Urner Barry's
Reporter
the newsmagazine for the food industry professional
VOLUME 17 | NUMBER 1 | WINTER 2022 | QUARTERLY

RISING PRICES ADD MORE PRESSURE TO MARKETS

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From the Editor's Desk...

In late September I found myself in a position which I thoroughly enjoy, but which had been absent from much of my professional life for the past year and a half. While standing at the podium at Urner Barry's Executive Conference I thought to myself, and vocalized to the attendees, how fantastic it was to be back in action. I couldn't help but smile upon hearing the return of laughter and seeing the reemergence of camaraderie which we all have been sorely missing. It felt oh so close to normal.

There's little doubt in my mind that 2022 will very closely resemble the days of "old," even if those days were only two years ago. Trade shows, marketing events, customer visits and business travel, each beg for much needed attention. And with that, opportunities to forge new relationships, advance initiatives, and provide better customer service and support than ever before. These are certainly exciting times.

At Urner Barry we have the privilege of speaking with hundreds and hundreds of people every year. Each one has a story of where they've been, and where they intend to go. Despite caution in their tone, you can clearly hear a volume of vigor and commitment, hope and resolve, that one can't help but to absorb and pass along.

Will it be enough? That's not an easy question. No longer is it just a matter of plant or operational logistics, or what the labor force looks like on any given day, whether there are enough trucks and drivers, and the condition and quantity of animals which need to be harvested and processed. The story has grown to include ancillary variables for the food industry to tackle. As the supply chain approaches a critical juncture, it's clear that COVID-19 continues to have far reaching tentacles that have impacted the stream of critical goods necessary for the proper functioning of our industry. Atypical bottlenecks have resulted in freight delays, packaging material shortages, inconsistent CO_2 and N_2 availability, spices and seasonings holding up further processing output, and much, much more.

However, the more I speak to our industry colleagues, the more I am convinced that very little of this will matter in the long run. There is a strong consensus that the leap to automation and the vastly expanded base of knowledge we have acquired—along with the industry's refined ability to adapt on the fly—will all aid in the continued successful distribution of safe, healthy, and wholesome food to the global consumer.

Stay in touch.

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Urner Barry's
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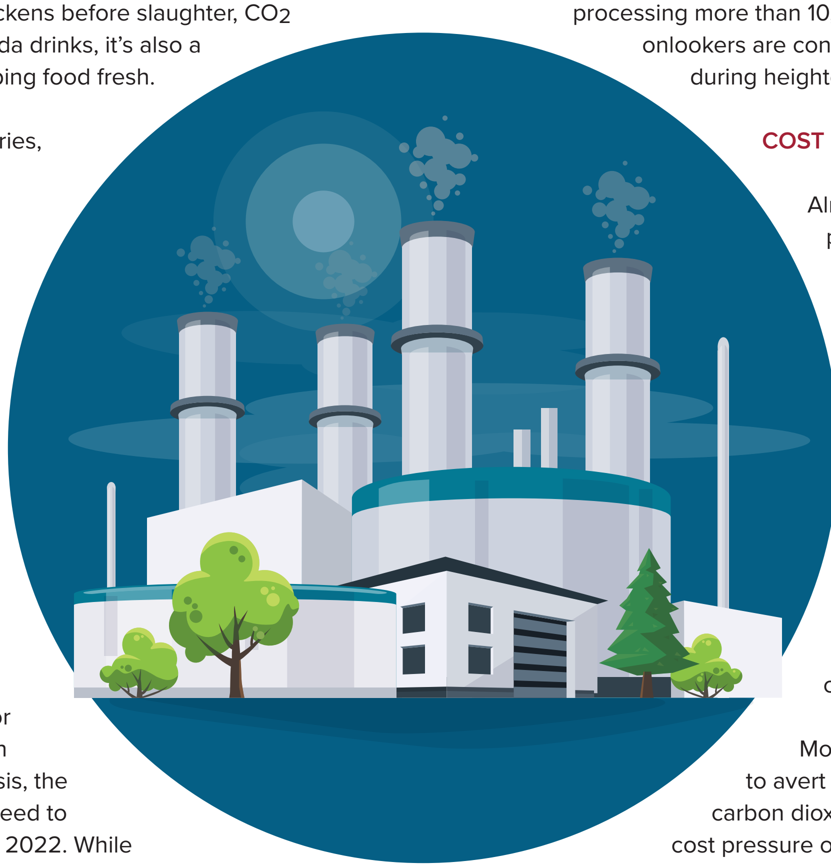
UK's food security threatened by soaring energy prices

Heightened gas prices have caused a slowdown in fertilizer production, a by-product of which is carbon dioxide, a key component in food production.

While the government has coordinated with large CO_2 manufacturers to minimize disruption to British businesses, concerns remain.

CO_2 SHORTAGE

Used to stun pigs and chickens before slaughter, CO_2 is more than just fizz in soda drinks, it's also a critical component in keeping food fresh.



Earlier this year, CF Industries, a major producer of CO_2, suspended production at two sites—Cheshire and Billingham—due to high gas prices. According to recent reports, the two sites account for around 60% of the UK's commercial carbon dioxide production.

Following the closure, the U.S. firm reopened the Billingham plant in north-east England after the government agreed to meet operating costs for a period of three weeks. In a bid to avert any food crisis, the government has since agreed to extend the deal until early 2022. While there is still uncertainty as to what cost the industry will source CO_2 supplies come early 2022, the extended deal has brought some relief—albeit temporary.

At the time of this writing, the plant at Ince in Cheshire remained closed with no reopen date given.

PORK & POULTRY

With Britain already facing a shortage of meat and ready meals–partly a consequence of reduced production capacity due to Brexit and COVID isolations–low stocks of carbon dioxide could further disrupt pork and poultry supplies.

British pig farmers have yet to feel the full brunt of the energy crisis due to a severe backlog of pigs destined for abattoirs due to staff shortages. However, industry representatives have warned that the carbon dioxide crunch may lead to the "humane" culling of thousands of pigs, a measure that has not been taken since the outbreak of foot-and-mouth disease more than two decades ago.

Around 90% of poultry sold in British supermarkets is produced within the UK. Halting production due to CO_2 shortages could further limit already thinly stacked shelves. With big plants processing more than 10,000 birds an hour, industry onlookers are concerned of supply bottlenecks during heightened demand over Christmas.

COST PRESSURE

Already facing enormous pressure, elevated CO_2 costs are yet another shackle hindering the UK's food and drink industry.

While the initial closure of carbon dioxide sites increased fears of a potential food shortage, the subsequent reopening of plants has food manufacturers scrambling for a remedy that can be applied to prevent undue cost pressure.

Most will agree that while a deal to avert a food crisis was vital, the new carbon dioxide agreement will place more cost pressure on food and drink production. What remains uncertain is by how much these costs will increase.

With the government agreeing to pay out millions of pounds to reopen CO_2 plants, the British food industry may yet have to front the bill. No exact figure has been made official, but Environment Secretary George Eustice suggested that carbon dioxide prices would increase five fold from £200 to £1,000 per ton. UB

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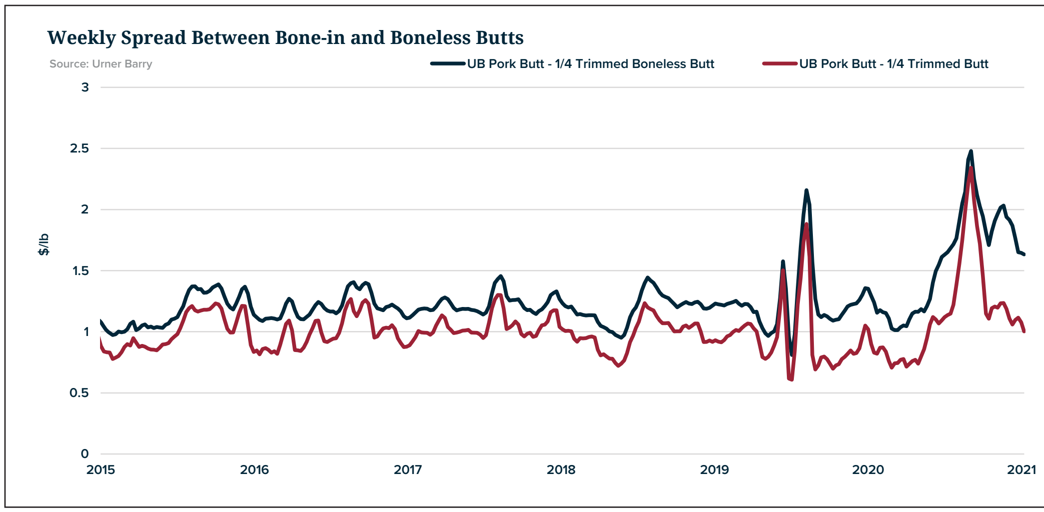
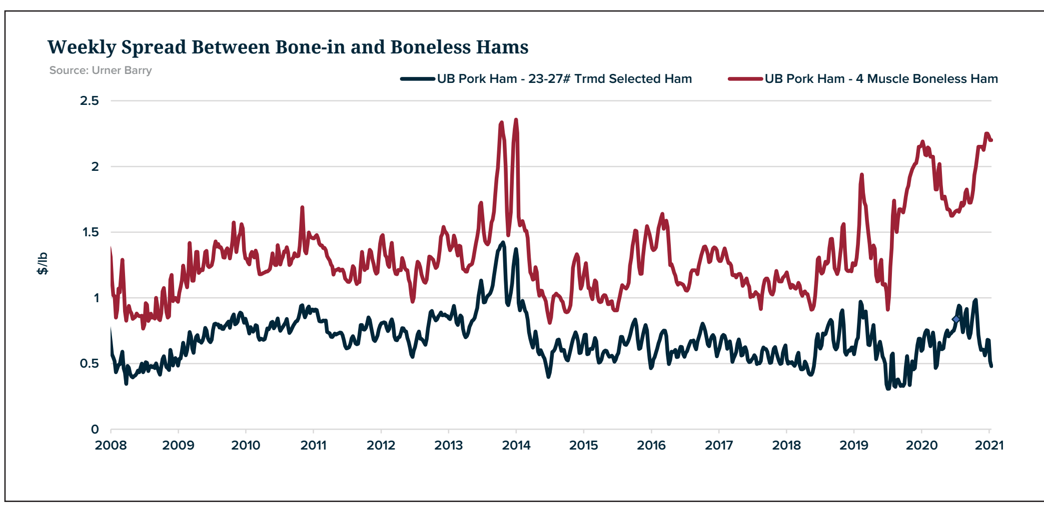
Is this the new normal for the pork industry?

As we approach a post-pandemic life some questions need to be answered: Will labor shortages ever go away? How long will supply chain and logistic disruptions last? Is this the new normal? All three of these questions are valid and need to be answered. For now, we can take a close look at how these issues have impacted the pork market from summer to fall.





Labor shortages have impacted every aspect of the pork market over the last two years, and nowhere is this more apparent than within the spreads between bone-in and boneless cuts. When we look at the spreads over the past several years, we can see the huge variance between bone-in and boneless begin to take place as the pandemic started. Take hams for example, which although typically trade with a premium for boneless products due to the labor-intensive de-boning process, saw boneless hams form a record-breaking divergence from the price of their bone-in counterparts.

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As of October 18, 2021, the spread between boneless and bone-in hams was a whopping 468%. Price spreads between butts have experienced a similar, although less aggressive behavior, with boneless trading 65% over the bone-in items, the largest seen on a weekly basis since Urner Barry started quoting boneless butt cuts.

Supply chain and logistic disruptions are causing difficulties in obtaining ingredients, such as spices, packaging supplies, and certain types of plastics that are imported into the U.S. Many of these products are still being produced around the world, yet the issue is getting these goods to their final destination. This all starts with the port congestion that is being seen all around the United States and the world. Labor scarcity has led to an inability to dock and unload ships in a timely manner, which has resulted in a backlog of freighters sitting off the east and west coasts. Some of these dock issues stem from the trucking industry, which has seen a significant log jam form due to driver shortages and soaring freight rates. There are many factors that contribute to issues like these, and a perfect storm has been brewing for some time now.

