ANNUAL MARKET ANALYSIS EDITION

Urner Barry's Reporter

the newsmagazine for the food industry professional

VOLUME 16 | NUMBER 3 | SUMMER 2021 | QUARTERLY

Open for business *but far from* BUSINESS AS USUAL

CONTENTS

VOLUME 16 | NUMBER 3 | SUMMER 2021 | QUARTERLY | ANNUAL MARKET ANALYSIS EDITION

©zlikovec / iStock / Getty Images Plus

©igor_kell / iStock / Getty Images Plus

Main ingredients

News bites

A la carte

Cover images: ©Supachai Taweerat / rami_hakala / SurfUpVector / iStock / Getty Images Plus

From the Editor's Desk...

As I sit here and take in what is arguably one of the nicest days of the season, I can't help but to laugh at myself over the sense of enthusiasm and even rejuvenation I feel. But it's not because of the weather. After more than three decades in the food industry, I am amazed at the educational opportunities presented this past year (just when I thought I knew everything), floored by the observed market behavior in its wake, and reassured by the eventual outcome of it all as transitional consumer behaviors swiftly take hold.

What could be more appealing to food industry veterans than to see rapid recovery in segments of the industry which a year ago were fighting for their survival? What could be more intriguing than to observe how the collective food supply chain is tackling the daunting task of refilling very empty pipelines? And, amidst all this, what could be more satisfying than once again sitting down with friends and family to share laughter and good times over breakfast, lunch, dinner, or any occasion at all?!

It would likely be irresponsible to suggest that an all clear can be sounded. At the same time, there's nothing wrong with putting our trust in the experts that have brought us to this point, which only a few short months ago seemed out of reach.

As we begin to step outside again and enjoy all that life has to offer, let's remember what it took to bring us from the throes of economic peril to sounding the trumpet of a robust return to normalcy. Let's not allow the irreplaceable lessons we have learned to be in vain. While it took toil, hardship, and even misery, the food industry once again proved to the world that when the going gets tough, the tough get going. It's been a commendable effort to say the least and to characterize it as a monumental achievement would not be too high an accolade. The value added to the products and services the food industry now provides the consumer, which only 12 short months ago seemed implausible, are now part of our daily lives. More selection, new options, exciting delivery opportunities, convenience and even a bold resurgence in outdoor dining pleasure, have been won in a hard-fought battle.

As you read through this issue and absorb the expert analysis of our contributors, take a moment to pause, and commend yourself for the role you played in not only helping the food industry survive COVID-19, but ultimately do so in flying colors.

Stay in touch.

Russell W. Whitman
Senior Editor | rwhitman@urnerbarry.com

Urner Barry's **Reporter**

THE NEWSMAGAZINE FOR THE FOOD INDUSTRY PROFESSIONAL

SENIOR EDITOR
Russ Whitman

MANAGING EDITOR
Amanda Buckle

CONTRIBUTORS
Russell Barton
Matt Busardo
Lorin Castiglione
Liz Cuozzo
Ryan Doyle
Jocelyn Garcia Rojas
Sarah Hartig
Dylan Hughes
Jim Kenny
Chloe Krimmel
Gary Morrison
Brian Moscogiuri
Joe Muldowney
Michael Nesbitt
Amanda J. Riemer
Karyn Rispoli
Angel Rubio
Janice Schreiber
Courtney Shum
Bill Smith
Andraia Torsiello

EDITORIAL DIRECTOR
Jamie Chadwick

SENIOR GRAPHIC DESIGNER
Maria Morales

PRODUCTION MANAGER
Rachel Kretzmer

ADVERTISING
Bill Lynskey and Janice Schreiber

SUBSCRIPTION INFORMATION
800-932-0617

UrnerBarry
MARKET PRICES, NEWS, AND ANALYSIS

Urner Barry's Reporter (ISSN 1944771X) is published quarterly by **Urner Barry Publications**, 1001 Corporate Circle, Toms River, NJ 08755. Periodicals Postage Paid at Toms River, NJ 08755 and additional offices. POSTMASTER: Send address changes to **Urner Barry's Reporter**, 1001 Corporate Circle, Suite 1, New Jersey 08755.

Subscription to Urner Barry's Reporter is free. Mail subscription orders and changes to **Urner Barry's Reporter**, Subscription Department, 1001 Corporate Circle, Toms River, NJ 08755 or call 800-932-0617.

AGRIBRIEFING

More fuel for an out of control fire…

Protein markets continue to battle container shortages, logistical hiccups

©nespix / iStock / Getty Images Plus

"It's really bad. There is no other way to characterize it."

CNBC editor and author Lori Ann LaRocco provided a bleak but accurate representation of the shipping container issues impacting businesses over the past year in her latest interview on Urner Barry's *Market Digest Podcast*.

The shortage of shipping containers has been well-documented during the pandemic, and weather incidents and the massive Suez Canal jam earlier in the year just added fuel to an already out of control fire.

Delays are reported at nearly all stops along the supply chain. Transit times have increased, and drayage times are extended as labor shortages mean longer inspection times and less trucks. And don't forget about a lack of cold storage space either.

LaRocco, who is also a columnist for *FreightWaves*, a supply chain and logisitics publication, explained that the increased demand of buying products on Amazon is a massive reason behind the delays. In general, consumers were more inclined to buy goods rather than services during the pandemic. This has led to a massive increase in shipments, and more expensive electronics and products have essentially pushed ahead of agricultural goods at ports.

A quick peek at import volumes in the Port of Los Angeles shows a 148.59% jump for the week ending May 29 as imports continue to climb.

"The amount of containers coming in surpasses the amount of labor at the ports to move the product," LaRocco told *Market Digest* host Laura Zinger. "That leads to several week delays in some of the ports on the west coast. Because of that, the carriers are trying to get empty containers back to fill up with the Chinese exports that consumers so desperately want, but inadvertently denying trade of agricultural exports."

Urner Barry market reporters covering imported beef to seafood have discussed at length the shipping container shortage.

In Urner Barry's May *Market Briefing* Report, CEO and red meat market reporter Joe Muldowney wrote about how strong the imported beef market was through the first half of the month as reduced supply impacted the market.

"Limited availability of shipping containers has hampered the movement of beef from overseas trading partners. New Zealand has struggled to find enough capacity to ship beef to the USA during the height of their cow production season."

When it comes to seafood, with approximately 90% of seafood consumed in the U.S. coming from imports, nearly all of the markets are feeling the effects of the logistical issues and lack of containers.

"Overseas replacement is an ongoing challenge; importers are reporting even longer shipping delays and escalating costs spread across all activities associated with importing shrimp. But more recently, fear of the prevalence of COVID-19 in producing countries like India and Ecuador could impact future production," COO and seafood market reporter Jim Kenny and VP Gary Morrison wrote in a recent analysis.

Shipping containers are one of the key setbacks in the long list of logistical headaches, but other steps along the supply chain are facing slowdowns as well.

As LaRocco explained, with ports typically operating at a maximum of 80% capacity, the rate shipments are coming in is seeing capacity sit at over 90%.

With port congestion and gridlock, it means extra time to simply unload a vessel. Then, a truck or railcar has to arrive to reach the destination, which have also been delayed due to labor shortages.

For months, participants have battled delays, shortages and rising costs in the freight and logistical sides of business.

"Everybody is in the same boat, literally," LaRocco said. UB

Article contributed by **Ryan Doyle** | rdoyle@urnerbarry.com

The possibilities are endless...

AS PLANT-BASED DEMAND SKYROCKETS, INNOVATORS THINK BEYOND THE BURGER

©gmast3r / iStock / Getty Images Plus

There is no doubt that burgers and sandwiches are the most popular items ordered by consumers when dining out. In fact, according to the NPD Group, burgers were included in 13.5% of all restaurant orders in the year ending 2020, which translates into 7 billion servings of burgers. Chicken sandwiches were included in 6.7% of all restaurant orders in the U.S., which amounts to 3.5 billion servings. With that in mind, it comes as no surprise that plant-based innovators are looking to imitate these offerings as demand for alternative proteins skyrockets. The Plant Based Foods Association reported that in the past two years, plant-based food sales have increased 43%, which is nine times faster than total food sales. In 2020, about 57% of all U.S. households purchased plant-based foods. This is up from 53% in 2019, totaling 71 million households. As this market becomes mainstream, foodservice operators are taking notice and getting creative with plant-based offerings that go beyond traditional burger patties.

TACOS

Taco Bell announced its latest vegetarian and plant-based push earlier this year and is testing a new meatless protein dubbed the "Cravetarian." Created from chickpeas and peas, this new taco is topped with sour cream and cheese, which can be swapped out for vegan guests. This offering comes after Taco Bell announced a partnership in January with Beyond Meat to add more plant-based options to their menu. These upcoming plant-based meat offerings will add to Taco Bell's existing vegetarian and vegan range, which includes the option for consumers to swap any meat ingredient for potatoes or black beans.

HOT DOGS

The plant-based expansion does not end with tacos, as Nathan's Famous partnered with Meatless Farms to offer consumers a gourmet, plant-based hot dog. Beginning in April, the Nathan's Famous Plant-Based Hot Dog by Meatless Farms was available exclusively through Nathan's online retail portal on Shopify and was rolled out in select locations the following month.

"As plant-based menu items continue to grow in popularity, we are excited to launch the first ever gourmet, plant-based hot dog, a product created not just for our flexitarian, vegetarian, and vegan customers, but all who enjoy a healthier diet," said James Walker, Senior Vice President for Nathan's Famous.

"We've spent a great deal of time perfecting this hot dog and making sure that those who know and love Nathan's one-of-a-kind flavor, as well as those that might not have tried a Nathan's hot dog due to diet, can now enjoy an option that fits their lifestyle," added Walker. "We are looking forward to growing a new customer base through this partnership with Meatless Farms and know their high-quality ingredients are the way to deliver what our customers have come to expect of the original Nathan's Famous hot dog."

The plant-based hot dog is made with pea protein, and the kit features six plant-based hot dogs, six buns and a bottle of Nathan's Famous deli mustard for $44.99. The restaurant started offering the plant-based hot dog to consumers in the tri-state area and Florida in May, with plans to expand to additional restaurants in the coming year.

"...plant-based food sales have increased 43%, which is nine times faster than total food sales."

Meanwhile, Greenleaf Foods, SPC, owner of Field Roast, and Chef Roy Choi, co-host of *The Chef Show* and co-founder of the world-famous Kogi BBQ Truck, teamed up to create their own plant-based hot dog for consumers to experience.

Starting in March and available through September, the Kogi Plant-Based Dog can be purchased via Los Angeles and Orange

©lavizzara / iStock / Getty Images Plus

County-based Kogi BBQ food trucks. The hot dog, also known as "The Home Run," features the Field Roast Stadium Dog, which is double smoked using maple hard wood chips, and topped with Choi's signature Kogi slaw, cilantro-onion lime relish, salsas roja, verde, naranja, and roasted sesame seeds. The hot dog is then smothered with melted Chao Creamery dairy-free cheese and nestled inside a toasted bun.

"'The Home Run' dog is insanely delicious, and the LA community won't find anything else like it on any other food truck," said Dan Curtin, President of Greenleaf Foods. "This co-creation is a testament to Field Roast's and Roy's commitment to pushing the limits of flavor and giving people indulgent, elevated flavors without sacrificing on chef-inspired quality."

The Kogi Plant-Based Dog is the first of several initiatives planned between Field Roast and Chef Choi. In November 2020, Field Roast announced the multi-year partnership with Choi as part of a larger brand redesign and its Make Taste Happen campaign launch, which aims to inspire communities of culinary creators with bold flavors that help them craft, discover, and share new taste experiences.

Field Roast and Kogi fans can find the new Kogi Plant-Based Dog the next time they visit the Kogi truck or can order it online. The Field Roast Signature Stadium Dog also rolled out nationally at retail in April.

TUNA

Seafood has come into the spotlight in the plant-based world as well. In 2020, plant-based seafood brand Good Catch announced a partnership with fast casual restaurant Veggie Grill to bring a plant-based Tuna Melt to the menu.

The sandwich is made with Good Catch's tuna salad, which consists of legumes including chickpeas, lentils, soy, fava beans, and navy beans, and uses ingredients like diced onion, capers, celery, and fresh dill to mimic the taste. The sandwich is topped with vegan American cheese, pickles, and tomato on griddled rye bread. This Good Catch tuna sandwich initially started off as a limited time menu option but became a permanent fixture on the Veggie Grill menu due to its popularity.

Good Catch plans to expand further into the restaurant industry this year and continues to push boundaries after raising funding through financing rounds. Good Catch also opened a production facility in Heath, Ohio, and branched out into the United Kingdom by partnering with Bumble Bee Foods as part of a joint distribution effort.

As the plant-based trend is expected to continue to grow, there is ample opportunity for all brands to capitalize on this growth within the foodservice industry.

Good Catch Tuna Melt image provided by Gathered Foods.

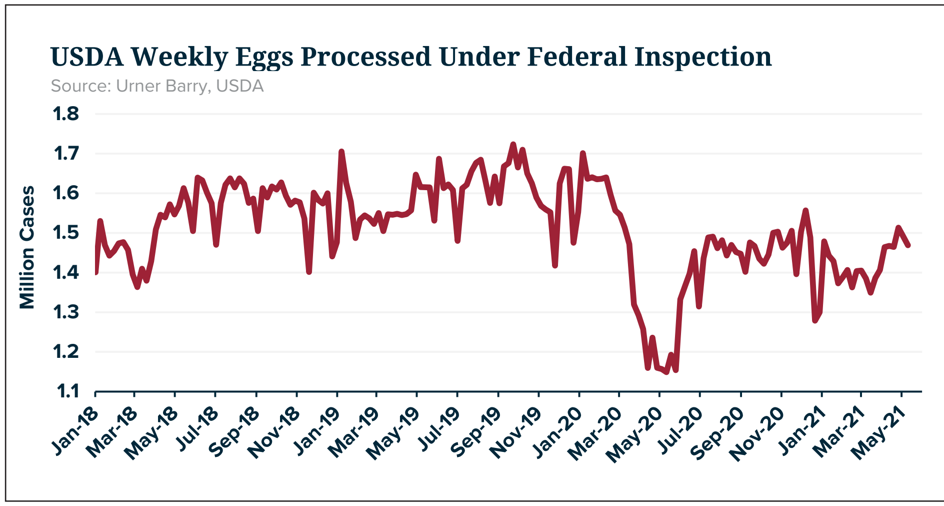
Whether its patties, tacos, or tuna melts, the possibilities are endless, and adventurous consumers are eagerly awaiting what plant-based offerings innovators will come up with next. UB

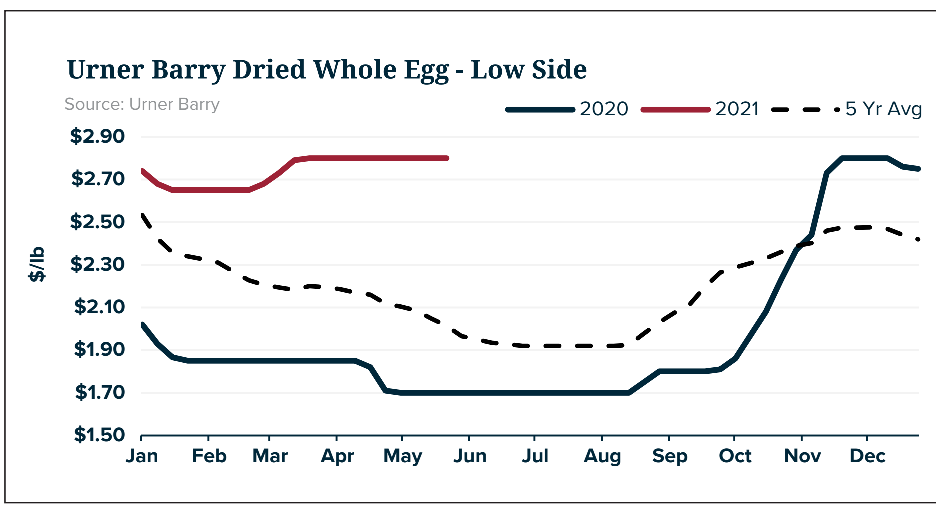
Article contributed by **Andraia Torsiello**
atorsiello@urnerbarry.com

Manufacturing holds egg products market together as foodservice demand returns

By **Brian Moscogiuri**
brianm@urnerbarry.com

COVID-19 had various impacts on the egg market since Q1 of 2020. Most of the attention was on the record breaking prices of shell eggs during the early stage of the national lockdown, but perhaps the most impactful change surrounded the demand for egg products. As consumers packed their refrigerators and cooked more at home, demand for egg products associated with the foodservice and institutional sector was slashed. This channel absorbs nearly 20% of all eggs produced in the U.S., and during the height of the pandemic, industry sources reported orders were down more than 40% in some cases.

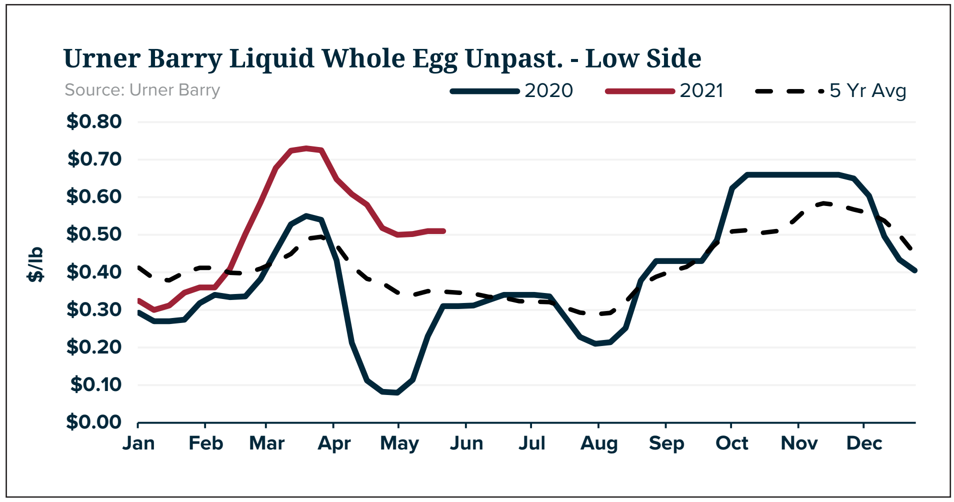




While retailers were dealing with shortages of shell eggs packed in cartons, processors were struggling with an oversupply of nest-run eggs and liquid, especially at plants that are fully inline and do not have the ability to move eggs into grading channels. In some instances, production from those plants was almost entirely designated for major quick-service restaurant chains. The surplus entered the spot market mainly in the form of liquid whole egg. Sellers were forced to record-low prices, as Urner Barry's liquid whole egg quotations tumbled 85% from late March to early May.

Given the uncertainty as to when demand would recover, production was pulled back by more than 16 million layers over the course of the next few months and processors reduced the break schedule to limit liquid outputs. Eggs Processed Under Federal Inspection reported by the USDA had hovered around 1.6 million cases weekly prior to the pandemic, but dropped 30% to just over 1.1 million cases broken weekly in May.

The shift in consumer interest and buying habits wasn't all bad for egg processors, especially given the cuts in output. While foodservice demand struggled, manufacturing business boomed. Products containing eggs in the supermarket saw strong demand, helping to stabilize dried prices, even as input costs lagged. It wasn't only demand for traditional product either. Pet-adoption rates soared during the lockdown as people looked for ways to keep their families busy and upbeat. This created a surge in pet food demand; however, due to the cuts in processing, inedible egg product supplies ran short. Pet food manufacturers had no choice but to convert some of their usage to edible egg products, particularly dried whole egg. From summer lows of $1.70/lb., Urner Barry's dried whole egg prices rallied more than 65% through the end of the year, with some deals reporting north of the $3 range. Capacity issues only furthered the tight supply of dried product, and even as of this writing, dried whole egg prices are running about 40% above five-year-average levels for this time of year.



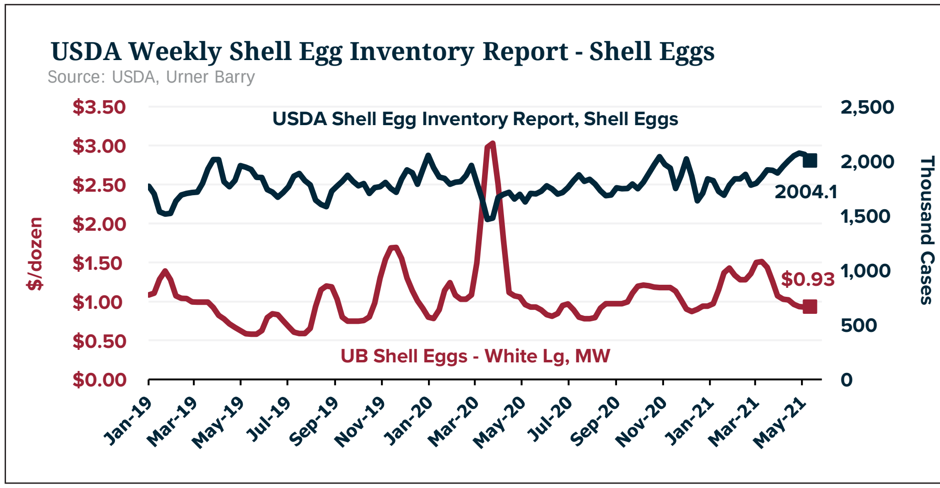
Meanwhile, as pandemic restrictions ease, calls for liquid have begun to improve. Not only have regular orders from foodservice and institutional channels returned, but many businesses are restocking empty coolers and are planning for a resurgent summer-travel period. Liquid whole egg prices more than doubled from early January to middle of March, and are now up 70% year-to-date at $0.51/lb., compared to the $0.08/lb. the same time a year ago.

Although demand has yet to fully recover, neither has processing output. We have only seen more the 1.5 million cases broken in a single week one time, so outputs remain in a better balance with adjusted demand. As we go into the summer season, it will be interesting to see how demand now shifts—especially as production continues to decline seasonally. With many of the other proteins we quote hitting all-time highs, fast food companies may need to again turn to breakfast, much like we saw during the "Breakfast Wars" back in 2014. UB

Shell egg prices drop as retail demand slows, inventories mount

By **Karyn Rispoli**
krispoli@urnerbarry.com

Like many other segments of the protein industry, the shell egg market continues to grapple with supply issues as we move through the middle of the second quarter—only in this arena, it's not a scarcity of product that's making an impact, but rather an abundance. Even though producers anticipate and prepare for a drop-off in retail demand at this time of year to accommodate a seasonal shift in eating habits, this year's slump not only arrived sooner than usual, but it was also more pronounced—exacerbated by a combination of pandemic-related cooking fatigue, increased dependence on food-assistance programs, comparatively high price points and a lack of promotional activity for commodity eggs.



With demand faltering and inventories mounting, our benchmark Midwest large quotation plummeted 38% between March 22 and May 4 to an intra-year low of $0.93/dozen—where it has lingered since. However, retailers have been reluctant to pass those savings onto consumers. Faced with narrow margins on other proteins due to widespread supply constraints, sources speculate grocers are looking to capitalize on opportunities in the egg case by keeping everyday price points elevated.

And while there has been a fair amount of feature activity, much of it has centered around specialty categories. Profits can be pre-calculated based on formula pricing for branded or pasture-raised eggs, unlike commodity eggs, where profits are subject to fluctuations in the wholesale market. Ads on specialties may help lure consumers down the dairy aisle—where grocers hope they'll be drawn to high-ticket items, like bacon and orange juice—but they do not generate nearly the same level of retail movement that an aggressive ad on generics would.

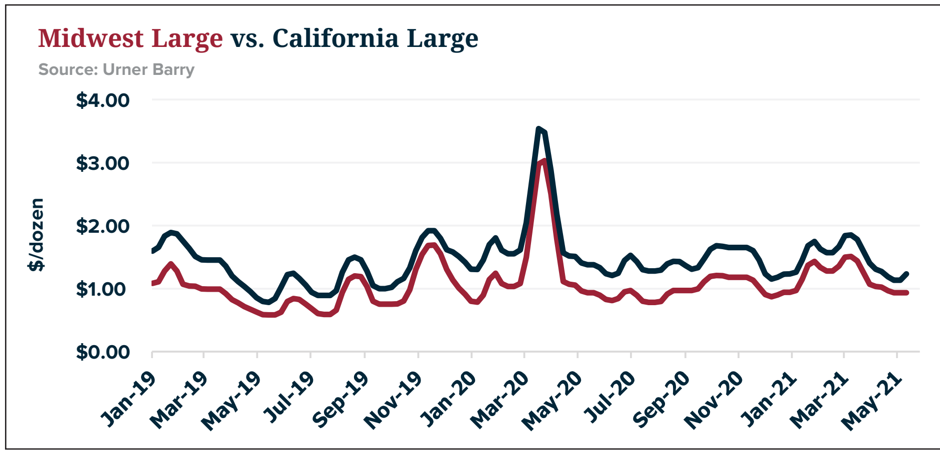
Confronted with lackluster retail performance and rising feed costs, many producers have moved up or augmented their seasonal flock rotations—and, in some cases, depopulated barns altogether. And yet inventories have continued to climb, peaking at an all-time high of 2.073 million cases on May 3. USDA data shows that weekly total shell-egg supplies have topped 2 million cases only 10 times in history—half of which occurred this April and May.

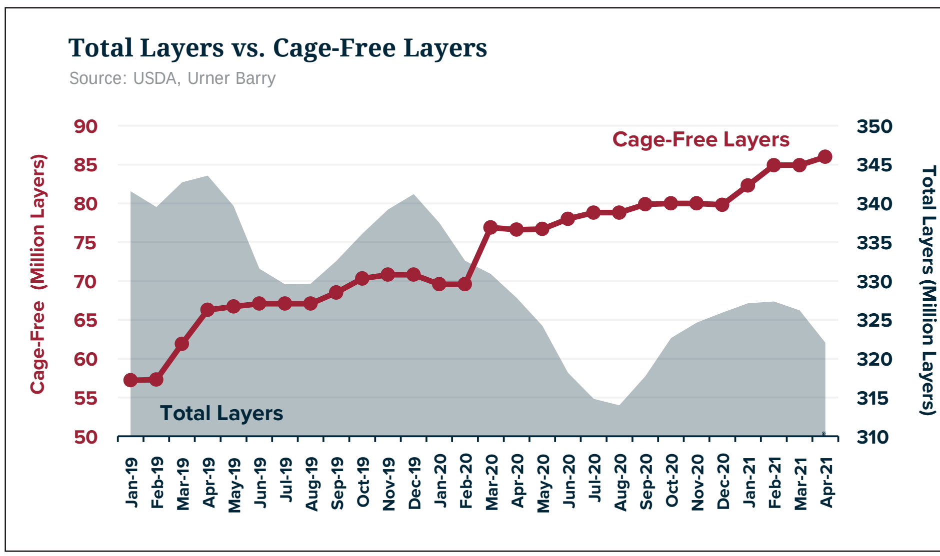

©agnormark / iStock / Getty Images Plus

Some of that can be attributed to increased variety in the egg case. With more SKUs available than ever—ranging from private labels to organics, to eggs with enhanced omega-3 content—suppliers have had to expand their cooler space to accommodate the assortment of offerings. But one particular offering is largely to blame, and that is cage-free eggs. As legislative and corporate deadlines approach, producers have had to ramp up their cage-free production—even before demand for these eggs is fully in place. UB

Cage-free eggs come at a cost to producers

By **Karyn Rispoli**
krispoli@urnerbarry.com





While grocers and producers had already been enjoying strong demand for eggs throughout the pandemic, retail sales got an additional boost in the first quarter when wintry weather fell upon much of the country—even in the south, where snow and ice storms are rare. Pre-storm preparations helped move a lot of product, but pipeline replenishment arguably moved even more as retailers worked to replace inventory that was spoiled as a result of widespread power outages. Combined with brisk export interest and an unexpected plant disruption, wholesale values soared in March to $1.51/dozen—the highest levels seen since early in the pandemic.

However, the gains were relatively short-lived. After roughly a year of consistently strong retail demand, shell-egg sales experienced a sharp and sudden drop-off in the second quarter. Though it's common for demand to ease on the heels of Easter as eating patterns begin to shift, the downturn was more pronounced than usual thanks to a combination of factors—higher price points, a lack of feature activity, and cooking fatigue among them. But to the surprise of many market watchers, even though the slump in demand coincided with heavy flock rotations, shell-egg inventories still continued to climb during this period, peaking on May 3 at a record-high 2.073 million cases.

The abundance of shell eggs—and ensuing drop in market values—wasn't entirely demand-driven, though. Corporate and legislative efforts toward cage-free egg production have continued to pose a challenge for producers as they struggle to balance their flocks with anticipated demand and actual demand. In order to meet the looming cage-free deadlines, producers have had to expand their cage-free production—present-day demand notwithstanding.

USDA data shows the total number of hens laying table-type eggs on April 1 was 322 million, down 1.6% from the year-ago period. The number of cage-free layers stood at 86 million on April 1—an increase of 13.2% from the same time last year. Without committed business in place to absorb the additional cage-free eggs, they simply drop down into conventional channels—but not before overloading the California market first.

With the passage of Proposition 12 in 2018, the Golden State was the first to mandate cage-free production. Phase one of the law, which went into effect in January 2020, required hens to be housed with a minimum of 144 square inches—making California the most profitable outlet for those with cage-free surplus. For that reason, values here are often the first to come under pressure, as was the case in early-May when values dropped to an 18-month low of just $1.13/dozen. That narrowed the spread versus the Midwest to a mere 20cts—essentially the cost of freight.

