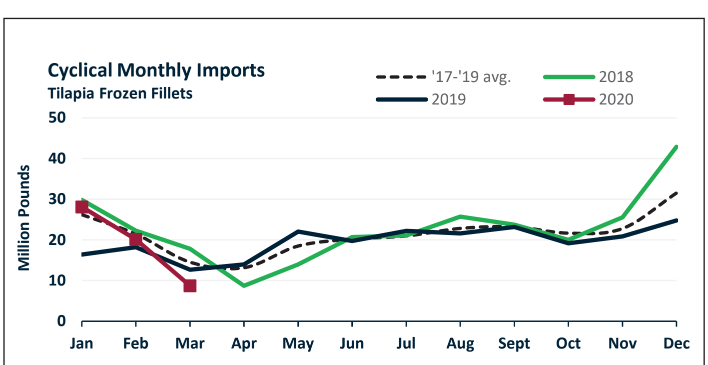
Retail sales are doing extremely well despite a dramatic fallout of foodservice and restaurant sales. However, tilapia has a large presence in healthcare facilities and nursing homes, so this species is in a better position than most.

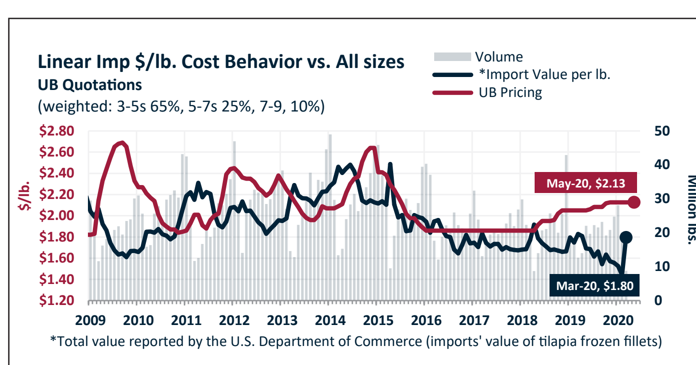
Overseas operations are pretty much at capacity with the pipeline full of orders, putting pressure on raw material supply. The next harvest is scheduled for June.

OUTLOOK

The industry is eager to see how demand reacts, especially at retail, once things return to a new normal.

One takeaway is consumer perception on product from China. As far as the tilapia market is concerned, China's price point and yield are difficult to compete against, which could allow the country to have a major advantage if other origins begin to grow their tilapia output. UB





Fishery continues to navigate troubled waters

By **Michael Nesbitt**
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Driven by Southern European demand, wild-caught Argentine red shrimp (*Pleoticus Muelleri*) experienced pockets of burdensome supply prior to the recent pandemic upheaval. However, with trade activity dampened by global lockdown measures and key processing plants closed, the most profitable fishery in the Argentine Sea has had to contend with dips in supply and demand.

TRADE

In pursuit of Marine Stewardship Council (MSC) certification, the export fishery contributed $1.1 billion towards Argentina's FOREX receipts in 2019.

Harvested off the coast of Argentina, exports to North America have increased in recent years, though Spain and Italy account for the lion's share of volumes, with Japan and China also key markets for industrial offerings.

As per the latest data from Global Trade Tracker, during Q1 2020 EU imports of shrimp from Argentina totaled €4,020,209, compared with €556,190 for Q1 2019 or €5,172,267 throughout the calendar year. While these figures reflect a significant increase in trade during Q1 2020 compared to Q1 2019, imports declined considerably in February and March of this year on the back of global lockdown measures. Imports reached €1,167,117 in February 2020, down from €2,556,484 a month previous.

While European supply networks for Pleoticus Muelleri were initially insulated from the outbreak of COVID-19, transport difficulties and concerns over liquidity quickly hindered the trade of Argentine red shrimp, particularly in Italy and Spain.

Adding to these woes, the price of Argentine red shrimp remains well below previous highs. EU imports averaged between €8 to €9 per kilogram from 2012 until 2019. On the May 21, 2020, Urner Barry reported the bulk of trade for sea frozen (L1) going into Southern Europe (CFR) at €5.10-€6.00 per kilo with a year-to-date average of €5.78 compared to land frozen (L1) €5.30-€5.80 per kilo, or year-to-date average of €5.45.

PROSPECTS

While there are still considerable obstacles to mitigate, the fishery has shown its ability to navigate troubled waters in the past. Between 2012 and 2015 the Argentine red shrimp fishery was the only crustacean fishery increasing annual captures and total value.

Despite significant setbacks, Patagonia's coldwater prawn continues to play a key role in the seafood industry. Behind only

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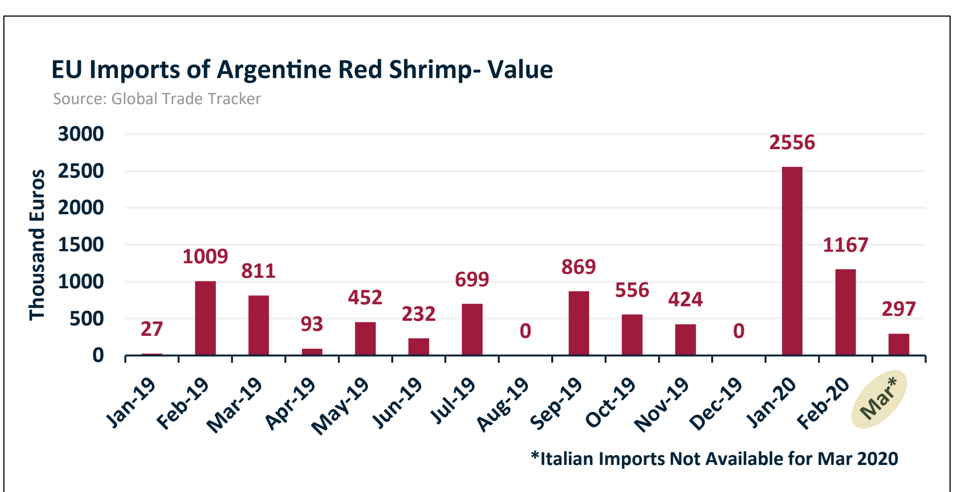
India, Ecuador, Vietnam and Indonesia, Argentina was the fifth largest exporter of frozen seawater shrimp in 2019.

The delayed launching of a fisheries management plan continues to prolong accreditation. By most accounts, obtaining MSC certification could be a major catalyst for change, though accreditation for the time being remains in limbo and is by no means a guarantee. UB



The most important meal of the day...

The Breakfast Battle Heats Up

RISE AND SHINE! It's Monday morning and the start of another hectic work week. Your feet slowly begin to press onto the floor as you slide out of bed and stretch before the day begins. Once your eyes fully adjust to the sunlight beaming through the cracks in the blinds, you glance at the clock and shift into panic mode realizing you overslept. There will be no time to prepare the most important meal of the day. Luckily, you will not have to skip breakfast as plenty of quick service restaurants are now creating unique breakfast menus to entice today's on-the-go consumer who craves quality and convenience.

In early February, Wendy's announced that consumers would be able to get their hands on bold new morning options beginning March 2. From fresh cracked eggs on every sandwich to Applewood smoked bacon, the Wendy's breakfast menu provides a fresh twist on classic favorites, like the Breakfast Baconator, Honey Butter Chicken Biscuit, and Frosty-ccino.

Shortly after the announcement, Wendy's put its competitors on notice via Twitter, inciting a breakfast battle. In fact, leading up to their breakfast debut, Wendy's began releasing content on social media during peak morning hours. The chain poured $20 million into the initiative and hired about 20,000 new employees to support the launch, including a former McDonald's chef to simultaneously advertise the menu and provoke their rival.