Now the question that everyone wants to know the answer to…is this the new normal for the pork industry? While it's impossible to say, the number of factors influencing the market at the same time has led to a situation of intense price action and continuous availability concerns. Labor shortages have shown the effect that they can have, and with all variables considered, there doesn't appear to be an easy fix. The same rings true with supply chain and logistics, as much of those woes are shared on a global scale and among industries of all types. For now, we are living in "a new normal" and will continue to do so to some degree until we are able to solve a number of difficult issues not only in the U.S., but across the world. UB

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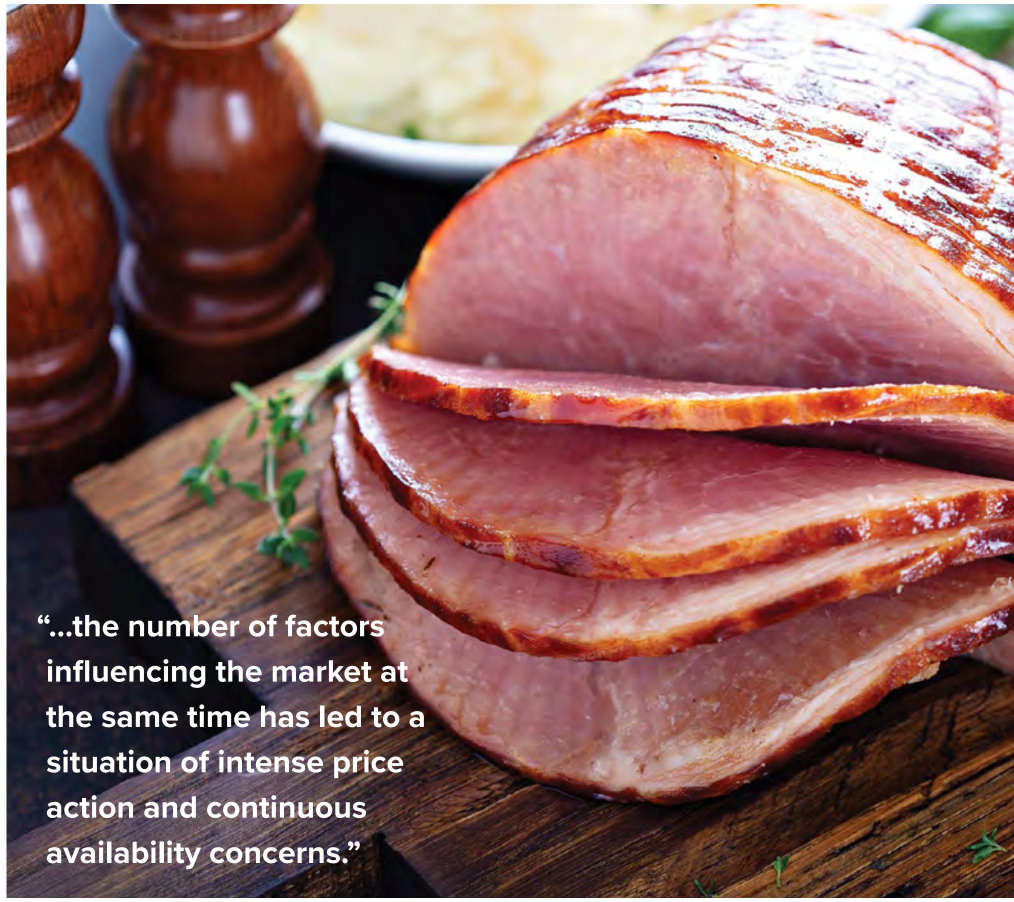

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U.S. shrimp imports in position to set another record

U.S. shrimp imports have set records in each of the last seven years, and the pace through September suggests 2021 will be the eighth straight record-setter. Between 2013 and 2020, imports of shrimp into the U.S. have grown 48%, or 534 million pounds, to reach 1.65 billion pounds.

We now have three quarters of import data, and here's how it breaks down...

September shrimp imports reflected the first year-over-year decline since November 2020. The import figure was 1.3% below last September's 165.2 million pounds. Year-to-date imports are 1.414 billion pounds, up 20.2% from last year.

Among our top five trade partners, India (+26.2%), Ecuador (+46.5%), Indonesia (+5.9%), and Vietnam (+38.3%) have all shipped more shrimp to the U.S. between January and September. Only Thailand (-5.6%) shipped less.

In terms of product form, year-to-date imports of shell-on, which includes easy peel, are even with a year ago. All other categories are higher. Imports of peeled surged 39.3%, cooked 14.3%, and breaded 22.8%.

It's no surprise that there is zero growth in shell-on products while value-added products are growing in the double-digits. The surge in sales at retail are primarily driven by peeled and cooked, and the foodservice sector has looked for easier-to-prepare products given labor constraints.

INDIA: The country struggled with COVID-19 and logistical challenges which led to quite erratic product flow. After starting the year with four months of year-over-year declines, it has now been five-straight months of year-over-year gains, and a record-setting August. The most recent volumes have been more in-line with normal trends, absent of the pandemic period. India is still our number one trade partner by a comfortable margin, accounting for

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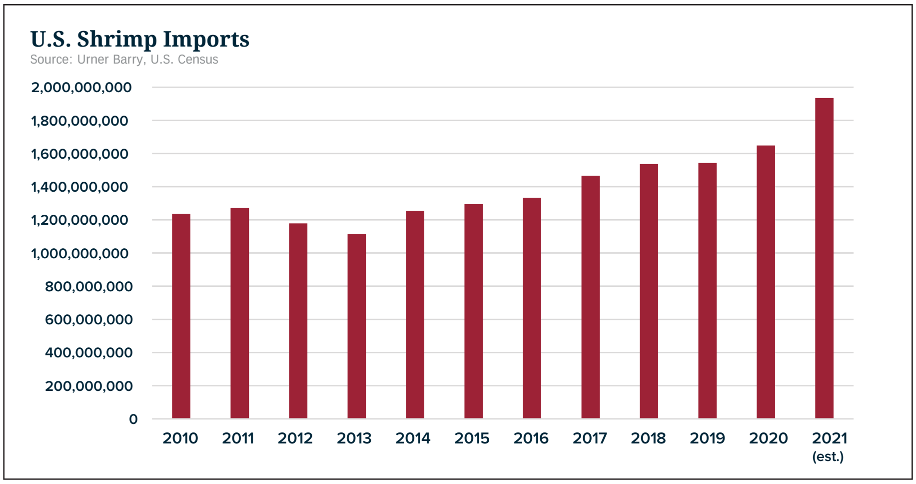

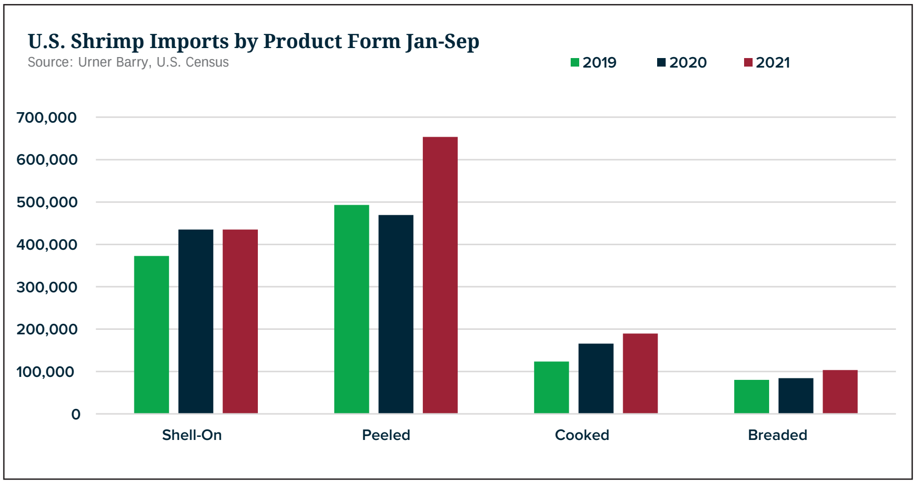

nearly 38% of the import volume. India's shipments of shell-on have fallen 15.6%, while shipments of peeled have increased 47.6% and cooked 11.6%.

ECUADOR: The intentions of the shrimp sector in this country are well documented, so it is not a tremendous surprise that they have increased shipments to the U.S. by 46.5% through the first three quarters of 2021. Ecuadorian officials have stated that they want to be the first producing country to exceed one million metric tons, and they seem well on their way. Data suggests that production in this country is going from 770 to 950 thousand metric tons between 2020 and 2021. Adding to the surge in trade flow has been ongoing strife in Ecuador-China relations. Ecuador has been predominately a shell-on and head-on supplier, and increased shipments of shell-on by a wide 31.1%. Recent investment has allowed them to ship 76.3% more peeled.

INDONESIA: Imports from Indonesia have also been quite erratic as the country navigates its own COVID-19 struggles. Indonesia has posted multi-year low and record-high figures during the course of 2021, which has led to a slim 6% gain January through September. What's interesting about Indonesia is that shipments of both shell-on (-3.2%) and peeled (-2.2%) have declined, but they have shipped more cooked (+20.9%) and breaded (+42.7%).

VIETNAM: Shipments from Vietnam have exceeded the prior year every month except for September, resulting in an increase of 38.3% through the first nine months of 2021. While not immune to the impact of COVID-19—in-fact nearly half of the country was in lockdown for some period—producers in Vietnam were able to effectively shield workers and maintain output. Through the first nine months of the year, Vietnam increased shipments in all categories. They shipped 72.1% more shell-on, thought to be largely in easy peel form, and increased shipments of peeled (+59.2%), cooked (+23.7%), and breaded (+31.2%).

THAILAND: Thailand is the only country among the top five suppliers to the U.S. to ship less shrimp through the third quarter. An expected decline in production and increase in domestic consumption has meant less shrimp available for export. Thailand has supplied less shell-on (-32.4%), peeled (-21.6%), and cooked (-12.7%), but shipped more breaded (+34.0%).

It's not unreasonable to suggest that close to another 500,000 pounds will arrive in Q4. If that is close to correct, the U.S. will have imported 1.9 billion pounds of shrimp in 2021. That jump signifies a 17% increase, or another 300+ million pounds in just one year.

The impact on availability looks like this…in 2013, there were 3.6 pounds offered per capita, which grew to five pounds in 2020 and 5.9 pounds in 2021. There is a lot more shrimp available per capita, and there are questions as to whether consumption can keep-up. Positively, and the reason consumption may in-fact increase by a similar factor, is that product is more available in an easier format to consume due to the increase in shipments of value-added shrimp. UB

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Planterra Foods strives to achieve quality while expanding into new markets

Planterra Foods, founded in 2019, belongs to JBS' portfolio of brands. Operating independently from JBS, Planterra Foods boasts that they are committed to providing plant protein options to consumers and share JBS' vision to feed future generations, with a mission to share the delicious taste of plant-based food with the world.

"The commitment and vision come out of the acknowledgment that animal protein alone cannot sustainably meet the world's demand for protein in just three short decades," said Jorge Azevedo, Chief Growth Officer for Planterra Foods.

Solutions need to be found to supplement this demand for animal protein by 2050. Planterra's goal is to participate in the plant protein market by providing solutions instead of creating new problems.

"It is not about ending what consumers enjoy today or passing judgement on what they like to eat," explained Azevedo. "It is about creating a positive choice without having to reject your first choice."

Initially, the company intended to launch its plant-based products brand, OZO™, in 2020 through both foodservice and retail channels. At the forefront of the launch was the taste and quality of the products. Unfortunately, COVID-19 threw a wrench in the gears of the foodservice approach, so Planterra decided not to explore the channel in 2020 and instead focus on bringing foodservice options to market in 2021. The company recently started shipping its first plant-based pizza sausage topping to US Foods. The product is doing extremely well and is being met with incredible demand.