The second phase of Prop 12, which goes into effect at the start of 2022, requires that all eggs sold in California come from hens that are housed in cage-free systems. To that end, Urner Barry's California egg and egg-product quotations will essentially convert to a cage-free series. As phase two draws closer and market transparency grows clearer, we continue to track cage-free spot market values, with the goal of introducing a national benchmark by year end. UB

COVID-19 shifts European egg product demand

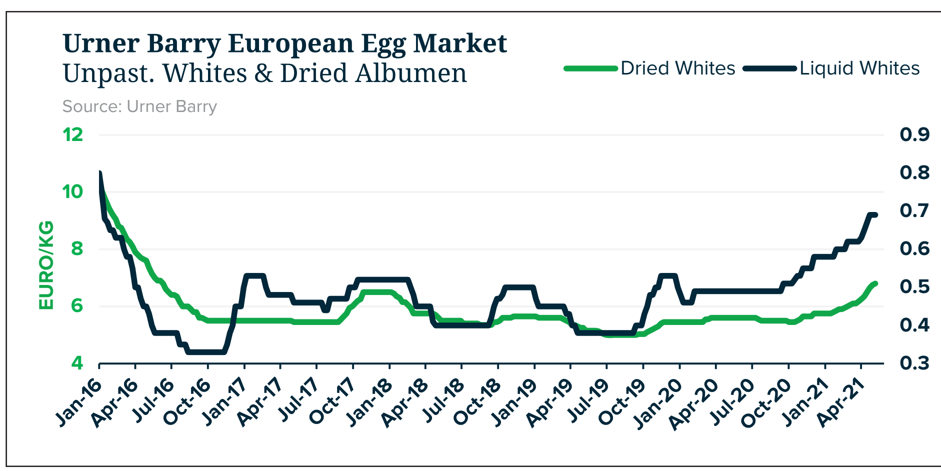
By **Brian Moscogiuri**
brianm@urnerbarry.com

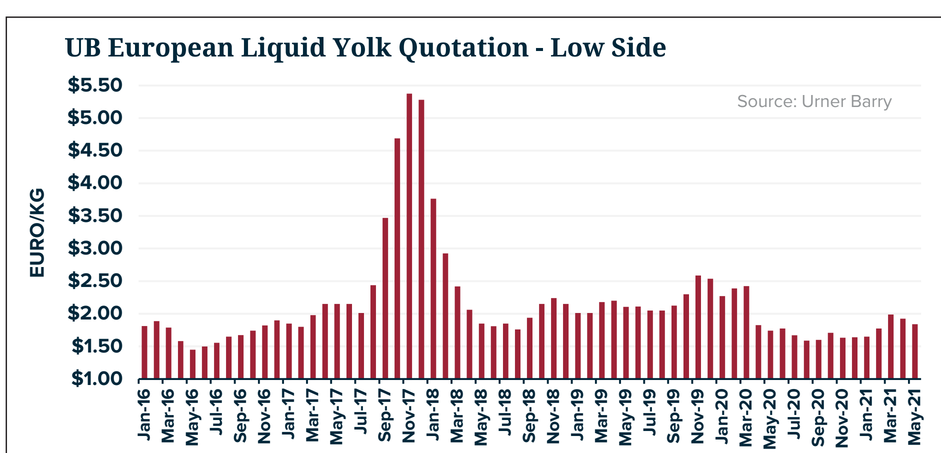
The impact of COVID-19 was felt across the globe. Stay-at-home orders created demand shifts and supply-chain issues across Europe, much like it did in the United States and many other parts of the world. In terms of demand for eggs, these shifts generated tremendous sales at retail while creating surpluses of egg products that were once destined for the foodservice sector.

Though the affect was similar in both areas, there has traditionally been a clear difference between foodservice demand for eggs and egg products in Europe compared to the U.S.—especially in recent years. In the U.S., this channel can account for nearly 20% of all eggs produced. This is driven heavily by quick service restaurant chains (QSR's), where consumers rush to grab a meal on their way to work or dropping kids off at school. Breakfast sandwiches are a key mover, with a variety ranging from fresh-cracked shell eggs, whole egg patties, and egg white offerings. In Europe, QSR's don't appear to have nearly the same type of impact in the whole egg and whites markets. In fact, when foodservice businesses shutdown, it was the yolk market that suffered most. That is due mainly to ingredient needs around sauces, dressings, ice creams, pastas, and other manufactured products containing eggs. From the end of March though early May of 2020, Urner Barry's liquid yolk prices fell nearly 33% and hit the lowest levels seen since 2016 later in September, bottoming at 1.55 EU/Kg.

The lack of demand for yolk, coupled with avian influenza in several European countries and increased input costs associated with feed, have led to tight supplies of liquid and dried egg whites. Liquid whites prices have increased more than 75% from the same time last year. Processors have had no choice but to raise dried asks due to the separation schedules, input costs, and lack of inventory on hand. Urner Barry's dried whites quotations for cage production are up 24% since October lows, and have jumped 1 EU/KG since the beginning of the year. European dried egg white prices are currently at the highest levels seen in the last five years when the market was at all-time highs.

The U.S. appears to be ahead of Europe in terms of reopening schedules, and that has shown in foodservice demand heading into the summer months. As these operations reopen, we have seen a strong call for manufactured products containing yolk as businesses restock inventories and prepare for a surge in summer travel. The yolk market has been the primary benefactor in this shift, with prices rebounding more than 25% from 2021 lows. As Europe progresses through its own reopening schedule, many believe they could see a similar shift in demand toward more traditional usage patterns. UB





Turbulent chicken market a by-product of ongoing production hurdles

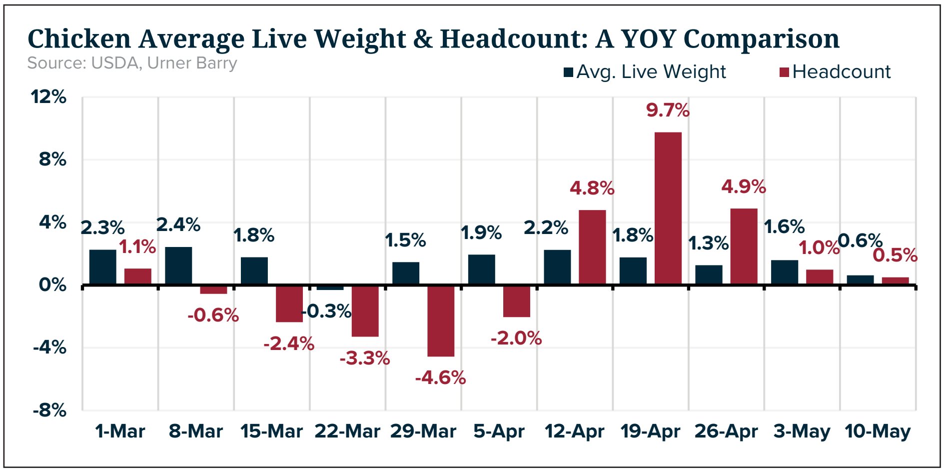
By **Dylan Hughes**
dhughes@urnerbarry.com

The past year has been nothing short of chaotic for players in the chicken industry who have been frantically attempting to adjust to the dynamic and increasingly more challenging set of market conditions; many of which contradict the established seasonal norm. Supply and demand patterns, along with other ancillary variables such as freight rates, feed costs and labor availability, have proven to be grueling obstacles for buyers and sellers alike to overcome. These ever-changing market conditions have, without question, kept participants on their toes for the better part of the past 12 months. In the words of one player: “Between 2020 and early 2021, I feel like I’ve been at this job for an entire decade!”

Perhaps one of the most apparent early indications of the looming supply-side challenges associated with COVID was the labor-induced downturn in chicken headcount, which began in early April 2020. When combined with nationwide consumer angst at the grocery store level, most key items within the complex, even the ones not typically associated with retail demand—such as jumbo whole wings and jumbo boneless breasts—experienced a volatile upswing in spot valuation as retail buyers attempted to indiscriminately satiate their needs by any and all means necessary. With foodservice, distribution and export buying channels virtually shut down or simply unwilling to take on additional product, those on the processing side were left with little recourse but to roll up their sleeves and figure out how to get product packed and ready for the grocery store cases. Oftentimes, this scenario required plants, particularly those who weren’t configured to meet grocery store needs, to readjust their production lines on the fly; something much easier said than done, especially on short notice. Despite their best efforts, a breakdown in freight logistics due to the sheer volume of retail-destined production led to an extremely choppy trade environment with diverse market experiences noted across all points of sale.

Another byproduct of diminished plant labor were the sharp advancements in average live weights which ultimately rose to, what was at the time, a record high of 6.44 lbs. in June. As processors gradually began to work through the onslaught of overweight chickens left out in the field, live weights eventually

Continued on page 14



Continued from page 13

retreated to something a little more analogous to that of the previous year. But, in keeping with 2020's topsy-turvy undertone, average live weights once again spiked upward a few months later, this time reaching a new all-time-high of 6.48 lbs. in September, then once again in October; a status which remains in place to this day.

While the spot market itself "cooled" down into Q3 and Q4 of 2020 as buyers and sellers reluctantly settled into the new set of market circumstances dealt to them, chicken wings continued to command much of the limelight thanks in large part to the gleaming popularity of take-out business. Most players were—and to some extent still are—in awe over the unrelenting draw that chicken wings are receiving. In fact, wings of all sizes have been achieving new seasonal highs since October 2020, with all lines continuing to be comfortably perched at all-time-highs here in Q2 of 2021.

As we transitioned into early 2021, talks of "normalcy" were in the air. However, for chicken market participants the year's outset was anything but routine. COVID persevered into the new year in the form of residual plant labor shortages, freight rate hikes, and elevated feed costs. While these challenges were nothing new, the national vaccination roll-out and the resulting revival of foodservice, further processing and distributive buying has only acted to amplify the severity of these difficulties.

HATCHERY

While there are a multitude of steps which could influence slaughter figures either up or down, perhaps one of our best forward-looking gauges of the industry's collective mindset is the USDA's *Chicken and Eggs Report.* On a year-to-date basis, the number of pullet chicks placed stands 2% above this time last year, which could be indicative of a more bullish stance of those on the live side of the business. At the same time, heightened feed costs have undoubtably caught the attention of industry "decision makers." When coupled with ongoing labor inconsistencies, it isn't too surprising that the most recent figure through the end of March resides about 4% shy of year-ago levels.

Naturally, the modest year-to-date advancement in pullet flocks has carried with it an uptick in the broiler supply flock as well. Both eggs set and chick placement figures finally began to make headway above 2020 levels in late Q1 and early Q2. They presently reside 2% and 0.5% above 2020 respectively, on a year-to-date basis. That being said, it almost goes without saying that 2020 was a highly exceptional year. When gauging 2021's hatch figures against that of a "normal" year, such as 2019, current year-to-date broiler egg sets reside 2.6% higher, while chick placements also notch upward by 0.8%.

SLAUGHTER

In terms of headcount, 2021's year-to-date figures have, so far, kept pace with that of the recent past. But it has been far from smooth sailing. In addition to all of the enduring challenges associated with COVID, inclement weather also came into the mix by late February. Atypical snow and sleet out in the Midwest left many processors at a stand-still. Power outages, burst water lines and undelivered natural gas resulted in some of the lowest weekly headcount figures recorded in recent history. While the weekly slaughter figures rebounded upward shortly thereafter, it wasn't until April that weekly headcount was able to break above year-ago levels with any sort of consistency. On a year-to-date basis, chicken head currently stands 1.8% below 2020.

Despite the wild ascent of corn and soybean values, insufficient line worker availability has forced farms to leave chickens out in the field to roost longer than anticipated. As a result, average weights continue to break new seasonal ground with year-to-date figures presently situated nine points above 2020.

EXPORTS

Following last year's inconsistent—if not erratic—export trade environment, 2021 began with a bang as January's outbound tonnage topped the seasonal charts at 621 million pounds. February and March were no slouches either as refreshed foodservice and further processing demand, along with a modest rebound in the exchange rate to destinations like Mexico, led to a more confident approach to those on the buying side. Other countries, such as Cuba, the Philippines, China and Taiwan, all continue to reach out for U.S. chicken in Q2.

COLD STORAGE

In light of the significant challenges that most players on the production front continue to contend with, along with the gradual easing of restaurant dining restrictions, it is no surprise that cumulative cold storage holdings stand at some of the lowest levels in the past five years. Upon breaking the latest figures down by category, the chicken industry's labor challenges permeate through to the year-over-year changes. More specifically, items such as boneless breasts and thigh meat holdings reside well below year-ago levels. Meanwhile, other lines such as drumsticks and thighs are more abundant in the freezer.

WHOLE BIRDS AND WOGS

Whole birds and WOGs got off to an uneventful but well-supported start this year. In fact, there wasn't much, if any, emerging price action to speak of until late Q1 when values began to respond to a more confident call from foodservice, retail deli and further processing channels. As it currently stands, these lines remain solidly situated just above the $1.00/lb. mark. While marketers continue to test the willingness of buyers to up their bids, freight rates and insufficient "hands on knives" at further processing and deboning levels lends more of a steady rating to this segment.

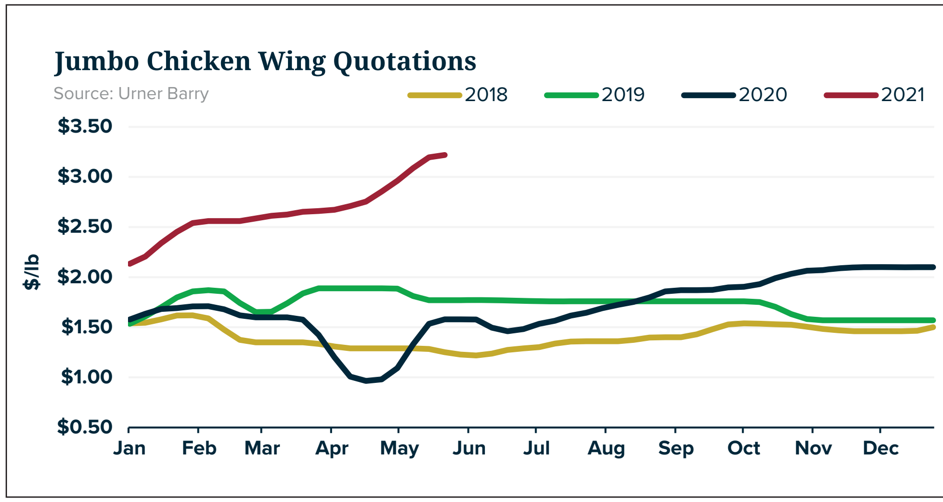
BREAST MEAT

Contrasting the early year market climate which surrounded whole birds and WOGs, boneless breasts rocketed up in value as soon as the new year was upon us. Relatively attractive starting price points, renewed buyer optimism, along with the aforementioned bottleneck in outward production capabilities, all helped to carry boneless breast values from $0.94/lb. in January, to $2.26/lb. in mid-May. Also stoking the figurative fire is the renewed chicken sandwich battle between major fast-food chains, which has resulted in high-volume orders of boneless being absorbed from the market.

WINGS

While the past year has certainly had its ups and down, for marketers of wings, its been mostly "ups." Sparked by the shutdown of most major foodservice channels, take-out demand for wings skyrocketed; ultimately bucking any hint of seasonal market performance. Although the post-Superbowl call did level off briefly, wings of all sizes eventually continued on an upward trajectory and are presently perched at the highest levels ever achieved. After a year-long uptrend, some buying hesitancy is beginning to develop. However, "wing house" restaurants have

"Most players were—and to some extent still are—in awe over the unrelenting draw that chicken wings are receiving."



very little recourse but to pay the premiums required to keep their customers happy.

TENDERS

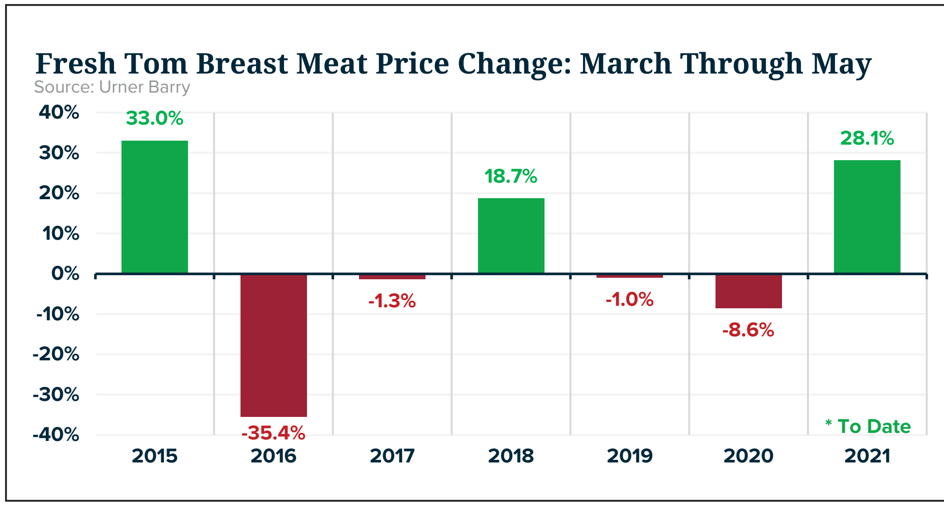
Although wings remain some of the most sought-after items on the sheet, tenders follow closely behind. Upward-trending breast meat values, along with modest declines in the number of birds crossing the line, has resulted in steady advancements to tender quotations. This scenario has been particularly evident in Q2 as values moved upward with consistency and currently stand at a seasonal high.

LEG QUARTERS

Following a relatively lackluster showing throughout the tail end of 2020, value-oriented buying outreach once again began to grace the leg quarter complex during the outset of 2021. Export demand was the primary driving force of the market, with the resulting constrictions in supply forcing domestic buyers to fork out a little more to get the deal inked. Overall, the leg quarter market has followed along an established seasonal path with some additional upward lift being provided by deboning channels. UB

2021, from bust to boom

By **Matt Busardo**
mbusardo@urnerbarry.com



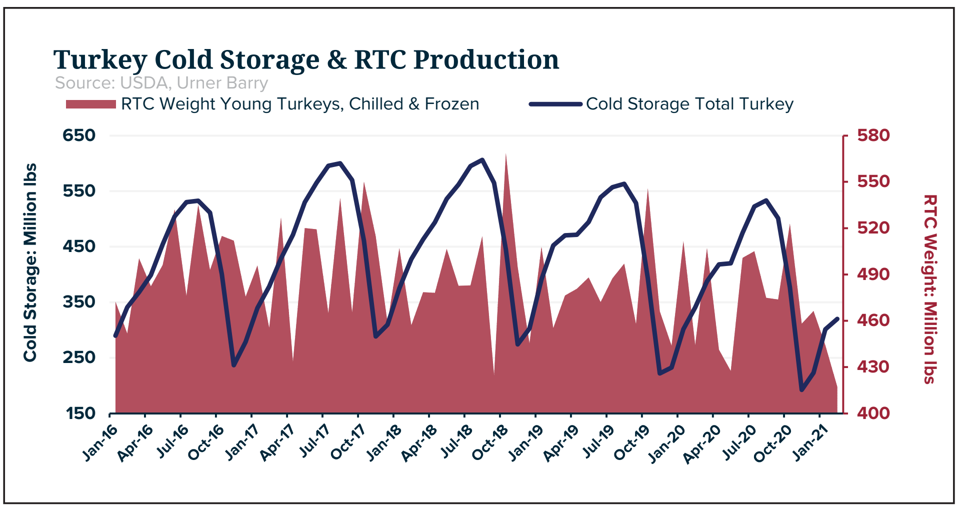
If there's anything to be taken away from the last handful of tumultuous years in the turkey complex, it's that there's always room for change or improvement after a time of strife or adversity. Benjamin Franklin said it best hundreds of years ago: "Out of adversity, comes opportunity." And now more than ever that statement holds true as many market participants look to capitalize on the down year of 2020 and turn 2021 into a year to remember.

THE PAST

In 2014 and 2015, highly pathogenic avian influenza (HPAI) ravaged the turkey complex, which led to a sharp decline in available birds. The preceding years' focus was on building back the pipeline and returning to a sense of normalcy. But continued heavy bird weights were bringing the complex down as an abundance of breast meat was evident on the spot market. For instance, 2019 had the highest average bird weights when compared to the previous 10 years. Taking the past year or so out due to labor complications, and 2019 fielded the heaviest birds on record.

In the most recent past, processors began to look into the bigger picture, which resulted in declines at the hatchery level to better control their side of the equation. In fact, in 2018 when the cutbacks began, poult placements came in roughly 1.5% lower than the previous year and in 2019 they were almost 3.5% lower. With less head to deal with things began to look up for processors of whole birds, even though breast meat values remained relatively flat. 2020 was supposed to be the year that everything came together, with manageable production levels, lower cold storage holdings, and a renewed sense of optimism as China lifted its years-long ban on U.S. poultry. It's easy to see why processors had so much confidence entering the year as cold storage figures came in favorably. January's total turkey holdings were nearly 23% lower than the same month of the previous year. While not necessarily a definitive indicator of breast meat values, whole turkeys were coming off a successful holiday the year prior and started 2020 $.16/lb. or 18% higher year-over-year.

But sometimes things aren't all they're cracked up to be. COVID-19 completely ravaged the foodservice industry and brought any good feelings to a grinding halt. In late May, early June of that year, large-scale buyers of breast meat began to enter the market in need of product which pushed ask prices and bids higher. This aggressive pull raised Urner Barry's Fresh Tom Breast meat quotation over 20% higher in the span of a little over a month. All of that came to an end rather quickly as the demand component never materialized further and adequate supplies were quick to satiate the interest which did surface.



THE PRESENT

Fast forward to the beginning of 2021 and vaccine optimism was rampant. Participants began to get a better idea of what this year could look like. With production output still on the lower end, processors began to position themselves accordingly as they awaited what they hoped to be a strong call down the road. The call for frozen breast meat began first and gave sellers hope that the call for fresh would soon be at their doorstep. With frozen tom meat prices at levels not seen in over a decade, buyers began to come out in full force and absorbed any product that crossed their path with anticipation it could be used down the road.

From the beginning of the year to when this article is being written Urner Barry's Frozen Tom Meat quotations have increased over 58% and counting. Once the second half of April came into view, demand for fresh product began to percolate. Nearly every large-scale buyer began hunting breast meat offerings with aggression, as their own inventories were low, and demand rapidly began to pick up.

Buyers on the export front were having their own issues finding product as well. With this being a worldwide pandemic and not just something the U.S. is dealing with, it's no surprise that other countries, specifically those who base a large portion of their economy on exports, are struggling with their internal issues and have been largely absent from the demand frenzy. This forced surrounding countries that normally have their needs met from producers like Brazil, or Chile, to enter the fray on U.S. soil and pay whatever means necessary. While export buyers aren't normally heavily involved in breast meat, they certainly have shown little hesitancy in paying well above what domestic buyers were willing to fork out, at least early in the season. Further complicating matters is the regional HPAI issues being uncovered in Europe, which has created even more chaos in a time that none thought was possible. Processors nowadays have buyers from every direction looking to secure offerings, but with cutbacks in place and labor challenges impeding forward progress, there's only so much to go around and the needle continues to move higher.

LOOKING FORWARD

It's important to note that even with the economy slowly getting back to 100% here domestically, many portions of the world aren't nearly as fortunate and will be leaning heavily on U.S. production as they begin to get back to a semblance of normalcy. Here too, labor complications and plant worker absenteeism are far from over, but optimism that those issues will be resolved sooner rather than later is gaining steam.

From all accounts, 2021 looks to be the best performing year for breast meat in quite a while. But none of this would be possible if not for the adversity everyone experienced over the past few years. The lows of HPAI or COVID-19 allowed processors to take note and make a concerted effort to not repeat the mistakes of the past. Don't get me wrong, this year still has a long way to go and if we've learned anything recently, it's that nothing is impossible, and every day isn't just handed to us. But everyone involved can't help but crack a smile when they look at how far they've come compared to just a few short years ago. UB

How lamb pricing has rallied in 2021

By **Chloe Krimmel**
ckrimmel@urnerbarry.com

Similar to Q4 of 2020, the first three months of 2021 witnessed a slow increase in pricing as foodservice and Easter demand reemerged and slaughter levels remained limited. Taking out 2020, considered to be a black swan event, lamb and yearling slaughter was down over 3% from 2019. Also creating some unsettled tones in the market were labor limitations, price hikes on both packing and shipping costs, as well as several winter storms affecting the market.

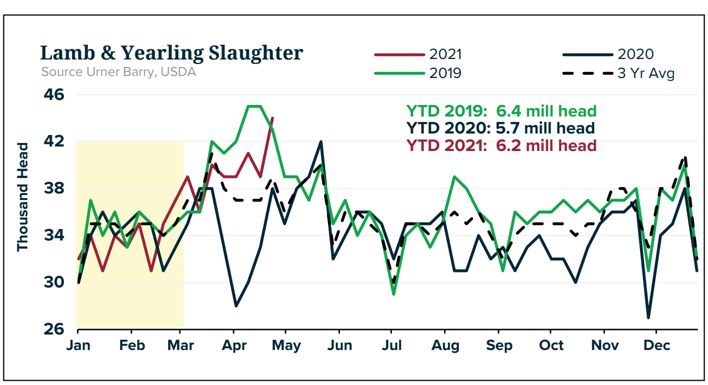
Between May and October of 2020, as the COVID pandemic continued on, cold storage fell for most proteins, including lamb, as diminished slaughter and labor constraints were witnessed throughout the market. For the first three months of the year, cold storage remained between 28-34% under year ago levels. Similar to most other proteins in the industry, winter weather storms in both January and February impacted labor, shipping, packaging, and several other areas, which created instability in the market.

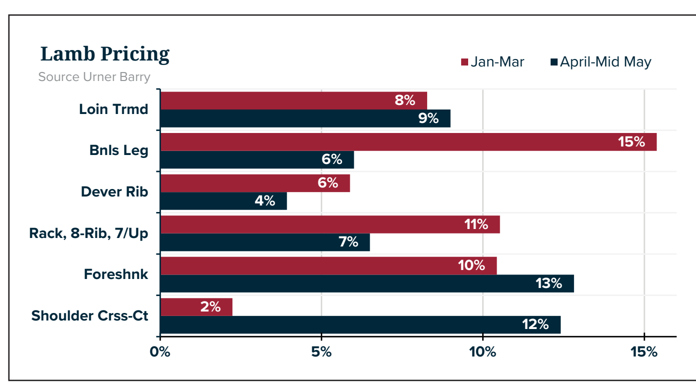
Looking at lamb cuts, the Easter holiday amplified domestic demand, along with re-emerging foodservice in several states and additional pipelines for lamb at retail, which were now utilized more regularly. This demand led to increased pricing on most cuts of lamb, with boneless legs seeing limited offerings in the market and firmer pricing of up to 15% for the first three months of the year.

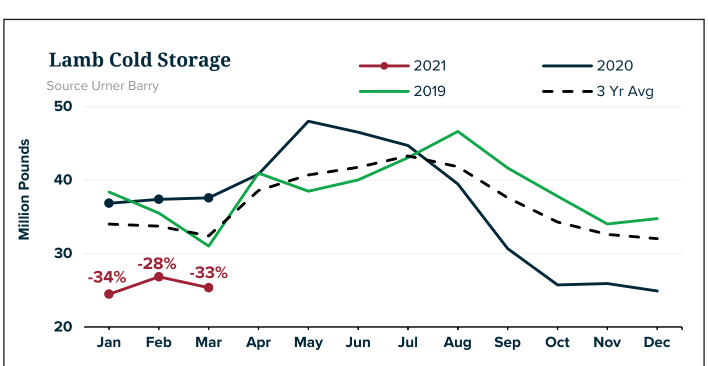
The start of the second quarter noted a continued firmer tone, with limited availability, delays on shipments from imports, reduced cold storage, increased feed costs, and heightened lamb and yearling pricing. Shoulders and foreshanks witnessed the largest increase from April to mid-May with a 12-13% growth.

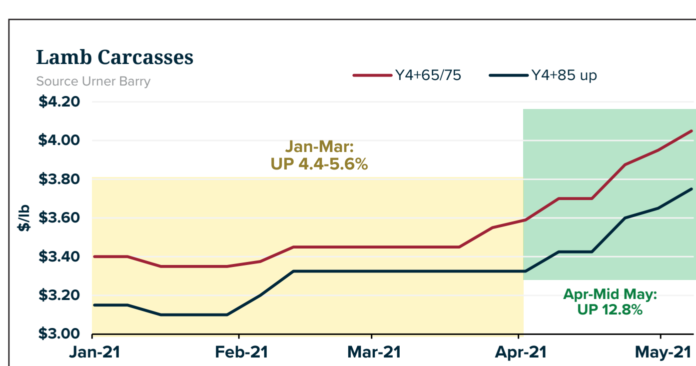
Lamb carcasses also realized a comparable trend, around a 4.4-5.6% growth for January to March and a 12.8% increase as availability diminished, feed costs increased, and demand continued to grow.

Moving into the summer, lamb is expected to see untraditional trends with wide ranges and stronger than average demand due to newly formed pipelines on retail and reemerging foodservice demand. Continued reports of limited availability on the import front remain due to global demand, COVID related constraints, and weather obstacles. UB









©Lisovskaya / iStock / Getty Images Plus

Catelli BROTHERS

A Family Tradition of Quality Veal & Lamb for 75 Years *and Counting*

THE BEST SELECTION OF CUTS, PACKAGING & PROGRAMS

- Division of the largest vertically integrated veal and lamb company in North America
- Control of every phase of production—from farm to table
- State-of-the-art company owned and operated feed plants and farms where calves are humanely group-raised
- SQF-certified production facilities
- Safe, traceable, nutritious and delicious products
- Unequaled customer service
- Industry-leading selection of customized programs and packaging options

Group Raised Milk-Fed Veal

American & Australian Lamb

Call Ray Capozzi, Vice President, Retail Sales at 781-771-9334.

Or visit CatelliBrothers.com.