The breakfast war really began to take shape when McDonald's decided to celebrate National Egg McMuffin Day on the same day Wendy's launched their breakfast menu. McDonald's offer invited guests to receive a free Egg McMuffin from 6:00-10:30AM. It was during this time that the Twitter war also began heating up. As part of the marketing push around the new menu, Wendy's went private with its Twitter account just days leading up to the launch. The brand followed up with coupons and promotions that only existing followers could see, including a free Breakfast Baconator with any $5.00 purchase when ordering through DoorDash. Meanwhile, many Wendy's locations had already started serving breakfast as part of a soft launch.

As a newcomer to the breakfast game, Wendy's had to make a splash—especially considering that McDonald's has been producing the Egg McMuffin since 1971. The item is largely credited for making the chain's breakfast menu incredibly popular among consumers. However, McDonald's breakfast menu has been losing steam over the years, and the chain recently added items like the Chicken McGriddle and the McChicken Biscuit in hopes of conquering the breakfast battle.

"Breakfast is the only daypart in the industry that's seeing traffic growth," said McDonald's CEO Chris Kempczinski. "We have to win at breakfast."

But Wendy's and McDonald's have other competitors that they have to keep an eye on. Taco Bell jumped into the breakfast wars as well. The chain has been serving breakfast since 2014, and its menu already features burritos, tacos, and quesadillas. As more quick service restaurants expanded their breakfast options, Taco Bell stepped up its game in mid-March, releasing a new line of pressed breakfast burritos. It just so happens that the Wendy's menu also features a breakfast burrito with sausage, egg, and cheese. Coincidence? I think not.

"Why would you go to a burger place to get a breakfast burrito?" said Melissa Friebe, Senior Vice President of Brand Marketing and Consumer Insights at Taco Bell. "That's really our point of view."

While there are plenty of fast food breakfast options out there, during the first week of March Wendy's reported a successful breakfast launch with sales up approximately 15%.

"Our U.S. breakfast launch in early March exceeded our initial expectations and the breakfast daypart continues to perform well in today's environment, which is encouraging," said Todd Penegor, President and CEO of Wendy's. "We believe that we have a breakfast business that is built to last."

The NPD Group reported that the breakfast wars helped to drive a 4% increase in total U.S. restaurant customer transactions for the week ending March 8 compared to a year ago. Quick service also grew by 4%, which was the highest gain in a four-week period. To compare, segments including midscale and casual dining declined by 3% and 5% respectively, during the same week a year prior. The data supports that consumers are always looking for convenience and the value QSRs provide that coincides with their on-the-go lifestyle.

Although the coronavirus has been wreaking havoc on foodservice, the battle to conquer breakfast continues. Which quick service chain will come out victorious? UB

Article contributed by **Andraia Torsiello**
atorsiello@urnerbarry.com

Images provided by Taco Bell, Wendy's and McDonald's.

Backlogged cattle supplies could extend into summer or beyond

The first two quarters of 2020 have seen dramatic shifts in consumer behavior and unparalleled challenges for participants in nearly every sector. The cattle industry was not unscathed. In a "typical" year, cattle producers are subjected to a plethora of unpredictable and unpreventable circumstances, including but not limited to droughts, bovine illnesses, cyclical price pressures, and the likes. The tail-end of 2019 into 2020 has thrust yet another variable at producers, who must now contend with the aftermath of the COVID-19 pandemic. This has coincided with the strongest beef demand period of the year—May and June.

One of the most critical effects of the pandemic on the cattle industry is worker absenteeism and consequently, severely reduced slaughter levels. A dangerous buildup of supplies is rapidly increasing. With every passing week of plant disruptions, over 200,000 head of fed cattle are being backlogged.

Seasonally, weekly cattle harvest is more than 600,000 head from May to June. The industry can currently process about 125,000 head a day, including cows and bulls, which constitute roughly 20% of total cattle slaughter. At the peak of beef plant disruptions in late April to early May, daily harvest levels dropped to as low as 75,000 head. For the week ending May 2, the week's slaughter was reported at around 439,000 head, the lowest non-holiday kill on record.

Price discovery in the negotiated markets has been erratic and at times, absent altogether due to finite kill slots and limited bargaining leverage among feeders. Cash prices collapsed to as low as $92 per cwt the week ending May 2, as much as $36 per cwt below the year-ago levels. Meanwhile, volatility has resulted in an unprecedented frequency of limit-moves in live cattle futures since late January. The April contract dipped to its contract low at $81.45 just days before expiry, memorializing a record basis never-before seen since cattle futures first started trading in 1964.

Meanwhile, beef cutout values repeatedly shattered record-highs amid panic-buying and tightened supplies. Over the span of three weeks, from the weeks ending April 25 through May 9, the Urner Barry Choice and Select quotes rallied by a staggering 88% and 92% respectively, entering uncharted territory at values close to $500 per cwt.

U.S. slaughter-ready cattle supplies are expected to be very large this summer due to the bottleneck of fed cattle, despite three (and counting) consecutive months of reduced placements. The USDA's April cattle-on-feed report showed the number of animals in the nation's feedyards with 1,000 or more capacity at 11.29 million head, 5.5% below a year ago, and the smallest for that date since 2017.

March placements were 1.557 million, down 26% from a year ago. This is the lowest March placement level on record. Industry sources report that April placements were down approximately 30% month-to-date. March marketings were reported to be up 13% from the prior year at 2.010 million head, the largest for that date on record. Aggressive marketing figures are testimony to the proactive measures taken by feeders to help curb the bubble of supplies.

The implications of backlogged supplies are evident in record-high cattle weights.

Carcass weight data for the week ending May 2 showed steer carcass weights at 893 pounds, 41 pounds over a year ago. These contra seasonal weight gains may extend into the fall. Even as production levels slowly improve, most cattle feeders are unable to move their livestock through the supply chain in a timely manner. Some feeders may consider pulling their cattle off grain diets and putting them on a maintenance ration as they await kill slots. However, this could risk affecting the marbling of meat and therefore the price that feeders receive for their cattle.

As the industry strives to normalize production, it could take weeks, perhaps months, for operations to resume full speed. A "new normal," including more stringent plant protocols, will dictate processing levels for the foreseeable future. Whether maximum kill levels can ever be achieved again remains to be seen. UB

Article contributed by **Courtney Shum**
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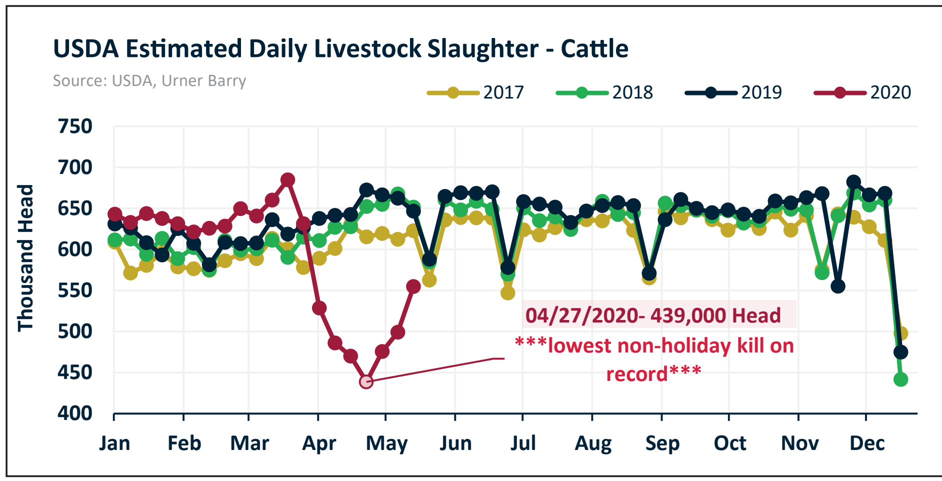


For the week ending May 2, cattle slaughter was reported at 439,000 head, the lowest non-holiday kill on record.