At retail, OZO™ products are reaching just over 20% of stores in America. Items that can be found in retail stores include plant-based burgers, ground beef, meatballs, breakfast sausages, and plant-based chicken nuggets and patties. Azevedo noted that these OZO™ items seen in retail will be available at foodservice as well, with a significant amount of innovation coming.

"For foodservice, we are introducing chicken cutlets and shredded chicken, bacon, and quickly developing bacon pieces," stated Azevedo.

"We are talking to a number of different partners that really like the angle we take," Azevedo continued. When describing the company's marketing strategy, Azevedo explained that foodservice operators are

Images provided by Planterra Foods

not looking to tell consumers that their choices are wrong, but prefer to bring to consumers' attention that there are alternative offerings to meat that can also provide a great experience. "They like the marketing approach that OZO™ brings in, and we are seeing positive acceptance there," he added.

Also, many consumers ask themselves why they are choosing to go plant-based. Azevedo believes that OZO™ offers a "why."

"While major players have done a tremendous job raising awareness for the category, the market is growing rapidly and quality is a major driver behind where the future of plant proteins are heading," Azevedo explained.

Enter fermentation. To improve the quality of its plant-based products, Planterra Foods seeks out partnerships with companies like food ingredient company, Mycotechnology. These partnerships allow Planterra to upgrade what is currently available in the market. Azevedo described Mycotechnology as the experts in mushroom fermentation. This process has allowed the company to solve many complaints consumers have with plant-based meat. Some of these complaints include a strange aftertaste, an unappealing odor, indigestion, and an unusual texture. Azevedo explained that Mycotechnology helped Planterra ferment its protein to combat these concerns. The process increases the quality, eliminates the aftertaste issue, and helps with digestibility.

"No masking with artificial flavors is necessary in OZO™ products because of the fermentation process. The protein in our burgers is 99.9% digestible. Meanwhile, regular pea protein is 85% digestible," said Azevedo. He expressed that Planterra went after this partnership because of the value. "We saw that we can make something special here that attacks quality and taste concerns through a partnership that aligns with our strategy," he added.

Azevedo expressed his excitement as Planterra will be the first company to bring to market a plant-based item consumers will need a knife to eat. "It is a chicken cutlet that heats, tastes, and smells like a chicken breast. There has been phenomenal feedback, and the equipment to create this product is being added to the state-of-the-art plant we are building in Denver, Colorado," said Azevedo.

When it comes to product launches, Azevedo stated that the chicken cutlet and shredded chicken are only the beginning of new, innovative offerings. The chicken alternatives will initially be available at retailers in January. The bacon will launch in April and will be unlike anything else on the market, as the flavor and texture is comparable to that of animal products. For foodservice, be on the lookout for pilots in April with national rollouts in 2022. While these products will be the first of their kind to market for Planterra Foods, Azevedo said that "there are so many more products in the pipeline that this new technology will help us achieve." UB

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Dried egg white prices in Europe soar past those of the U.S.

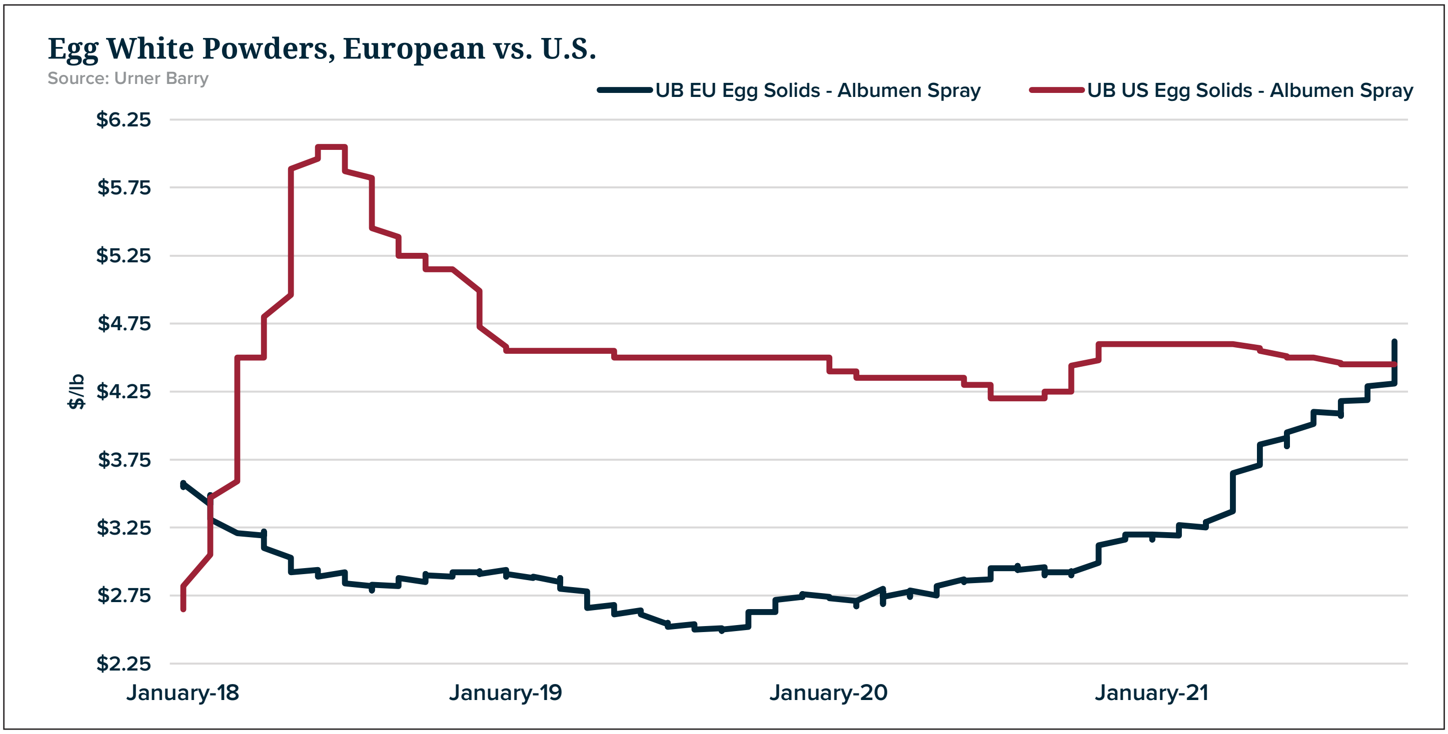
Spot market values for egg-white powders in Europe have surged to some of the highest levels on record this year thanks to soaring input costs and production cutbacks as a result of diminished foodservice demand. In late-October, prices for barn whites, known as "cage-free" egg in the U.S., were up 34% year-to-date at $4.65/lb.—the highest price recorded since Urner Barry began tracking the data in 2018. The same is true of free-range whites, which have jumped 22% year-to-date to $5.00/lb.

While prices for caged, or conventional, egg-white powders have not hit record-high levels this year, that's only because this form of production practice has much more history behind it. And that history includes a devastating bout of avian influenza, which wiped out a significant portion of the laying flock in 2016. That said, prices are perched at the highest levels since that time. And in fact, percentage increases for caged egg whites are even more robust than the other two categories—up 39% year-to-date and up 55% from the year-ago period (as of October 22).

Part of the increase in egg white prices is attributable to rising cost of inputs—most notably grain and, in turn, animal feed. The price of grain has been rapidly climbing since last summer due to exceptionally strong demand from China. In France, corn soared 47% from nearly €170 per ton in August 2020 to above €250 in June 2021. And the increase here is not unique. Similar surges have been observed all around Europe, not only for corn, but also for wheat and barley. However, the strong rise in feed costs has not translated to higher spot values for shell eggs. This has forced farmers to evaluate their flock sizes. And for many, that has meant slaughtering hens ahead of schedule and waiting for lower production costs to repopulate.

"…for the first time since January 2018, powdered white values in the EU have eclipsed those of the U.S."

Farmers are also grappling with supply-and-demand shifts, as it relates to the transition from caged to barn eggs, due to animal-welfare regulations. This conversion has led to decreased supplies of caged eggs, which along with the aforementioned flock adjustments, has created a lower volume of shell eggs available in the open market. That means there have been less "industry eggs"—known here as breaking stock—available to further processors, and in turn less raw material for egg products.



At the same time, foodservice demand has been lagging. COVID-related restaurant restrictions have curtailed the need for liquid yolk, which is used heavily in the European foodservice arena. With little need or incentive to break and separate for yolk, there have been fewer whites produced as a by-product.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Meanwhile, in the U.S., the situation is quite the opposite. Liquid yolk is the primary driver of separation needs here, propelled by manufacturing demand for dressings, sauces, and mayonnaise, which some processors say have reached unprecedented levels. This has created a surplus of whites at times, keeping prices steady-to-lower. And for the first time since January 2018, powdered white values in the EU have eclipsed those of the U.S.—albeit slightly. While excessive freight rates don't currently make it economical to export whites from the U.S. to Europe, if that spread continues to widen, it could open up arbitrage opportunities. UB

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Protein trends...

Urner Barry market reporters preview the upcoming holiday season

With the holiday season in full swing, this year's food trends are top of mind for the protein industry.

Many are wondering what the 2021 season will bring following a tumultuous and uncertain holiday in 2020—will we, in fact, see larger at-home gatherings again? Or perhaps continue with smaller gatherings featuring more premium cuts? Could there be more reliance on foodservice? Are we truly in for a "new normal?" The reality is, each protein segment is seeing different trends and predictions for what this holiday season might bring.

EGGS

For the egg market, this time of year is typically the strongest due to holiday baking. Urner Barry's egg market reporter, Karyn Rispoli, noted that there are two schools of thought for eggs this year:

"One—that gatherings will be large because families feel comfortable celebrating together this year, which should help spur egg sales," said Rispoli. "Or two—that it won't be as good as last year because there are fewer households cooking and/or baking."

BEEF

In the beef sector, it is still very early to tell how the rest of the year will play out. However, there are a number of retail darlings in the beef case that consumers show seasonal loyalty to (standing rib roast, anyone?). But current market dynamics could result in a shift in consumer buying habits.

Gary Morrison, Urner Barry Vice President and beef market reporter said, "A lot of people believe the value relative for strip loins to the ribeye will provide opportunity for retailers to feature strips this year. And retail interest is starting to pick up on that."

PORK

Another seasonal staple, hams—and especially spiral cut hams—are suffering from the same labor-related production hurdles that most pork items, and other proteins, are experiencing.

Director and pork market reporter, Russ Barton, said, "Boning out a ham is a labor-intensive process and because of that, a significant premium for boneless ham has been seen for many months and continues to this day. Labor issues among further processors, those who would be making lunch meat or holiday hams, has also been of concern and at times has been yet another bottleneck in the supply chain."

Barton also said that holiday-related demand has been supportive, with the market anticipating family get-togethers to resume this year after some were put off during the height of the pandemic.

SEAFOOD

Looking at the seafood category, retailers will kick up promotions starting in December, moving away from turkeys and on to seafood.

"When we compare the shift from November to December, in 2018, buying opportunities rose 60% 2019 saw opportunities rise 27.5% and 2020 saw promotions up 29.2%," said Janice Schreiber, Seafood Price-Current Editor and market reporter.

"Retail is another popular place for salmon sales throughout the holiday season, with buying opportunities raising 19% last year from November to December and 36% higher in 2019 from the same time period," noted Schreiber. "When looking at the overall farmed salmon complex, the farmed salmon index sees the 5-year average rise 13% from the end of November to the last week of December."

Moving on to squid, this item is often included in the Christmas Eve tradition of the Feast of the Seven Fishes. Seafood market reporter Lorin Castiglione said squid is a popular holiday dish due to its ease of cooking, mild and versatile flavor profile that appeals to a wide audience, favorable price point, and availability of the species. However, there have been supply chain issues revolving around squid ever since the pandemic began.

"A few contributing factors to the constrained supply situation include lackluster catch from multiple origins, lack of labor to process raw materials, and a strong unwavering demand heavily from the foodservice sector as well as from the retail side," explained Castiglione. "Because of these issues, prices are firm and have gradually strengthened throughout the year. Rising freight costs, logistical issues, as well as tariffs imposed on product from China also contribute to the upward pressure on the market."