Préval AG

HAND ZABIHA HALAL

Most veal prices rise as 2021 moves forward

By **Chloe Krimmel**
ckrimmel@urnerbarry.com

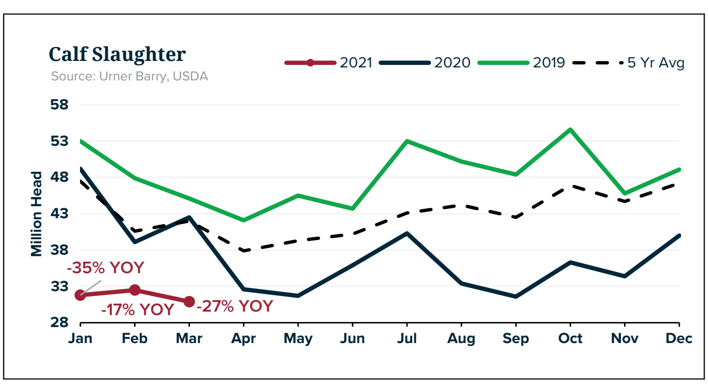
The veal market witnessed a largely lackluster 2020 as white tablecloth dining and most foodservice establishments closed or restricted capacity. As 2021 progressed and regulations lessened, veal has once again noted some strength in the market—albeit diminished slaughter and labor constraints have continued to be at the forefront of the reason for limited offerings in the market. Currently, monthly slaughter for calves is under for each month, ranging from 17-35% year-over-year. Special fed veal slaughter is also experiencing diminished slaughter with a year-to-date diminishment from 2020 of 23%.

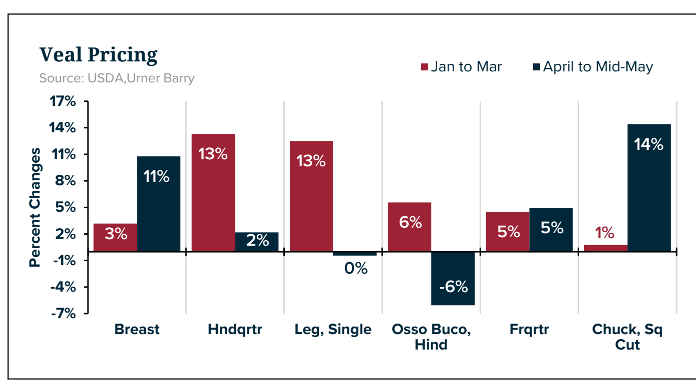
Looking at the specific boxed veal cuts, most items have witnessed an upturn in the first quarter of 2021 thanks to Easter and foodservice reopenings. Legs and hindquarters led the increases throughout the first three-month period with a 13% gain each, while chucks noted little if any change during the same time frame. After March, limited offerings and increased demand continued to be noted in the market, however, some pushback on Osso Bucco, which is typically eaten more frequently in the winter months, was noted. Chucks and breasts observed gains in the market of 14% and 11% from April to mid-May, while legs and hindquarter movement lagged for the respective time.

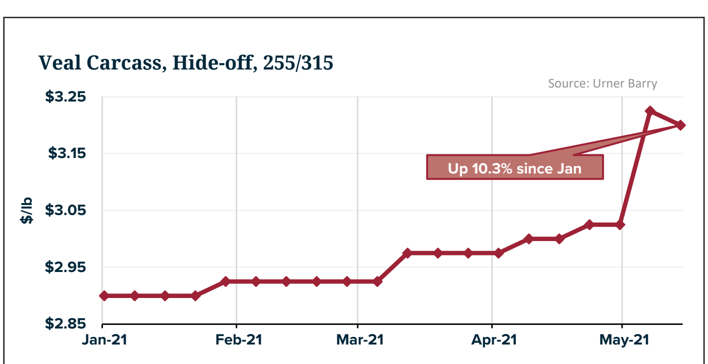
The Restaurant Performance Index (RPI) analyzes the overall health and outlook of the restaurant industry, with values over 100 representing an expansion of the industry and values under 100 indicating a contraction. According to the National Restaurant Association, the RPI noted a substantial decline in March 2020 at the peak of COVID related closures; dropping around 7% in one month and bringing the index to the first sub-100 reading since August 2016. The RPI index has slowly improved since then, with a year-over-year increase of 11.6%. The RPI shows the slow but steady increase in the foodservice sector, which has substantiated the demand for more fine dining items, such as veal, leading to the increased pricing in 2021.

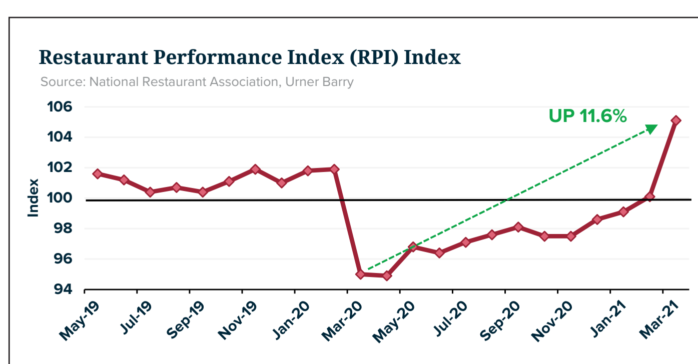
Price increases for veal carcasses were also observed this year, which have gained around 10% since the start of the year, with over 6% of that increase noted at the start of May. This can be attributed to barely adequate to short offerings in the market, heightened feed costs, and price hikes on shipping.

Looking forward, unsettled tones and wide ranges are anticipated for most of the veal boxed cuts as veal calf pricing continues to show support. As COVID-19 vaccines become more available, lessened restrictions have been noted across the country for foodservice locations. This, along with new pipelines for retail, means that demand is expected to be well above 2020 for the summer. UB









Tight supplies, squeezed margins, and lingering Brexit hurdles

By **Michael Nesbitt**
mnesbitt@urnerbarry.com

Inflationary pressure and supply speculation continue to dictate the UK beef market.

While the gradual easing of restrictions has aided general sentiment, there is still a fair amount of uncertainty circulating.

CATTLE SITUATION

Tight supplies continue to support strong cattle prices across the UK and the Republic of Ireland (ROI).

With reports emerging that some supermarkets are reluctant to take on the cost of certain beef items, processors remain wedged between a rock and a hard place, with deadweight costs well above pre-pandemic levels.

For the week ending May 15, Scottish steers averaged £4.24/kg compared to a GB overall average of £4.08. Over the same week, imported steers from the ROI averaged £3.58/kg compared to Irish heifers, which averaged £3.60/kg.

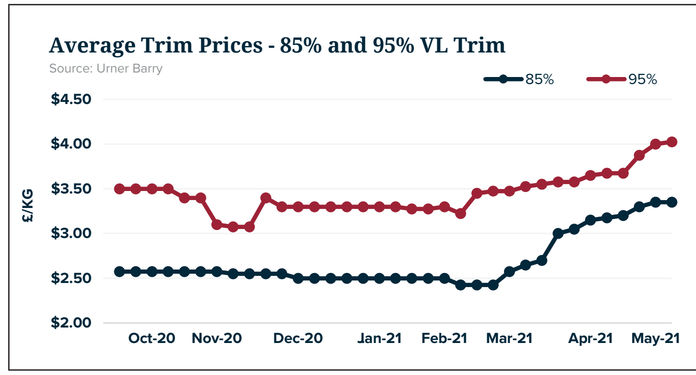
According to the latest data from Defra, beef production in the UK was 2.7% higher in April compared to the same month the year prior. It's important to note that the UK was at the height of strict lockdowns last April. In contrast, Irish cattle throughputs dropped by 6.1% in March in comparison to the same month last year, or down by 13.6% in Q1 2021 compared to the first three months of 2020, according to Central Statistics Office data.

©Derick-Brenchley / iStock / Getty Images Plus

BEEF ITEMS

Akin to deadweight costs, several beef items continued to display a firm to bullish undertone throughout Q2 2021.

As of May 21, trim items—particularly 85% and 95% VL—remained well supported with the latter trending above the £4/kg mark. At the time of this writing, Urner Barry's flagship platform COMTELL was quoting 95% VL trim as £3.80-£4.40/kg, compared to a monthly average of £3.30 in January; a 22% increase in only four months.



Preparations for summer, firm retail demand and the reopening of indoor dining were all facilitating a firm bias for key beef items in late May. However, heightened demand for imported product was noted amid the uptick in foodservice and high domestic prices. As a result, some traders have opted to source more product from abroad. With UTM and PGI fillet trading northwards of £20/kg, some market participants have opted to increase orders from the European continent and Latin America with prime fillets around £12/kg.

While a firm bias remained in place, discounted parcels continue to circulate. As of May 21, sharp discounts were noted on OTM striploins though availability is expected to tighten as the weather improves. While some remain firm on price points, round cuts continue to trend downward, with topsides and silversides more readily available in comparison to previous weeks.

SUMMER TRADE

Tight supplies, squeezed processor margins, and lingering Brexit hurdles are all key themes that are expected to influence summer trade.

At the time of writing, processors reported an uptick in export trade to key markets, which was helping to offset trade concerns caused by lingering pandemic-induced bottlenecks, as well as Brexit red tape.

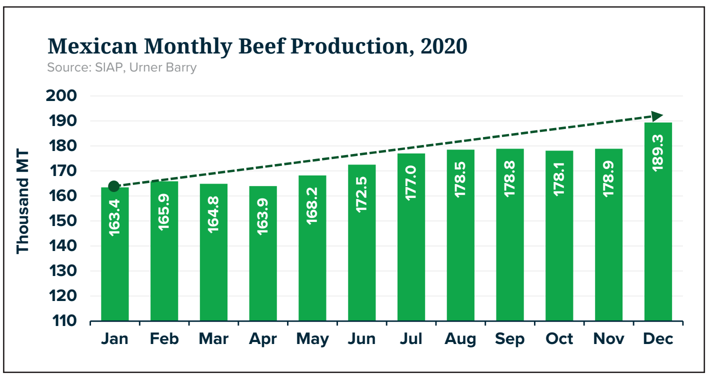
According to market participants, exports to the U.S. were on an upward trajectory with 85% and 95% VL trim, as well as forequarter cut demand, trending higher. Given the increase in export demand, availability issues in both the UK and Ireland may increase down the line, adding another layer to the existing inflationary pressure.

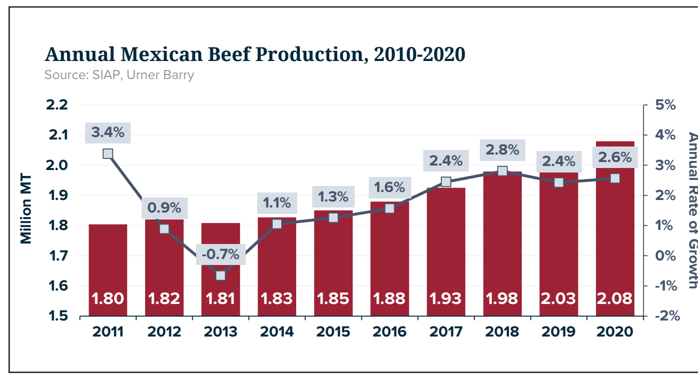
Several other factors will influence summer trade. Argentina's decision to ban beef exports for 30 days, further easing of lockdowns—provided the Indian COVID variant is contained—and pent-up savings are just some of many factors to consider. UB

Export demand continues to drive support for the Mexican beef market

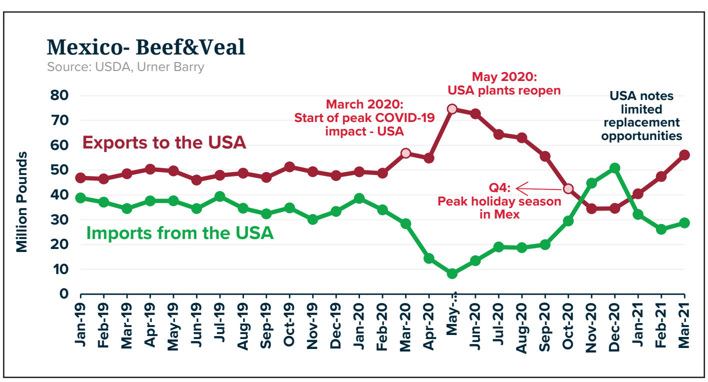
By **Jocelyn Garcia Rojas**
jgarciarojas@urnerbarry.com

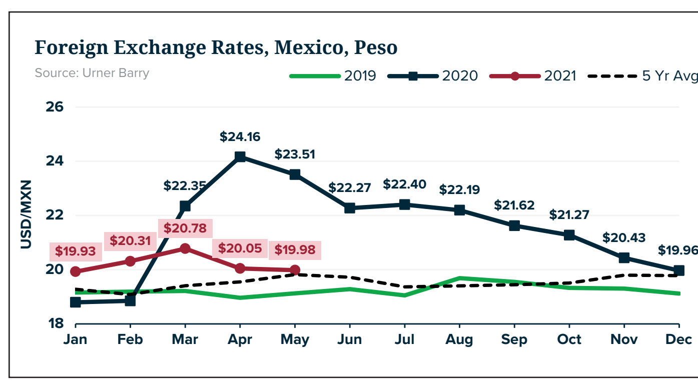
Mexican beef production concluded the pandemic year with production up 2.6% over the previous year. Overall, we continue to observe an upward trend in year-over-year production as a result of Mexican domestic expansion and global export demand.



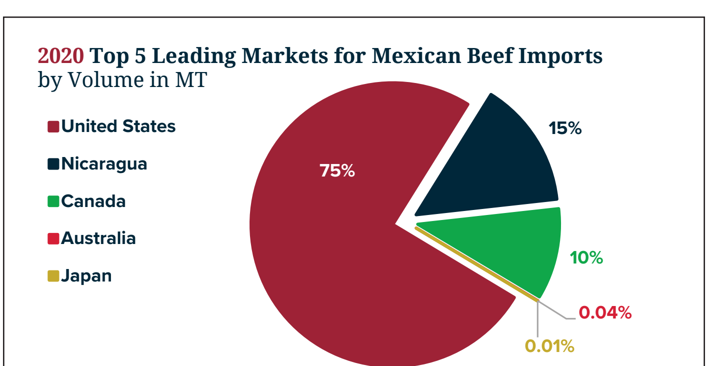


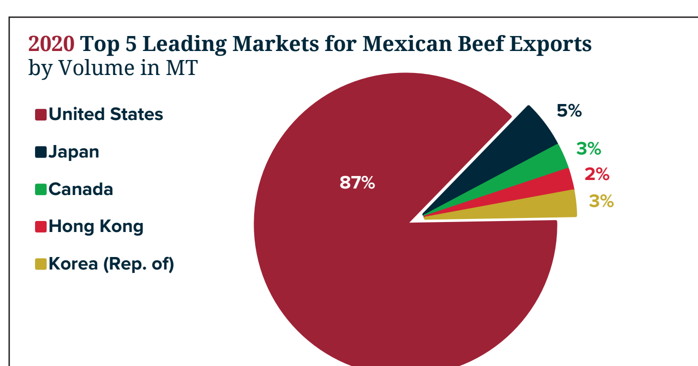
Last year, Mexico stepped in to help fill the supply gap in the U.S. during the plant closures resulting from the pandemic. Simultaneously during this time, the Mexican peso reached record exchange levels, providing an attractive incentive to export.



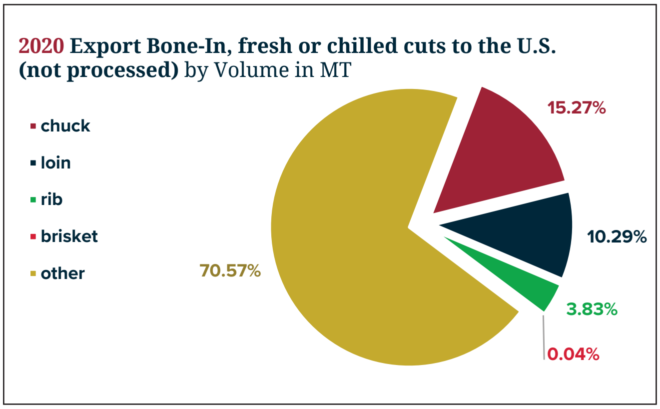


Not surprising, the U.S. landed at number one in both lists of the top five import and export Mexican trading partners for 2020. Aside from the U.S. and Canada, the other USMCA trading partners, the remaining countries in the export list consisted of Asian countries.





©Jorge Murguia Fotografia / iStock / Getty Images Plus

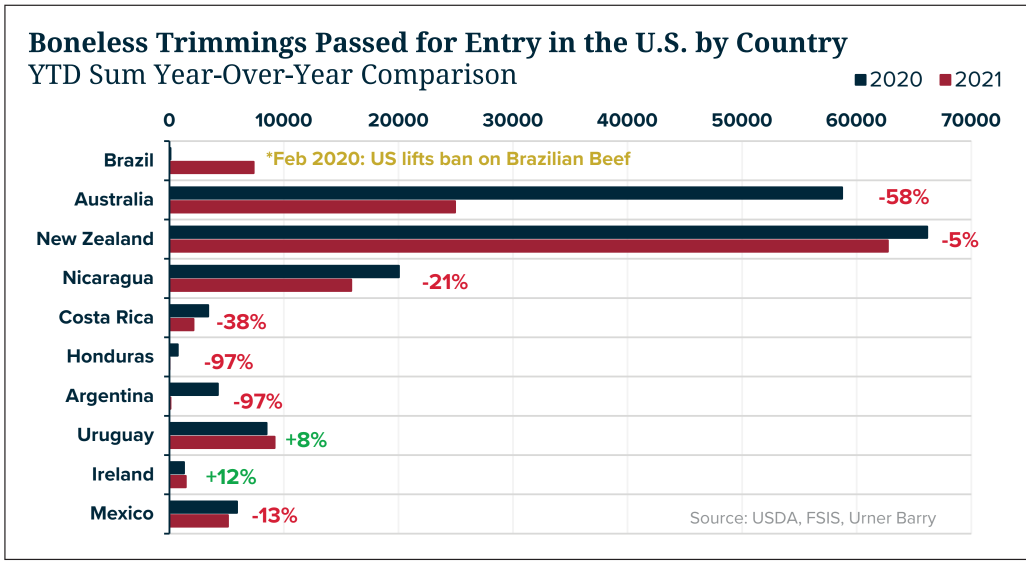


Much like here in the U.S., Asia has been a key topic of discussion among Mexican market participants. Limited replacement is resulting in countries competing for available offerings. Asia has developed a reputation for coming out victorious in the bidding war for product. This has resulted in multiple favorable scenarios for Mexico. Asian countries have continued to pull Mexican product, paying double in some instances or more the price of that paid by their neighbor and top trading partner, the United States. And as Asia absorbs product that would typically be destined for the U.S., the United States is looking more to Mexico to fill protein needs caused by limited replacement and domestic labor issues. As we reach mid-year, export demand continues to be a key factor supporting Mexican domestic prices and continued expansion. UB

Short imported beef supplies result in higher prices

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

It has been another volatile year for the imported beef market with demand fluctuations, labor and logistical challenges, and cattle supplies in some regions all combining to create market uncertainty.



There are several reasons that buyers use imported grinding material as an ingredient in their recipes. Over time, imported beef has a history of working favorably in least-cost formulations. The product has a reputation of being wholesome and consistent. Because it's primarily frozen, it enables users to buy at a price in advance, which ensures availability and the ability to lock-in raw material costs. Frozen imported grinding material also helps grinders bring down working temperatures in the process, which helps material move through machinery.

It is difficult to understate the "frozen" characteristic of imported beef and the impact it has on demand. Over the years, many concepts have written product specifications where a minimum amount of frozen material (imported) must be used. The U.S. beef production system lacks significant capacity to produce frozen lean grinding material, particularly materials that are boxed and frozen on a packer's premises, which can also be a requirement in product specifications. When imparted product is less available and priced at premiums, some processing facilities will chill raw material down with CO_2, but that adds further costs in equipment and consumables to the manufacturing process. The lack of scale for U.S. domestic lean grinding material creates a floor for imported beef demand because some processors are unable to substitute with other product. This can result in imported grinding material trading at premiums to fresh.

2021 SEES LESS IMPORTED GRINDING MATERIAL COMING TO THE U.S.

In mid-May, year-to-date imports of boneless beef trimmings were 166,598 MT, 15% lower from the same period in 2020. Australian product, which has some of the widest acceptance among imported beef users, was 23,648 MT; 58% lower from the same time in 2020. The table below shows the year-to-date change in the supply of grinding material versus last year.

BRAZIL

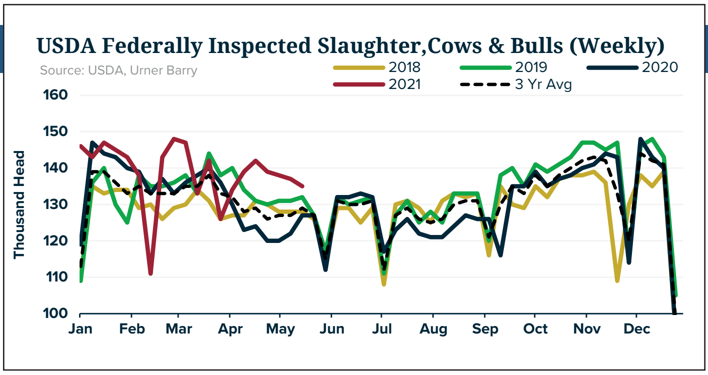
The volume of grinding meat from Brazil is up over last year, albeit from an extremely low 2020 number. When Brazil re-entered the U.S. market, it was believed by some market participants that volumes would help to offset significantly lighter imports from Australia. That said, Brazil has been challenged by higher cost and more limited offerings of cattle, as well as the same logistical and labor challenges in plants that affected most others in the beef sector during 2020 and 2021. Widespread acceptance of Brazilian boneless beef has been a bit slower to occur in 2020 and 2021 from what many in the market had originally anticipated. Brazil also remains the number one supplier of beef for China.

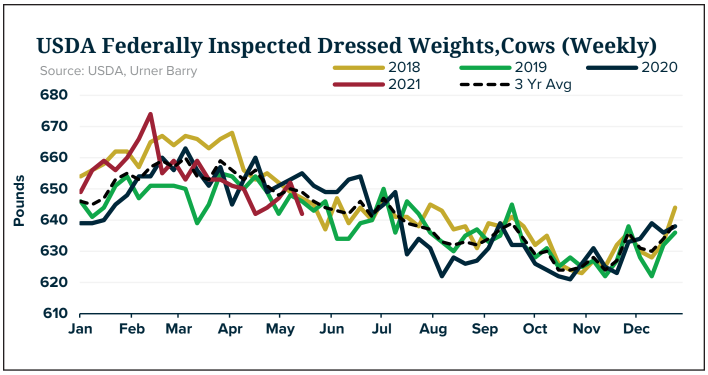
AUSTRALIA

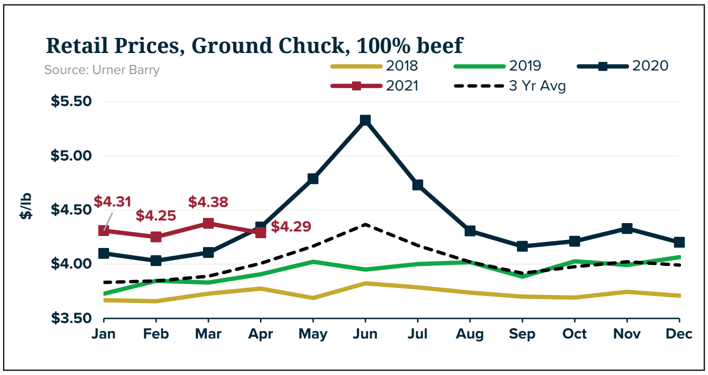
Australian imports are down and continue to struggle with cattle supply and higher prices as they re-emerge from a multi-year drought. Australia remains a major beef supplier to Asia.

NEW ZEALAND

New Zealand has historically been a key supplier of beef to the U.S. and this year was no exception. New Zealand imports remained one of the most consistent sources for the U.S. in 2020 and so far in 2021—but it has not been without its share of challenges. Problems with logistics, particularly around availability of shipping containers and issues at the ports, have all impacted the U.S.'s ability to draw more material out of the region. It is important to note that availability of shipping containers to go to the U.S. has been especially light during the peak of the highly-seasonal New Zealand cow production.







NICARAGUA, COSTA RICA and HONDURAS

Nicaragua supplies most of the beef from this region, representing 88% of overall Central American imports thus far this year. Imports from Nicaragua are down 21% on a year-to-date basis. Hurricane Iota in November 2020 seemed to start the rate of reduced shipments as the storm ravaged roads and infrastructure necessary to move cattle and beef. Lower imports have generally persisted since then.

ARGENTINA, URUGUAY, IRELAND and MEXICO

At .06% of total U.S. boneless beef imports, Argentina represents a relatively small percentage of imported beef supply. However, Argentina is the second largest supplier of beef to China. And when Argentina announced the suspension of beef exports for a 30-day period, it added further strength to an already firm U.S. imported grinding market as traders speculated that China would source more beef from major U.S. trading partners.

Uruguay, who at one point was the second largest supplier of imported beef to the U.S., now largely focuses on valued added product, including material with organic and grass-fed claims. China is also a major customer of Uruguayan product.

Over the years, Mexican product has become more prevalent in the U.S. marketplace. That said, Mexican boneless beef imports are down slightly on a year-to-date basis. At 1,437 MT on a year-to-date basis, Irish grinding material has seen an increase of 12% compared to a year ago levels.

U.S. GRINDING MATERIALS

The U.S. market has seen higher supplies of lean grinding material from the domestic cow sector, U.S. cow and bull slaughter is running about 5% over 2020 levels and average dressed cow weights so far this year are about five pounds heavier than the same period last year. It is widely believed that imported beef values have been supportive to the market for U.S. domestic lean boneless beef.

Boxed beef items that can sometimes be used as a grinding material have generally not been in formulation so far this year. This can be a seasonal phenomenon most commonly occurring in the hotter summer months when retail demand for chucks and rounds are limited. This creates opportunities for grinders to secure cuts at better point-per-lean values than other items. In 2018, the point-per-lean value of peeled knuckles fell below fresh 90s 8 weeks of the year. In 2019 and 2020 it occurred 12 and 9 times, respectively. It has yet to occur in a significant way this year although it is still early in the season.

DEMAND

It is not just the constrained imported beef supply that's been at work in the marketplace. Consumer demand has also been active. Since imported beef has major exposure to quick service restaurants, which continued to deliver meals in a drive-through format, COVID-related demand shifts have been more muted versus what other items that have more exposure to white tablecloth restaurants have seen. At retail, ground beef demand has been generally brisk over the past year as consumers cooking at home were drawn to the convenience and ease of preparation that ground beef dishes offer. A look at values for ground chuck reveals retail and wholesale ground beef prices have advanced versus year ago levels.

PRICES

The lack of offerings has been supportive to imported beef price points. For example, average year to date trading levels of East Australian/New Zealand Blend Cow 90s are $247 versus $230 for the same time last year. Central American 95% BM is also trading over 9% higher from 2020 year-to-date levels. For much of the year, overseas replacement costs have been leading U.S. FOB prices higher. While there are times of year that imports have traditionally traded at premiums to domestic, Australian/New Zealand imported beef has consistently been premium to fresh product, with current premiums about 4% versus 1.8% for the 3-year average. As we move to the second half of the year, traders work to weigh market risk at current price points with the prospect of running short on raw materials. UB

COVID-19 still impacting boneless beef

©Lisovskaya / iStock / Getty Images Plus

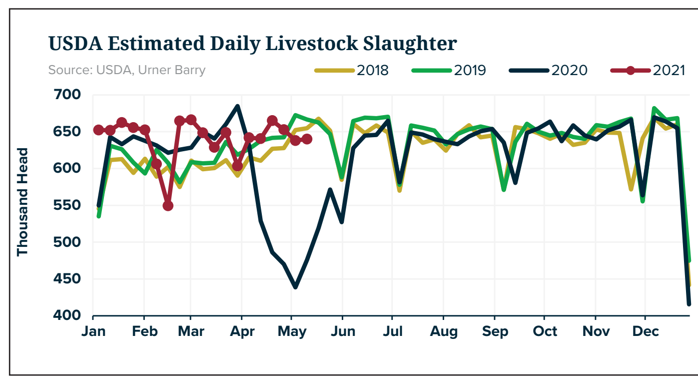
By **Bill Smith**
bsmith@urnerbarry.com

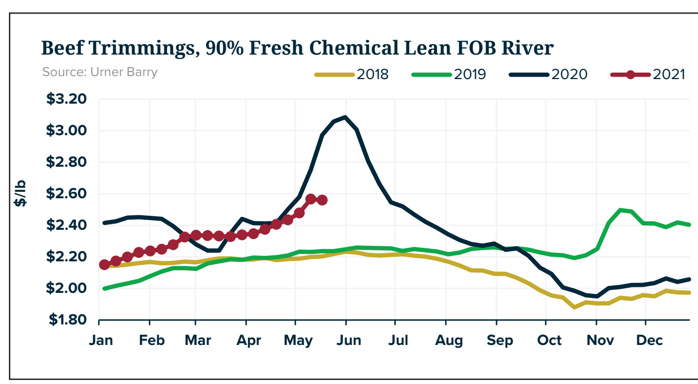
The domestic boneless beef market has been mixed so far in 2021. COVID-19 issues are still a key topic of conversations. According to the most recent USDA *Estimated Weekly Meat Production Under Federal Inspection* report, the year-to-date cattle slaughter numbers are currently up 7.5% compared to same time last year. Cattle live weights are currently down about 11 pounds, beef production is up 8.6%.

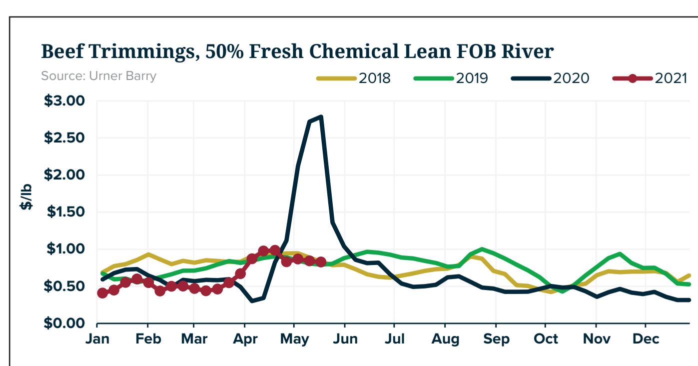
Fresh 90s have experienced a steady upward trajectory throughout most of 2021 so far. Strength in that market could be attributed to a combination of tighter supplies and stronger demand. In most instances prices for the leaner boneless beef has been at a discount to last year; it has consistently been at a premium in the previous four years. The monthly average price for both January and February were both at a discount compared to last year. March, on the other hand, was basically steady with last year. Federally inspected cow and bull numbers for the first quarter were mixed when compared to last year. January was up big while February was down big. March was up a little. Buying interest has been fairly active. So far this year import arrivals from major suppliers of grinding meat are mostly lower. Australia is down about 39% and New Zealand is about 3% lower than the same period for 2020.