NFI: Supporting its members during unprecedented times

Article contributed by Lynsee Fowler, **National Fisheries Institute**

In the 75 years that the National Fisheries Institute (NFI) has been in existence, there has never been a time where NFI members have experienced a business disruption like the COVID-19 pandemic. As the leading U.S. seafood trade association, NFI has found news ways to support its members during these unprecedented times.

KEEPING MEMBERS INFORMED

The amount of information released on a daily, even hourly basis, has been staggering. NFI staff combs through reams of material from the U.S. government, global institutions, business coalitions, the media and other organizations to present the data to members in a digestible format.

A daily NFI Situation Report has kept members up-to-speed on public health, technical, and government assistance documents, developing Administration and state actions and legislation, and relief program opportunities.

In March, NFI began a weekly webinar series focused on the business impacts of COVID-19, overlaying production areas with areas of disease concentration, examining everything from logistic challenges to shifts in supply. Each webinar features experts from all parts of the supply chain located around the world. In April, NFI began an additional weekly webinar that focuses on technical issues including employee protection, testing, and what to do if an employee tests positive for COVID-19.

NFI has also arranged webinars with outside groups including law firms and even government regulators themselves, to explain implementation of legislation (such as the CARES Act) and opportunities with programs like the USDA's Agricultural Marketing Service.

ADVOCATING FOR MEMBERS

Since the beginning of the pandemic, NFI has been an ever-present force on Capitol Hill and at the doorstep of the Administration, communicating the unique challenges of the seafood community. NFI helped solidify relief funds for seafood businesses in the initial stimulus package and continues to work with food sector coalitions to urge for further protection and relief.

NFI's Executive Committee delivered clear and compelling messages during direct consultations with the Administration about delayed NOAA relief payments and the dire needs of the industry going forward.

Outside of "beltway" discussions, NFI served as a resource for reporting about the impacts on the seafood community in five Wall Street Journal reports as well as reporting by the Associated Press, the Washington Post, POLITICO, the Philadelphia Inquirer and PBS. Ensuring that the seafood community is top of mind with key messages in agenda-setting news outlets is part of NFI's advocacy strategy.

Big picture policy efforts in Washington and NFI media mentions are frequently evident, while its help with individual members is often less public. NFI's technical staff has poured through regulatory, public health and food safety resources to answer questions, provide strategies, and assist members on a company-by-company basis.

EDUCATING CONSUMERS

At the outset of the pandemic, NFI's consumer-education initiative, Dish On Fish, pivoted its messaging to provide recipes and advice for at-home eating, while also encouraging consumers to order seafood from take-out and delivery options.

The website's April performance report showed Pinterest was the top referral to the Dish on Fish blog, illustrating that consumers are spending more time on this recipe-centric platform than pre-pandemic behavior. Further tracking with consumer behaviors, Dish on Fish's top performing blogs were all "easy" recipes, and three of the top ranking Google keywords were related to seafood for breakfast or lunch–meals consumers ate at home more often than before the pandemic. Dish on Fish continues to encourage consumers to incorporate seafood into all meals during the unique period of heavy at-home eating, and to keep seafood top of mind when ordering from food service.

On Instagram, Dish On Fish encouraged followers to support restaurants by featuring establishments in cities across the U.S. that were open for take-out and delivery during "stay at home" orders. Dish on Fish worked with partners to support campaigns like #TakeOutTuesday and "Eat-In for Easter."

THE FUTURE

NFI is pleased to see members in-person once again, starting with NFI's Political Conference in Washington, D.C. in August and followed by Seafood Expo North America and Seafood Processing North America in Boston, MA, in September. NFI is celebrating its 75th anniversary throughout the year. Subscribe to NFI's YouTube channel for videos celebrating this milestone.

In the 75 years that the National Fisheries Institute (NFI) has been in existence, there has never been a time where NFI members have experienced a business disruption like the COVID-19 pandemic. As the leading U.S. seafood trade association, NFI has found news ways to support its members during these unprecedented times. UB

EMBRACING SUSTAINABILITY

Article contributed by Abbie Burnett, **Certified Angus Beef®**

William Shakespeare wrote about every plot line—betrayal, mystery, drama, tragedy, comedy—but he didn't invent them.

While we've told the same stories for ages, each generation adds new twists so we never grow tired of them. Sustainability is one of those old stories to cattlemen, but concepts like "protein upcycling" add science to the narrative.

Cattle take in what people can't eat "and turn it into something humans can utilize," said Tryon Wickersham, Texas A&M University ruminant nutritionist, at the 2020 Cattle Industry Convention in San Antonio.

Humans need essential amino acids for proper development. Grains contain these and "human edible proteins" (HEP), but meat provides more per calorie, Wickersham said.

Animal proteins deliver far more amino acids than grains like corn—but at what cost? Are the resources consumed worth what those animals deliver?

No question, really. Wickersham calculated that a 1,000-head cow herd is fed only 24 lbs. of HEP in a year while producing more than 62,000 lbs. of it.

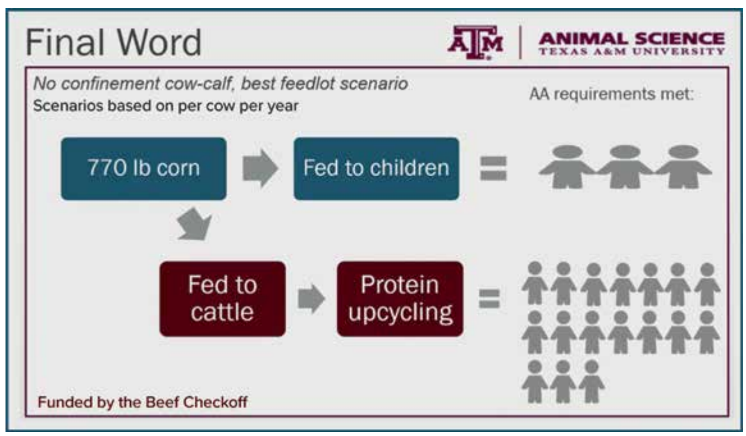
"For every pound of HEP we put into the system, we get 2,600 lbs. out," he said. Factoring in beef's "protein quality ratio" gets to a net protein contribution of 8,000. "Anything greater than one means the industry is not competing with humans for human edible protein."

While it may take 770 lbs. of corn to finish a steer, he put that in perspective.

"If I took that corn and I fed it to children, how many children could I feed?" he asked.

Three. That would meet the toddlers' amino acid requirement, but all the calories would lead to obesity. Protein upcycling through the herd has beef cattle feeding 17 children with fewer calories.

"Sustainability is a balancing act," Wickersham noted, so his team tracks methane production per unit of HEP and demonstrates how higher quality feedyard diets help reduce greenhouse gas emissions. "Anything we do from a production efficiency standpoint generally improves net protein contribution and the ability of cattle to feed people," he said.



"Sustainability is a balancing act."

Evolving technology and discoveries mean it's time to share these stories again.