Castiglione also noted that with there being labor issues in the producing countries, there has been a larger volume of tubes and tentacles being imported.

POULTRY

Turning to our feathered friends in the poultry world, the holiday is facing some notable takeaways on seasonal favorites. Chicken isn't necessarily what comes to mind when one thinks of the holiday season. But starting on Black Friday and

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continuing straight through New Year's Day and into January, consumption of chicken benefits from increased demand at fast food outlets, QSR takeout, and food court consumption, along with the holiday parties and the requisite finger food platters that go hand in hand with entertaining.

The same can't be said for turkey which saw prices at all-time highs in October and November.

"There is a definitive lack of supply being seen in the turkey complex, especially with hens," noted Russ Whitman, SVP and poultry market reporter. "Labor shortages result in processors being unable to harvest the birds on a targeted schedule, while production cutbacks stemming back to Q4 of 2018 contribute to reduced supplies in a heightened demand environment."

Historically, the prices usually drop for turkeys right after Thanksgiving and are much lower for the end of the year holidays. However, there is strong demand for turkey through Christmas and New Year's. Early 2022 is when all the big retailers will be seeking the turkeys delivered for the 2022 holiday season.

This year represents a lot of change in the industry and how consumers behave at the holidays. It will be interesting to observe which, if any, fundamental buying changes will last beyond the pandemic. Tradition is often deeply rooted, but evolution can sometimes be quick. UB

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This coffee sure is strong...

ICO extends to coffee worries over high fertilizer prices

The International Coffee Organization extended concerns to the coffee sector over blows to output prospects from soaring costs of fertilizers, even as it reported bean prices at a nine-year high.

The intergovernmental group reported coffee prices, as measured by its benchmark index, achieving a 12th successive month of gains in October; rising by 6.8% to 181.57 cents a pound, the highest since February 2012.

The headway, which took to 72% price growth year on year, "reflects a substantial change in overall market conditions," the ICO said, restating the setback to supplies from Brazilian drought, and from the COVID-19 pandemic, which has disrupted logistics and, in some cases, limited labor.

"The uncertainty created by weather-related shocks and potential disruptions in trade flows from stricter pandemic-related measures has become a serious threat to the regularity of green coffee supply," the ICO said.

The ICO revealed a weak finish to coffee exports for 2020-21, as closed in September, with shipments falling by 4.5% that month, compared with a year before, reflecting a 26% slump to 3.15m bags in volumes from Brazil.

Brazil's exports have been undermined by what industry group Cecafe has termed the "serious operational crisis" in shipping, as well as by a hit to the country's exportable surplus from a drought-reduced harvest.

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MARGIN HIT

However, the signal from the rally to plantations to ramp up output was being muffled by the rising costs of inputs, which were limiting the boost to margins from soaring bean prices.

"Increasing transaction and production costs, including fertilizers and labor costs, along with substantial increases in the transport costs, are expected to reduce growers' current gains from increased prices and slow down investments in production," the ICO said.

The comments follow cautions from other sectors over the dent to farmers' margins from soaring values of fertilizers–if they can obtain supplies at all.

Separately, the Agricultural Market Information System (AMIS) cautioned that "from maize producers in Brazil to wheat farmers in France, there is worry that fertilizer supply will not be sufficient for the next planting season." AMIS also highlighted reports that Vietnam is encouraging rice growers to cut nutrient applications by as much as 50%.

DEMAND SUPPORT

Meanwhile, the ICO acknowledged the resilience of coffee demand to all but extreme events, such as the peak of the pandemic, saying that consumption was estimated up 1.9% in 2020-21, "resuming its steady growth of the last 10 years as before the outbreak" of COVID-19.

"With the prospect of further easing of pandemic restrictions related to COVID-19 and subsequent expectations of economic recovery, world consumption is expected to continue growing," a factor likely to support the coffee rally.

"The inelasticity of world consumption is expected to tighten the demand and supply ratio and increase the possibility of the current upward trends of coffee prices continuing."

TOP PERFORMERS

The gain in coffee prices last month was led by Brazilian natural arabica beans, which amid the export squeeze appreciated by 8.9% to 199.98 cents a pound, their highest since February 2012.

Colombian mild beans rose by 7.7% to a 10-year high of 258.87 cents a pound, amid worries over Colombian producers defaulting on delivery contracts.

Robusta beans rose by a more modest 0.6% to a four-year high of 105.24 cents a pound, seeing their discount to arabica supplies expand to multi-year-high levels. UB

Article contributed by **Mike Verdin**
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Assessing the post-pandemic work life


Photo provided by Dr. Joey Mehlhorn

As COVID related travel restrictions gradually recede, food industry market participants have begun to hit the road to shake hands and get some much-needed face time in. For a number of players, the first event they attended was the National Protein and Food Distributors Association's Fall Meeting in Chattanooga, Tennessee. In addition to the highly insightful group discussions about the state of the industry and what challenges might lie ahead, several speakers had the opportunity to provide insight on the evolving state of the agricultural industry. Among the presenters was Dr. Joey E. Mehlhorn, who serves as the Gilbert Parker Chair of Excellence in Agriculture and Natural Resources at the University of Tennessee-Martin. Dr. Mehlhorn directs the graduate program in agriculture and natural resources and teaches in the area of strategic and risk management. Following his presentation, Dr. Mehlhorn was generous enough to spend some time with *Urner Barry's Reporter* to dig down into some noteworthy topics.


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URNER BARRY'S REPORTER: *It almost goes without saying that Millennials and Gen Z are making up a larger percentage of both the workforce and the consumer demographic. How has this scenario shaken up traditional business practices and marketing efforts?*

DR. JOEY MEHLHORN: Millennials and Gen Z are impacting business in two primary ways. First, as consumers they are interested in knowing where their food and products come from and how it was produced. They are very technology savvy and as such stay up to date with anything that impacts their products. The use of social media has allowed for all kinds of information—sometimes accurate and sometimes not accurate—to be spread quickly so consumers can make decisions. Secondly, they impact businesses because they are representing the employees. Different generations view their work—especially work-life balance—differently and this can lead to miscommunication and conflict in the workplace. Businesses need to understand how their employees think and learn to motivate within a system that is effective for the employees. At the same time, employees need to understand the culture of their employers and learn to adapt. It is a two-way street to understand and work together. It is not reasonable to expect a business to bend completely to the will of employees, but the business cannot ignore what motivates the other generations.

UBR: *With many companies transitioning towards a remote or hybrid work environment, it seems like this shift in the workflow is not as temporary as some might have imagined during the outset of COVID. Can you comment on the pros and cons of working remotely? From a personal perspective, working remotely has enhanced my productivity and time efficiency in certain areas. On the other hand, I also recognize that it is difficult to beat the team camaraderie and communication that is achieved through face-to-face contact.*

DR. MEHLHORN: One thing that the pandemic taught us is that we can do a lot of things remotely. While many expected the work at home or remote work to be short lived, it is apparent that many employees prefer to work from home and might want to continue. The advantages of not commuting and minimal distractions allow many employees to be very productive. I feel that there will be a push for more remote work, but its effectiveness will still depend on the individual employees and the tasks that they are trying to accomplish. While some

> **“Employees many times are looking for meaning in their work, not just a paycheck. This pandemic has made many reflect more on these issues than in the past.”**

employees thrive on working alone, others will struggle. The key is to find a match between the employee’s strengths and work delivery type. There are negatives with remote work. Employees many times will struggle to bond with fellow workers in an online environment and this can impact teamwork efficiency. Employees can feel like they are all alone and this can cause them to lose productivity and feel like the company doesn’t value them. However, this can change depending on the employee. Some may feel that the ability to work remote and be left alone to accomplish a task reveals that the company cares deeply for them by allowing them autonomy. The big issues here go back to understanding what makes your employees be more effective and how you can tap into that.

UBR: ***You mentioned the mismatch between the recovering unemployment rate and the sharp rise in job openings. Any mile-high thoughts on why workers are not returning to work? What should employers be focusing on to not only draw new employees, but retain them for the long-term?***

DR. MEHLHORN: Why employees are not returning to work can be as varied as the number of employees. I really feel like we are in a new paradigm now with respect to work. The past year or so has been trying on people personally and emotionally at a level we have not experienced in recent years. Employees many times are looking for meaning in their work, not just a paycheck. This pandemic has made many reflect more on these issues than in the past. Businesses will need to understand how operations can be done onsite or remotely and figure ways to match employees with what works best for them. It is not all about pay. So many people want a quick answer and think if I just pay more, I can get better employees who will stay with my company. This is not true anymore in our mobile society, especially as we see large number of jobs available. People feel like they have more choices, and it will require businesses to compete harder to recruit and retain good employees. They will need to determine how to appeal to the younger generations and better understand what they are looking for in a job. Of course, markets can change. If businesses start using more mechanization in their processes the need for employees may not be as important—but they will need a different type of employee that is probably skilled in the use of technology.

Everything cycles, so what has been a favorable labor market for employees can change to become a favorable market for employers. It is important for employees to keep working on developing new skills and employers on new opportunities that will allow both to survive and thrive in the new economy; no matter what that looks like.

UBR: ***Either way you slice it, the pre-pandemic world has changed, for better or for worse. Do you have any closing thoughts on the variables that we should be monitoring as the global economy gradually transitions to a post-pandemic state?***

DR. MEHLHORN: As we transition to 2022, we need to be mindful of how consumers and employees are changing. As before, how many employees plan to return to in-person jobs? Is this the new norm to work from home? As with any change, some businesses and employees will fare better than others. We all need to be prepared to transition our business plans and our resumes to meet the new world in which we find ourselves. As things open more, we would expect to see strong demand for goods and services in the U.S. One concern might be potential inflation. The million-dollar question is how long will it persist? Are we looking at one quarter or two or even longer? Inflation could slow down our economy and that changes how businesses will respond to everything. UB

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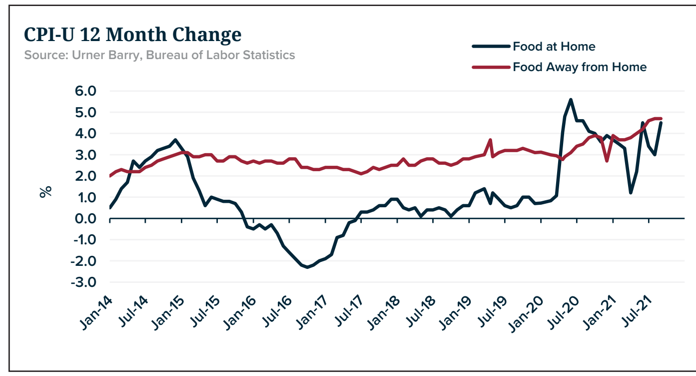
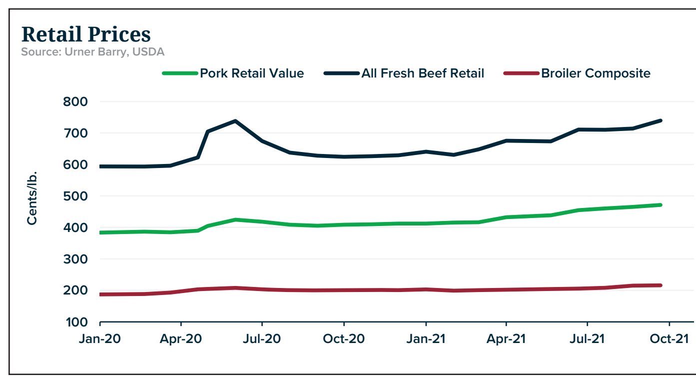
Federal Reserve adjusts inflation expectation higher...

U.S. inflation still prominent despite Federal Reserve naming it transitory

The latest release by the Bureau of Labor Statistics showed the 12-month U.S. inflation rate back to a 13-year high at 5.4% in September, up slightly from August, and above expectations. This was the fifth straight month above 5%. Even the less volatile measurement of All Items Less Food and Energy rose 4% on an annual basis. The Federal Reserve raised estimates for inflation at their September meeting to reach 4.2% by year's end, up from 3.4% in June, and nearly twice the March number of 2.4% inflation. This would be record annual inflation since 1991.