Fresh 50s opened 2021 with the monthly average price for January being down 27% compared to January 2020. February was also weaker with the monthly average price dropping to $49.70/cwt; 11% lower than last year. March prices were down slightly compared to February, down 8% relative to the same month in 2020. Availability for the fresh 50s has varied noticeably from packer to packer throughout the first quarter of 2021. Demand is expected to improve as we head into the summer grilling season.

There is still a lot of uncertainty in the domestic boneless beef market going forward. Availability of both domestic and imported product is still largely unclear. Demand from most sectors has been active but some participants have started to question how long that will last. State-by-state COVID-19 restrictions are still changing almost daily. UB





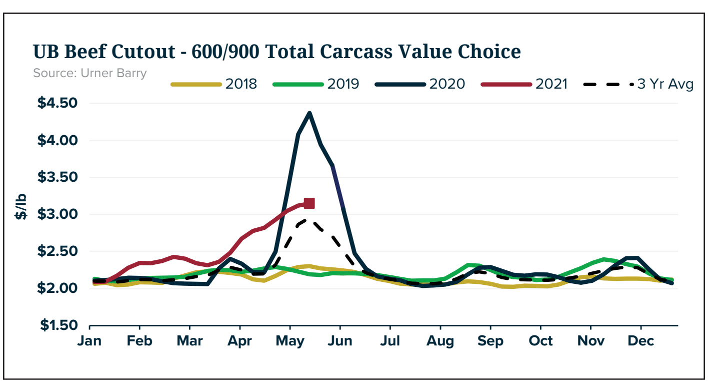


Price inflation across proteins has many items at historical or near-record levels

By **Gary Morrison**
gmorrison@urnerbarry.com

As we look back one year ago to our last market analysis edition, the world was sitting in a much different state than it is now. But in May 2021 the world is still dealing with the virus, albeit in a much better spot than last year. The pace of vaccinations in the United States has increased and COVID-19 cases are dropping, allowing most states to remove mandates with only a few holdouts left. The developments, however, remain shocking and it is safe to say that no one could have predicted the run up to where we sit today. A confluence of factors has pushed all boxed beef items to historical or near record highs.

The supply and demand shocks seen during the height of the pandemic caused prices to almost move up parabolically driven by the run on the supermarkets while slaughter facilities were shutting down to keep workers safe. Prices returned quickly to more seasonal norms once slaughter levels returned to normal levels. The trend remained seasonal for the most part throughout the balance of 2020, but prices have accelerated in the new year, with the pace of gain quickening over the last 30 to 45 days, catching most in the industry off-guard.



UB Beef Cutout - 600/900 Total Carcass Value Choice
Source: Urner Barry

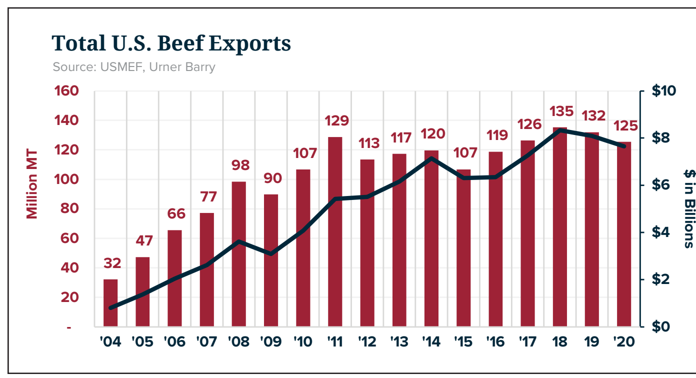
DEMAND

The first thing we will look at is demand, which has been robust during the pandemic. This was the first recession in history that the savings rate ticked higher as many called this a "health recession" over a "financial recession." The major stimulus packages handed out in the U.S. (and everywhere), along with enhanced unemployment benefits, helped those who lost their job. This has continued with most federal benefits going into September 2021. And while this has had some unintended consequences that we will discuss later, it has helped put money in pockets of consumers willing to spend on high-quality protein, and more of it.

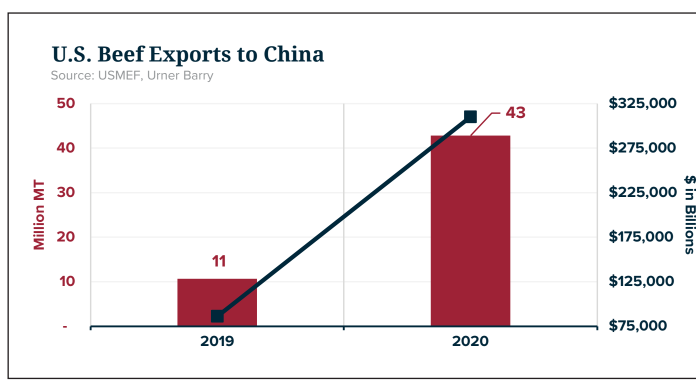
Retailers had a captive audience throughout and consumers shifted their habits and patterns, as things like filet mignons, strip loins, and even crab legs and lobster tails became popular. At a certain point, retailers could not keep these items in and that trend seems to be continuing.

The second leg of the demand is the reopening trade seen around the country. Certain states and municipalities started to lift restrictions much sooner and faster than many expected. Now, as we head into the warmer weather, vaccination numbers increase, and COVID cases decrease, there has been a flurry of states that have lifted nearly all restrictions. Foodservice operators are now preparing for what they expect to be a flurry of activity.

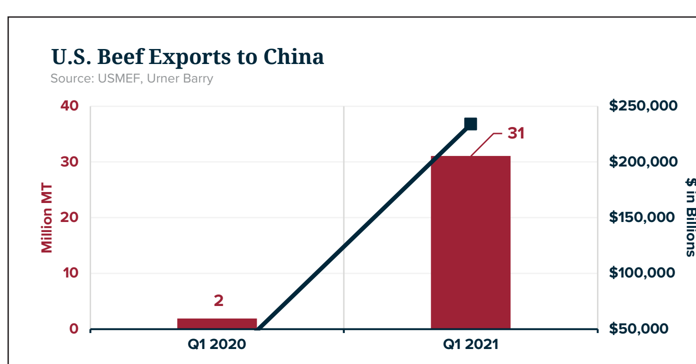
Continued on page 28



Total U.S. Beef Exports
Source: USMEF, Urner Barry

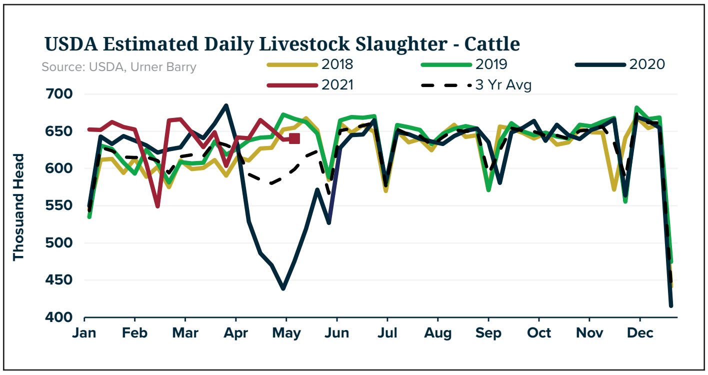


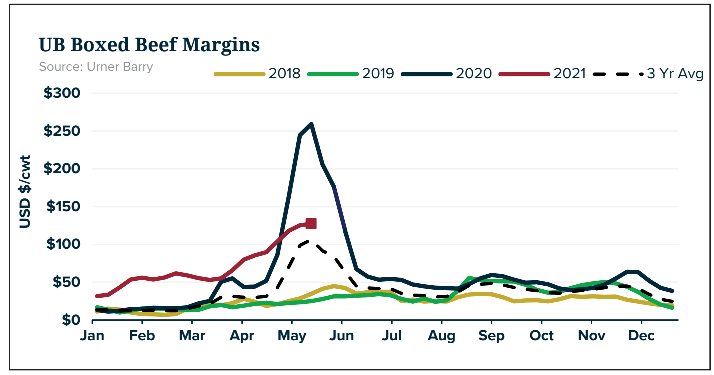
U.S. Beef Exports to China
Source: USMEF, Urner Barry



U.S. Beef Exports to China
Source: USMEF, Urner Barry

Continued from page 27





There is going to be a rebalance of buying patterns at some point between retail and foodservice buyers, but at this point both are operating under the assumption that they will garner most of the consumer interest and are procuring product in that fashion.

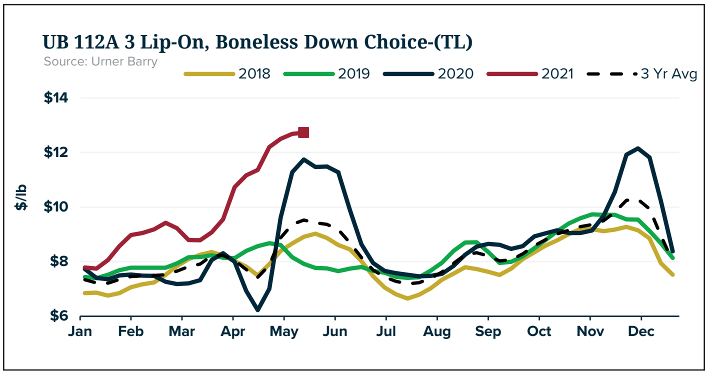
The final part of demand that has surged is the export markets. The numbers show a year-over-year decline that was a function of the trade flow issues in 2020. But if we look closely, it is really being driven by the gorilla in the room: China. The need for protein has pushed gains to new heights. As we sit here at the end of Q1 2021, exports to China are in the fourth spot behind Japan, Korea, and Mexico.

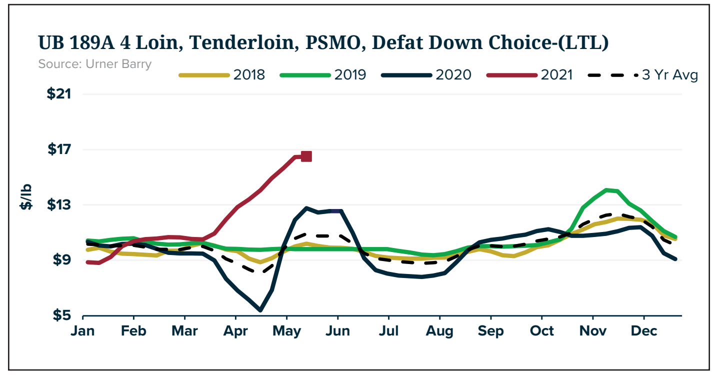
This looks like it is going to continue for some time. China needs to feed its people against the backdrop of African swine fever still swirling. In addition, Argentina has recently announced a 30-day ban on beef exports to try and stop runaway inflation. This takes a key player out of the market.

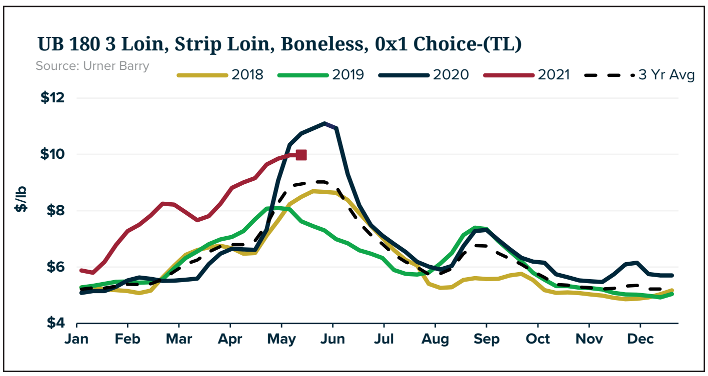
SUPPLY

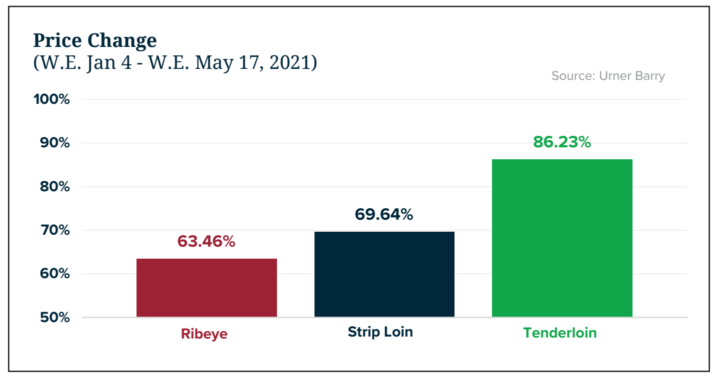
Now we can talk about the supply situation this year. Labor challenges have hit almost all industries and is top-of-mind for everyone. Some have speculated the stimulus and unemployment benefits is the main driver, and packing plants are no different. Even in the best of times there is a struggle to get workers, but it has been bad.

It is said that to meet the current level of demand for the industry, we would consistently have to kill 660,000-665,000 head weekly. The industry is struggling to hit 650,000; and has averaged 641,000 head so far this year. You can see how far the gap is.









"There is a significant imbalance in the supply and demand of the boxed beef market."

ITEMS

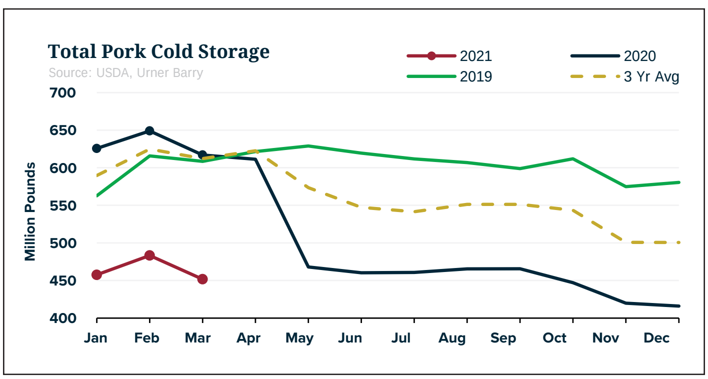
These are just a few of the common grilling items that are extremely high, or at records. Ribeyes and tenderloins are elevated to levels not seen in history. Strip loins are close.

There is a significant imbalance in the supply and demand of the boxed beef market. This is usually cured as high prices push buyers to competing items and/or proteins. But the reality is that price inflation is seen across all proteins so there is nowhere to turn. UB

Pork enters summer with red hot prices

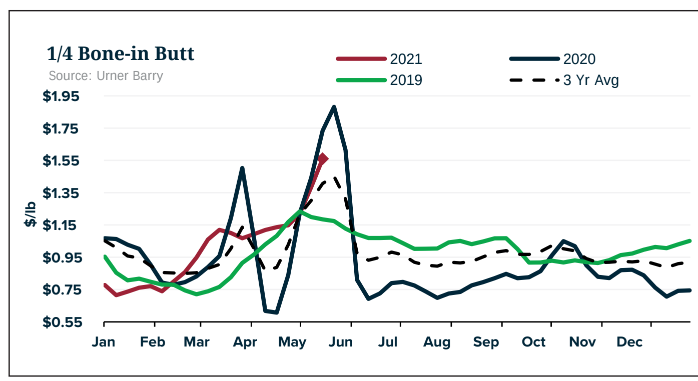
By **Russell Barton**
rbarton@urnerbarry.com

The pork market is approaching the summer under an unprecedented set of conditions. The three Summer holidays—Memorial Day, 4th of July, and Labor Day—are historically the biggest demand periods for pork products, and many of the key sought-after pork items are trading at or near record highs. The price support has come from a confluence of factors, including strong exports, labor scarcity, thinning production, limited cold storage stocks, and the reopening of foodservice establishments.



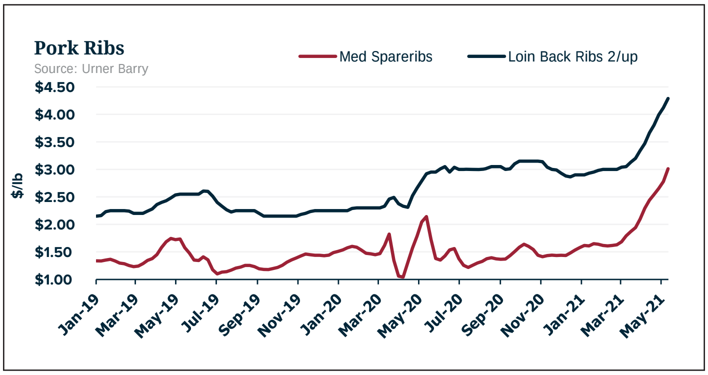
©AlexRaths / iStock / Getty Images Plus

Sausage, pulled pork, and ribs are three of America's favorite summer food items, whether they are cooked at home, or purchased from a foodservice establishment. And the wholesale prices behind these items have essentially done nothing but rise since the beginning of 2021. Within pork trimmings, the values of 42s, 72s, and boneless picnics—the common ingredients in many sausage items—are all at elevated levels, competing with that of last year and the record prices hit during the Porcine Epidemic Diarrhea virus (PED-v) outbreak of 2014. Both bone-in and boneless butts are trading at levels second only to those of last year when COVID-19 outbreaks in a number of pork plants resulted in a dramatic decline in pork production. Rib prices on the other hand, whether spareribs, St. Louis style or back ribs, have all far exceeded those lofty 2020 levels and established new all-time highs.

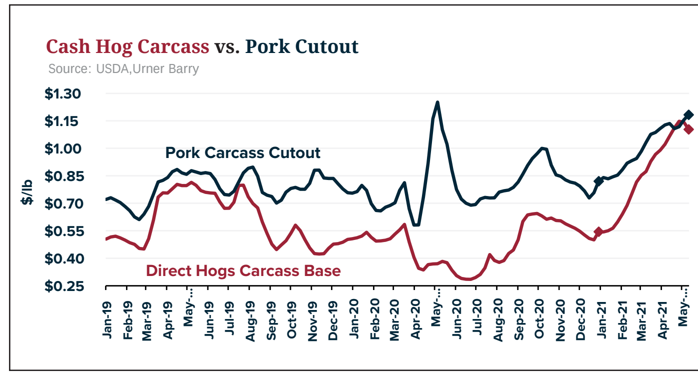


At the time of this writing, spareribs had recently breached the $3/lb. mark for the first time in history, which for the Urner Barry quotation extends back to 1992. In line with this historical rally, St. Louis and back ribs are both also at record highs, with each trading over $4.20/lb. For reference, in mid-May of 2019, spareribs were $1.74/lb., St. Louis ribs were $2.50/lb, and back ribs were $2.55/lb. 2019 was pre-COVID, so a "normal" year in that respect, but in actuality it was highly influenced by strong demand from China due to their African swine fever outbreak.

> "Low cold storage inventories and an equally worrying lack of available labor, not only in packing plants, but all throughout the distribution chain, was highly concerning."



©tvirbickis / iStock / Getty Images Plus



Finally, who can forget America's sweetheart—bacon. Whether in Bacon-Lettuce-Tomato sandwiches, topping a burger, or wrapping a scallop, bacon typically sees a high degree of demand during the summer. Pork bellies spent all of March and April at record price levels, and only briefly traded below 2020 values in early May before again establishing new year-over-year highs. At the time of writing this, bellies were trading roughly 90% over the same time in 2020 and 30% over 2019.

As has been mentioned earlier in this piece and in pork articles preceding it, the industry found itself in an uncomfortable position due to a number of factors all influencing the market at the same time. Low cold storage inventories and an equally worrying lack of available labor, not only in packing plants, but all throughout the distribution chain, was highly concerning.

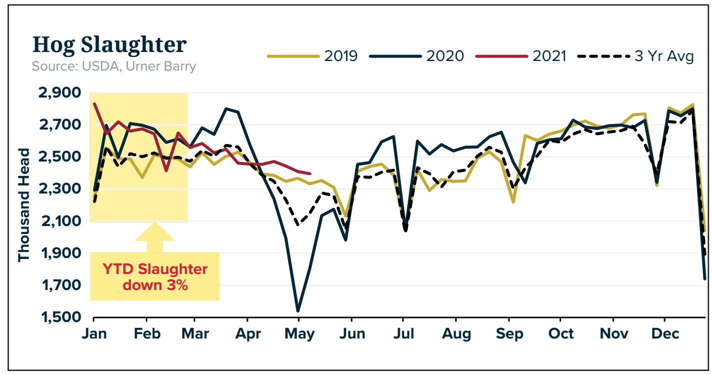
A rally in hog prices, rivaling the rise of any of the above-mentioned cuts, resulted in lighter slaughter schedules as margins were squeezed. This was all happening while America's restaurants and institutions gradually turned the lights back on after months of shutdowns, leaving the industry attempting to fill the already strong retail and export demand, alongside that of the reemerging foodservice sector. UB

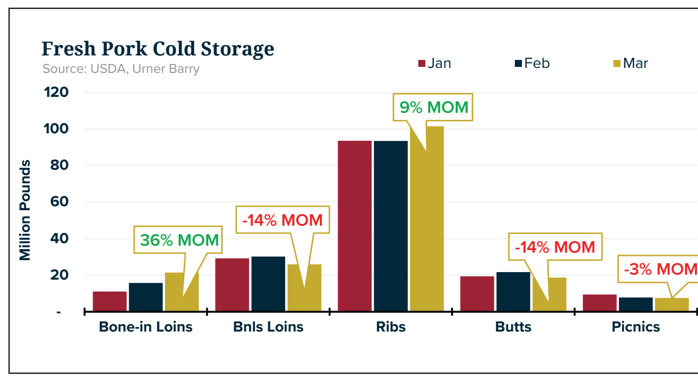
Retail Pork: A volatile start to 2021

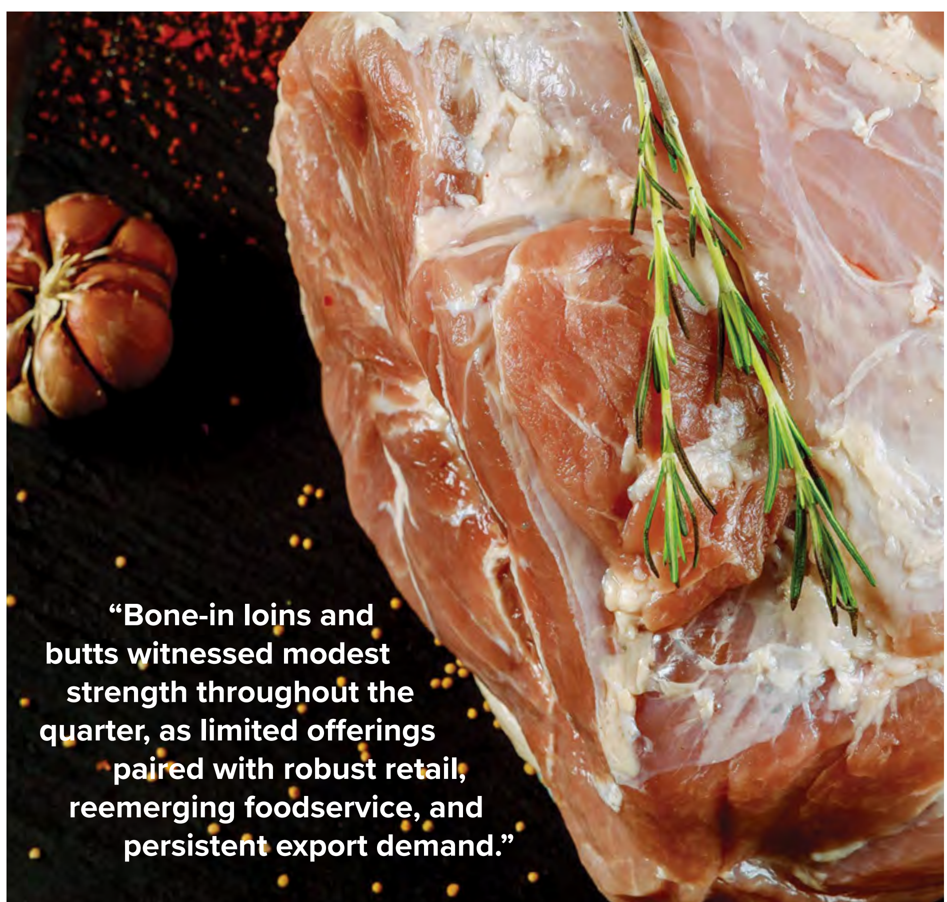
By **Russell Barton**
rbarton@urnerbarry.com
and **Chloe Krimmel**
ckrimmel@urnerbarry.com

Throughout the first quarter of 2021 and most of the prior year, wide ranges and a significant degree of instability were noted throughout the fresh pork complex. Cold storage limitations, increases in shipping delays, and persistent labor constraints resulted in heightened unpredictability and thin offerings at most locations for the entirety of the first quarter. January and February also witnessed substantial winter weather, lowering slaughter levels more than predicted, delaying trucks or preventing shipments altogether, as well as closing processing locations for an extended amount of time—particularly in Texas.

Hog slaughter and cold storage were significantly impacted from not only COVID restrictions, but the winter storms in January and February. A 3% or 1 million head decrease was noted year-to-date for the first three months of 2021 compared to the respective time for 2020. From February to March, pork in cold storage witnessed notable month-over-month declines across a number of key items as the quarter ended. Boneless loin stocks in freezers were down







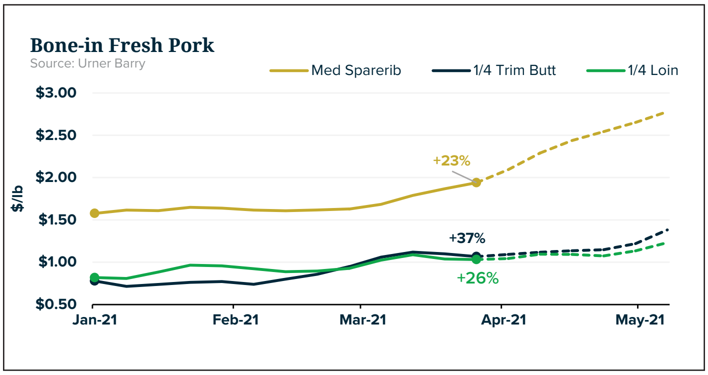
©500 / iStock / Getty Images Plus

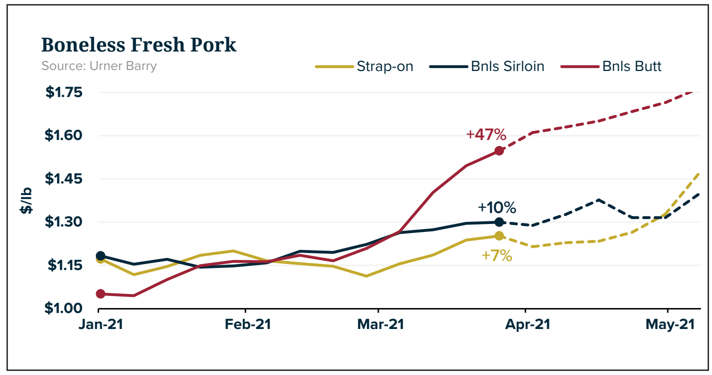
14%, butts down 14%, and picnics down 3%. Bone-in loin supplies were in surplus at points throughout the quarter due to boning line constraints, leading to a month-over-month increase of 36%.

Bone-in loins and butts witnessed modest strength throughout the quarter, as limited offerings paired with robust retail, reemerging foodservice, and persistent export demand. Overall, the ¼" bone-in loins gained around 26% from January to March, yet still averaged .4% lower for the quarter versus the same time last year. Similar to loins, bone-in butts were weaker by around 7% year-over-year in 2021 but gained in strength as the quarter progressed, averaging $88.10/cwt compared to $99.24/cwt in 2020.

The record setting rally in rib prices that began in 2020 continued well into 2021. Medium spareribs witnessed strong demand amid limited freezer stocks, creating a year-over-year increase of 9.5% for the quarter. At the time of writing, this rally has yet to slow with spareribs breaching the $3/lb mark in mid-May.

With continued conversion line constraints noted, wide ranges lingered for many of the boneless components. For the first quarter, boneless strap-on loins, boneless sirloins, and boneless butts all witnessed year-over-year gains averaging 2.2%, 9.4%, and 6.8%, respectively. Throughout the quarter, foodservice demand increased with states gradually reopening all while freezer stock and production limitations persisted. This led to January through March gains of 7%, 10% and 47% for strap-ons, boneless sirloins, and boneless butts, respectively. UB





Large premiums in the by-product market

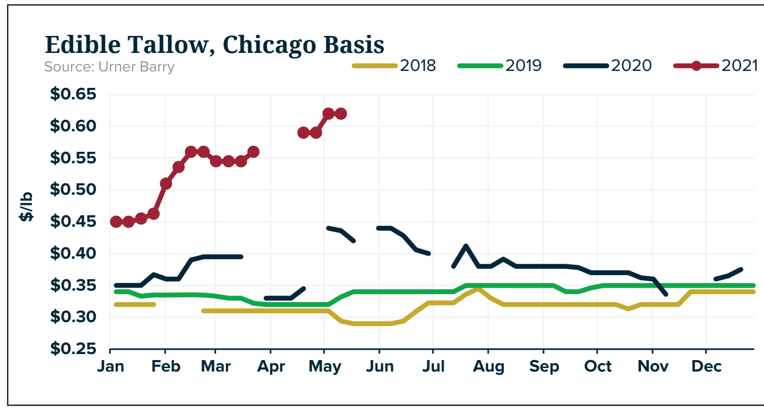
By **Bill Smith**
bsmith@urnerbarry.com

The pandemic has impacted the by-product complex in many ways. Both supplies and demand have clearly been influenced. One of the larger areas of concern for buyers and sellers alike seems to be centered around labor issues.