Consumers are eating it up, and industry stakeholders are pressing for it, according to Wayne Morgan, Golden State Foods executive.

As a $5 billion supplier to more than 125,000 restaurants and retailers worldwide, he feels the pressure sustainability questions apply.

"Consumers say a lot of things and they don't always respond with their wallets the same way, but we can't deny they're an important part of this beef industry. We need to listen to what they're saying," Morgan said.

Investors are responding with their wallets, notably BlackRock, which controls nearly 9% of the earth's wealth.

"So when they announced they're going to avoid investments in companies that present high sustainability-related risks, well, that ought to get your attention," he said.

Morgan gets regular calls on Golden State Foods' sustainability initiatives: "How are we going to do better, make improvements on greenhouse gas emissions? Save water? Reduce packaging?"

The answers involve logistics, environmental scorecards, third-party audits, pilot projects and data tracking through IBM Blockchain.

How should the beef community answer those questions?

For starters, "don't wince" when someone brings up that old story about "sustainability," Morgan advised. "We want you to embrace it" and change the narrative to own it. UB

Made with REAL Eggs® poised to drive demand in manufacturing, foodservice

Article contributed by
Nate Hedtke,
Vice President of
Market Development
American Egg Board

Having joined the American Egg Board (AEB) as vice president of market development in January of this year, I have the enviable job of supporting a mission to drive demand for a product whose array of attributes and benefits offers boundless advantages and opportunities.

Eggs are recognized as one of nature's most perfect foods, and they're one of the most popular foods among Americans today. In fact, consumer demand for eggs and egg products has been steadily increasing for years, and per capita egg consumption among Americans has reached its highest level in decades.

Even in these uncertain times, consumers' desire for authenticity, quality and nutritional value in their food choices withstands, and The Incredible Egg is exceptionally well suited to deliver against those needs. The AEB is seizing this opportunity to increase use of eggs and egg products in product formulation and at restaurants by helping manufacturers and foodservice operators put The Incredible Egg's extraordinary consumer equity to work for them.

So it was with great pride and pleasure that in March the AEB launched the industry's first Made with REAL Eggs® ("REAL Eggs") certification seal, enabling manufacturers and foodservice operators to easily communicate to consumers that what is inside a package or on a menu is the high-quality, authentic ingredient they demand.

Our research, conducted in November 2019 by market research firm Datassential, shows that when consumers know a product is made with real eggs, the value of the product increases. More than 80% of consumers who buy egg products said seeing the Made with REAL Eggs® seal would positively influence their purchase decision. The seal also gave consumers confidence that a manufacturer's brand was of high quality (82%) and that a product would taste better (80%).

REAL Benefits for Manufacturers, Foodservice and Retailers

REAL Eggs sets a new bar for authenticity and addresses consumer demand for clean labels, transparency and quality assurance in their foods. A compelling proposition for consumers, REAL Eggs also provides a *quantifiable* benefit to manufacturers, foodservice providers and retailers that carry it on products and menus.

How REAL Eggs Works

The culmination of nearly two years of development and testing, REAL Eggs is available nationwide—free for use—by manufacturers, foodservice providers and retailers that qualify. The seal certifies that the product 1) contains genuine U.S.-produced eggs and 2) that no egg substitutes were used in the product.

REAL Eggs may be used on packaging, marketing and merchandising materials, menu boards and for promotional efforts at retail. The certification process, administered by AEB, is simple and straightforward. To carry REAL Eggs on a product, the manufacturer, restaurant chain or retailer submits an application via **www.aeb.org/made-with-real-eggs**. Use of the seal is free and each individual product SKU or menu item must be registered annually.

Looking Ahead

Current circumstances have obviously posed unanticipated challenges, but we are confident that REAL Eggs will gain traction in the months ahead. Product innovation initiatives and packaging lead times are long; however, manufacturers are interested in front-of-pack callouts that can differentiate them in the marketplace. We expect to see REAL Eggs begin to appear on products on shelves over the next 12 months, and we have plans to initiate a consumer awareness and engagement program around REAL Eggs in the queue.

We are also monitoring developments around foodservice very closely. Successful pilots with White Castle and 7-Eleven in limited time offers in the year preceding our March launch proved the seal encourages consumers to make repeat purchases. And 7-Eleven is conducting another test that launched in February 2020 in 650 stores in North Texas. We believe restaurants will recognize the value of carrying REAL Eggs as the country gradually re-opens and customers increasingly return.

Finally, we are exploring opportunities for producers to put REAL Eggs to work for them as they engage their retail customers. To that end, the AEB hosted a webinar for producers and allied industry in May, and a recording is available by request from the AEB. We also debuted a toolkit of resources for producers—digital ads, e-blasts, a sales presentation, a white paper and more—for use in their communications and marketing at **aeb.org/made-with-real-eggs-toolkit.**

In conclusion, I would personally like to congratulate our REAL Eggs team here at the AEB, led by Senior Director Phaedra Ruffalo, for bringing the industry's first certification seal to life. Please feel free to reach out to Phaedra with questions or more information at PRuffalo@aeb.org.

Your American Egg Board is proud to represent America's egg farmers in this important effort. We look forward to providing progress updates about REAL Eggs in the year to come. UB

Images provided by American Egg Board.

Finish line in sight…

BREXIT TRADE TALKS RUNNING OUT OF TIME

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While the UK officially left the EU in January, it remains tied to its trade rules until December 31, 2020, by which time an official Brexit trade deal is set to be agreed upon. However, with a major clean-up effort needed to restore global trade in the wake of COVID-19, several politicians have claimed a delay is inevitable. On the other side of the coin, analysts have argued that the UK lacks incentives to delay negotiations.

With the tug of war set to capitulate by year end, Brexit hard-liners are eager to receive clarity about new trading arrangements. While some businesses on both sides of the rope are in favor of a delay, any extension would lead to UK taxpayers paying into Europe's coffers for continued access to the single market regime.

Since his appointment as PM, Boris Johnson has stood firm on the "Get Brexit Done" ideology. Despite virus upheaval, the UK government remains adamant that it will not extend negotiations.

During Mr. Johnson's hospitalization from COVID-19, David Frost, chief Brexit negotiator tweeted: "Transition ends on 31 December this year." He added: "We will not ask to extend it. If the EU asks, we will say no."

TARRIF REGIME

Whilst unlikely, obtaining a comprehensive free trade agreement with the EU still hangs in the balance. The outcome of which will have a profound impact on farmers and fishermen on both sides of the channel.

The new UK Global Tariff (UKGT) regime, which replaces the EU's Common External Tariff, maintains levies on sensitive products across the UK's agriculture and fishing industries. It also removes tariffs on 60% of existing imports to the tune of £30 billion, including all tariffs below 2%.

By most accounts, continued tariffs on imports of beef, lamb and poultry will go a long way to protect domestic farmers. However, with most agriculture and fish exports headed to the EU, failure to agree on a trade deal could be detrimental. In addition to these concerns, talks have yet to provide a fail proof solution that will prevent Northern Ireland's border from becoming a back-door entry point for EU goods.

NEW LAWS

Set to enshrine farming principles into law after Brexit, the new Agriculture Bill and Fisheries Bill will replace the Common Agricultural Policy (CAP) and Common Fisheries Policy (CFP) respectively.

While each bill has been met with objection, replacing an outdated policy that limited productivity gains, favored industry giants and hampered the progress of small-scale players, is a positive change.