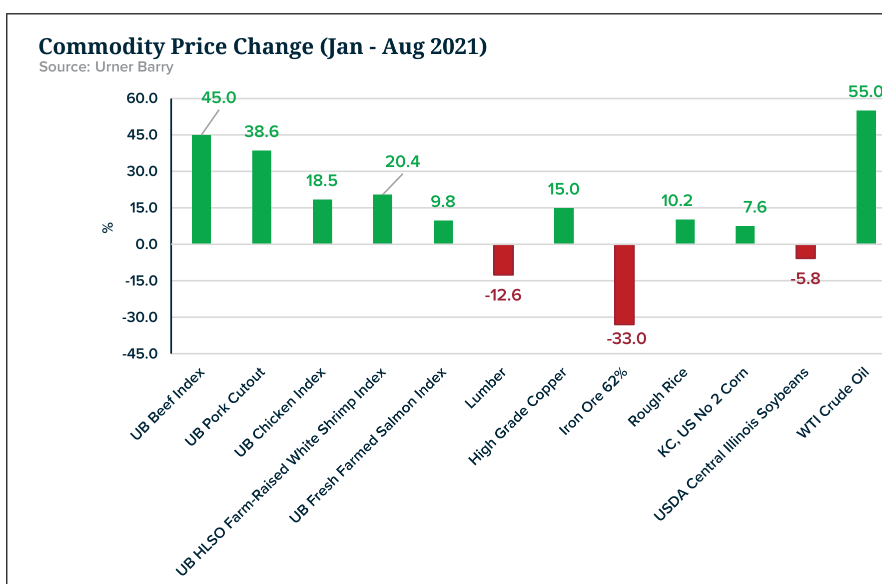


The upward pressure came from a few categories that outpaced expectations: cost of shelter (+3.2%), food (+4.6%)—with food at home (+4.5%) and food away from home (4.7%)—new vehicles (+8.7%), and energy (+24.8%). Categories that advanced but not as much as predicted were used cars and trucks (+24.4%), transportation services (+4.4%), apparel (+3.4%), and medical care services (+0.9%). Any way you look at the data, inflation is above the Fed's 2% target.



Food is one of the largest household expenditures and the boiling inflation is not helping stretched consumers. Housing costs and energy are also running hot and are large parts of what people see daily. Both could extend for longer given the macro factors that have pushed prices higher.

It has been broad-based indicated in the third chart to the right. While some are down from highs seen during COVID-19, they still are above pre-pandemic numbers, and even more are still running hot.



While the Fed continues to believe this is transitory, it looks like higher prices will be around slightly longer than originally anticipated even if the pace of gains slows. And the upside risk to consumers is that they will be seeing higher prices passed along to them for some time. This is never more evident than it is in retail food prices. All three measurements (All-Fresh Beef Retail, Pork Retail, and Broiler Composite) are at all-time highs. Beef is $7.40 per pound, pork $4.72 per pound, and chicken $2.17 per pound.

The fear remains that supply chain issues, rising wages, and increased costs, will continue to hit Americans in their pockets for a longer transitionary period than earlier expected. And while the Fed has acknowledged that more recently, it still looks like Federal Reserve Chairman Jerome Powell is focused on the other part of his mandate, employment, over what he believes is temporary inflation. UB

Article contributed by **Gary Morrison** | gmorrison@urnerbarry.com

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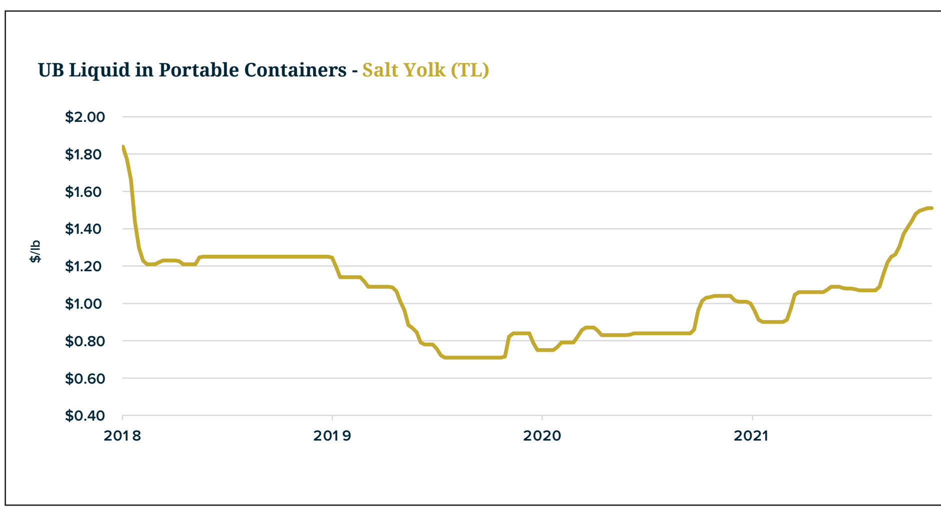
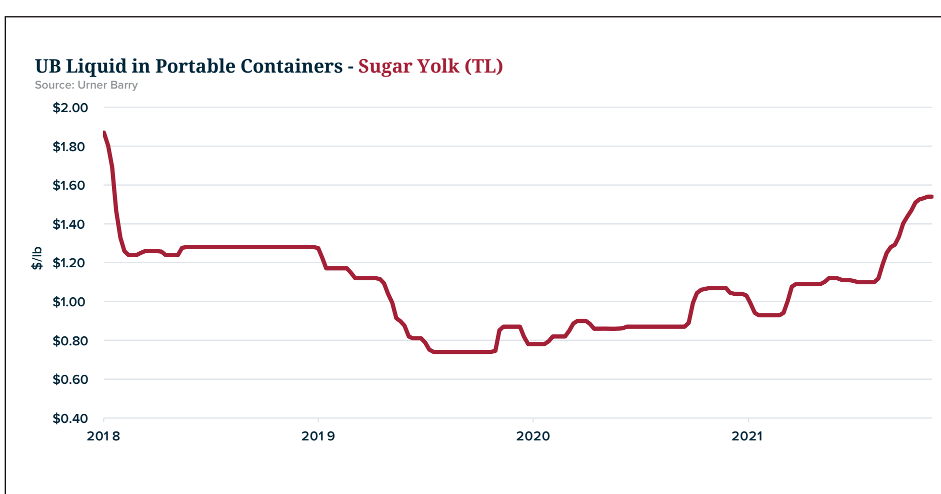
Takeout appeal, condiment "crisis," materially changing liquid egg markets

As much as we all would have liked to put the effects of the pandemic behind us, 2021 was by no means a return to the world of 2019. Protocols to curb the spread of COVID-19 have certainly eased in some parts of the country, but mask mandates, travel restrictions, and limited capacities at venues are all still the reality of the day-to-day lives of many Americans. Particularly in urban areas, "normal" is not yet a word that can sincerely see much use, and that certainly remains the case in the foodservice sector.

Takeout is still a popular option for many restaurants that must operate through obstacles to their business, including capacity restrictions, labor shortages, and hesitancy to return to public dining. Carry-out provides a way for restaurants to service customers without the need for the additional in-house wait staff required to serve diners and clean dining rooms, as available employees are instead consolidated and assigned to a window or phone for serving customers on the go. Conversely, would-be restaurant goers deterred by COVID-19 protocols, vaccine requirements, or public gathering, can still place orders at their favorite establishments while avoiding all these barricades.

But that is not all behind the appeal of takeout. The allure and ease becomes even greater when factoring in how diners are getting their meals. The vessels for many of these deliveries are apps designed to bring restaurant meals directly to the customer's door, such as DoorDash, Grubhub, Postmates, and Uber Eats. These apps feature hundreds of millions of users and continue to see rising popularity.





Of course, with increased take-out comes increased use of to-go packaging—a wrapped bag or box that includes necessary items for dining, such as utensils, napkins, and packets or cups of condiments. And it is theorized that these little packets are impacting the market for liquid yolk in a big way.

Liquid yolks, both salt yolk and sugar yolk, are used in the production of many condiments in the foodservice and retail industries. Salt yolk is the primary choice for producing mayonnaise, aioli, and many salad dressings, among other sauces. Sugar yolk has a higher role in dessert and sweet products, such as doughs, ice creams, cake mixes, and eggnog, but also has a role in certain salad dressings.

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Urner Barry's egg market reporters have been seeing a steady incline in prices for both salt and sugar liquid yolk as demand continues to grow. As of November 9, salt yolk has increased over 40 cents since August 2, 2021 to hit $1.52/lb., recording at the highest it has been since January 2018. Sugar yolk has increased in a very similar pattern, also over 40 cents since August 2, 2021.

When consumers are finished with their takeout meal, many of the complimentary sauces and condiments included are discarded as trash. Some liquid yolk producers are estimating that around 20% of all condiment packet production goes unused and is lost as waste. Whether they are consumed or not, packeted sauces are in high demand as a large part of the foodservice landscape at the moment, and the steady climb of liquid yolks is a result of this continued demand. As takeout dining remains a popular option for diners, and food delivery apps anticipate even larger growth, that demand could be evident in the market for quite some time. UB

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Hog producers seeing reduced returns despite strong pork demand…

Bearish fundamentals weigh on cash hog market

U.S. hog producers experienced improved returns during the first half of this year following the financial devastation of 2020. Tight hog supplies, combined with strong pork demand, helped underpin cash hog prices during the first and second quarters.

While pork is more expensive is retail, for the most part it had not inhibited consumer demand. Urner Barry's pork cutout value has traded at historically high levels throughout this year and is holding above $100/cwt as of mid-October. Meanwhile, Urner Barry's weekly retail pork index is currently priced at $4.31 per pound, 17.4% above the 5-year average and a record high.

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Despite near-record pork cutout values for this time of year, hog producers in early Q4 are seeing reduced returns due to a flurry of bearish fundamentals. A seasonal increase in hog supplies, heavier weights due to the arrival of cooler temperatures, and sluggish processing capacity are among the factors pressuring the cash hog market. Hog prices have declined by over 47% since peaking in late June at around $128.00/cwt.

According to Iowa State University's agricultural economists, the latest breakeven price for farrow-to-finish operations in Iowa was $62.74 per cwt on a live basis or $83.65 on a dressed basis. USDA's national weighted average price for negotiated sales on a carcass basis dipped below this estimated breakeven level in mid-September.

However, livestock dealers explained that this does not necessarily mean producers who sell on a negotiated basis are losing money yet. Some producers use futures or options contracts as price protection measures, while others may sell their animals on a formula basis that could offer additional price protection.

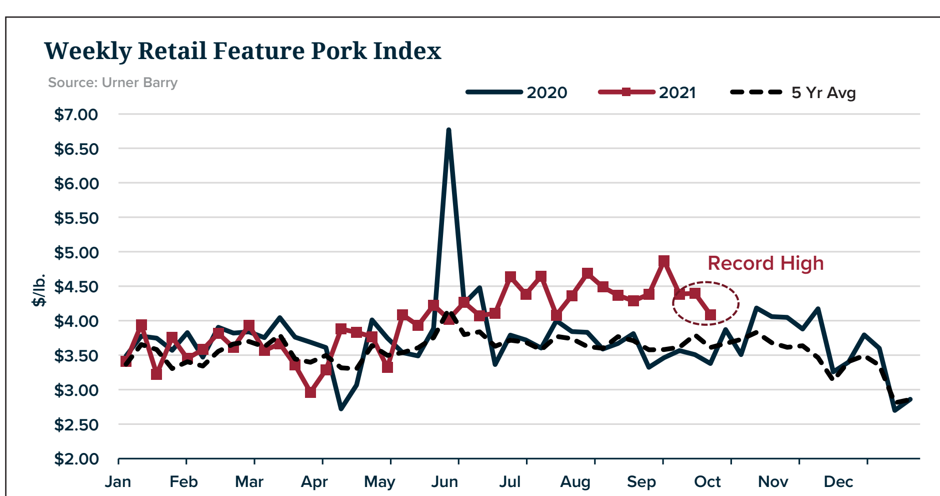
A lack of processing capacity and an uncertain labor force could continue to pressure hog prices in the near-term. A lack of truck drivers is affecting the transportation of both live hogs and pork products. This in turn is keeping a lid on daily and weekly processing capacity. As of the week ending October 16, year-to-date hog slaughter is 1.9% below a year ago. For the same period, year-to-date pork production is 2% under 2020.