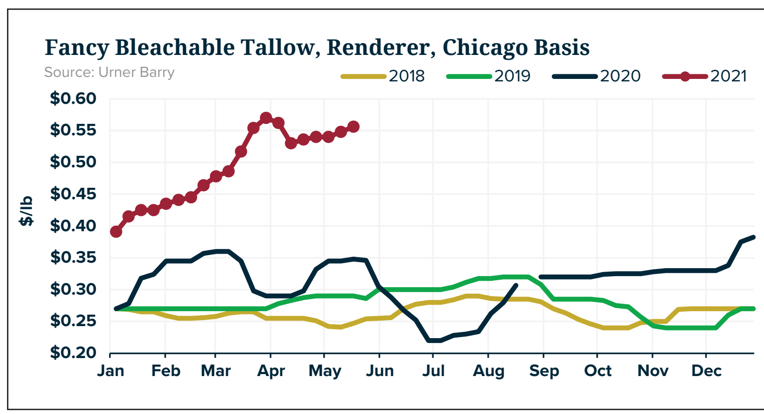
Beef production is up almost 7% compared to last year. However, keep in mind the weekly average kills for 2020 from mid-April until the end of May were significantly lower last year due to COVID-19. Pork production is currently up almost 3% for the same time.

Loose lard and edible tallow are the two edible items on the by-product report. Loose lard was steady to firmer throughout the first quarter of 2020. Prices were well above the monthly average price levels for the previous five years. Edible tallow traded at higher prices compared to last year throughout the first quarter. The monthly average prices were 27%, 42% and 51% respectively for January, February and March compared to last year. April was up 72% year-over-year.

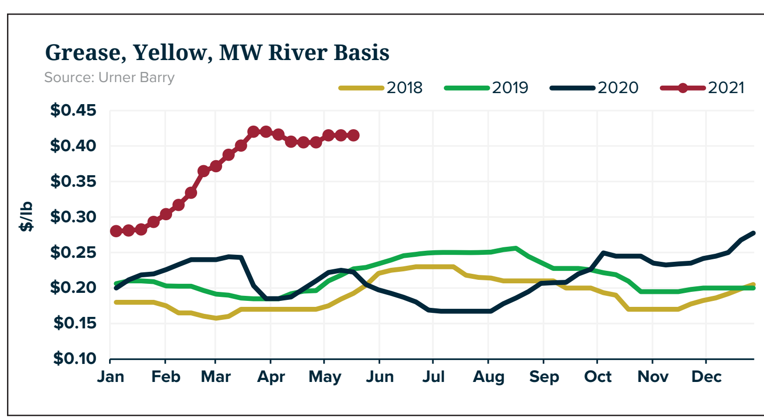
The first four months of 2021 saw prices for both renderer and packer tallow easily exceed price levels each month relative to the comparable month for the previous five years. In both cases prices trended higher with a few exceptions where the market seemed to take a breath to evaluate market conditions and then trend higher again. Inedible tallows markets are expected to continue to trade at a premium to last year, but some participants are already questioning how long these large premiums to previous years will last.



Edible Tallow, Chicago Basis



Fancy Bleachable Tallow, Renderer, Chicago Basis



Grease, Yellow, MW River Basis

Choice white and yellow grease prices have been stronger so far this year. There was a five-week period in March and April were both choice white and yellow grease both traded at price levels that were over double the price compared to the equivalent week in 2020. Strength in those markets was largely attributed to tighter supplies due to a combination of issues surrounding the pandemic.

How long will the strength in the by-product market last? We are now about halfway through Q2 and the overall sentiment of the market is still steady to firmer. UB

Prospects for Wild Caught Argentine shrimp

By **Michael Nesbitt**
mnesbitt@urnerbarry.com

The Argentine red shrimp complex continued to display a firm bias throughout the second quarter of 2021.

While recent harvest efforts have been hindered by both political and pandemic related issues, several factors have elevated market sentiment in recent months.

New trade dealings with Brazil, the gradual reopening of key markets in Europe, and a replenished shrimp biomass are all factors that could galvanize Argentina's wild caught shrimp fishery post-COVID.

PRICE

As is the case with many seafood items tracked by Urner Barry, Argentine red shrimp has been subject to intense inflationary pressure over the last year.

Argentine red shrimp price points remain well above pre-pandemic levels, with supply constraints supporting offer levels for both land and sea frozen product. While demand across key markets in southern Europe is reportedly trending higher, trade volumes remain low due to limited stock. As of May 17, the average price for sea frozen L1 (10-20 count/kg) had increased by 72% in comparison to levels 12 months prior.

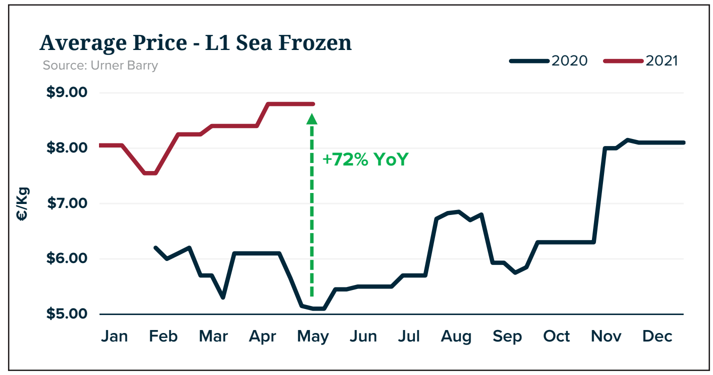
SAFETY NET

While Argentine red shrimp traders continue to face several uncertainties, the first certified shipment of shrimp to Brazil in eight years has amplified market prospects.

Given global trade uncertainties, the reopening of the Brazilian market in 2021 is expected to help offset potential demand dips across key markets—such as southern Europe and the Far East—both of which halted orders during the height of the pandemic, thus providing somewhat of a safety net for future demand.

Announced by Argentina's Ministry of Agriculture, Livestock and Fisheries and Brazil's National Service of Agrifood Health and Quality (Senasa) in the first quarter of this year, the reopening of the Brazilian market has the potential to stimulate Argentina's wild caught shrimp industry.

Certified on April 16, suppliers from Mar del Plata sent a total net weight of 23.3 tons of wild caught shrimp consisting of 1,231 boxes of frozen shrimp tail, 14 boxes of frozen whole shrimp, and 84 boxes of deveined peeled shrimp. By most accounts, the trade development is substantial for the industry, particularly for value added/IQF shrimp demand.



> **"...the first certified shipment of shrimp to Brazil in eight years has amplified market prospects."**

BIOMASS

Recent reports have chalked the positive response up to a reduction in fishing pressure.

In recent years, the National Fisheries Research and Development Institute has warned about the excessive increase in the number of boats in the Argentine Sea and the subsequent impact on the maturation process of wild caught Argentine red shrimp—one of several reasons that has hindered the fisheries efforts for Marine Stewardship Council accreditation.

However, given the decline in harvest activity due to COVID, political issues and poor weather, combined with the large number of areas closed due to a high presence of hake, recent prospecting has detected large concentrations of mature shrimp with levels of L1 size shrimp near Rawson, well above previous campaigns.

According to a shrimp reproduction study in March, there was a density of 235 tons (t / mn^2) in the San Jorge Gulf in the province of Chubut, compared to previous studies in 2018, 2019 and 2020 with values of 72, 65, 51 tons, respectively.

Biomass evaluation challenges still need to be addressed. While the report may suggest greater concentrations of shrimp in that specific area, some officials have suggested that the biomass for the entire evaluation was overestimated with 2021 concentrations near 2020 levels.

The supply pipeline looks somewhat more stable in comparison to recent years, though new markets such as Brazil will add another layer of competition. Potential union/labor issues also need to be considered when assessing future supply. UB

Shrimp imports continue to set new records

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

We are a bit unsure where to start so let's just begin by presenting some facts. In 2020 the United States imported a record 1.65 billion pounds of shrimp; an increase of 105 million pounds or 6.8% over the 2019 total of 1.54 billion pounds. This is the seventh-straight year we have seen year-over-year growth in shrimp shipped to the U.S. To add some perspective, this level of import flow, also accounting for domestic catch and exports, means that there was 5.2 pounds of shrimp available per capita; 0.27 pounds more than in 2019.

India remained the top supplier of shrimp to the U.S. and our top nine remained intact—but there were some significant changes in volume from certain countries. Changes among the top three included a nearly 4% decline from India, which lowered their market share from 40% to 36%; a 21% increase from Indonesia (21% share) and a 52% increase from Ecuador (17% share).

COVID-19

Much has been written about the impact of COVID-19. The timeline and shift in demand are well chronicled, but the real impact—what we did not anticipate—were the collateral issues created by the pandemic. Overseas production, trade disputes, container shortages, extensive logistical challenges, the shift in cost structure, adoption at retail, resilience of the restaurant sector, pace of recovery, etc. were all issues facing the industry.

THE TOP SHRIMP SUPPLIERS

India's struggles with COVID-19 have been well documented and resulted in the first year-over-year decline in shipments in 11 years. The annual total from the country fell to 599 million pounds; a 3.8% decline from a record 2019. Still our number one trade partner accounted for 36% of all shrimp imported into the United States, down from 40% in 2019. Shipments of both shell-on (-7.8%) and peeled (-11.1%) declined, while they shipped more cooked (+66.1%). India remains the top supplier of peeled shrimp to the U.S. but is now the number one supplier of cooked shrimp too.

Indonesia picked-up much of the slack for India, boosting shipments 21% or 61 million pounds. This was the 10th straight year they boosted shipments to reach a record annual total of 354 million pounds. Indonesia was once again the second largest supplier of shrimp to the U.S. market, but Ecuador certainly made-up ground. Indonesia increased shipments of shell-on (+29.6%), cooked (+38.5%), and breaded (+87.3%). But much like India, shipped less peeled (-3.3%) into the U.S.

Ecuador increased shipments to the U.S. by an astounding 52% or 94 million pounds! This country is the third largest trade partner, closing ground on number two and distancing itself from number four. The U.S. continued to be a favored trade partner, one which was heavily relied upon when rifts with China flared-up. The proximity to the United States and the ability to meet needs makes it a natural counterparty. Shipments of shell-on shrimp from Ecuador gained an impressive 50.6%, and an equally impressive 51.4% increase in shipments of peeled shrimp as the country continues to expand its value-add capacity. Ecuador is now the number one supplier of shell-on shrimp to the U.S.

Vietnam had modest growth this year; they shipped 9.4% more or an additional 12.6 million pounds to reach 146 million pounds. Vietnam sent a lot less shell-on (-35.3%), which is not a major priority for them, and 7.4% less peeled. Like most other major producers, Vietnam increased shipments of cooked (+40%). India edged-out Vietnam as the top supplier of cooked shrimp. Breaded shipments were marginally lower.

Thailand continues to ship less shrimp into the U.S. Once our top supplier, they have now reduced shipments in each of the last four years. They reduced shipments to the U.S. by 4.3% or four million pounds. Thailand sent less of all types of shrimp except breaded.

THE PRODUCT MIX

Total shrimp imports to the U.S. in 2020 were 6.8% higher than the previous year, but there was a clear shift in product mix due to the challenges and opportunities presented by the pandemic. Peeled shrimp imports declined but continued to be the number one category in terms of volume into the U.S. In 2020, that total was 656 million pounds, down 2.8%. Shell-on imports were 9.6% higher, cooked was up 39.1%, and breaded shrimp unchanged.

Shell-On: The volume of shell-on imports, including easy peel, increased 9.6% in 2020, with most of the gains seen in 31-40 and larger count shrimp. The gains in this category may appear inconsistent with the shift from foodservice to retail given the latter's preference for more value-added shrimp. However, keep in-mind that the data does not differentiate between HLSO and easy peel. We are assuming two things 1.) that much of the gain in supply was in the easy peel form for retail and 2.) that much was in the HLSO form from Ecuador, who looked at the U.S. as an outlet when they could not ship to China. Replacement values (imports $/lb.) for shell-on shrimp fell for the third-straight year, down 3.2% or $0.12/lb.

Continued on page 38

Continued from page 36

Peeled: Imports of peeled shrimp declined 2.8%, or 18.8 million pounds. India, because of their COVID-19 concerns, shipped 44 million pounds fewer. Indonesia (-3.3%), Vietnam (-7.4%), and Thailand (-19.1%) also shipped less, but Ecuador stepped-up and shipped an additional 34 million pounds, 51% more than the prior year. Replacement pricing (import $/lb.) for peeled shrimp was basically unchanged at $3.91/lb.

Cooked: Cooked (warm water) imports surged 39.1% in the year as traffic shifted away from restaurants and into retail. The demand associated with this shift resulted in sharp increases from all our major suppliers; India (+66.1%), Vietnam (+40.0%), and Indonesia (+38.5).

Breaded: Imports of breaded shrimp were basically unchanged from a year ago but there were some major differences in where the product shipped. Last year's top supplier, China, shipped 47.3% less, but Indonesia (+87.3%), Thailand (+11.5%) and Ecuador (+99%) all shipped more.

THE SHRIMP MARKET

Farmed White: In general, the market was pressured for the entirety of the year except for a brief period around the summer months. The headless shell-on shrimp category was the most pressured given the fact it fell out of favor with buyers (it is predominately a restaurant item) and the large influx of shrimp from Ecuador. The peeled shrimp category moderated but maintained a lot more value than the HLSO category. Cooked shrimp found a great deal of support from the retail sector.

Farmed Black Tiger: Black tiger shrimp values had been under pressure for nearly two years (2018-2019) prior to staging a sort-of rally in Q1 2020. These products failed to garner widespread interest where farmed white shrimp alternatives existed. The Q1 2020 rally was driven primarily by interest in the very largest count sizes offered. However, as the pandemic took hold, restaurant dining suffered and so did the call for premium shrimp. As a result, market values slipped.

Wild, Gulf of Mexico: Landings in the region fell to a recorded low in 2020. The National Marine Fisheries Service reported Gulf of Mexico landings of just 70.8 million pounds; 10 million pounds or 12.4% below the January to December 2019 total of 80.8 million pounds. In addition to the 10-million-pound decline in landings, the USDA through its food assistance programs purchased 4.3 million pounds of shrimp, thereby further reducing available supply. After the swoon associated with the pandemic, the market has been on a steadily higher trajectory given the lack of supply—not only Gulf caught, but wild shrimp in general. The market is currently sitting at multi-year highs.

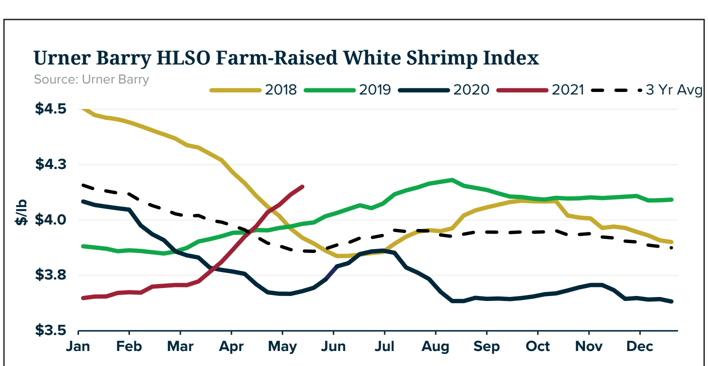
THE SHRIMP OUTLOOK

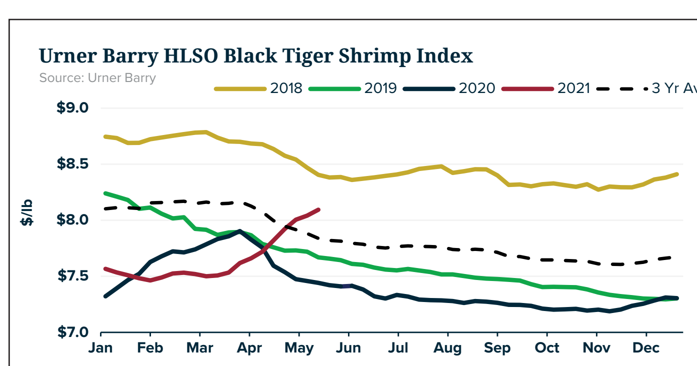
Through the first three months of 2021, shrimp imports are 9.9% higher. Imports from four of our top five supplying countries are above year ago levels. India continues to struggle (-2.6%), but Indonesia (+15.2%), Ecuador (+36.6%), Vietnam (+43.4%), and Thailand (13.7%) have all shipped more shrimp in the quarter. In terms of product form, we have imported more peeled (+13.6%) and cooked (+57.5%), but less shell-on (-7.9%) and breaded (-0.7%).

Where the market is headed, we are not certain, as this is the first time any of us have ever participated in the recovery from a pandemic. However, what we are experiencing heading into the summer is nothing short of spectacular. Demand is surging but there has been an inability to fulfill all orders given a host of supply constraints. Market values are strengthening in all categories, some sharply.

Yes, import volume is robust, but the demand component is intense as both retail and foodservice buyers share a positive outlook and are buying assuming best case scenarios. Where the market goes will be largely dependent on if or when the current logistical challenges are overcome or lessened. For now, replacement is an ongoing challenge; importers are contending with shipment delays and escalating costs associated with importing. Additionally, the fear is the prevalence of COVID-19 in producing countries like India and Ecuador and its impact on future production. UB

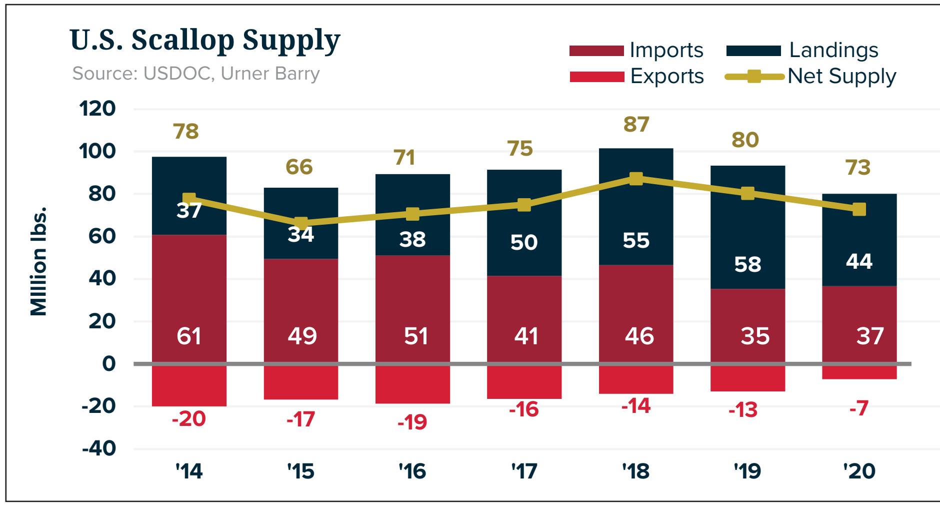
"...the real impact—what we did not anticipate—were the collateral issues created by the pandemic."





U.S. scallop supply lowest in 5 years

By **Lorin Castiglione**
lcastiglione@urnerbarry.com



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 the most valuable wild scallop fishery in the world. It's 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 33 to the Atlantic Sea Scallop FMP, which contains catch specifications for the 2021 and 2022 (default) fishing years, has been approved by NMFS for implementation including as many trips as needed to Closed Area II, Nantucket Lightship-South-Deep, and Mid-Atlantic access area, so long as vessels do not exceed possession limits, 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 allotted an additional 9,000 pounds for the Closed Area II and Nantucket Lightship-South-Deep access areas.

Due to dense aggregations of smaller sized scallops that take longer to handle and shuck in the Nantucket Lightship South area, Framework 33 will continue to allow a two-person increase in crew limit for this area only.

These allocations are projected to result in landings of about 40 million pounds of scallops in fishing year 2021, compared to the 51.6 million pounds for fishing year 2020. This drop is due to diminishing harvestable biomass, as well as not enough recruitment in recent years.

SCALLOP TRADE

Typically, China is the leading supplier of scallops into the United States, however, beginning in 2019, that title has changed. Scallop import volume from China drastically fell with the implementation of the increased 25% tariff on the imported market beginning on January 1, 2019 allowing Canada to take over as lead scallop supplier to the U.S. in 2019.

With the Canadian size mix of scallops trending smaller, as well as exporting less product during a pandemic year, 2020 set the stage for Peru to take on the title as lead supplier of scallops into the United States for the first time. Peru accounts for 22% of the 36.5 million pounds of scallops imported into the U.S. in 2020, while Canada accounts for 21.1% and China accounts for 19.2%. When comparing 2020 to the previous 5-year total average of 44.7 million pounds, 2020 falls 20% below average.

Export activity has been falling year-over-year since 2017 and is at 7.2 million pounds for 2020. Last year was the lowest volume on record since 5.2 million pounds was recorded in 1999. Canada remains our largest export destination, accounting for roughly 48% of the 2020 exports while the Netherlands (12.9%) is the second major export destination.

Slightly more imports, fewer landings, and a decline in exports resulted in a decline of our net supply. Our net supply calculation suggests an annual total of nearly 72.3 million pounds compared to 80.3 million in 2019. Despite the retreat, the 2020 net supply is still within range of previous years.

THE MARKETS

Scallop pricing throughout 2020 wavered away from the seasonal pricing trends we have seen in previous years. At the start of the season, wholesale prices were softening earlier, but then firmed up faster in the middle to end of summer, especially on larger sized scallops where supply has been the most constrained.

While larger sized scallops saw upwards pressure due to a drop in landings, 10/20 counts also rebounded fairly quickly. This is a versatile size that lends itself to not only foodservice and restaurant sectors, but also to the retail level as well. Demand for this size has attributed to the strengthening here. The average price paid for an all/natural domestic U10 count sized scallop in 2020 was $14.64/lb., while 10/20 count sized scallops averaged $11.89/lb.

The 2020 Canadian season proved to be challenging driven by the uncertainty around COVID-19. Fisheries and Oceans

Canada increased the TAC 8% from 2019 to 6,540MT. Seasonally, Canadian prices remain firm until the U.S. season begins in April, however prices remained elevated for much of the year driven by lack of supply on larger sizes scallops with growing retail demand. The average price paid for a 10/20 count Canadian sea scallop in 2020 was $10.93/lb.

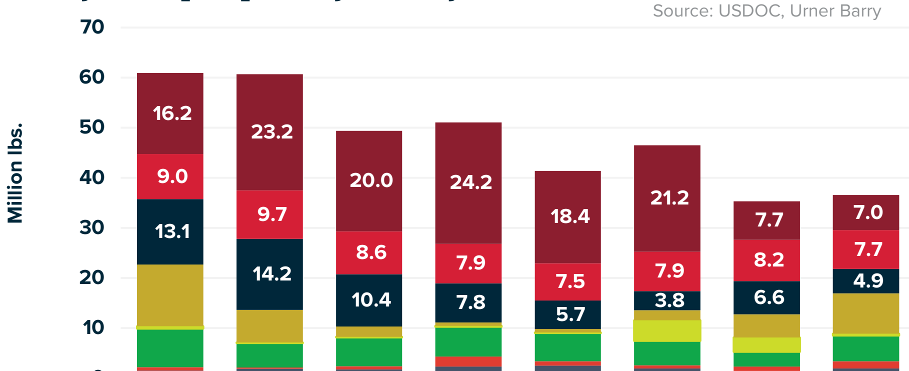
Production of China bay scallops were not heavily impacted by COVID-19 due to the timing of the harvests, however, tariffs and increasing labor costs overseas have caused prices to strengthen across all sizes. Smaller sizes have found new applications in live, dried, and cooked products within the domestic Asian markets, leaving less product for export opportunities.

LOOKING FORWARD

The 2021 scallop season is well underway, and landings continue to trend on the smaller side. Typically, prices begin to soften a few weeks after the April 1 season open, however, as of the end of May, the market continues to carry a firm undertone with most sizes boasting record or 52-week highs. With the larger U10 sized scallops being the most constrained, demanding the highest premiums, it will be interesting to see if consumers will accept these higher prices or if landings continue to trend smaller, could scallops price themselves off restaurant menus. UB

Yearly Scallop Imports by Country

Source: USDOC, Urner Barry



	2013	2014	2015	2016	2017	2018	2019	2020
China	16.2	23.2	20.0	24.2	18.4	21.2	7.7	7.0
Canada	9.0	9.7	8.6	7.9	7.5	7.9	8.2	7.7
Japan	13.1	14.2	10.4	7.8	5.7	3.8	6.6	4.9
Peru	12.3	6.5	2.1	0.7	0.7	2.0	4.6	8.0
Mexico	0.5	0.1	0.1	0.2	0.2	4.2	2.9	0.4
Argentina	7.7	4.8	5.7	5.9	5.6	4.8	2.9	5.1
Philippines	0.7	0.3	0.7	2.0	0.9	0.6	0.9	1.5
Other	1.4	1.8	1.7	2.3	2.4	1.9	1.4	1.9

©UliU / iStock / Getty Images Plus

Post-pandemic optimism for the summer

By **Liz Cuozzo**
lcuozzo@urnerbarry.com

Like many other proteins, the live lobster market faced its share of COVID-19 difficulties. The rollercoaster of uncertainty that plagued the market throughout 2020 impacted demand, inventories, and pricing. As we emerge from the COVID cloud, the outlook for the second half of 2021 looks promising.

The current landscape for the live lobster market is much different from a year ago. This time last year the lucrative Canadian spring season was getting underway amid a sea of uncertainty. Closed overseas markets, lockdowns, and lackluster demand from foodservice curtailed the amount of product that was landed and processed. With little appetite shown from processors or the live market, by mid-May the 2020 Canadian spring shore price was in a range of $3.50-$4.50 CAD. With an influx of product hitting the live market, New England select prices hit a low of $7.82 by early May 2020; 80.6% lower than the May 2021 price of $14.12.

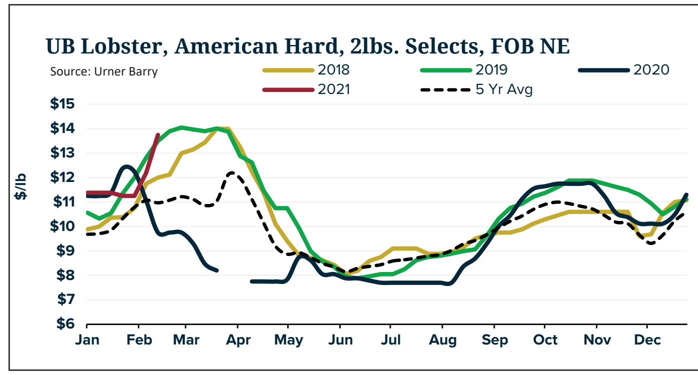
Market pricing remained depressed throughout summer 2020 and followed its typical seasonal behavior into fall. Strong demand for the Chinese Fall festival in October and the upcoming holidays fueled buying interest in larger sized selects. Since pounded inventory was drastically reduced compared to a normal year, even a reduced demand exceeded supply, resulting in firm market prices.

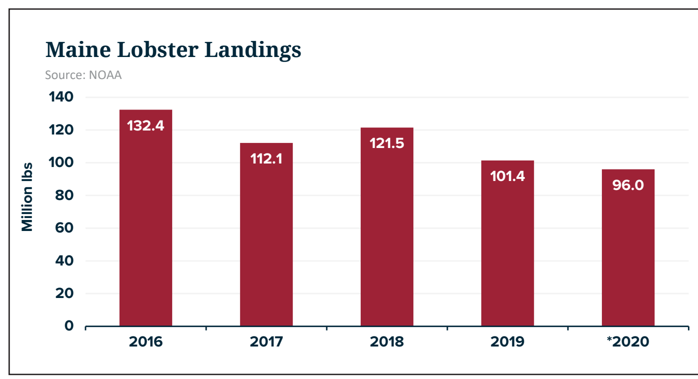
Although foodservice remained shuttered for most of the year, there were some bright spots. The emergence of the retail buyer, showing strong demand in and around calendar holidays, and direct online buying, was a lifeline for the industry. According to IRI and NPD data, lobster sales in the retail sector jumped 87% year-over-year. Another positive was the resumption of a more normal trade flow with China. 2020 live lobster exports to China registered 16.58 million pounds, a 185% increase year-over-year; outpacing their five-year average by 19.5%. While exports to China saw an upswing, overall exports for 2020 were down 13.1% year-over-year, with exports to Canada off 24.5% year-over-year. Live lobster exports to Canada for 2020 registered 41 million pounds compared to its five-year average of 56 million pounds; a 27% decrease. Recovery in the European markets has been slow.

The conservative appetite for live product in 2020 is reflected in the yearly import data. Live lobster imports from Canada for registered 46 million pounds, the fourth declining year in a row and lowest import volume recorded since 2008.

Adding to the reduced product supply, Maine landings for 2020 registered 96 million pounds; 5.1% less than 2019 and 27.2% lower than the peak harvest recorded in 2016.

Historically, the period following Chinese New Year and the start of the Canadian spring season in Q2 is when net supply and inventory shortages are the most pronounced. This certainly was the case this year. Winter weather delayed the opening of





the Canadian fishing season LFA 33-34 in December and has continued to limit fishermen's days at sea. Product availability remained tight heading into the Chinese New Year and Valentine's Day holiday. Competition for product from shippers, processors, and the live market resulted in firm market prices in Q1. Extremely limited stored product and dismal landings kept acquisition pricing, as well as market prices, robust through Q2. As we go to print, current June prices are trading well above their five-year average; 45.77% higher than the five-year average of $8.15.

As of this writing, the 2021 Canadian spring season is in full swing, with all fishing areas open. Unlike last year, we see a markedly improved environment. The COVID vaccine rollout has been widely accepted and restrictions continue to be lifted as demand from foodservice returns. The Canadian spring season shore price opened between $10-$12.00 CAD depending on the region and even fluctuated higher in certain areas, settling in a range of $7.50-$8.00 CAD; almost double the price we saw this time last season. Even at these historically high shore prices, there was an active demand early in the season from both processors and the live market. Surging demand for lobster meat and tails have processors running at full capacity. Product that is being sold is current production, leaving frozen inventories and the pipeline light. In addition, long term storage for live lobster is historically low. As landings from the Canadian spring season begin to dwindle, the Maine fishing season will be in full force come June.