Passed by the House of Commons in May, the most important legislative update under the new Agriculture Bill is a shift away from direct payments based upon the amount of land farmers manage. A longstanding criticism of the CAP is it inflated land prices and hindered the expansion of small-scale farmers. Going forward, newly drafted environmental land management contracts will ensure landowners are being paid to produce "public goods" such as clean air and water. Remuneration will also be based on animal welfare standards and efforts to reduce risk of environmental hazards such as flooding and drought. In addition, farmers are set to receive rewards for reducing soil erosion through measures such as crop rotation, while ministers will be given new authority to regulate fertilizer use and monitor organic farming.

Hailing to the calls of "Fishing for Leave," the new Fisheries Bill will govern access to UK waters post-Brexit. Deal or no deal, boats from EU states will lose the automatic right to fish in UK waters come year end. However, with several features not set in stone, a fisheries agreement still has a central role to play in Brexit negotiations.

Speaking with local media earlier in the year, Fisheries Minister George Eustice said: "For many people in coastal communities, taking back control and leaving the Common Fisheries Policy is at the heart of getting Brexit done, and this Bill delivers for the environment, fishermen and the Union."

As the costs of the pandemic continue to tally there are concerns across Europe that the Union's divorce with the UK could trigger further loss. At the time of writing, the next phase of negotiations was set to take place in early June via video conference. While there are still many unknowns, Brexit and post-pandemic adaption will both act as a catalyst for long lasting economic change. UB

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Meal Kits undergo revival during COVID-19 pandemic

For three months, the majority of the country spent most of their time indoors. Trips to favorite restaurants was out of the question and treks to the chaotic confines of grocery stores were limited. As consumers searched for a safe, convenient option to help provide meals throughout the week, meal kits found themselves as an option for many Americans looking to secure fresh ingredients.

Subscription meal kit services have had highs and lows since they burst onto the scene in the early 2010s. Still, meal kits have gained footing in the United States with roughly 5% of Americans ordering from them consistently over a 30-day period, according to the NPD Group.

Thanks to COVID-19 and Americans staying inside their homes, meal kits have received a second chance of sorts.

Photo credit: HelloFresh

Consumer Reports noted a surge in meal kit demand in mid-March as consumers were in the middle of panic-buying with grocery delivery slots filled and shelves in brick-and-mortar stores empty. NPD reported that the number of meal kit subscribers jumped to 7% during a two-week span in April, perhaps signifying a boost in consumer demand.

"Being a researcher, it's been amazing to me how quickly our needs and wants have changed over the last few weeks," Darren Seifer, Food & Beverage Industry Analyst for NPD said. "Just like disinfectant wipes and the other things that have grown mightily in importance in our current environment, meal kits have the opportunity to do the same."

Without consistent access to food, meal kits provided an option for those who were unwilling to head to supermarkets or wait days for grocery delivery.

"There's a new anxiety nationwide around securing food," Sanjay Setty, Vice President of Procurement & Supply Chain at Freshly said. "Consumers are navigating securing grocery delivery times, dealing with out-of-stock items, and management and storage of ingredient inventory, which have all created a competitive, anxious, frustrated families jockeying for what they need for meals and nutrition."

Those anxieties and worries throughout this pandemic have led to spikes in meal kit orders with HelloFresh and Freshly telling *Urner Barry's Reporter* that orders have increased as of late. Other meal kit services, including Sun Basket and Blue Apron, have also said publicly that they are welcoming new customers and that orders are up.

Setty explained that over at Freshly, capacity was increased by 20% in a 30-day timeframe to meet new demand and work will continue to meet future demand.

But can these services ride the wave beyond the COVID-19 lockdowns?

Meal kits have a strong opportunity to grasp consumers who have had to prepare more home-cooked meals than ever before. A shipped box of ingredients or prepared meals saves time at the end of their day.

"Customer satisfaction has been increasing over the past month and customers have been forward with how thankful and grateful they are to be receiving meals," Setty explained. "While plenty of our newer customers found us out of a need to stay in (and desire to skip the grocery store), many have come from a newfound purpose for our referral program."

Building on more frequent meals at the dinner table, meal kits can utilize the significant jump in the number of home cooks thanks to COVID-19. According to a survey from marketing firm HUNTER, over half (54%) of Americans have said they have cooked more. About half of those that are cooking more plan for that to continue after shelter-in-place measures are lifted. With findings also showing increased confidence and enjoyment in the kitchen, meal kits could have a new demographic to focus on. UB

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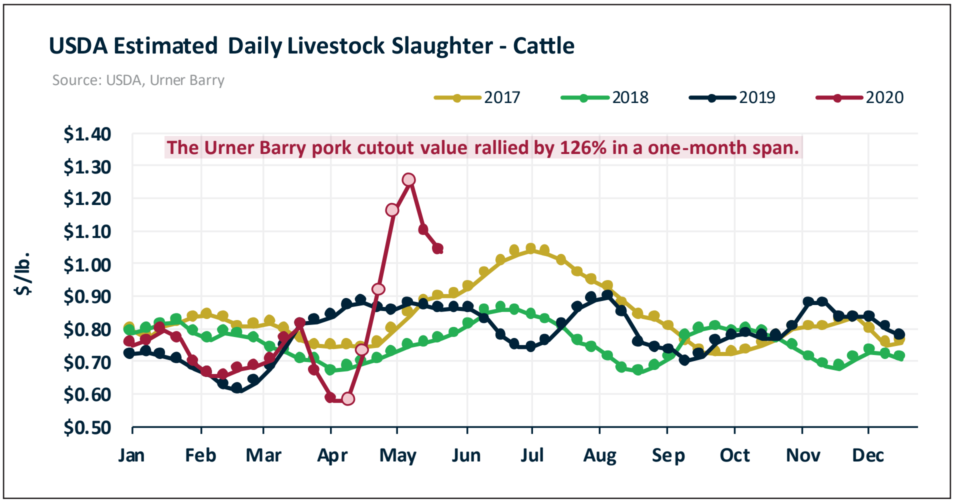
Growing bubble of hog supplies has devastating consequences

The hog industry is no stranger to disruptions. In late 1998 into 1999, U.S. hog prices experienced the "great depression" resulting from oversupply and inadequate processing capacity. Cash prices collapsed to the lowest levels since the Depression Era, forcing many producers to exit the business. In 2013, porcine epidemic diarrhea virus killed millions of piglets across the country, resulting in short supplies the following year. In August 2018, China discovered its first case of African Swine Fever, a deadly disease which has resulted in huge losses of hogs and pigs.

Now, yet another major event has surfaced in the form of the COVID-19 pandemic. Massive slaughterhouses across the nation halted or reduced their operations due to worker absenteeism, inundating hog producers with burdensome supplies as loads were canceled or not even scheduled. When Tyson shuttered production at its plant in Columbus Junction, farmers resorted to selling their hogs to other "backup" plants in the state and in Indiana. However, these "backup" plants were often already at full capacity, leaving thousands of market-ready hogs suspended at farms with nowhere to go.

At full speed, the industry can process about 500,000 head per day, including sows which account for around 2% to 3% of total hog slaughter. During the peak of pork plant disruptions in late April to early May, daily figures dropped to as low as 275,000 head. Consequently, the bubble of supplies have surpassed 2.5 million head since mid-March. No plant in the nation seemed to be immune from the domino effect of worker absenteeism and reduced output. Case-ready processing plants, including Smithfield's facility in Martin City, Missouri, were forced to close since they receive supplies from Smithfield's Sioux Falls slaughter plant, which was dark for nearly a month due to positive COVID-19 cases. While Smithfield reopened its Sioux Falls harvest floor on May 11, it may take many weeks for full operations to resume. There are doubts that maximum kill levels in excess of 500,000 head will ever be achieved again due to the modifications plants across the nation have made, including distancing measures and protective gear.