USDA quarterly data suggests that hog slaughter in the fourth quarter will remain below 2020 the balance of this year and into 2022. In USDA's latest Hogs and Pigs report for September, both the June-August pig crop and September-November farrowing intentions were reported at under year-ago levels. This supports expectations for lower hog slaughter during the first half of next year.

The September Hogs and Pigs report was a major market mover and sent lean hog futures soaring to multi-week highs following its release. USDA reported the number of swine on U.S. farms as of September 1 at 75.352 million head, 3.9% below a year ago and the smallest September inventory since 2018. According to the report, there were 4.1% fewer market hogs than last year. The breeding herd was reported at 2.3% under 2020, affirming analysts' expectations of further contraction.

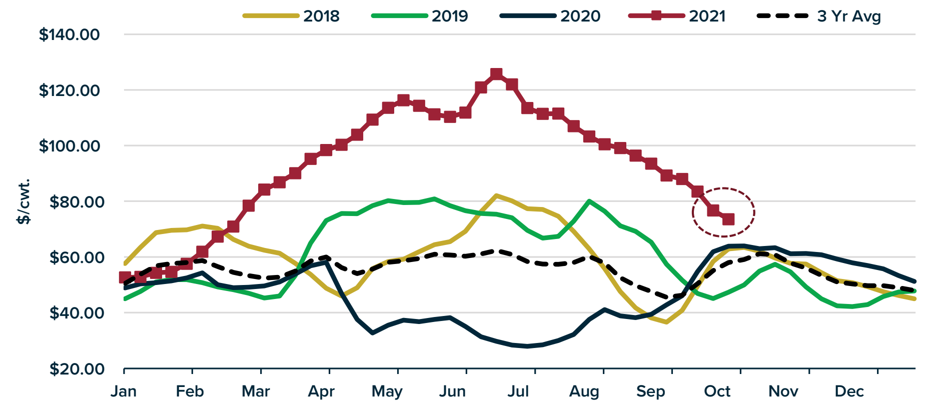
The September report showed two heaviest weight classes—120-179 pounds and 180 pounds and over—to be about 1% lower than 2020. These categories represent hogs available for slaughter between September and early November. Preliminary slaughter data for September showed hog slaughter down by about 2.4% from September 2020. Consequently, some analysts suspect that the USDA heavy weight class figures may have been understated.

Hog numbers were likely reduced due to higher feed costs, the financial crisis in 2020 due to COVID-19, and disease complications—namely PRRS.



USDA National Producer Sold Hogs - Negotiated Carcass Price

Source: Urner Barry, USDA



PRRS outbreaks are ongoing and are reducing farm profit for some producers. The current 1-4-4 strain is costly and difficult to treat. Impacts of the disease include reduced conception rates, increased sow and piglet mortality, and abortion. Pigs with PRRS who survive are left with long-lasting impacts like slowed growth rates and are more susceptive to other pathogens. PRRS has significantly cut production and continues to be a major hurdle for hog producers.

While front-end supplies remain relatively tight, some producers are reportedly struggling to market their hogs in a timely fashion since packers can only process as many animals as labor availability allows. Hog slaughter typically increases in the fourth quarter and hits its highest point of the year in mid to late November.

Livestock dealers anticipate this seasonal increase to occur this year, should PRRS or other disease complications not significantly factor into the supply situation. As supplies seasonally expand, there is concern that market-ready hog supplies could outpace processing capacity.

Maintaining strong pork exports are imperative towards maintaining viable operations for hog producers. According to data released by USDA and compiled by the U.S. Meat Export Federation, pork exports posted a strong month in August and were ahead of the record pace established in 2020.

Pork exports in August totaled 225,822 MT, up 4% from 2020. Value increased by 20% to $633.9 million, led by record shipments to Mexico and solid growth in other key markets. Through August, per-head export value averaged $66.14, up 11% from 2020.

Going forward, supply chain disruptions including port congestion and delays are exacerbating shipping costs and could lead to bottlenecks of pork and other protein supplies. Domestic pork producers are also bracing for Proposition 12, which is set to start on January 1, 2022. Farmers have voiced concerns that Prop 12 will severely restrict pork sales to California since most hog operations do not meet the law's guidelines, which require a minimum of 24 square feet of usable floor space per pig.

Meanwhile, industry participants are closely monitoring African swine fever and its impact on the global and domestic marketplace. African swine fever in the United States could have devastating consequences for hog producers if it enters our boarders. A pig-only disease with a nearly 100% mortality rate, an outbreak in the U.S. could trigger a ban on the export of all U.S. pork products.

In late July, the Dominican Republic confirmed cases of ASF for the first time in 40 years. By late September, the World Organization for Animal Health reported Haiti's first on-farm outbreak of ASF. The United States remains ASF-free as of now and safeguarding measures have been implemented should the disease enter the country. African swine fever is not a threat to human health and is not a food safety issue. UB

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2021 turns the tables on National Seafood Month

Usually, the line around the industry goes, "October is National Seafood Month for a reason." Historically, seafood items trend lower as the weather cools and holiday season begins. But things are different in 2021.

Many seafood products trended up in October, with some hitting all-time highs in the process. Nearly all items which experienced upward pricing pressure during the month felt the impacts of rising shipping costs, lack of container availability, and the litany of logistical headaches the seafood industry has been facing.

FROZEN TUNA

The frozen tuna market has experienced upward price pressure since late Q2 2021, just as the foodservice sector made a remarkable return. With limited inventory in the pipeline, many market participants were left scrambling to fill the constant demand. Importers' inability to secure product and build meaningful inventories has been an unending challenge. Market prices for frozen 6 oz. tuna steaks are trading 50.81% higher since the beginning of the year.

The supply chain crisis has been disruptive, to say the least. Logistical hurdles such as container shortages, rising replacement and freight costs, port congestion and shipping delays remain firmly in place. And according to market participants, there appears to be no end in sight. These obstacles are only heightening the supply constraints. Imports of frozen tuna fillets have been steadily increasing year-over-year since 2014, in large part due to the steady demand requested from foodservice. Peak imports occurred in 2019, registering 90 million pounds, and falling to 73 million the following year due to the COVID pandemic. Year-to-date (January-August) frozen tuna fillet imports from all countries registered 53.6 million pounds, an 8.4% increase year-over-year, yet lagging 12.9% compared to year-to-date 2019.

The two largest supplying countries, Vietnam and Indonesia, have both struggled with rising COVID cases, which has impacted production and processing capabilities. While peak production in Vietnam has ended, market participants are looking to Indonesia for supply. Although raw material in Indonesia is currently not an issue, lingering COVID cases which impact labor, the shortage of containers in the host country, and the uncertainty of port destination, is unnerving the market.

Importers have raised market prices in the hopes of slowing down demand, protecting in-house inventories and ensuring commitments are fulfilled. The rising cost of doing business, from freight to cold storage, to replacement costs, is price supportive. An October slow-down would be welcome if it offers a chance for importers to build inventories and replenish dry pipelines. Importers are looking down the line for the Lenten season. If demand remains unabated and logistical challenges continue, the market will remain unsettled.

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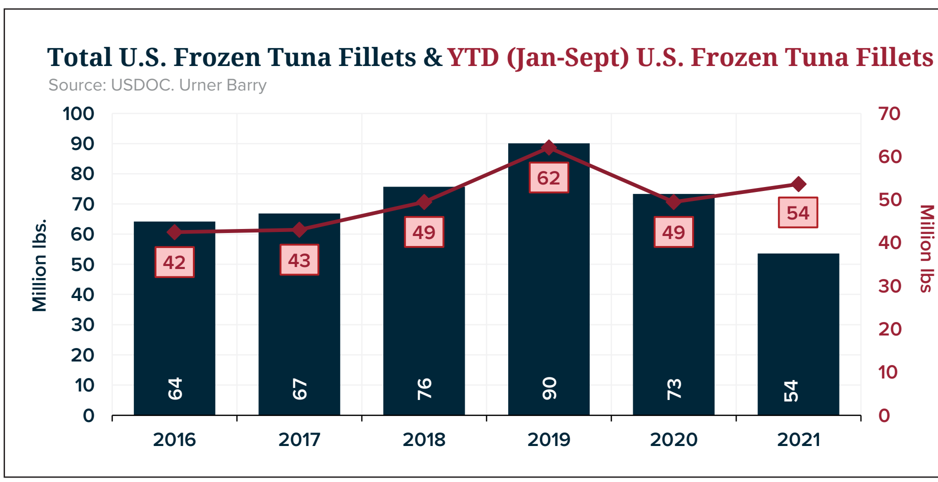

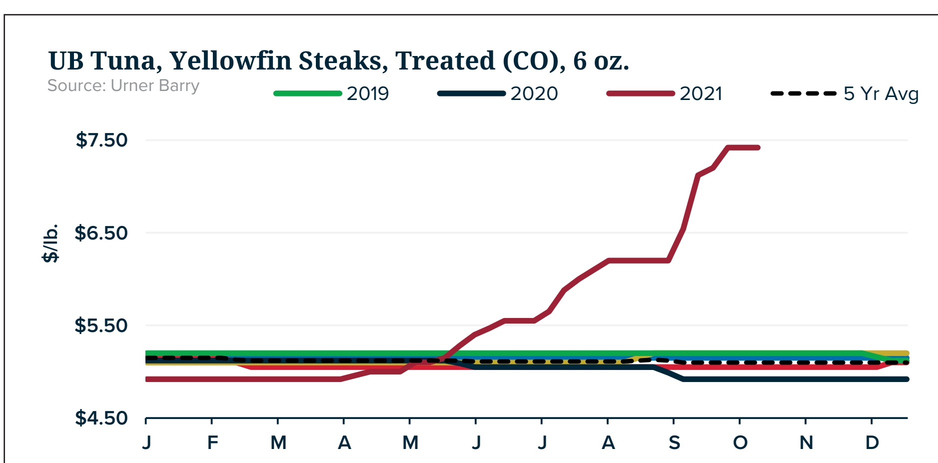


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National Seafood Month

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SNOW CRAB

After several months of a steady market, in October the Canadian snow crab market-adjusted higher on 5-8s and 10s in reaction to the quota reduction out of Alaska for the 2021-2022 season. Alaska's season technically starts in October, but much fishing does not typically take place until closer to the end of the year.

This year, the quota has been reduced by almost 90%. After the official announcement was made on October 11, the market which was holding steady to full steady, started to adjust higher given the news. Market participants will now have to rely on sourcing Canadian snow crab inventories from the previous season and Russian product before the next major chunk of crab out of Canada is available, most likely in mid-to-late April, depending on the weather. The undertone heading into November remains full steady. Most years during the month of October the snow crab market will primarily be flat. But due to the news out of Alaska this year, there is upward pricing pressure on the market.

TILAPIA

Tilapia frozen fillets from China have been experiencing strong upwards pricing pressure due to a myriad of factors. Contributing to the recent bullish tone of the market includes the steep rise in freight costs, little to no container availability or vessel transport, mounting shipping delays, port congestion, elevated feed costs, and labor issues throughout the supply chain, to name a few. All these circumstances attribute to the steep rise in replacement costs for the species overseas.