As we turn the page on the pandemic, there is great optimism for the upcoming summer demand at both retail and foodservice. UB

Record pricing continues for blue swimming crab meat

By **Janice Schreiber**
janice@urnerbarry.com

Both blue and red swimming crab meat across the complex has been firming at a continual pace. As a result, all grades for blue swimming crab meat have now achieved all-time highs and all red swimming crab meat grades are at 52-week highs.

Several factors have remained constant since the end of September 2020 which have led to dramatic increases in price across the crab meat complex. The first and most prominent is an overall lack of supply from the overseas producing countries. Indonesia, the largest producing country of blue swimming crab meat, is down 13% year-to-date through March 2021. China, which produces predominantly red swimming crab meat, and Vietnam which produces both red and blue swimming crab, is up year-to-date, 55% and 56% respectively. However, these countries' volumes of meat pale in comparison to Indonesia. Through the first quarter of the year, Indonesia stands at 6 million pounds, where China is 1.5 million pounds and Vietnam is 1.3 million pounds.

Imports through March have dipped below the three-year average. The lack of available crab meat is vividly apparent in the U.S. marketplace. Since May 2020, imports have trended well below the 3-year average. This, combined with importers holding onto thinner inventories during the heat of the pandemic in the spring and summer of 2020, has led to product shortfalls in the current market for both blue and red swimming crab, and in turn some drastic jumps in price across all grades.

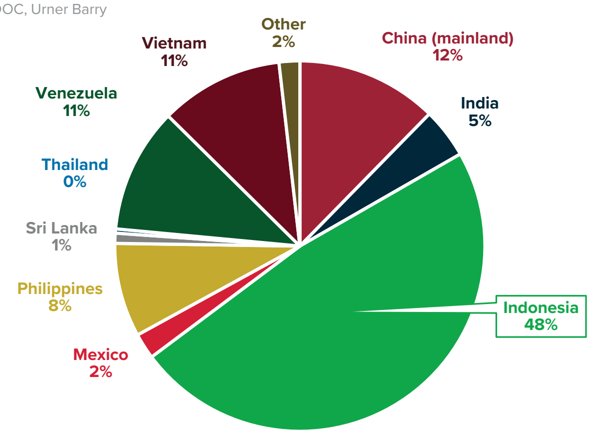
Since the beginning of 2021, pricing has shot up. For example, blue jumbo lump crab meat pricing has soared 57.5% higher and continues to climb rapidly.

Compounding the lack of available product is the constant challenges with shipping logistics from overseas, especially coming from Southeast Asia. An enormous lack of containers is at the forefront of the logistical woes. A lack of container ships and further delays once the product hits U.S. ports is reported to still be an issue.

Market participants have also reported that the size of crab in Indonesia has been smaller than what has been seen in the past. Due to the smaller crab sizes, this situation will put additional supply pressure on the largest grades—colossal, jumbo lump, and super lump. When looking at blue or red swimming crab, these meat grades are the lowest percent of the total crab when picking through the meat. On the other hand, claw, special, and backfin make a higher percentage of the animal. This scenario will likely continue to put upward pricing pressure on the top three grades.

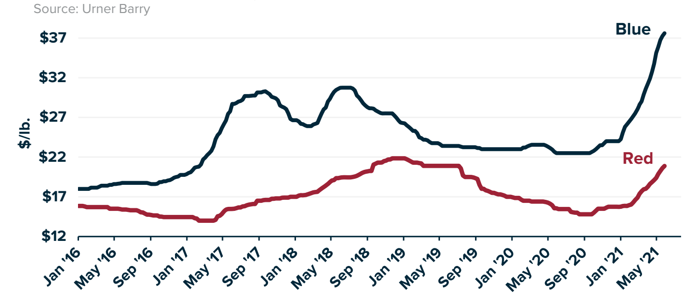
Crab Meat Imports by Country

Source: USDOC, Urner Barry



Blue vs. Red Swimming Crab Meat - Colossal

Source: Urner Barry



Lastly, another aspect the market continues to watch closely is the price spread between the red and blue swimming crab meat market. From a historical perspective, during its previous market peak back in 2017, the difference between red and blue colossal crab meat was as high as $13.88. As of this writing it stands at $16.50. Market participants report that as the blue swimming crab meat price rises, some customers will adjust to red swimming crab meat as an alternative. However, low inventories, and sourcing red swimming crab meat is reported to be an ongoing issue as well.

Heading into the higher demand period for the summer in the Mid-Atlantic, where a majority of the crab meat will be consumed, inventories are low and demand remains high. With foodservice on the rebound, many users of crab meat are looking forward to a busy summer season. As prices continue to climb, market participants will watch to see how that starts to impact demand and consumption. UB

Crustacean craze continues into 2021

By Janice Schreiber
janice@urnerbarry.com

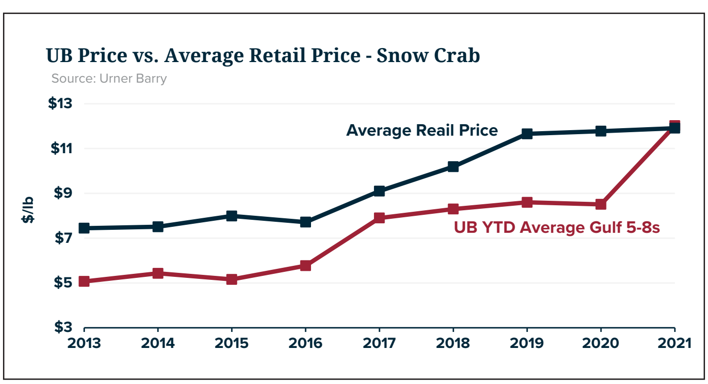
SNOW CRAB

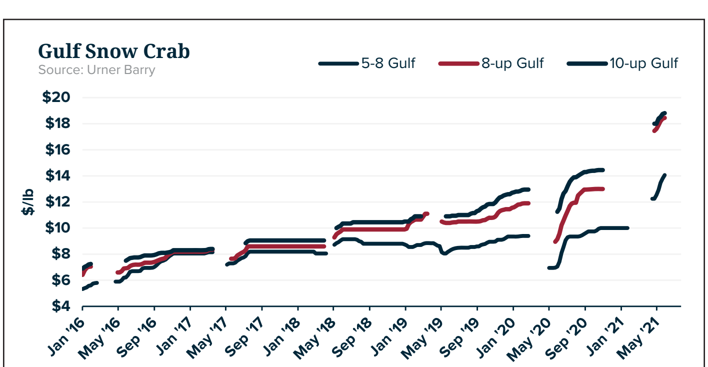
There are some stark differences between writing about the snow crab market in 2021 at the beginning of June versus this time last year. The biggest difference has to be the start of the Canadian snow crab season.

After a challenging opening for both the Gulf and Newfoundland in 2020, COVID protocols were in place this year to have the season kick off without a hitch. The Gulf of St. Lawrence started their season in April, much earlier than we have seen in past years. Ice coverage was down this year and there were added incentives to begin fishing prior to North Atlantic right whales migrating to the fishing grounds—along with the drive to satisfy a starved U.S. market for snow crab. In 2020, quotations were not established until after June 1. However, this year Urner Barry was able to reinstate quotations three weeks earlier in comparison to the past five years.

Through April 2021 Canada has delivered 21.2 million pounds of snow crab. Much of the product, as reported by market participants, has moved through the system quickly and appears to be coupled with an insatiable demand for the crab.

Overall supplies out of Canada remain tight, with a still active to robust demand for crab in the U.S. marketplace. Market participants report that both foodservice and retail have been active buyers throughout the season. Crab usage has continued to soar as areas such as the Carolinas, Las Vegas, and beachside locales up and down both coasts of the country reopen. Snow crab is a popular item at buffets and in low-country boils, which are popular dishes in these areas. This added foodservice demand, which was void in 2020, has placed added upward pricing pressure to this rising market. And as stated previously, the foodservice sector is not the only area seeing demand. Retail has continued to be a strong buyer of snow crab throughout 2021. Buying opportunities at retail remain strong, up 13% from 2020 and up 11.5% from 2019. The average retail price for snow crab is up in comparison to 2020 and 2019, but the full price increase seen in 2021 versus 2020 has not yet been revealed completely to the consumer. As the year continues, it will be interesting to see how these added costs and rise in prices get passed along to the end user.





In addition, Russian snow crab has also been trading at levels comparable to the Canadian snow crab market. Supplies out of Russia are reported to be tight, however, imports through the first quarter of the year are up 13.5% and through April are up 21.7%. Larger sizes of crab are also reported to be available out of Russia, which is said to have supported an active demand for this origin of snow crab.

As we head into the summer season it will be interesting to see how the pace of demand will compare to the supply situation out of all origins. 5-8 Gulf crab is currently 86.6% higher in price than the 5-year average.

KING CRAB

Snow crab is not the only species of crab seeing all-time highs. Russian red and golden king crab prices are through the roof. 6-9 count Russian red king crab is 87.9% higher than the three-year average and 77.8% higher than the same time last year.

What is unusual is we are seeing this steady rise in pricing amid higher imported volumes of king crab. Total king crab imports through the first quarter are 86.3% higher. Looking at Russia, who leads the category by a long shot, imports are up 117.8%. April imports out of Russia are 83.3% higher year-to-date.

Of that volume the largest percentage is red king crab from Russia, which is 11 million pounds through April 2021. Smaller portions of blue and golden king crab from Russia are also reaching the U.S. market; about 1.4 million pounds for blue and roughly 1.2 million pounds for golden king crab.

Continued on page 46

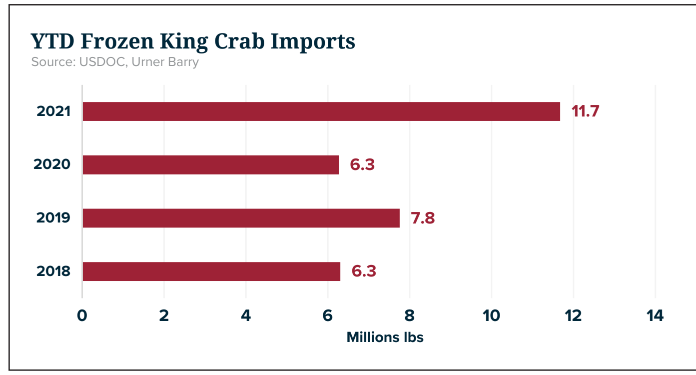

SNOW CRAB
KING CRAB
SHRIMP
ICY OCEAN
THE BBQ BAY GRILLING CO.
Ready to Grill Seafood
GRILLING
JUMBO
DIRECT SOURCE SEAFOOD
WWW.DIRECTSOURCESEAFOOD.COM
WHOLE KING CRAB
WHOLE KING CRAB

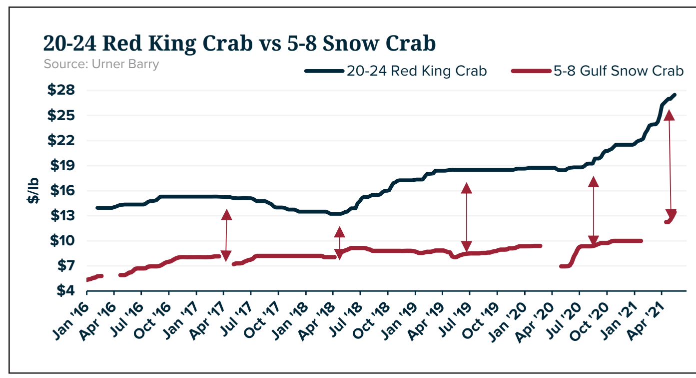
Continued from page 44

Although imports are up quite a bit from previous years, inventories are reported to be extremely thin. In addition, many sales of product are made before the king crab even reaches the U.S. market. Raw material prices in Russia are reported to be rising as well and driving these higher costs continues to be the strength of the live Asian king crab market. Much of this crab is destined for South Korea and Chinese markets. There continues to be not enough king crab for the increasing worldwide demand.

With both the Russian red king crab and Canadian snow crab markets achieving all-time highs, the spread between king and snow crab is the highest ever. The spread in 2021 is currently 34% higher than the same time last year in 2020. Removing both 2020 and 2021, the previous average spread between 2016-2019 was around $7.71. In 2020 the average was $10.82 and now in 2021 the average has jumped up to $13.55; that is upwards of 40% and 72% respectively when comparing to 2016-2019.

With the crustacean craze continuing into 2021, it's hard to pinpoint when this market may start to see a settling of these climbing snow and king crab prices. UB





Farmed salmon market takes a drastic turn after all-time high prices

By **Janice Schreiber**
janice@urnerbarry.com

The farmed salmon market took a somewhat drastic turn post-Memorial Day Weekend in the U.S., which from a historical perspective is not unheard of. However, the rate of the decrease in price was much more significant this year.

During the month of May, the entire farmed salmon index was at all-time highs heading into Memorial Day weekend. Canadian, Chilean, European whole fish and fillets raced higher with significant jumps along the way for the four weeks throughout the month; the index jumped 24% during that period.

Outside of 2020, over the past five years the index typically dropped at the end of May. When looking at the five-year average, a dip of 3.5% from the end of May into the first week of June took place. In a similar fashion, in 2021 the overall farmed salmon index dropped 5% heading into June of this year.

This drastic rise in prices during May became very attractive to all of the producing countries and in response all of these areas began to send fish into the U.S. market all at once. Market participants reported higher availability from Norway, Chile, Scotland, and Canada as opposed to previous weeks where availability of supplies had been much more constrained. Areas such as Brazil, who were seeing robust demand during much of this past spring and were reported to be paying higher than the U.S. market, saw their demand turn quiet. Consequently, salmon was then diverted into the U.S. marketplace.

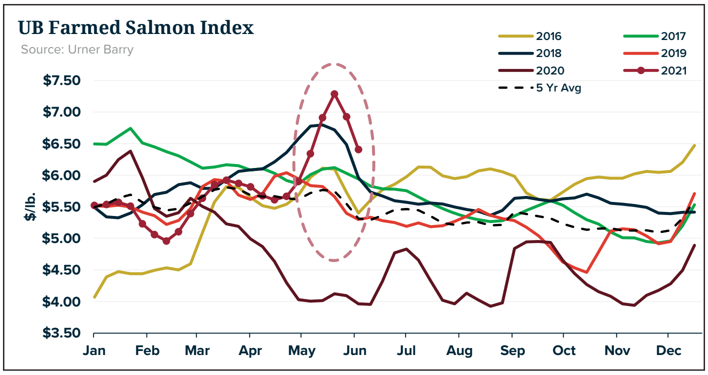
As of this writing it is a mixed and highly unsettled undertone heading into the heat of the summer. When looking at retail, prices have hovered below the five-year average throughout 2021. And as of the second week in June pricing is 17.3% under the five-year average.

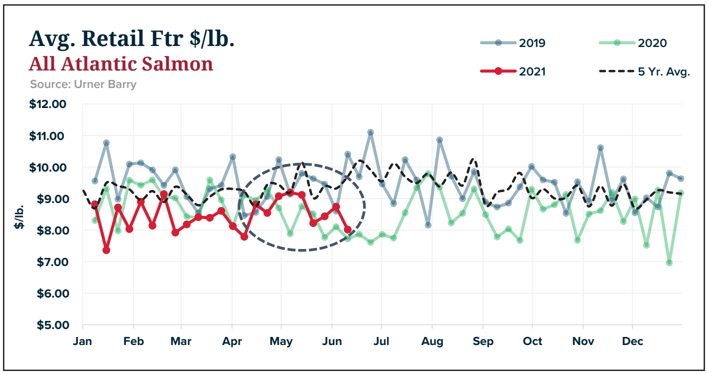
Along with the average price at retail, the number of buying opportunities or retail features have been close to the five-year average. Along with the reopening of foodservice across the country we continue to see retailers featuring salmon.

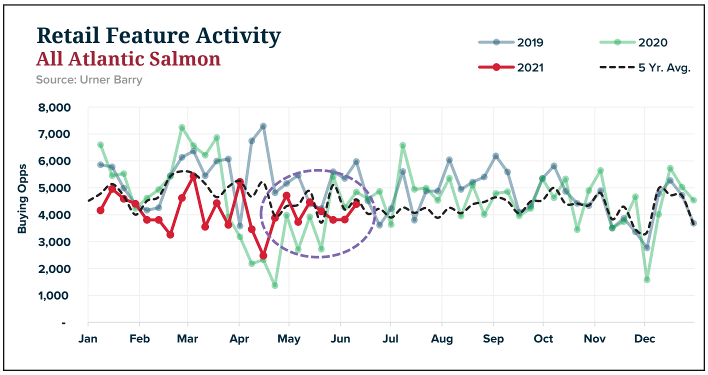
Through April 2021, fresh whole imports are up 17.9% with the largest gains seen from Canada, Chile, and Scotland; up 33.2%, 10.2%, and 84.3% respectively year-to-date. Norway has lost market share and again through April is down 54.9%.

Looking to fresh fillet imports, overall imports are up 21% through April. Chile, the dominant driver in the category, is up 20% year-to-date. Norway has gained market share in fresh fillets and is up 50.5% year-to-date, but still far away from Chile's 111.6-million-pound volume through April. Norwegian import of fresh fillets are 18.4 million pounds.

From a historical perspective, the summer months can be flat through June, July, and August. Market participants have reported that Q3 and Q4 could be months where we start to see volumes shrink out of Chile and potentially Norway. We will continue to watch the market closely to see how the situation develops. UB







Supply constraints, firm prices for mahi

By **Liz Cuozzo**
lcuozzo@urnerbarry.com

The optimistic outlook for the remainder of 2021 has frozen mahi product holders scrutinizing their inventory positions. Product supply is tight and foodservice demand is robust, falling short of the needs of many buyers.

IMPORTS

The 2020-2021 mahi fishing season in Central and South America (C&SA) has come to an end. It's important to note that the fishing season runs from approximately October to February and possibly March depending on weather patterns. Imported volume is based on this seasonal period and covers landings beginning in the fall and ending in the first or early second quarter of the following year. This season, early landings were dominated by smaller sized fish. Substantial volume landings failed to materialize, sparking whispers of a short season. Cooler water temperatures forced fishermen further off the coast, thereby extending their days at sea and raising quality concerns on landed product. As the season got underway in October, there were some initial hesitations by importers to place orders, whether it was due to the normally higher boat prices at the start of the season or lingering COVID concerns. Typically, importers wish to secure product by the end of November or early December. If orders are not placed by January, they fear they may miss their opportunity to acquire product at reasonable prices. Cautious buyers this season found themselves with short inventories.

Total imports for the October 2020-April 2021 season year-to-date from all countries registered 26.9 million pounds; 7.6% more compared to the same time frame for the 2019-2020 season. Imports from C&SA for the season year-to-date registered 19.7 million pounds; 7.6% more compared to the same time frame for the 2019-2020 season. The two largest producers in C&SA are Peru and Ecuador. Ecuador during this time period shipped 7.5 million pounds compared to 5.98 million pounds for the previous season; a 25% increase. Peru struggled early in the season as cooler temperatures in the south impacted catch. However, catch picked up later in the season. Peru shipped 11.8 million pounds year-to-date; 4.42% more compared to the 2019-2020 season. Early fishing reports from Peru characterized the season as being unsettled, with production starting later than usual. Out of the total year-to-date 11.8 million pounds shipped, 11 million were shipped from January through April 2021, with record high imports for April registering 4.2 million pounds.

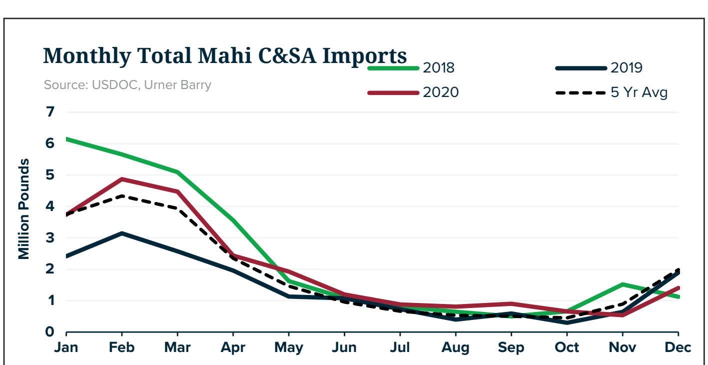
Although the majority of frozen mahi products originate in C&SA, when limited product is being offered from C&SA, importers have looked to secure product from Asian countries to fill gaps. This year was no exception. Asian imports year-to-date registered 6.8 million pounds; 4.62 % more year-over-year. However, year-to-date imports from January through April registered 4.57 million pounds; 9.75% more product year-over-year and 28% more than its three-year average of 3.57 million pounds. The new fishing season in Asia is currently underway with first production arriving by June/July. However, logistical issues like container shortages, rising freight costs and shipping delays from Asian countries have added to the constrained supply environment.

PRICING

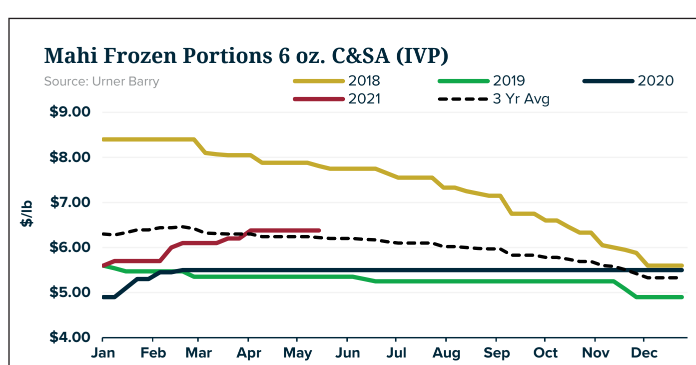
The robust return of the foodservice sector occurred as the fishing season in C&SA unfolded with lower than anticipated landings. The U.S. frozen mahi market firmed as those with thinning inventories raised prices to hold onto available supplies and to fulfill commitments. Frozen mahi prices for both C&SA fillets and portions have firmed in Q1 and are all trading at their 52-week highs. Prices for C&SA 6 oz. portions are trading at an average price of $6.50; 18.18 % higher than this time last year and 4.5 % higher than their three-year average of $6.22. As importers turned to Asian countries to secure product and build inventories, competition for product resulted in strong prices. Asian 6 oz. portions are also trading at their 52-week highs; 26.35 % higher than this time last year.

Interest from both the retail and foodservice markets has product holders in the U.S. maintaining high offering levels. Demand for frozen mahi products typically strengthens during the summer grilling season. It's during this time that fresh mahi supply becomes scarce and demands a premium. As a result, demand for frozen mahi improves at comparably lower price points than fresh product.

Importers are currently keeping a close eye on their inventories and are likely to do so for the remainder of the year. UB



Monthly Total Mahi C&SA Imports



Mahi Frozen Portions 6 oz. C&SA (IVP)

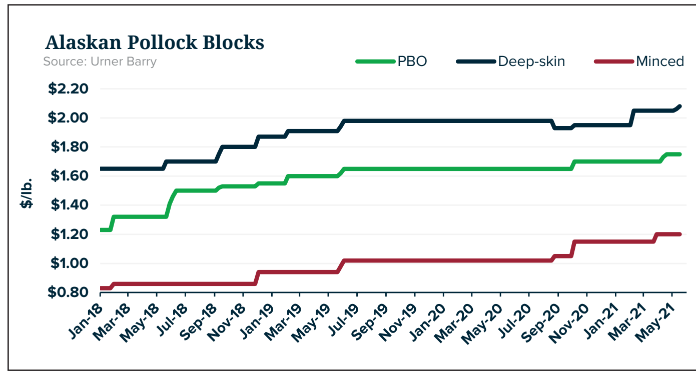

From the coldest and purest waters of Patagonia
AquaChile
AQUA
VERLASSO
RainForest
The most important salmon producer of Chile that produces rich, healthy, nutritious and sustainable food that reaches millions of people around the world, every day.
www.aquachile.com
AquaChile
aqua_chile

Elevated prices and constrained supply continue for the pollock market

By **Lorin Castiglione**
lcastiglione@urnerbarry.com

The Alaskan pollock market sees continued challenges carry over from the 2020 B season, which ran from June through October in the Gulf of Alaska and Bering Sea. The industry was not only faced with new operating procedures aboard vessels in the wake of COVID-19, but changing fishing patterns including a smaller, younger class of fish into the fishery. In addition, fish moved further into fishing area FAO 61, causing longer travel time and increased fuel costs in the Northwestern part of the Pacific Ocean—all factors contributing to production slowdowns and supply issues.

> **"Wholesale prices are boasting record highs."**



As the industry recently wrapped up the 2021 A season, running January through April, processed pollock fish blocks continue to see record high pricing supported into the new year. Supply issues remain as the opening of the season on January 20, 2021 was delayed by many vessels in order to allow their crew members time to quarantine for two weeks prior to setting out on the water. Plus, they faced COVID-19 outbreak interruptions once on board.

The 2021 A season typically boasts higher catch rates compared to the B season due to the fish spawning earlier in the year, which results in larger schools of fish in a more specific region. However, smaller sized pollock was reported. These smaller fish resulted in a lower yield and production rate, which in turn brought in higher costs for raw materials.

While the total 2021 A season catch is lower than 2020, harvesting levels are slowly getting back on track. Since March 13, weekly volumes outpaced the same 2020 week. The industry is optimistic some lost volume during the beginning of the year could be made up for in the upcoming B season beginning in June.

Wholesale prices for single frozen pin bone out (PBO), deep-skin, and minced product, are boasting record highs as demand within the U.S. and throughout Europe remains active amid supply constraints. While reports from Russia have noted better production volumes, it is still not enough to offset Alaska.

Looking ahead, as pollock has a presence in both the retail and the rapidly recovering foodservice sector, demand looks to remain active. The upcoming B season catch will be the deciding factor in supply and inevitably price. UB

Growing market share and costs for tilapia & pangasius

By **Lorin Castiglione**
lcastiglione@urnerbarry.com

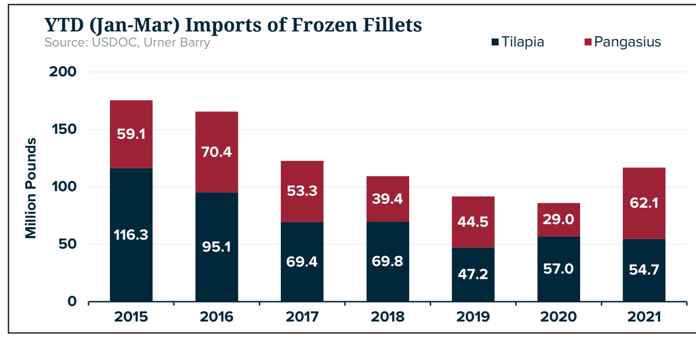
Despite all the obstacles put in place by a global pandemic, the tilapia and pangasius markets have something to celebrate. Both value finfish species have grown their market share during a time when the only constant has been a theme of uncertainty. However, prices came along for the ride.

PANGASIUS

U.S. wholesale prices for striped pangasius frozen fillets imported from Vietnam continue to trend higher, reversing the downhill trend seen within the market since 2018. The initial market rise was largely due to a regulation shift in September 2017 from the FDA to the USDA. The result was rising raw material and administrative costs, as well as lengthy delays from new and in-depth inspection processes; culiminating in record high wholesale and replacement prices. This time around the market is facing new challenges.

Supply in the U.S. is trending from adequate to barely adequate as prices also increase overseas. Elevated replacement prices are, in part, due to a reflection of the surge seen on freight, feed costs, and exchange rates. In addition there have been recent reports of China acting as a more competitive buyer, taking away market shares from the U.S.

As farmers do their best to ramp up production efforts to keep up with the growing demand, which primarily stems from foodservice recovery, ponds are being turned over at a faster rate. This in turn is putting a strain on larger sized fillets. As of the end of May 2021, wholesale prices for a 5-7 ounce sized fillet were averaging $2.10 per pound, which is $0.35 higher than a year ago, but $0.31 lower than the previous three-year average.



2020 import volume increased by 10 million pounds from the previous year. On a year-to-date basis, 2021 volumes thus far are the highest on record since 2016, which has the industry cautiously optimistic after back-to-back years of dramatically fallen import volume during 2019 and 2020.

TILAPIA

Despite the market being frozen-in-place for the majority of 2020, frozen tilapia fillets from China have seen an average increase of $0.61 per pound since 2018; or a $0.21 per pound increase from November 2020 when reports of increased freight were just starting to circulate.

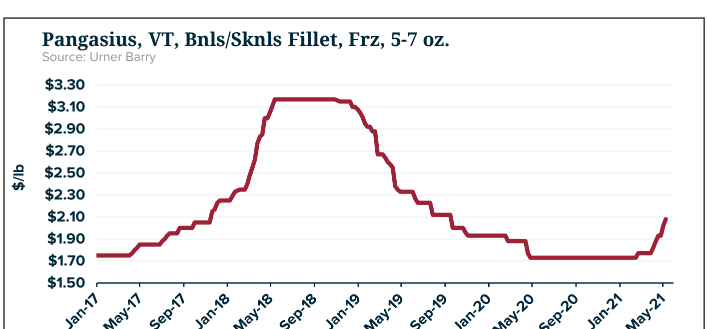
While tariffs and freight weigh heavy on the market, production slowdowns leading into and thereafter the Chinese New Year holiday earlier this year continue to have a lasting impact. Limited container and cold storage availability add to the perfect storm of obstacles facing not only the tilapia market, but the seafood industry as a whole. Rising freight costs and logistical issues are trickling down the supply chain with reports of production being tempered due to increased shipping delays.