Hog producers have been hit especially hard by the growing bubble of supplies. While cattle feeders have more flexibility and can stall their animals for a little longer on pasture, hogs are raised inside barns and must be shipped in a timely manner to make room for other animals. Furthermore, it takes time to halt the birthing cycle for pigs. Some farmers have resorted to euthanizing hogs which have grown over 300 pounds. At that point, the animals become too heavy for line equipment and workers to handle. Live and dressed hog



weights are currently at record-highs since the data series began in 1993. USDA data from May 15 showed live weights at 291 pounds, 4 pounds above the year-ago figure. JBS' facility in Worthington assisted Minnesota farmers with humane euthanasia at the end of April. In this instance, farmers were responsible for the costs of animal disposal, but these costs were likely less damaging than the alternative: continuing to feed overgrown animals.

The lack of slaughter capacity has limited bargaining power from hog producers, resulting in a tremendous spread between cash and cutout values. The Urner Barry pork cutout value between April 13 and May 15 surged by $70.10 per cwt, or 126%, to $125.40 per cwt. Meanwhile, hog prices on a national basis on May 15 were reported at $37.11 per cwt, $44.07 per cwt below a year ago. The June lean hog future is nearly $37 off its contract high made in April 2019 as volatility, coupled with bearish fundamentals, continue to dominate the board.

The government has intervened during these devastating times. The USDA said it planned $1.6 billion in direct payments to pork farmers, with limits of $250,000 per individual. Farmers have also received emergency waivers from the government to increase the number of pigs they can keep in their barns. However, this aid is likely not enough for feeders to stay above water. In April, President Trump signed an Executive Order using the Defense Production Act to urge meat processing plants to remain open. Most pork plants in the nation have resumed limited operations, but the last time daily kill achieved normal levels was back in late March.

The latest quarterly hogs and pigs data released in March showed the U.S. swine herd at 77.63 million head, a record large for that time and just 1.3% below the all-time herd record set in December 2019. The swine herd has expanded each year since the Porcine Epidemic Diarrhea virus reduced production in 2014. The confirmation of record large supplies amplified concerns that continued growth in the herd could result in marketings exceeding slaughter capacity, as was seen during the 1998-1999 hog depression. Pre-plant closures, March hog slaughter on a weekly basis averaged nearly 8% over a year ago. At the height of disruptions, hog slaughter on a weekly basis averaged 21% below a year ago.

Market hogs can be finished to market weight in about six months. Those farrowed in the early spring and summer months would be slaughter-ready in the early fall and winter months. United States hog producers intend to have 3.13 million sows farrow in July-August, down 4.3% from the year prior. The next hogs and pigs report is scheduled for release on June 25. Industry participants will closely monitor this data, as COVID-19 may slash farrowing intentions even further. The road to improved slaughter levels will be a slow, but hopefully steady trip. If and when the industry can work through bottlenecked supplies remains an unknown. UB

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ENGAGING CONSUMERS AT HOME

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

Shift, then prepare to shift again. Across the meat and poultry industry this has been a pretty common theme over the past few months.

At the outset of the COVID-19 pandemic, the National Turkey Federation (NTF) and our member companies knew this situation came with a number of unknowns. In response, as an industry, our energies have been focused on keeping workers safe, maintaining plant operations, redirecting displaced foodservice inventory where possible and stocking grocery store shelves with turkey. The everyday job of monitoring the food supply chain has become even more important and made increasingly difficult by numerous factors that come into play when a global pandemic is in the mix. But even as we have had to shift the way we do business and further enhance protections for our essential workforce, it's not lost on us that consumers are changing their habits, too.

Pets aren't the only ones wondering why their humans are spending so much time at home—kitchen appliances must feel similarly! Recent data from Influence Central shows that 88% of consumers are cooking more meals at home in the times of COVID-19. Not only are they cooking more, they're trying new recipes and nearly a third reported eating more protein. And these are habits that many consumers are likely to keep up even after parts of the economy reopen. Taking this all into consideration, as well as the growing number of cancelled events and postponed marketing programs, NTF knew we needed to shift tactics. If consumers are spending more time in the kitchen and more time scrolling through social media, we have to engage them where they are: at home.

Images provided by National Turkey Federation

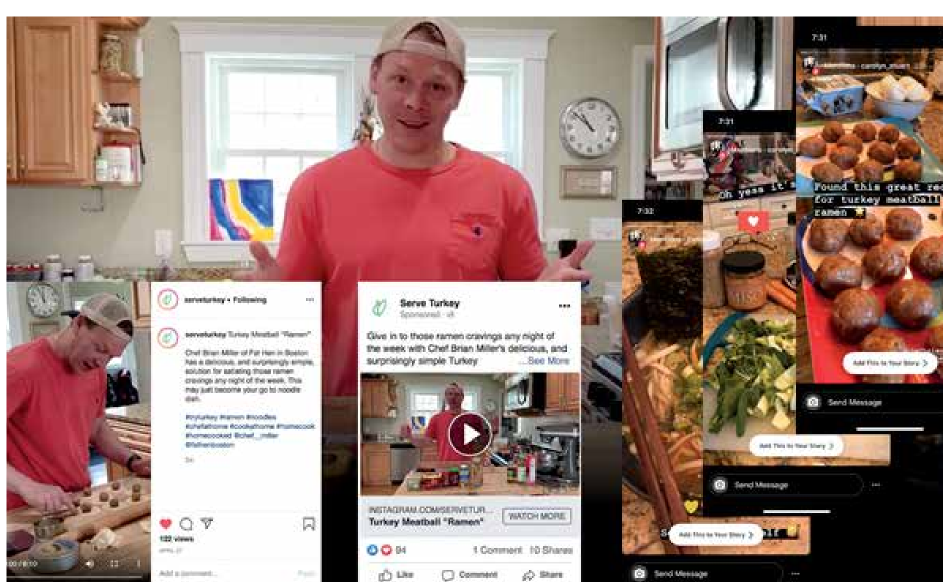
LIVING IN VIRTUAL REALITY

In a brave new world where Zoom meetings and FaceTime happy hours are now the norm, we've all gotten used to moving how we previously interacted in person to the virtual space. That's exactly what NTF did with our Turkey Smoke barbecue competition, the turkey industry's barbecue outreach initiative and nationwide competition category. With the barbecue season looming, we couldn't wait to interact with the pitmasters and barbecue enthusiasts who were at home craving the return of competition barbecue. In partnership with The BBQ League and the Kansas City Barbeque Society, the first-of-its-kind Virtual Turkey Smoke was launched in early May. Dozens of competitors entered, using their time at home to brush up on their smoked turkey skills and today's technology to submit videos and photos of entries. With just a few small adjustments, this shift created an opportunity to connect and build momentum for future events—both virtual and (hopefully) in person. Additionally, these barbecue outreach efforts have been enhanced by creating virtual content at home, including Zoom interviews with barbecue pitmasters, such as Ray "Dr. BBQ" Lampe, and backyard grilling videos offering easy tips.

COOK WHAT YOU HAVE

With dining out options limited in the near future, NTF has taken steps to engage newfound home chefs with restaurant-caliber dishes that can be easily replicated no matter the experience level. As part of this, NTF brought in the experts to film a series of "Pro Chefs at Home" videos.