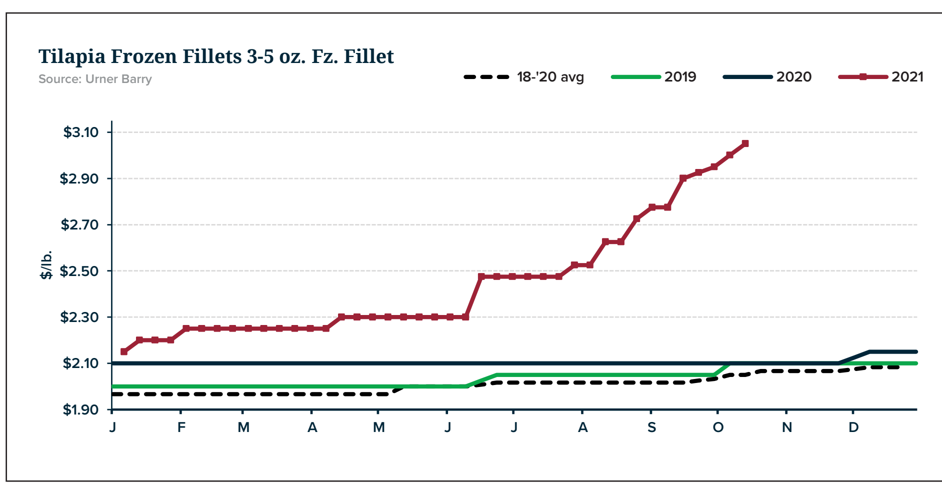
Additionally, added supply constraints on larger sized fillets have emerged. This is because farmers had to harvest earlier than planned due to a drought in the producing country during the last harvest, which resulted in less raw material supply for 7-9 ounce sized fillets and larger.

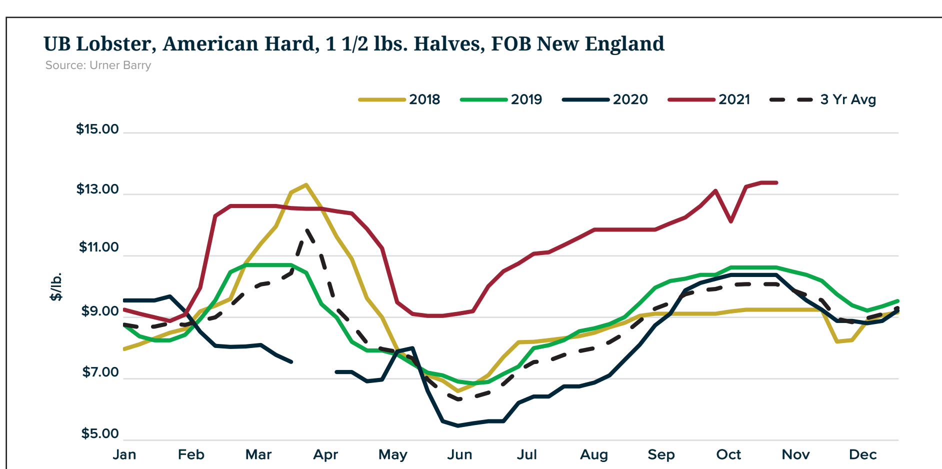
Because of this, larger sized fillets are running thin, with some industry players completely out of inventory. This is placing added pressure on the smaller 5-7 ounce and 3-5-ounce sized fillets.

Demand remains active from the retail sector, as well as on the foodservice side, supporting the premiums.

LOBSTER

Like many other seafood items, all lobster product forms have been trading at or near their 52- week highs during October. The acceleration in demand in Q1 of 2021 amid a constrained supply and empty pipeline has been the catalyst for these unprecedented price levels. New England





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hard shell halves are trading at an average price of $13.50; 31.45% higher than their 3-year average price of $10.08 for this time of year.

Competition for raw material this past spring, from both processors and the live market, set the stage for aggressive acquisition pricing. Depending on the region, the shore price for the Canadian spring season opened between CAD$10.00-$12.00, fluctuated lower to CAD$8.50, and closed the season at CAD$11.00. Last year, as a comparison, the shore price was in the CAD$4.50-5.50 range. Year-to-date (January-August) live lobster imports from Canada registered 35.3 million pounds, up a slight 1.1% year-over-year. However, they are trailing their 5-year average by 15%. Year-to-date (January-August) lobster meat imports from Canada registered 15.18 million pounds, a 47.72% increase over their 5-year average of 10.3 million pounds.

The combination of empty freezers and the insatiable demand for lobster meat carried well into the summer months and beyond. Processors dictated and remained active throughout the Maine fishing season, securing product at a record pace. It was challenging as they struggled to keep up with day-to-day sales and building meaningful inventory. Vying for supply has kept Maine boat prices firm, while restricting live lobster selling margins.

Maine new shell halve prices are trading at an average price of US$9.50, 41% higher than its 5-year average of US$6.74 for this time of year. At these elevated prices, little opportunity presented itself for retail specials.

Currently, the live market is entering a seasonally slow time. Typically, hard shell market prices retreat as more fishing zones open. The Canadian LFA 35 zone opened for fishing on October 15. Traditionally a small producing zone—roughly 3.5 to 4 million pounds for the fall season—many are hoping that any added supply will help alleviate elevated pricing pressure. However, the pent-up demand for product saw the opening day shore price hit CAD$11.00, where it remains.

With little live interest to motivate the market, will prices retreat or will processors continue their pursuit to build inventory? Will the seemingly unabated demand for frozen tails and meat continue? Until we see substantial landings, most likely from the Canadian LFA 33-34 which opens at the end of November, the market will remain firm.

SCALLOPS

With the 2020 and 2021 Atlantic sea scallop seasons producing a smaller size mix of landings typically seen in previous years, wholesale prices have sharply increased from seasonal norms, hitting new record highs week after week. For the most constrained size, all-natural U/10s are demanding upwards of almost $17.00 per pound higher than just one year ago.

Pricing across all sizes and moisture contents continue to strengthen amid diminishing landings brought in at the auction, resulting in higher boat prices. With the highest premiums and lowest supply surrounding U10s, the focus has turned to securing 10/20 counts.

Partners of the Scallop Research Set-Aside Program and Northeast Fisheries Science Center recently conducted extensive scallop surveys this year on the Georges Bank and in the Mid-Atlantic.

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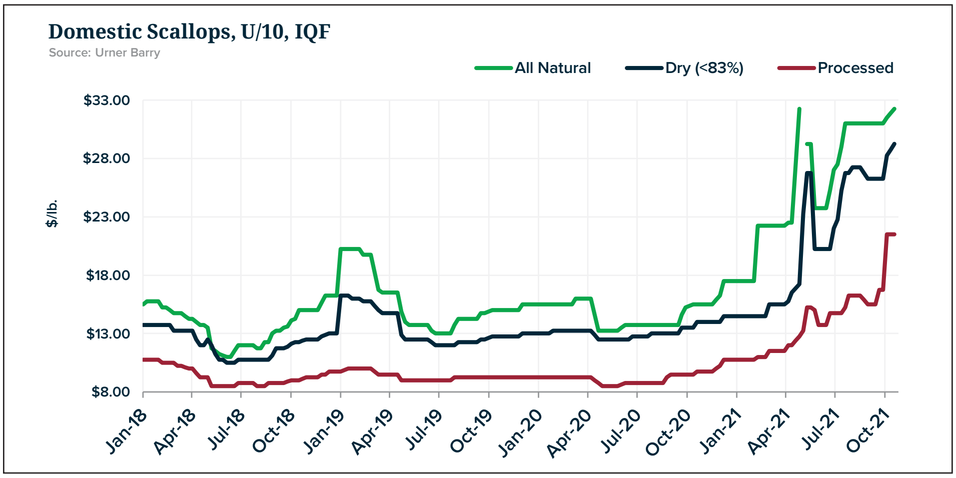

National Seafood Month

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They reported diminishing biomass to the New England Fishery Management Council.

According to the October 1 NEFMC press release, no evidence of a strong incoming year class was found. The conversation is now focused on possibly establishing two new scallop closure areas in Framework 34 to protect concentrations of smaller developing scallops in the New York Bight and Nantucket Lightship West areas.

An estimate of projected landings for the 2022 fishing year, beginning on April 1, 2022, has yet to be established. However, based on the survey findings, next year's landings are anticipated to be lower than 2021.

Less domestic supply into the market lays the groundwork for pricing to remain firm if the active demand on the market remains intact.

SALMON

For the farmed salmon complex, during the month of October the market was steady out of Chile for fresh fillets and rising out of Norway and Scotland. On the other hand, the Canadian market weakened on small to mid-sized fish consistently through the month. Eventually, this trend spread throughout the farmed salmon complex and the last week of the month saw Chilean fillets and Norwegian whole fish move lower with downward pricing pressure noted from the Canadian whole fish market.

From a historical perspective, the Chilean fresh fillet market performed quite well this year during National Seafood Month. In looking at the 5-year average, we typically see a drop in price throughout the month. This year, however, the market for Chilean fresh fillets stayed extremely stable. Market participants credit much of this stability to the strength of the retail market. Even with retail promotions or buying opportunities down 13.7%, the overall average retail price is only up 4.2% over last year, and the average retail price for 2021 is lower than the average prices during both 2018 and 2019. UB

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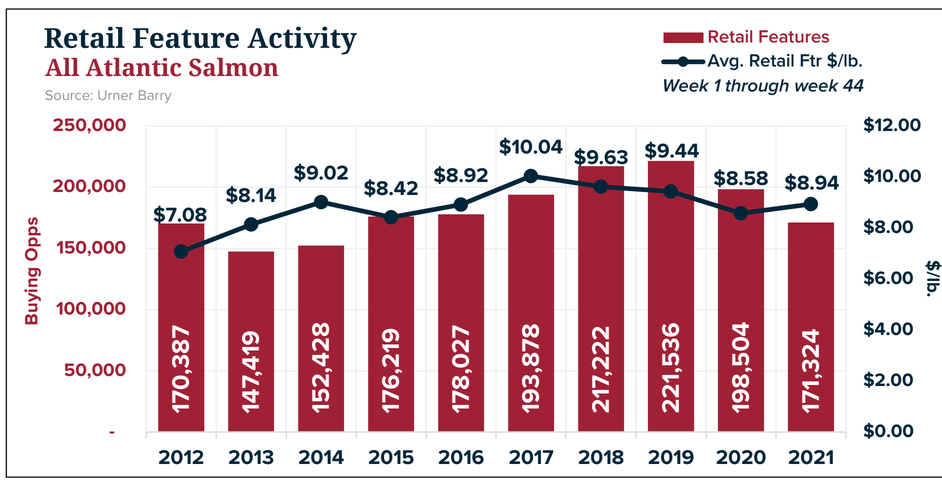

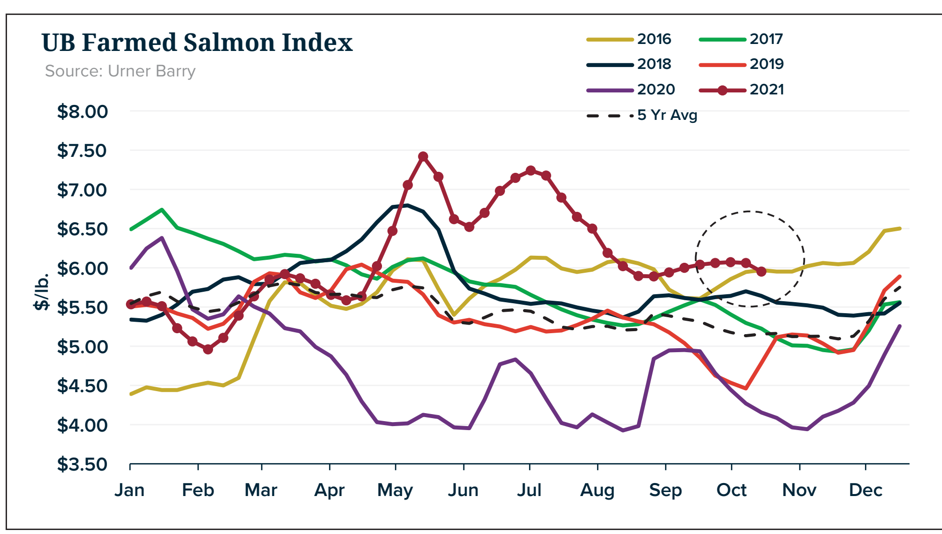

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Can the marketplace adapt to Prop 12's guidelines?