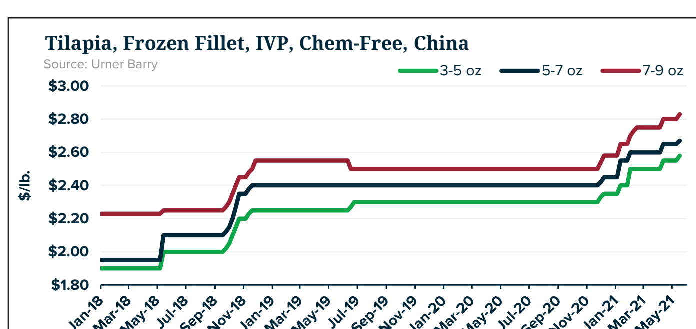
Demand from the U.S. continues strong with steady retail sales and growing recovery from the foodservice sector. Many importers have noted that this time of year sees many businesses restocking their inventories after the Lenten season wraps up, preparing them for the coming summer months.

This time last year, as the U.S. was shut down for the first time during the pandemic, supply was ample. However, demand was shifting from foodservice to retail. This time around, the opposite holds true, where demand is growing and supply is constrained.

OUTLOOK

Despite elevated prices, pangasius and tilapia still hold a value within the seafood sector. As seafood prices in general are elevated leading into the summer months, the question remains if consumers will be substituting higher priced seafood for species like tilapia or pangasius—or will we see history repeat itself? Soon after tilapia and pangasius reached record prices in the past, the industry saw demand fall. However, since these rising costs are seen across multiple species, could that possibly help keep demand intact since it's not targeting one specific market, allowing for easy substitution? The summer months will soon tell... UB

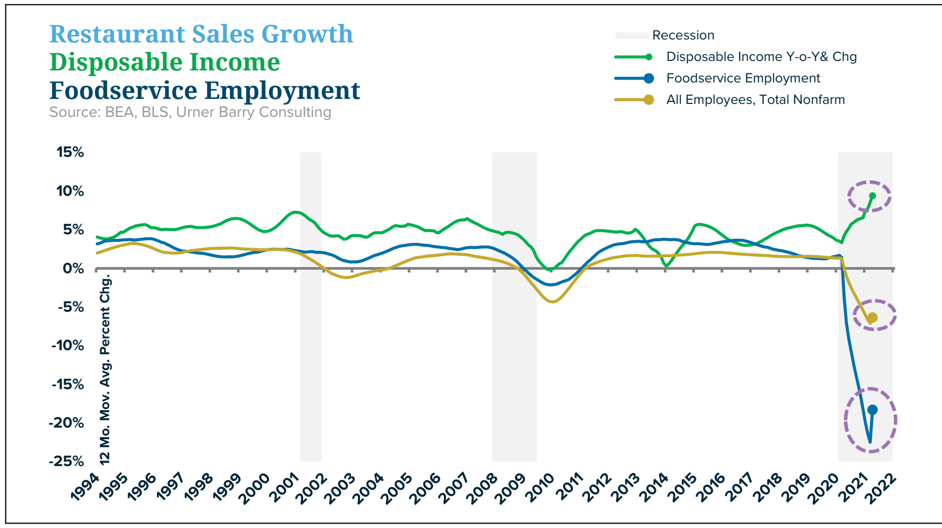


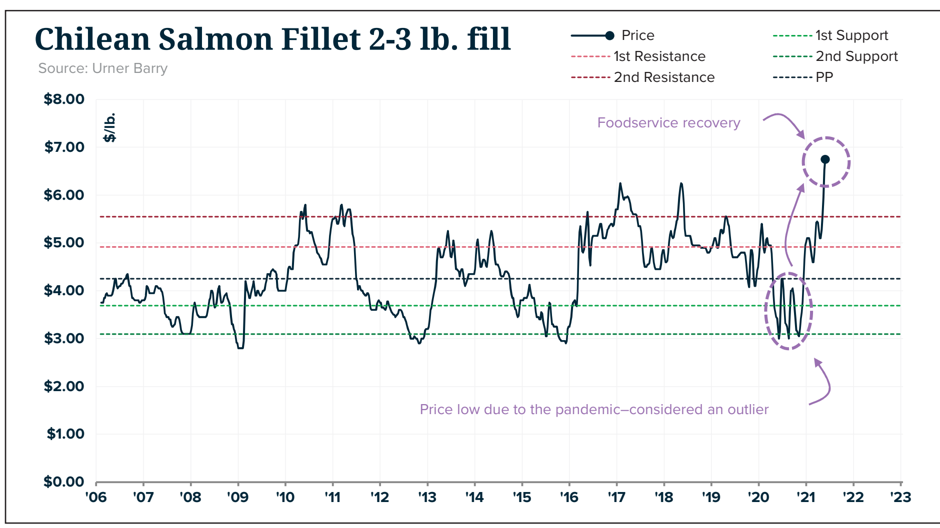


FOODSERVICE:
The main driver for rising prices

Foodservice is undoubtedly recovering faster than anticipated. Rapid price increases at the wholesale level are possibly the best indicator to help identify the recovery trend. The "pent-up" demand from foodservice operators as restaurants and bars reopen across the U.S. has been one of the main drivers for such price acceleration from late February and early March to early June. However, price trends during the previous months were still somewhat supportive for many animal proteins. Beef, chicken, and pork prices were under continued upward pressure for many reasons that did not include a strong foodservice demand, such as increased costs due to labor shortages and transportation delays and a solid and sustained retail demand. Seafood items like crab and lobster were also sitting near record-highs. Other seafood items like shrimp and salmon were steady but at a multi-year low. At the core of all the disruption caused by the pandemic, we must consider that contrary to what many analysts initially thought, disposable income levels rose significantly in 2020 and continue to increase through 2021 even though the economy continues to technically be in a recession. Whatever the reason is, the fact is that consumers are absorbing higher prices at grocery stores and restaurants. And as long as consumers continue to absorb rising prices relative to their income levels, notably as unemployment decreases, the current upward pricing trend will likely remain as the foodservice sector recovers and continues to push prices up.

Historically, we have seen those in the middle stages absorb sporadic increases and decreases in wholesale prices before reaching consumers. In other words, everyone involved between the producer and the consumer is aware that passing higher costs to the latter can have devastating and long-term demand impacts, particularly in the animal protein world where substitutes are readily available. But the recent



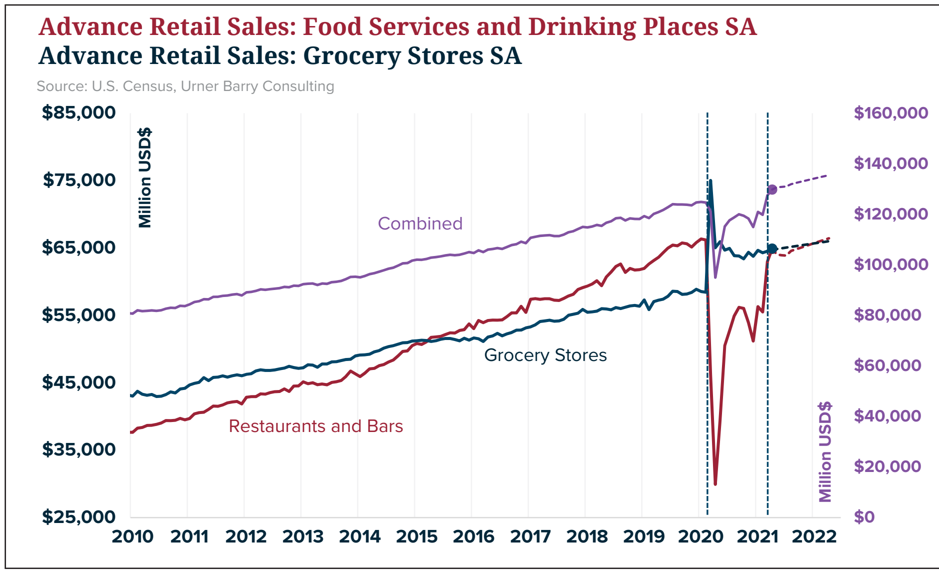


©monkeybusinessimages / iStock / Getty Images Plus

price hike is impacting all proteins—from "premium" items like lobster, crab, and beef tenderloins, to chicken breasts. During the last week of May 2021, beef ribeyes, Chilean salmon, pork back ribs, among many other items, hit nominal record-highs. If we remove the price outliers from last year caused by plant shutdowns due to rising COVID-19 cases, it appears that prices could experience critical structural changes. While we have seen these changes in the past due to animal cycles or consumer behavior changes—or legislation—we have never experienced the bounce-back of a global pandemic. Such recovery includes an already "pent-up" retail sector that saw double-digit growth in 2020, which is likely to remain strong in 2021, in addition to a rapidly rising foodservice sector. If we couple that with record-high incomes, accelerated increasing prices for animal proteins make perfect sense.

It would be impossible to touch on all the nuances involved in every market causing the current price hike. The reasons will always include a combination of the fundamentals of supply and demand and the external factors affecting all markets since the pandemic began. Our assessment suggests that at some point in late 2021 or into 2022, mainly as other sectors like tourism and entertainment recover and government stimulus dwindle, prices could get some relief and correct downward. However, as of early June, all the factors mentioned thus far suggest 2021 could continue to reach back-to-back record highs or remain high relative to at least the past few years before the pandemic. Our main driver will be, without a doubt, the recovery in foodservice—at least through the summer. UB

Article contributed by **Angel Rubio**
arubio@urnerbarry.com



Consumers are ready to eat out … but are restaurants?

Restaurants on a desperate search for labor as America reopens

It's no secret—Americans will be flocking to restaurants in the coming months.

©fizkes / iStock / Getty Images Plus

For an industry that was crushed during the COVID-19 pandemic, the projected jump in business is fantastic news for foodservice operators. However, challenges remain, particularly in the labor department, as the industry tries to desperately land workers to keep with demand.

A quick look at a May survey from the National Restaurant Association (NRA) showed that 65% of restaurant operators said that recruiting and retaining employees was their top challenge. Prior to the pandemic, 41% and 45% of operators reported labor as their top challenge in May.

"Restaurant operators confirmed that the labor pool was very shallow," NRA said. "In an Association survey fielded during the first half of April 2021, 82% of operators said they had job openings that were difficult to fill."

From the quick service segment to fine dining, restaurants are competing for workers. On the last business day of March, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) reported a record high number of job openings at 8.1 million.

Per BLS statistics, the largest increases in job openings hit the accommodation and foodservice (+185,000) industries. According to data from job search engine Indeed.com, job postings rose in April, wrapping up the month up 24% from pre-pandemic levels in February 2020.

At the start of the pandemic, the restaurant industry was forced to let go of nearly six million employees. Nearly every segment, from quick service operators, casual dining chains to local diners, were all forced to cut staff as on-premise dining was shut down across the nation.

With numbers of that scale, it will take time for the industry to replace all of those positions, especially when shipping giant Amazon went on a hiring spree for their fulfillment centers and grocery delivery as consumers swarmed to e-commerce during early pandemic lockdowns.

Chef Phil Bryant explained to the Washington Post that many of his colleagues who did work in foodservice decided to make the switch to places like Amazon for a less stressful job. Bryant also noted the stability of the industry following the widespread shutdown.

And Amazon is still on the hunt for workers. In May, the company eyed 75,000 new employees in its fulfillment and logistics network with up to $1,000 in sign-on bonuses.

In response, foodservice operators are taking a number of initiatives to attempt to bring workers back into their operations.

Fast casual chain Chipotle announced a wage increase in mid-May and have developed a process to have new workers potentially rise to the General Manager position in as little as three and a half years.

"Chipotle is committed to providing industry-leading benefits and accelerated growth opportunities, and we hope to attract even more talent by showcasing the potential income that can be achieved in a few short years," said Marissa Andrada, Chief Diversity, Inclusion and People Officer at Chipotle.

Other businesses are offering improved benefits. For example, Taco Bell is introducing paid family leave to store managers. Sign-on bonuses are also observed in job openings for other QSR and fast casual openings.

The battle for labor will continue to heat up over the summer with tourism set to boom and the entire country looking to move past the COVID-19 pandemic and return to their favorite eateries. UB

Article contributed by **Ryan Doyle**
rdoyle@urnerbarry.com

Peter Pan Seafood's new human resources director is ready to get to work

There may be no more of an interesting time to be working in human resources than right now—just ask Shannon Grant, Peter Pan Seafood's new Human Resources Director.

Grant, a seafood veteran who began her career in human resources at American Seafoods before later moving onto Silver Bay Seafoods, joined the Peter Pan team in March. Since then she's been on the go, hustling to carry out one of the core values established when Peter Pan came under new ownership earlier this year: hire and empower talented people. That might seem like an easy task... if we weren't just coming out of a pandemic.

"I ran across this opportunity with Peter Pan and kind of jumped at the chance," Grant tells *Urner Barry's Reporter*. "It's a super exciting time at the company—lots of changes going on, lots of growth."

"Lots of changes" is an understatement. Late last year it was revealed that Peter Pan's long-time owner, Maruha Nichiro, would be selling a major portion of assets to an American holding company made up of Northwest Fish Company and McKinley Capital. The sale was finalized on December 31, and since then there has been a flurry of new hires and other executive shake ups—including the departure of CEO Barry Collier, who revealed in March that after 30 years he would be transitioning into a senior advisory role for the company's ownership group.

But none of that scared Grant, who is well aware that a position like hers can be "crazy" and "stressful." She was able to build out the human resources program at her previous position at Silver Bay Seafoods, and that's exactly what attracted her to the Human Resources Director role at Peter Pan.

"It's really exciting to get in on the ground floor and kind of lay out those bricks for the company and how it's going to be structured; the processes and all that. That's what really brought me over—just to be given that opportunity again."

And while it's an interesting time for Peter Pan, it's also a crazy time in the world. Safety of workers has always been a priority, but has now been heightened because of COVID-19. The pandemic has also inflamed the industry's labor struggles.

"It was always difficult to find individuals in the production environment to do the grueling hours in a short amount of time, and it took some extra effort to dig in and find those individuals that could work the season up in Alaska slingin' fish. And then you throw COVID into it."

Grant says that the company has been focused on everyone's safety, as well as following all guidelines from the CDC and the state. However, they've encountered some problems when it comes to finding labor. According to Grant, they've hired "a bunch of people" to go up to their plants in Alaska, and when the company started booking tickets the people started backing out. Grant thinks a lot of it stems from state reopenings and people returning to jobs that they had pre-pandemic as restaurants or other businesses open back up.

"It's very difficult, now more than ever," says Grant.

But she's not one to shy away from a challenge. Instead, she's focusing on two things: educating people who might not be aware of what positions are available in the seafood industry, and being proactive by going into communities where a meat or seafood plant may have recently shut down.

Peter Pan Seafood's Human Resources Director Shannon Grant

PETERPAN SEAFOOD CO., LLC

"I think how we're combatting that is just working harder; more boots on the ground recruiting for Peter Pan. I'm [starting to look] at different avenues, whether that's advertising in different locations...Just kind of not being satisfied with the status quo and trying to see what other new, innovative ways we can get out there and get the word out. Not just about Peter Pan, but the industry itself." UB

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

Hog producers see better returns, but margins trimmed by higher grain

Hog producers are seeing better returns this year following a devastating 2020. However, higher feed costs, along with a seasonal reduction in slaughter levels, are narrowing producers' margins despite a vast improvement in cash hog prices.

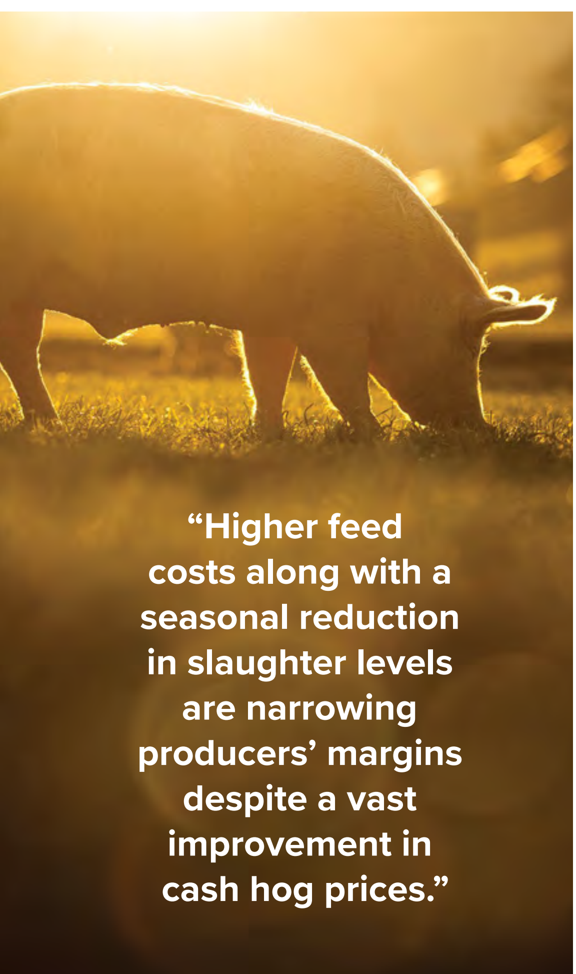
Last year, worker absenteeism and processing plant disruptions due to COVID-19 backlogged slaughter-ready hog supplies by the millions. Confronted with negative returns and bottlenecked inventories, many hog producers were forced to take drastic measures to stay afloat. Along with some instances of euthanasia, liquidation efforts ensued. Sow slaughter remains elevated so far this year, having posted a 5.4% increase over the prior three-year average in the first quarter alone.

Towards the tail end of 2020, producers were presented with yet another hurdle: hog diseases. Rampant cases of Porcine Reproductive and Respiratory Syndrome (PRRS) and, to a lesser extent, Porcine Epidemic Diarrhea virus (PEDv), tightened the supply outlook even further. These disease issues impacted supplies in late spring and into early summer.

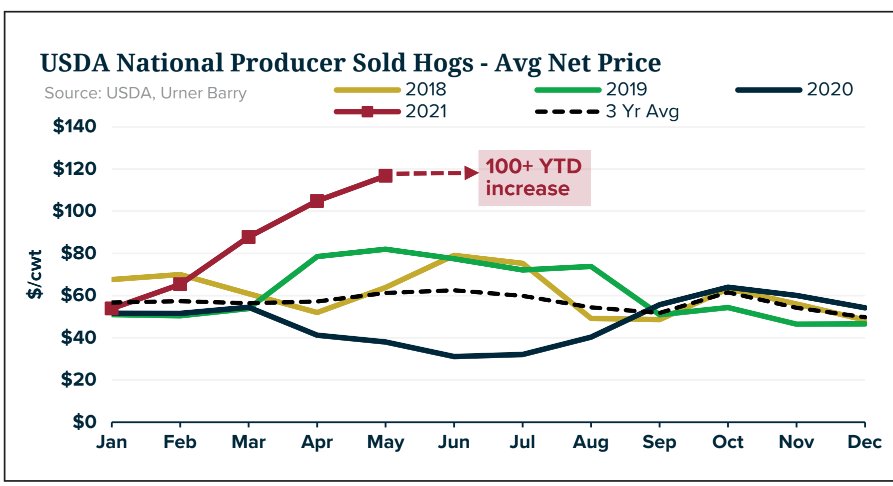
Hog prices have been lifted so far this year due to thinner hog supplies related to disease complications, liquidation efforts, and euthanasia in 2020. Since the first week of January, cash hog prices have increased by over 100%, according to USDA data. Meanwhile, the Urner Barry pork cutout value posted a 40% year-to-date rally through mid-May and is challenging 2014 levels when PEDv led the short domestic supplies that year.

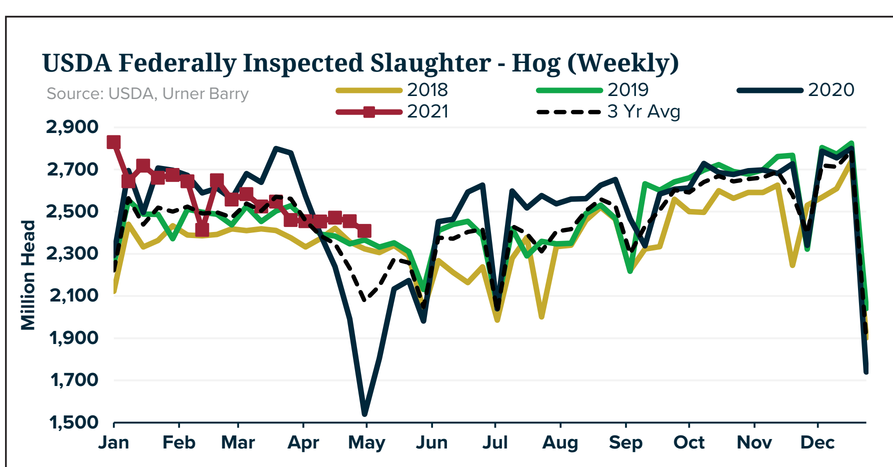
Futures point to lower cash prices into the fall and winter with the October and December contracts carrying discounts to June and current cash markets. Hog supplies normally begin their seasonal expansion in August.

The March USDA Hogs and Pigs report showed the breeding stock at 2.5% below a year ago. The report also indicated that June through August farrowings would be down 4% from 2020. While some industry sources suspect this 4% year-over-year decrease might be understated, the incentive to expand production is limited by sharply higher corn prices, the major input in livestock feed.



©ViktorCap / iStock / Getty Images Plus





Corn futures have gained more than 30% so far in 2021 at over $7/bushel; a level not seen in nearly eight years. Soybeans have achieved the highest prices since 2013 at over $16/bushel. Grain prices are displaying a sharp upward trajectory since the fourth quarter of 2020 due to bullish factors, including dry weather concerns in Brazil, steady U.S. planting progress, and strong export demand.

According to data released by USDA and compiled by the U.S. Meat Export Federation (USMEF), pork exports in March achieved the highest monthly value on record and accounted for 32.2% of total pork production.

Industry participants are closely eyeing the Philippines as an emerging destination for U.S. pork since the country is contending with African swine fever complications. First quarter pork exports to the Philippines nearly tripled from a year ago to 25,377 mt; a whopping 190% year-over-year increase.

Domestic hog supplies are expected to become even thinner this summer due to seasonal patterns, including slowed hog performance. A seasonal reduction in slaughter levels is underway as packers protect their slimming margins. Slaughter levels are also being constrained due to widespread labor shortages, which some attribute to the recent rounds of stimulus in addition to unemployment benefits. Cash hog prices could see slowed rates of gain, or even some weakness, during this summer due to slowed packer buying interest and reduced processing capacity.

As of the week ending May 8, federally inspected hog slaughter is 1.3% above 2020. Of note, year-over-year comparisons of weekly slaughter levels during the second and third quarters this year will be largely distorted due to the processing slowdowns in 2020.

In the long term, bullish fundamentals could help underpin the cash hog market. Frozen inventories of pork in cold storage remain very tight with year-over-year levels posting more than 20% declines since the second quarter of 2020. Meanwhile, export demand is expected to remain strong despite conflicting reports regarding the status of China's hog herd.

Domestically, improved foodservice and a slowly reopening economy may encourage consumer spending. However, a major wildcard is inflationary pressure. Industry participants will continue to monitor employment levels in the months ahead. For producers, the rapid rise in feed costs is a large blip on the radar. If grain prices remain high, it appears likely that producers will maintain a cautious stance on expansion efforts. UB

Article contributed by **Courtney Shum**
cshum@urnerbarry.com

Spotlight on DIVERSITY

This CEO is putting people ahead of profits and it's paying off

PT Nirwana Segara CEO Aik Wulandari

It is about the passion for both crab and community that keeps PT Nirwana Segara CEO Aik Wulandari going.

"Even though the storm came to me many times, I'm still here because I've been doing it with love," she tells *Urner Barry's Reporter.* "Crabmeat needs lots of people to handle it. It gives life to lots of people. That's my strength. My people. 100 people means double or triple because they have family at home."

To understand the passion Wulandari has, one must know the road she travelled to become owner and CEO of the Indonesia-based PT Nirwana Segara. In 2003, she took a job as a marketing manager for a large pasteurized crabmeat producer in Indonesia. It was only through getting her hands dirty and asking many questions of her mentor and others that Wulandari was able to learn the industry. Her curiosity was endless. The more she learned, the more she wanted to know. After five years in marketing, she made the shift to quality assurance, becoming an independent inspector of factories and products. Her work took her to China, Vietnam, the Philippines and Pakistan. It was this experience that inspired her to open her own factory in Indonesia. She and some high school friends decided to start the company. The goal was to keep it small enough that they could personally oversee production, ensuring that both quality and safety standards were at the highest level. And for Wulandari, the secret to keeping safety standards high is simple.

"We really have to handle it properly; with two eyes. I am a very hands-on person. Every day I try to allocate at least one or two hours inside the production room," explains Wulandari. "Sometimes I'm mixing the crabmeat so I can really see. I check myself; the sensory, checking smell, taste, appearance, color, texture. So, by doing it [myself] I can tell the story of this container to the customer."

Sunsets on another day of fishing off the coast of Indonesia.

Surprisingly, Aik Wulandari did not start as CEO of her factory. Despite her years of experience, she lacked the confidence to take on the top spot of her company that is in a male dominated market. There are plenty of women working as pickers. In fact, in most countries, it is nearly 100% a female role. Traditionally, women can also be found in quality assurance roles. But it was only with two years into the company and the encouragement of her partners that Wulandari took the reins atop the company.

CHANGING THE INDUSTRY FOR THE BETTER

Translated from Sanskrit, Nirwana Segara means Ocean's Heaven. With the vast amount of fish that comes from the ocean surrounding the archipelago of Indonesia, it is a fitting name. This fish provides the coastal communities with their livelihood, but the life of these fishermen can be a difficult one. Crabbers are often working from small boats, many without motors. They are using traditional nets and traps without the benefit of technological equipment.

In 2020 the company merged with PT Aruna Jaya Nuswantara, an e-commerce company that has been "empowering fishermen, their families, and local villagers in a remote area of Indonesia." PT Aruna Jaya Nuswantara, maker of Aruna Crab, is using modern technology to aid fishermen in connecting with buyers directly. By doing so, these hard-working men are seeing increased profits of up to 1200%. This affords them the opportunity to pay for their children's education and other necessities that are taken for granted in other parts of the world. This software also aids in traceability, ensuring the sustainability of the industry and the livelihood of the villagers for years to come.

Beyond the substantial increase in household income, fishermen and their families are seeing the benefits of which they have not seen before, such as life insurance and credit unions. They are being taught how to manage the waste from the crab and how to maintain the mangrove forests which is the habitat for baby crabs. Wulandari and her group are coming together with the fishermen to teach other techniques to help them maximize their hauls. Wulandari prefers "to hire inexperienced people so we can train and educate them to move up in the company; from daily worker to permanent staff or even supervisor or manager. We are growing together." The villagers are also benefiting from education on personal hygiene and sanitation and other life skills. Where children were dropping out of school to assist in the family business, they can continue a formal education.

Aik Wulandari is a humble woman who is happiest when she is helping to educate these people so they can build a better life for themselves and their families. In fact, it takes some real coaxing for her to open up about the amazing things that her company is doing for the local communities.

"I really don't feel comfortable because if you share something, you give something. You don't have to tell that to people, right? I realized that this time, maybe it can encourage people to share more."

So, what is next for Wulandari and her company? They have recently introduced their own branded product to Canada through Waisai Sagara Inc. under the label Aruna Crab. These products are prepared with HAACP, BRC, Halal, and CFIA certification, upholding the quality and safety standards that speak directly to the core values of PT Nirwana Segara.

"We will keep focusing on the balance between the business and the local empowerment. Right now, Aruna handles 20,000 fishermen. Next we're going to do 30 or 40,000."

Photos provided by PT Nirwana Segara

TOP: Local pickers inside the PT Nirwana Segara factory.
CENTER: Villagers enjoying a new computer provided by PT Aruna Jaya Nuswantara.
BOTTOM: All in a day's work for local fishermen.

It has never been about the money for Aik Wulandari, but about the passion for both crab and people. Though PT Nirwana Segara may be one of the smallest pasteurized crabmeat companies in the world, their impact — with Wulandari's guidance —may have the biggest social impact. UB

Article contributed by **Amanda J. Riemer** | ariemer@urnerbarry.com

AEB charts a course to secure the egg industry's future

Article contributed by Emily Metz, President & CEO, **American Egg Board**

As conditions improve across the country relative to the pandemic, we're placing important bets—short and long-term—toward the objective of making eggs indispensable in the daily lives of consumers. The further along we get, the more my leadership team, our executive committee and board, and I are assured that we're on the right path. I am especially pleased with the advancements we're making on three key initiatives set forth in the AEB's Five-Year Strategic Plan with broad implications and high potential value to the industry: sustainability, insights and innovation.

SUSTAINABILITY

Establishing a current, robust and definitive industry-level dataset around sustainability in egg production is essential to our viability as an industry. It's a strategic priority in the AEB's Five-Year Plan, and an indispensable component to telling the incredible egg's story to consumers and our customers that we currently lack. Accordingly, we have expanded the purview of the AEB's Egg Nutrition Center to encompass sustainability and are very close to announcing a new director of sustainability to directly oversee this important effort.

Furthermore, your AEB has partnered with the Egg Industry Center located at Iowa State University (EIC) and United Egg Producers (UEP) to conduct the industry's most-comprehensive Life Cycle Assessment (LCA) to date. We know we have a strong story to tell. With this Life Cycle Assessment in hand, producers will be fully equipped to answer retailers' questions, and outreach efforts will promote the findings.

The EIC team will lead the update of the LCA surveys and data collection; the UEP team will lead producer engagement; the AEB will lead communications and outreach to downstream customers after completion of the analysis. The LCA is expected to be completed later this year.

INSIGHTS

We're moving swiftly toward realization of another key initiative outlined in the Five-Year Strategic Plan: creation of a new integrated consumer, customer and egg industry research and intelligence center to support marketing, innovation and strategic initiatives at the industry level.

Not only will the insights derived from this hub be at the center of all AEB programs, maximizing our effectiveness and driving a higher ROI for our producers, but importantly, we envision this intelligence hub to be a new capability benefitting the broader industry and ensuring we are all smarter together.

To lead the effort, in April we named Mike Hostetler to the newly created role of director of consumer insights. Mike brings more than 15 years of food industry expertise and experience leading insight generation at top CPGs, including Kellogg, McCormick & Co., Kraft Heinz and, most recently, Perdue.