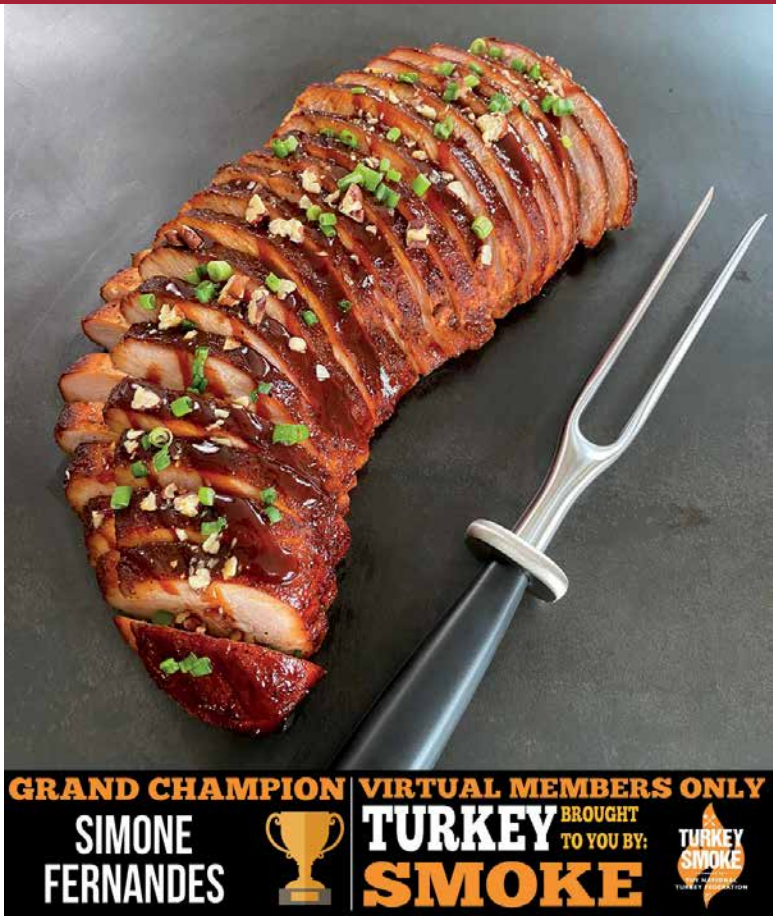
Mirroring the situation of many Americans, two professional restaurant chefs were tasked with preparing turkey dishes using

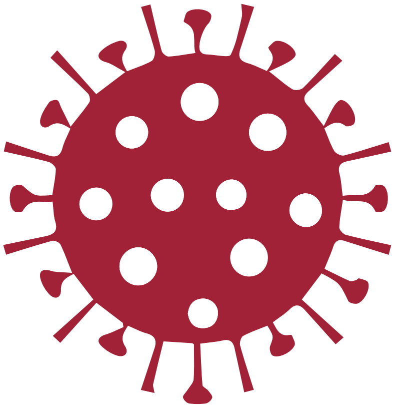


ingredients found in their home pantries. Turkey Meatball Ramen anyone? These simple Instagram videos have received thousands of views and continue to gain traction through further promotion. And all of this was accomplished with the chefs and viewers safely at home.

To sum it up, the meat and poultry industry has to keep shifting and adapting as much as possible—even in the face of uncertainty. The turkey industry has done a phenomenal job reassuring Americans in this time of need by doing what they do best—providing healthy, delicious food for American families. We've seen it from our members, and NTF is doing the same to continue to engage consumers with the turkey products they love. So, when life gives you lemons, we say turn them into a marinade, grab your turkey tenderloins, head to the grill and start practicing for the next Virtual Turkey Smoke. UB

"In partnership with The BBQ League and the Kansas City Barbeque Society, the first-of-its-kind Virtual Turkey Smoke was launched in early May."





FOOD INDUSTRY DURING A PANDEMIC: 1918 SPANISH FLU AND COVID-19

Over 100 years after the United States dealt with one of the deadliest pandemics in recent history, America is facing another one.

Although the death toll surrounding COVID-19 pales in comparison to the Spanish Flu of 1918, the modern day food industry is faced with a similar challenging task: feeding a massive population during a pandemic.

Undeniably, the food industry of today is well beyond what American farmers, processors and other sectors of the industry in the 1910s had at their disposal. Modern technology, knowledge and medicine have transformed essentially every aspect of life—and the protein and food trades are no different.

"...the modern day food industry is faced with a similar challenging task: feeding a massive population during a pandemic."

In 1918, America was in the middle of World War I and food rations were the norm. Consumers were forced to use alternatives to everyday ingredients like meat, flour and wheat, to help provide meals to allied soldiers overseas.

Shortages with the aforementioned products were expected at the time as the newly created U.S. Food Administration pushed Americans to ration ingredients to help with the war effort. Even "Meatless Tuesdays" were introduced to help preserve the meat supply for soldiers overseas.

Americans were also urged to eat fresh fruits and vegetables that were impossible to transport to the various fronts around the globe.

In many cases, Americans were still able to access food at the time. According to USDA data, in December 1918 there was over one billion pounds of red meat in freezers across the nation, a still-record high for that month.

Another factor that helped many regions in the nation was the reliance on local food supply chains. As Carol Cartwright, a member of the Whitewater Historical Society in Wisconsin noted, local canning facilities and produce processors allowed for food to be available to nearby municipalities.

For protein producers, the impact of the first World War is largely where the difference lies during the times of these major pandemics. Focus for that industry was pushed more towards the war effort. Americans needed ration books to take home meat or dairy products each month.

Still, there are horror stories. As Alfred Crosby explained in his book, *America's Forgotten Pandemic: The Influenza of 1918*, the slums of many cities were crushed as, much like today, businesses were closed to help limit the spread of the flu.

In one excerpt from his book, Crosby describes a dire situation at a hospital at the time.

"Visiting nurses often walked into scenes resembling those of the plague years of the fourteenth century... One nurse found a husband dead in the same room where his wife lay with newly born twins. It had been twenty-four hours since the death and the births, and the wife had had no food but an apple which happened to lie within reach."

Today, the food industry faces a similar daunting task as it did in 1918, but the country as a whole is in a better position to fight the virus. Medical information is exponentially better and there are no major wars shifting the government's focus elsewhere.

Although there have been headlines surrounding a potential meat shortage in America, Urner Barry's analysis shows that there is enough product to keep the country fed.

As Urner Barry staff writer Courtney Shum and market reporter Gary Morrison noted in early May, despite concerns of plant closures due to employees contracting the coronavirus at various protein production facilities in the country, a disruption in food production due to COVID-19 in one area should be offset by plants in full operation in other regions of the U.S.

Plus, as of March 31, the USDA reported that 502.4 million pounds of beef remained in freezers across the nation, as well as 621.9 million pounds of pork. In all, 2.43 billion pounds of meat (including poultry) supplies were in cold storage.

At the same time, U.S. Agriculture Secretary Sonny Perdue does not expect food shortages in the coming months. Perdue noted some challenges in the protein sector with plant closures, but is hopeful that the closures were simply a temporary setback.

"We've turned the corner, and while some retailers are suggesting they may not have the degree of variety that they once had, we expect that to be cured very quickly," Perdue told NPR's Morning Edition in May. "I do expect us to be back up to 85-90% production in probably a very few days or weeks."