Mike will further lead development of the AEB's industry newsroom. The newsroom will provide real-time monitoring and response to news and conversations happening that impact the egg industry across traditional and social media outlets. The newsroom will be a critical component of the overall insights hub and deliver key insights and information to the industry.

INNOVATION

Finally, one of the most exciting components of the Five-Year Plan is the AEB's new commitment to innovation that will benefit the entire egg industry. Since the plan was announced, our intention to create an innovation hub has generated tremendous interest from producers and stakeholders. The program is designed both to foster collaboration with organizations that have more sophisticated capabilities and to support smaller organizations with more limited innovation resources.

Led by the AEB's vice president of insights and innovation, Nate Hedtke, the innovation plan centers around building an egg innovation center with the capabilities and resources required to drive innovation, in a pre-competitive manner, for the industry. The innovation center will help form connections between organizations, suppliers and industry, address industry problems and provide unparalleled egg expertise and knowledge.

The goal of this enterprise is to create a bigger pie. Whether by generating new uses for eggs, new ingredients derived from eggs, new categories or uncovering new technologies that enable it all, we aim to drive incremental sources of volume for the industry—and the possibilities are limitless.

Furthermore, our sights are by no means limited to domestic markets; we're developing plans to aggressively expand the industry's export volume, which currently pales in comparison to that of other U.S. commodities. The rest of the globe represents a huge and largely untapped frontier for U.S. eggs, and innovation could unlock opportunities in new and existing markets that we hadn't dreamed of.

A CHECKOFF THAT DREAMS BIGGER

Taken together, these efforts reflect a consequential shift underway at your AEB—in principle, perspective and practice—toward a checkoff that thinks and dreams bigger and approaches its mission far more expansively. We expect that our first and second quarter investments in the key areas outlined above will deliver against the AEB's mission to increase demand for eggs and egg products on entirely new levels in 2022 and beyond.

While I am quite pleased with the progress we've made in a relatively short time, we have a ways to go. I invite you to keep informed and abreast of our progress by subscribing to the AEB's new monthly email newsletter, "What's Cracking," by contacting Ashley Richardson at arichardson@aeb.org.

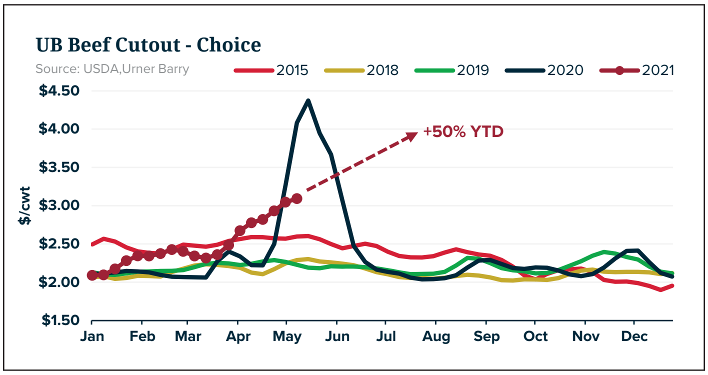
As always, I welcome your questions and thoughts and appreciate your continued support and enthusiasm for our shared mission. UB

©LumenSt / iStock / Getty Images Plus

Some cattle feeders seeing red despite stellar beef demand

2021 is shaping up to be a phenomenal year for the wholesale beef market. Through mid-May, Urner Barry's Choice and Select beef cutout values have posted a 50% year-to-date rally.

Meanwhile, beef packer margins ballooned to astronomical levels, challenged only by the record highs achieved during the chaotic supply and demand landscape in the second quarter of 2020.



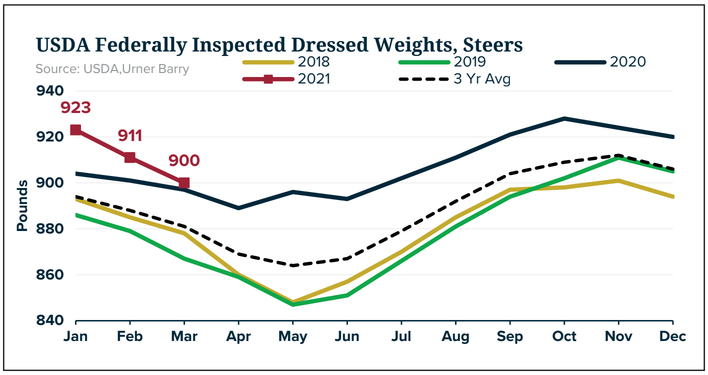
Stellar demand is behind the surge in beef prices. Stimulus funds, in addition to unemployment benefits, have helped boost domestic spending. On the export front, beef exports in March were up 8% from a year ago and the second largest of the post-Bovine Spongiform Encephalopathy (BSE) era, according to data released by USDA and compiled by the U.S. Meat Export Federation. March exports accounted for 14.7% of total beef production, an impressive figure given the logistical issues—including shipping container shortages—currently impacting the supply chain.

Despite soaring beef prices, many feeders are seeing negative returns due to large cattle supplies and restricted processing capacity. Feeders are struggling to become current following the severe backlog of supplies created by the pandemic-related processing slowdowns last year.

While most of the backlog has been worked through, supplies remain adequate for current processing capabilities. Widespread labor shortages are preventing packers from harvesting and processing as much as they would like to. Some beef plants are offering cash bonuses to new hires, but lines remain short staffed. Less cattle are making it through the pipeline as a result.

Some analysts suspect that cattle slaughter was already at capacity prior to the pandemic with daily kills pushing 125,000 head. The processing slowdowns in 2020 highlighted the need for increased capacity. National Beef in Iowa announced that they plan to double their capacity and a new beef plant is in the works in North Platte, Nebraska.

Through the week ending May 15, year-to-date cattle slaughter is about 5.7% over 2020, while beef production is up by nearly 7%. Steer carcass weights kicked off the year at unseasonably high levels but are slowly resuming a seasonal downtrend. However, steer carcass weights are 29 pounds above the prior 5-year average as of the week ending May 1. Year-over-year comparisons of weekly slaughter levels will be distorted in the second and third quarters due to last year's sharply reduced slaughter levels.



Some analysts estimate that fed cattle supplies have peaked and should decline by mid-July if orderly marketings are maintained. If achieved, feeders could see improved returns due to increased packer competition for the available supplies. Typically, slaughter levels increase throughout May and remain large into August. For feeders to become more current, this seasonal increase in slaughter levels must be realized.

While programs such as the Paycheck Protection Program and USDA's Coronavirus Food Assistance Program have provided some relief to producers following a devasting 2020, the cattle industry continues to be plagued with several challenges, including weather.

A major drought in the western United States, where a large portion of the domestic cattle herd lives, is a big concern heading into the late summer. As of May 11, about 35% of the cattle inventory is located within an area experiencing drought. Meanwhile, about 24% of the nation's corn production was experiencing some degree of drought.

Cattle feeders are also contending with sharply higher feed costs. Corn futures have eclipsed $7 per bushel, boosted by ongoing dry weather concerns in Brazil, steady U.S. planting progress, and strong export demand, especially from China.

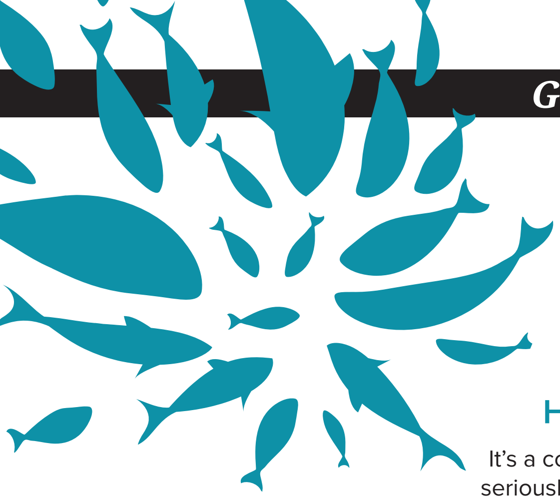
"Despite soaring beef prices, many feeders are seeing negative returns due to large cattle supplies and restricted processing capacity."

Going forward, the industry is trying to determine how large the national herd is going to be.

Aggressive cow harvest levels suggest that some degree of herd liquidation is underway. For the week ending May 1, combined cow and heifer harvest was 47.6% of the total cattle harvest. In March, beef cow slaughter was 10.2% above last year and 14.9% over the prior three-year average. Poor pasture conditions suggest that additional herd liquidation can be expected.

May and June are typically the best beef demand periods of the year. Futures prices are anticipating this seasonal strength in the months ahead. For now, the large disparity between cash cattle prices and beef packer margins will likely continue unless processing levels can improve. Participants will continue to closely monitor carcass weights as one indicator of the finished cattle supply. UB

Article contributed by **Courtney Shum** | cshum@urnerbarry.com



Good fish is good math...

THE FIGHT TO BRING SEAFOOD FRAUD OUT OF THE SHADOWS

Article contributed by Melaina Lewis, Director, Communications, **National Fisheries Institute**

Have you heard the saying, "Good fish is good math?"

It's a complex equation, but an easy saying. It's also a motto the seafood industry has taken very seriously over the years. For more than 15 years, the Better Seafood Board (BSB) – established by the National Fisheries Institute (NFI) - has continued its battle to fight labeling fraud, weight or count discrepancies and transshipments that look to circumvent duties and tariffs. Through the creation of the BSB, NFI members took a significant step to ensure they maintain an honest relationship with their customers. Because, at the end of the day, our members believe every consumer or customer deserves to get honest fish at an honest price.

Honestly, it would be easier to keep challenging issues like seafood fraud locked in a box. However, rather than shy away from the tough issues, the BSB has effectively and successfully pulled seafood fraud from the shadows and changed the climate and focus of fraud with respect to trade, policy and enforcement. Furthermore, the group has consistently supported strict enforcement of existing laws and regulations that prohibit seafood fraud.

The group's approach relies on a marketplace solution with NFI member CEOs pledging to conduct themselves and their business practices in an honest and trustworthy manner and to adhere to the industry principles of economic integrity, which includes selling products labeled properly for weights, origin, and species.

Members of the BSB have differentiated themselves from others in the industry. Here's how:

REGULATORY GUIDANCE

While BSB is not a regulator, it will engage with regulators on behalf of the industry to address or report potential fraud. To help companies comply with federal and state laws, the Food and Drug Administration (FDA), the United States Department of Agriculture (USDA), and the Customs and Border Protection (CBP) regulations, the organization developed "Industry Guidance of Best Practices for Addressing Seafood Fraud." NFI developed guidance on U.S. regulations for Ingredient Labeling in its "NFI Guide for FDA Labeling Requirements." These documents are available to members and the public on the website.

GOVERNMENT LIAISON

The NFI staff can act as a liaison with FDA and National Institute of Standards and Technology (NIST) to advance the cause of seafood integrity. As examples, NIST and FDA officials have spoken to remote and in-person meetings of the Better Seafood Board of Managers.

HOLDING THE INDUSTRY ACCOUNTABLE

The group monitors short-weight offers that are sent by members and sends letters to those companies warning them that the practice is illegal under U.S. law. It also monitors other examples of fraud flagged by NFI members.

TECHNICAL GUIDANCE

Combatting fraud takes aligning the entire value supply chain from supplier to buyer. That's why BSB has developed the "Vendor and Supplier Guide to the Economic Integrity Pledge" to help the supply chain better understand the pledge as well as guidance for Management, Line Employees, and Sales and Procurement Employees. The Better Seafood Board has also worked with FMI – The Food Industry Association (FMI) and the National Restaurant Association (NRA) to jointly develop training materials for retail managers, department managers and seafood counter employees on how to avoid seafood fraud within the retail and restaurant industries. The Seafood Strategy Committee of FMI and NFI have recently developed specification templates that seafood buyers can adapt for their own use.

ADVICE, EDUCATION AND EXPERTISE

NFI staff are available to provide advice and expertise to NFI members on a variety of questions ranging from proper labeling to how to contact government officials. Staff are also available to speak to allied industry groups to educate them about avoiding seafood fraud.

STANDARDS MODERATOR

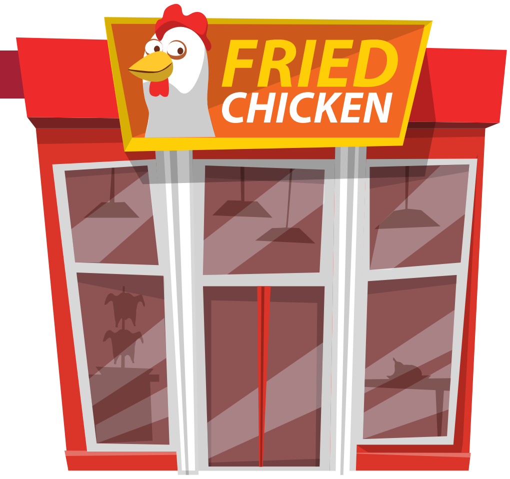
The organization brings together members and industry experts to discuss standards for the industry before presenting proposals to government officials.

It's the entrepreneurial leadership of the BSB that has brought critical industry issues out of the shadows and redefined what seafood fraud means for the seafood community. As an industry that provides American families one of the most beneficial food choices they can make, it's imperative customers and consumers trust our industry and have confidence in the products they purchase. Because we believe good fish is good math.

For more on the Better Seafood Board, visit **www.BetterSeafoodBoard.com.** UB

Don't sleep on chicken thigh meat...

Thigh meat finds its way onto the fast food menu



The past year has been anything but routine—especially for those in the fast-food industry. Between national labor shortages, in-restaurant dining restrictions, and the expanded consumer call for take-out and delivery services, the pandemic has underscored just how important it is for businesses to be able to adapt to emerging market conditions quickly and effectively. Although COVID has rattled the industry's idea of normalcy to the core, fast food players have taken solace in one menu item which has maintained, and even gained, consumer popularity over the past year: The crispy chicken sandwich.

As QSR chains assess their Q1 standing, it is evident that the widespread marketing success of the chicken sandwich has been paramount in aiding their recovery to pre-pandemic sales levels. On an April earnings call, McDonald's president Joseph Erlinger stated: "While the category is very competitive, we are so far exceeding our projections. We are selling more chicken sandwiches compared to our previous chicken sandwich line and seeing strong unit movement, especially after 4:00 pm." This isn't an isolated case either. According to KFC's parent company Yum Brands, after tossing their hat into the chicken sandwich ring back in February, sales volumes have more than doubled that of the company's previous sandwich iterations.

But the proliferation of the chicken sandwich in the fast-food segment has left many players struggling to adequately supply their customers with the savory goodness that they desire. Yum Brands CEO David Gibbs put it best: "Demand for the sandwich has been so strong that it has been a challenge to keep up supply when entering into Q2." While strong QSR demand for boneless breasts has undoubtably placed an additional draw on spot availability, Urner Barry's market dialogue also shines light on the challenges that chicken processors are dealing with when it comes to plant labor. Despite modest reductions in the national unemployment rate, most, if not all chicken processors, are dealing with vast increases in worker absenteeism, which has only been exacerbated by the pandemic over the past year.

So, with boneless breasts struggling to keep up with the strengthened call, what is a fast-food restaurant to do? To that we look no further than to Nathan's Best, which serves as a fine example of a company adapting to the current set of market conditions while also meeting the vocal call of their loyal customers. Best known for their popular hot dogs, Nathan's has recently expanded into the sandwich realm with a pair of unique offerings: The Nashville Hot Fried Chicken Sandwich and the Sticky Spicy Grilled Chicken Sandwich. What sets these offerings apart from the pack is the fact that their patties are derived from chicken thigh meat rather than the more traditional choice of breast meat. Besides dodging the boneless breast supply shortages, the incorporation of chicken dark meat carries with it a couple culinary advantages over the competition. Nathan's senior vice president James Walker said in a statement: "After a great deal of research and development, we found that the use of the chicken thigh gave our new sandwiches a flavor punch, offering a juicier and more intense flavor due to the dark meat."

While Nathan's is the first major chain to enter a chicken thigh contender into the sandwich war, they're not the first to explore the prospect of incorporating chicken back half items onto their menu. Wingstop made waves last year when they began testing bone-in chicken thighs in seven cities across the U.S. After a thorough evaluation, the company announced the inception of their aptly named Thighstop brand in late June. Thighstop will focus on serving crispy bone-in and boneless thighs tossed in any of the eleven Wingstop flavors that customers have already come to love.

Between the chicken sandwich war, which continues to rage to this day, and the glaring popularity of "wing houses," who is ultimate victor? The customer, of course! Although COVID-induced supply bottlenecks persist, chicken remains firmly established as a staple menu item of many fast food and casual dining establishments. With plenty of competition to choose between, the only way to declare a winner is to try them all! UB

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

©robuart / iStock / Getty Images Plus

ADVERTISER INDEX

These are the good old days...

the turkey state of play

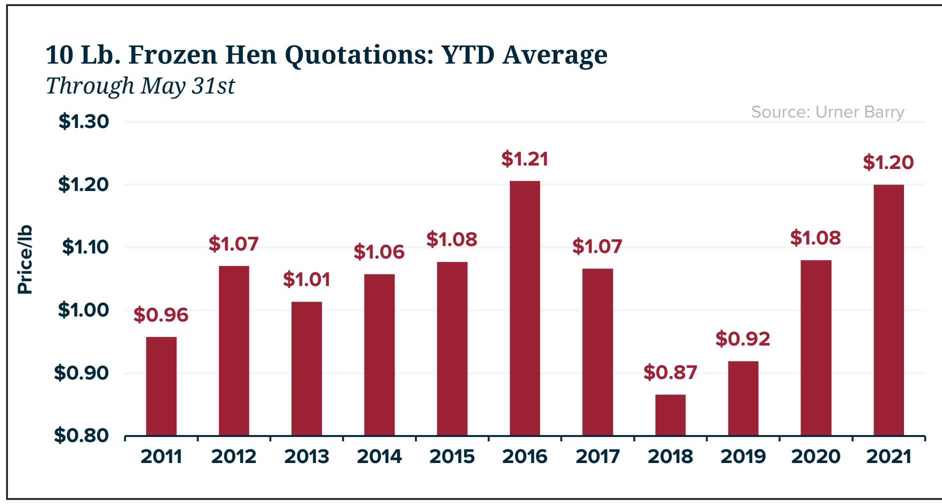
©bhofack2 / iStock / Getty Images Plus

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

What a difference a year makes. For many, it has been a long slog back to some semblance of "normal" life. However, for National Turkey Federation (NTF) members and those in the meat and poultry business, the past 15 months have been an all-out effort to fulfill our mission of supplying safe, nutritious protein for consumers.

Throughout the pandemic, turkey processors have constantly adapted and adjusted to respond to operational realities and meet consumer needs. Their resilience in a time of great uncertainty is to be applauded, and the lessons learned in 2020 will shape the industry moving forward. Now, as more COVID-related restrictions are lifted, the turkey industry is feeling the noticeable shift in demand. While the focus has been on channeling products to retail, the rapid rebound of foodservice has created additional demand for turkey products needed for restaurants, entertainment venues, schools and other institutions.

As we head into summer and the industry looks to positioning for the 2021 holiday season, we find ourselves in different circumstances than more recently experienced. Turkey prices remain strong across categories, exceeding the 5-year average in some cases. Urner Barry's year-to-date average for whole birds and consumer-packaged turkey breasts is above any recent year, besides 2016 which was influenced by high path avian influenza. Supply of some turkey products is tight with production forecast to be down in line with recent year-over-year (YoY) trends. Turkey cold storage stocks are trending downward YoY almost across the board with turkey breasts seeing a 34 percent reduction in cold storage YoY in April. There are a number of contributing factors to the current situation, including the strong demand for retail products experienced throughout 2020, but access to labor and escalating feed costs are two that remain in focus for NTF and the industry.



The turkey industry has faced labor availability challenges before, but the current situation is unique in many respects. Automation has helped the industry in certain areas, but plant employees remain the backbone of the industry. Today, various forces related to the pandemic, including the stimulus and enhanced government unemployment benefits, have affected the industry's ability to fill a significant number of available positions. As long as this acute challenge persists, it will be difficult to maximize processing capacity.

Another factor that weighs heavily on profitability and production is feed costs. Escalating corn and soybean meal prices, which affect the entire production chain, are of concern as the industry looks to meet post-pandemic demand for turkey products. USDA's May 2021 Livestock, Dairy, and Poultry Outlook recently noted that while strong consumer demand is expected for turkey products in 2022, higher feed costs are likely to constrain production growth to about one percent next year. Feed costs are an issue NTF and the industry will continue to track closely as the summer continues.

There is no doubt that the next few months will prove extremely interesting as the turkey industry adapts to shifting market conditions and looks towards the industry's biggest season. The foodservice outlook is largely positive, but there is still a long way to go to reach pre-pandemic levels. Nevertheless, demand is expected to remain strong, and the turkey industry is prepared to meet the needs of consumers as they look to gobble up our favorite lean protein in sandwiches, hot off the grill or on the family dinner table. UB

What's new with Urner Barry's COMTELL?

Urner Barry's COMTELL, the industry's leading platform for protein market coverage, continues to receive numerous improvements and updates designed to help customers leverage market intelligence. The team at Urner Barry has been working relentlessly at developing initiatives from the 2021 product roadmap which reflects the feedback and interest accumulated from COMTELL customers.

As for the completed projects from the 2021 COMTELL product roadmap, let us start with Urner Barry's brand-new Application Program Interface (API) offering, which will allow customers to access our database without having to login to COMTELL. This long-requested feature will deliver specific information directly into the customer's internal systems, allowing for automation and saving the customer valuable time.

Another exciting development during that last few months was the addition of the brand-new Insights section on COMTELL. The offering allows subscribers to read, watch, and listen to unique digital content such as Urner Barry's various podcasts, market videos, webinars, and written content, such as the Market Briefing, *Reporter Magazine*, whitepapers, and more. Insights will also feature Spotlight Specials which focus on a specific topic of interest where subscribers, and sometimes, guests, will have exclusive access to keynote sessions and live presentations.

Within the last few months, several other advancements have not only added to the value of the service but have also optimized the performance of several key areas within the platform. Some of these advancements include:

- Faster loading time for charting
- More conducive format for printing charts and history pages
- "Copy to Databuilder" button added to Item History data tables
- New Top-25 Importers of Red Meat widget added to Supply Data – Red Meat
- Filtered Tone & Commentary to better match the market report users are viewing

Additionally, a multitude of new data has been added to COMTELL within the last few months, including:

- Plant Protein market expanded to include Plant Protein Insider's Reports, market commentary, relevant USDA reports and pricing, dynamic trade statistics, and a soon to be populated Urner Barry price quotation table
- 790 new history items since January
- 11 new dynamic pricing and supply data tables since January

The 2021 COMTELL product roadmap contains many other initiatives; some currently in progress and others scheduled for the near future. With guidance from highly engaged customers on the COMTELL Advisory Board, priority has been given to the following upcoming projects:

- An Excel Add-In: Allows access to the COMTELL history database for data retrieval directly into a spreadsheet. Essentially, our API with an Excel user interface
- Additional "hands-off" customer support throughout the website, including short how-to videos and informational pop-up text
- The ability to set notifications relating to a specific news topic or keyword
- A more customizable dashboard
- Expanded weather offering

These are just a few of the plans which will continue to add value to the COMTELL service. The team at Urner Barry looks forward to sharing more updates as the platform evolves. UB

Article contributed by **Sarah Hartig** | shartig@urnerbarry.com

CVS expands frozen food offerings

COVID-19 has certainly shifted the way people live—including how they shop, where they shop and what they shop for. And retailers like CVS have taken notice. In April the pharmacy chain announced that they would be adding convenient meal planning options with expanded frozen foods and better-for-you snacks to their stores.

"Knowing that many have found themselves at home more over the past year, frozen foods and quick meal solutions continue to be an important part of daily routines," Alan Yarmaloff, Director Fresh Foods and Direct Store Delivery at CVS Health, told *Urner Barry's Reporter*. "While we concepted this expansion before the pandemic, we accelerated to meet the rising demand for more frozen food products in our aisles. Whether you're looking for a quick lunch in between meetings when working from home or dinner for your family after a long day, shoppers are looking for easy, balanced meals to keep them satisfied. And as more people are getting back on-the-go with their regular routines, this continues to be an easy option on the way home from work or practice with the kids."

The pandemic proved that you don't need to be on-the-go to appreciate frozen foods. Freezer aisles at the grocery store were nearly empty in the early days of COVID as consumers stocked up ahead of lockdowns. A report published earlier this year by the American Frozen Food Institute and FMI—the Food Industry Association found that frozen foods were among the fastest-growing categories in the grocery store during COVID-19. Frozen foods rang in $65.1 billion in retail sales in 2020; a 21% increase compared to a year prior. And while CVS isn't your typical food retailer, they too saw that spike.

"At CVS, we experienced substantial increases in the frozen food category last year," explained Yarmaloff. "It truly became a great option for our shoppers that were stopping in for their everyday essentials and could conveniently grab everything they needed for a balanced meal."

Now, depending on the specific product, Yarmaloff says that up to 7,500 stores across the country will see an expanded selection of frozen foods. Availability and selection will vary by store, but some of the notable highlights include Beyond Meat Burgers, Devour Buffalo Chicken Mac & Cheese, Bibigo Steamed Dumplings, Red Baron Pizza, Amy's Kitchen Broccoli Cheddar Bake Bowl and Tyson Chicken Strips.

"We will continue to evaluate trends, customer needs, feedback, and demand to ensure we're providing a convenient selection of meal solutions for our customers," explains Yarmaloff. "And our varying store formats allow us the flexibility to expand and contract to meet those needs and respond to customer feedback. We aim to continue growing our assortments, offering everything our customers need in one convenient place."

Photo provided by CVS Health

A normal CVS trip for me includes my daughter's multi-vitamin, a new bottle of nail polish and the latest issue of *Better Homes and Gardens*. Now it might include a package of Beyond Meat Burgers or some Tyson Chicken Strips. For CVS, what it comes down to is providing a variety of convenient choices for their shoppers—no matter what they might be looking for. UB

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

EFFECTIVELY MOVING TO CAGE-FREE

As the protein industry prepares for Proposition 12 coming into effect, more discussion is being raised within the industry on how to ensure compliance through both updating existing operations and building entirely new ones. Of course, neither of these solutions is particularly straightforward or easy, and producers face different challenges when thinking about effectively moving to a cage-free operation.

Urner Barry spoke with Henning Companies, a 97-year-old general contractor and design-builder, to understand the issues egg producers are currently dealing with when making the change to cage-free and how these issues can be overcome.

UBR: What are some of the biggest challenges you see in the egg industry with the move to cage-free?

HC: From what we see currently, there are two main challenges; the cost of building commodities, wood and steel in particular, and the size of the layer barns the farms are planning around. Since cage-free requires an increase in square footage per bird, the trend is to build larger and taller buildings. The reason behind the increase in building size is to minimize the cost of construction per bird and create economics of scale. This lends itself to a more complex building to build and operate.

UBR: What do companies need to take into consideration when adapting/changing their facilities for cage-free?

HC: If a customer is considering converting a facility to cage-free, they have several variables to consider. Unfortunately, it is not as simple as removing conventional cage equipment and replacing it with cage-free equipment. There are additional space requirements for cage-free birds, so the customer, in theory, would see a lower bird count in their existing facilities.

In addition, there are several significant changes to be made to the building to accommodate cage-free equipment, including structural, ventilation, electrical, manure handling, and automation modifications. Converting to cage-free requires a considerable capital investment, and each of these modifications can lead to significant cost increases. Every customer should analyze the cost of renovating an existing facility with the cost of building a new facility. In many cases, we have found the cost of building a new facility makes more sense economically compared to renovating, especially when you factor in the age and condition of the existing facility.

In the end, our customers need to weigh the cost of converting to cage-free alongside the fluctuating egg and feed market costs and state legislations.

UBR: What are the benefits of the different materials available?

HC: There are two main types of building materials: wood and steel. Materials a company chooses for their operations will depend on the type of building, the location, and the end-use of the egg, and there are pros and cons for each material type.

Wood buildings can create a better-insulated building. Historically, wood buildings are more economical and can be constructed quicker. However, the downside to wood is its limitations in size, both width and height. On the other hand, steel can give you a much larger and potentially more durable structure.

In the liquid egg market, we see larger flock sizes, resulting in larger laying houses. These more significant buildings surpass the limitations of wood structures; therefore, we are experiencing a transition to steel structures within this market.

When it comes to table egg complexes, flock sizes are smaller, and it is unnecessary to build bigger and taller. In this market, the trend is still to build these buildings from wood.

Whether it be liquid eggs or table eggs, the end use of the building is just one set of parameters to consider. In the end, there are several considerations when looking at building a cage-free complex out of either wood or steel. At Henning, during design, we analyze these different variables, such as location, climate, and end-use, and how they impact your facility. The analysis results in a cost-effective and efficient facility design.

UBR: What solutions do you provide to help deal with some of these challenges? How are your services unique?

HC: As projects get more extensive and more sophisticated with more automation, we've realized there is more of a whole team requirement; a total team effort between the customer, the design-build firm, and the engineers.

One of the aspects of Henning's service that we are very proud of is the preconstruction phase. When a customer considers either a new facility or expansion of an existing facility, the first steps include what is known as preconstruction. Preconstruction includes conceptual design, project feasibility, regulatory requirements, final design, and final cost estimation. During this phase, Henning reviews all the variables mentioned above with the customer and then provides all appropriate options. In this process, we can analyze the different structure types, their cost-effectiveness, and how they will perform in your circumstances. This allows us to create completely tailored solutions for our customers to fit their needs best. UB

Urner Barry's Reporter
Urner Barry • P.O. Box 389, Toms River, NJ 08754-0389
Volume 16, Number 3 • Summer 2021

Urner Barry's Reporter (ISSN 1944771X) is published quarterly by **Urner Barry Publications**, P.O. Box 389, Toms River, NJ 08754-0389. Periodicals Postage Paid at Toms River, NJ 08753 and additional offices.