As this entire issue has highlighted, protein markets remain extremely volatile during the COVID-19 crisis and each day brings new challenges. However, the protein industry has pushed through and has been able to feed a population during an unprecedented event for this generation. UB

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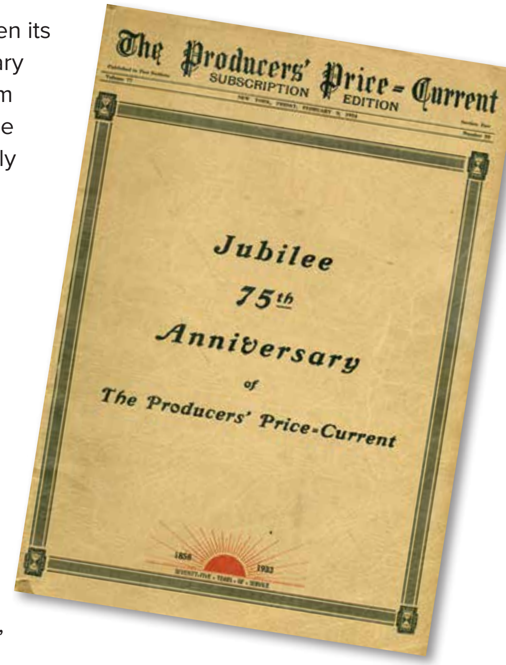
ADVERTISER INDEX

From the Urner Barry archives...

No break in service



As the coronavirus pandemic began to tighten its grip on U.S. soil in March, it became necessary for Urner Barry staff to find ways to work from home and to continue its unparalleled service to the protein industry. At the time of the early onslaught of the virus, it was unclear how our work and the markets themselves would be impacted. As the weeks went on, it was obvious that this dedicated team would continue to provide valuable information to our subscriber base, and the world in general, through Urner Barry's varied news platforms. Through some digging into the Urner Barry archives, it became evident that the strong work ethic of our current staff is only a continuation of a long-standing tradition. The following is an excerpt from 86 years ago, dated February 9, 1934, that was published in the "Jubilee 75th Anniversary of the Producers' Price-Current."

"The Producers' Price-Current" began publishing in 1858 as a four-page weekly, 12 x 16 inch page size. The initial size of the publication proved rather cumbersome for mailing and in order to permit its inclusion in a standard envelope the sheet size was reduced to 11 x 8 ½ inches. In that form it was issued first as a weekly and then as a semi-weekly until 1882, since which time it has been published daily and since 1905 in larger size. It is worthy of note that in all those years the publication has never failed to come from the press on the date shown under its title.

There have been a number of close calls. The blizzard of 1888, which tied up traffic and stopped the publication of many newspapers, delayed but did not stop the issue of "The Producers' Price-Current."

Never was the loyalty of its reportorial and mechanical force put to a sterner test. A neighborhood explosion which rocked the place of publication to its foundations, demolished buildings and filled the entire area with poisonous fumes was not sufficient to scare off the paper's force. They stuck to their smoke-filled posts and the paper issued as usual. A fire in the company plant which burned through electrical connections and cut off gas and power, essential to the operation of linotype machines and presses, came very near breaking the long record of regular service. A representative of the company visited the office of The Edison Co. early in the morning of the fire and asked that emergency connections be immediately installed. He was told that such would be impossible because of the tremendous amount of red tape involved by fire department, factory inspection, etc. On the wall of The Edison Co. office hung a sign – "It can be done." The application of the sign to the emergency was emphasized by "The Producers' Price-Current" representative and before noon the necessary red tape had been cut and the linotypes and presses were running.

And so it has gone down through the seventy-five years. Never a week when reporters for "The Producers' Price-Current" were not combing the perishable farm produce market for news of prices and market conditions; never a business day since 1882 when this work has not been conscientiously performed and the news, vital to millions of farm homes and rural businesses, set into type, printed and mailed or wired without serious delay. UB

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Bringing quality home…

Restaurants CHANGE UP their menu during CORONAVIRUS PANDEMIC

In March, in an effort to stop the spread of the coronavirus, states began to put restrictions on restaurants. As a result, food service establishments were forced to rely on take-out and delivery orders. These new regulations put an enormous amount of strain on businesses, leading some to temporarily close with the hope that the storm would quickly pass, and causing others to shut their doors permanently. For those that remained open, they had to get creative–particularly those with seafood on their menu.

Seafood is mainly consumed outside of the home. According to NOAA's Fisheries of the United States Report, U.S. consumers spent an estimated $102.2 billion on fishery products in 2017. Of that $102.2 billion, a whopping $69.6 billion was spent at food service establishments. Yes, some of that number includes to-go orders. But seafood isn't exactly a go-to item when it comes to take-out and delivery. For starters, high-end seafood items are viewed as a special treat for dining out. Plus, there is also concern surrounding whether or not certain fish travels or reheats well.

When the closures went into effect, The Mainland Kitchen and Pub in Manahawkin, New Jersey, took a pause after initially trying to stay open with take-out and delivery. When they did reopen their kitchen they decided to operate with a much smaller menu, focusing more on burgers, sandwiches and appetizers. Their seafood items, like Barnegat Light Scallops, Grilled Salmon, and Fish & Chips, were some of the first items to get cut. General Manager Sam Duff says that part of the decision to cut the seafood entrees was to save costs. But figuring out how to get some of the dishes to their customers without the food getting soggy also played a factor. For example, Duff says that one of the few seafood items they kept on their menu was their Mahi-Mahi Tacos because they were popular prior to the shutdown. However, the tacos now come almost deconstructed in order to ensure that the dish travels well.

Parker's Garage and Oyster Saloon in Beach Haven, NJ, located right on the water on Long Beach Island, decided that the best way to "preserve the integrity" of their dishes would be to design a new menu and have the customer take on some minimal preparation.

"Each dish you get comes with a recipe method," Chef Kyle Baddorf explains. "Not necessarily a recipe, but just a method of executing; how to even just warm your food up."

For example, their Roasted Side of Salmon entree is cooked 75% of the way, blast chilled, and then placed in an aluminum to-go container. Customers have to just take the lid off and put it in their preheated oven.

Salmon from Parker's Garage.

"That last little step of finishing the process is kind of what gets lost in translation with most take-out," says Baddorf. "You can cook the piece of salmon perfectly in the restaurant, put it in a to-go container and send it home. But by the time you get home that piece of salmon has steamed and is not medium, medium well anymore."

Lobster was a bit more difficult for Baddorf.

"If we don't fully cook our lobster and then we chill it, they get mushy," says Baddorf. "So, our lobsters are fully cooked. It's a delicate process to reheat them without them getting tough."

Parker's Garage is a seasonal restaurant open from May to September, so fortunately Baddorf and his team had time prior to their opening to test out the dishes and their reheating methods.

"Leading up we ran into a couple of hiccups just with methods and everybody having a different oven at home; especially in rental properties around here. We realized we probably needed to bump [the time and temperatures] all up because everybody's oven is different and it's better to be too high than too low. Here at the restaurant, and people who cook, will constantly check to make sure the temperature is right for the food that they're putting out. But someone who is just reading these directions is totally going to put their faith in you and they're not going to check to make sure the stuffed pepper is 160 degrees in the middle. So, there's that disconnect between us and them that I'm trying to bridge in trying to make sure that every part of our method is as detailed as possible, while still being as simple to execute as a Bon Appétit article."

At the time of publication, New Jersey Governor Phil Murphy slightly lifted restrictions for restaurants, allowing food establishments to reopen for outside dining beginning June 15. For The Mainland, their menu is staying as-is until they're able to fully reopen. Parker's Garage, which has an open air dining room, is maintaining their to-go menu, but also open for outdoor seating. UB

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