Hog, veal, and egg producers brace for the start of Proposition 12

California's Proposition 12 has generated widespread controversy and pushback among those involved in the egg and meat trades. A state ballot initiative passed by California voters in 2018, the second phase of the law is set to begin on January 1, 2022.

Under the law, veal calf producers are required to provide their animals with at least 43 square feet of usable floor space per calf. For hog producers, sows must have a minimum of 24 square feet of usable space per animal. Laying hens are required to be cage-free.

Proposition 12 prohibits the sale in California of veal, pork, and eggs not raised in compliance with these regulations. This could have ripple effects for producers and consumers across the nation, leaving many anxiously awaiting what the New Year will spell.

With the start date just a stone's throw away, several groups, including the American Farm Bureau Federation and National Pork Producers Council, have petitioned the Supreme Court to take their case against Prop 12—officially known as The Prevention of Cruelty to Farm Animals Act—to stop California from implementing the new regulations.

Egg producers have already been preparing for a shift in demand toward cage-free eggs ahead of Proposition 12. Phase one of the law went into effect in January 2020 and required hens to be housed with a minimum of 144 square inches.

According to Urner Barry egg market reporter Karyn Rispoli, this makes California the most profitable outlet for those with a cage-free surplus. The second phase of Proposition 12 requires that all eggs sold in California come from hens that are housed in cage-free systems.

Massachusetts has also passed measures setting minimum confinement areas for chickens. Launched from a 2016 ballot initiative called Question 3, An Act to Prevent Cruelty to Farm Animals, chickens will be required to be confined in cages large enough to spread their wings or have at least 1.5 square feet of floor space per egg-laying hen. Along with Proposition 12, this law will go into effect at the start of 2022.

Senate Bill 2470 is going through the Massachusetts Legislature, which will also take effect on January 1, 2022. It changes the space requirement to "1 square foot of usable floor space per hen in multi-tiered aviaries, partially-slatted cage-free housing systems, or any other cage-free housing system that provides hens with unfettered access to vertical space."

For the veal industry, "animal wellbeing is our top priority," said Dale Bakke, President of the American Veal Association (AVA). "The care, handling, nutrition, and housing are all done to ensure calves remain healthy, grow and thrive. That has been, and will continue to be, a priority for AVA members who raise formula-fed veal. Regulatory mandates calling for a 43 square feet minimum floor space are unnecessary and are not supported by science-based facts."

This aligns with statements made by the California Department of Agriculture in developing the proposal to implement California Proposition 12.

The California Department of Food & Agriculture (CDFA) said in its Statement of Reasons, "Minimum space requirements

"Proposition 12 prohibits the sale in California of veal, pork, and eggs not raised in compliance with the law's regulations."

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for veal calves and breeding sows outlined in Health and Safety Code (HSC) are not drawn from specific industry standards or published scientific research prescribing 43 square feet for veal calves and 24 square feet for breeding pigs." The CDFA also said: "Animal confinement space allowances prescribed in the Act (cage-free for egg-laying hens, 43 square feet for veal calves and 24 square feet for breeding pigs) are not based in specific peer-reviewed published scientific literature or accepted as standards within the scientific community to reduce human foodborne illness, promote worker safety, the environment, or other human or safety concerns."

Since 2017, veal producers have been raising veal in group pens, which is the gold standard across the veal industry. The pens provide space for calves—which are never tethered—to stand, stretch their limbs, lie down, groom themselves, and socialize with other calves.

"These behaviors, outlined in the Five Freedoms of Animal Wellbeing, are the international standards AVA members practice on their farms to care for veal calves," said Bakke. "Farmers know firsthand that the needs of their animals should be determined by the age and size of the animal and in consultation with experts, such as a licensed veterinarian or nutritionist."

Proposition 12 has perhaps generated the most pushback from those involved in the hog and pork industries. For hog producers, barn changes to meet the size requirements are extremely expensive and infeasible for many farmers. Proposition 12 would also require producers to move the sows from gestation pens into farrowing crates for a maximum of five days before they are due to farrow. Typically, most sows are transferred to farrowing crates one week before their due dates.

Proposition 12 applies to any uncooked pork sold in California, whether it is raised there or in a different state. California is a small pork producing state that mostly relies on out-of-state hogs to supply their needs. As much as 90% of the pork consumed in California is imported from the Midwest, according to livestock dealers and market managers Urner Barry spoke with.

Less than 4% of U.S. sow housing is estimated to currently meet the new standards under Prop 12. Consequently, producers outside of California are likely to be impacted by restricted export capacities to California.

Hog producers are already facing a plethora of supply chain issues, including transportation and labor challenges. The new law could create an additional financial burden on smaller producers who will need to restructure their operations if they are to remain competitive in the national marketplace.

Massachusetts is also seeing similar changes to pig housing requirements under Question 3, which is modeled after California's Proposition 12. Question 3 prohibits breeding pigs, calves raised for veal, and egg-laying hens from being held in confined spaces.

However, in October 2021, the Massachusetts House voted to delay a provision of the Question 3 initiative that will prohibit the sale of pork that does not meet Massachusetts' production standards until January 1, 2023.

Like Prop 12, Question 3 applies to any uncooked pork sold in Massachusetts, whether it is produced there or outside its borders. Nearly all pork produced in the United States fails to meet Massachusetts' standards, raising additional concerns that interstate commerce could be significantly disrupted under these laws.

In 2021, inflationary pressure and supply chain disruptions have contributed to higher prices for not only pork, but many other proteins and commodities. Proposition 12 and similar laws in other states, including Massachusetts, could leave consumers with fewer, more expensive options in what is already a competitive marketplace.

Urner Barry pork market reporter Ryan Hojnowski notes concern that there could be an oversupply of pork that was previously sold in California. Hojnowski also poses the question as to whether pork freezer stocks will return to pre-pandemic levels, although labor availability remains a major unknown.

Many are hoping for a delay in the start date or for major changes in the law once the effects of Proposition 12 are better understood next year. UB

Article contributed by **Courtney Shum**
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QUICK BITES

What's new & interesting in foodservice and retail

2022: THE YEAR OF REDUCETARIANISM

©Whole Foods Market

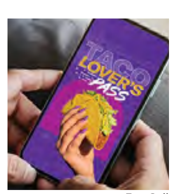
Move over, flexitarians. According to the Trends Council at Whole Foods Market, 2022 will be the year of "reducetarianism." For the past seven years the retailer has been releasing their top trends predictions for the upcoming year. "Reducetarianism," a diet where a person reduces their consumption of meat, dairy and eggs without cutting them out completely, is not a new concept. However, the Whole Foods Market Trends Council believes that this concept is one of the trends that represents the "future of food and beverages." What sets a reducetarian apart from a flexitarian is that when an animal product is consumed, the person opts for items like premium grass-fed meat and pasture-raised eggs. The grocer is encouraging shoppers to try the trend with suggestions of products like EPIC Provisions 100% Grass-Fed Bars and Alexandre Family Farm 100% Grass Fed A2/A2 Yogurt.

TIME FOR AN UPGRADE

Going back to the office or school is looking a little better thanks to Bumble Bee Seafoods' Prime products. The canned seafood company debuted updated packaging for their Prime product line, which was formerly known as Prime Fillet. According to Bumble Bee Seafoods' VP of Brand Marketing, Jeanine Lewis, the Prime product line is "designed to offer a premium experience that is accessible enough for every day." The relaunch of the product line includes a sleek new look that the company says "better aligns with the hand-selected, premium seafood inside the can." Products featured include classics like Solid White Albacore in Water and Atlantic Skinless & Boneless Salmon in Water. But also new to the line is the premium "Protein on the Run" snack kit. The kit, which is available in three flavor combinations, includes a 2.7 oz. can of wild-caught tuna in premium olive oil with an easy-peel lid, savory PARTNERS artisanal crackers, a handy utensil, and a sweet caramel treat to finish off the meal. It all comes in a convenient, pop-open and easily recyclable box.


©Bumble Bee

TUCSON IS FOR TACOS



©Taco Bell

There's a subscription service for almost anything imaginable…like tacos. This past fall Taco Bell tested out their version of a taco subscription service with the "Taco Lover's Pass." Taco Bell app users in Tucson, Arizona, had the ability to buy a special pass which would give them access to a special hidden menu. From there the user would be allowed to redeem one taco a day for 30 days. Options on the Taco Lover's Pass menu included the Crunchy Taco, Soft Taco, Doritos® Locos Taco, Spicy Potato Soft Taco, and more. The offer, which varied between $5 and $10 depending on the customer's location, concluded on November 24.

IMPOSSIBLE FOODS EXPANDS


©Impossible Foods

United Arab Emirates has become the first market in the Middle East to carry Impossible Foods' flagship product, the Impossible Burger. Dennis Woodside, president of Impossible Foods, said that the launch in United Arab Emirates, which is a "global travel and culinary hub," will "enable a whole new region of consumers to experience Impossible Burger for the first time." And the chefs at the select restaurants carrying the product are going all out. Artisanal butchery shop and delicatessen Sausage Fabrique is serving Impossible German Bratwurst, Impossible Mexican Chorizo, and Impossible Kofta with Tzatziki. Sticky Rice, a family operation that serves Thai favorites, is now offering Impossible Pad Krapow and Impossible Larb.

CHEW-CUTERIE

Charcuterie boards have been a hot trend for quite a bit–and now your dog can get in on the snacky goodness. Pet owners are going to be flocking to grocery retailer Trader Joe's for their newly released "Chew-Cuterie Assorted Dog Treats." This new dog treat box features an assortment of charcuterie inspired dog biscuits, including prosciutto, salami, cheddar cheese, and provolone cheese. These treats are not only flavored like your favorite charcuterie staples, but they're also shaped like them.

©Trader Joe's

THE FUTURE OF GROCERY SHOPPING

© Jupiter

How much more futuristic can your food shopping really get? Shoppers already have the ability to order online and have someone not only shop for them, but put the bags in their car or even bring it directly to their door. And then there is virtual assistant technology, like Amazon's Alexa, which can help you make a list, as well as reorder items you may be running low on. Well, a company called Jupiter, a predictive grocery delivery company, now wants in on your shopping action.

In early November, just ahead of Thanksgiving, Jupiter expanded their pilot from the San Francisco Bay area to across California, Nevada, Oregon and Washington. The service's goal is to streamline the process of finding recipes, meal planning and grocery shopping. Users simply shop recipes with products added directly to their baskets. Then, based on shopper behavior and preferred ingredients, Jupiter begins to tailor and streamline recipe and product discovery, meal planning, inventory management and grocery delivery. Um, sign me up! UB

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

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Shrimp

Crab Meat

Lobster

Value-Added

Finfish

Thai Union | Chicken of the Sea®

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WAR, WHAT IS IT GOOD FOR? CHICKEN SANDWICHES

It seems like just yesterday Popeyes had debuted their chicken sandwich and a fervor overtook the U.S. in a way few menu options ever have. This began what we all know as "The Chicken Sandwich Wars," as the clear and unopposed incumbent Chick-fil-A, began to feel the heat. And we're not just talking about the spice on the sandwich! People all over the country began to wait in hour-long lines to get their hands on the internet sensation, and other fast-food restaurants began to take notice. What happened from there was a barrage of offerings from McDonald's, Burger King, and even Taco Bell as every player scrambled to take advantage of the craze.

Looking back, the risk many took to quickly get sandwiches into the public's hands appears to have paid of; quite literally if you take a look at some of the financial statements. Mind you, much of the figures are a bit skewed due to the pandemic, but whenever you see drastic year-over-year increases such as these, it's rarely a negative. McDonald's, for instance, debuted their new and improved chicken sandwich in February 2021. While many pundits aren't quite ready to hand them the crown, a sharp uptick of nearly 57% in net sales revenue is all the praise stockholders need. Restaurant Brands International was buoyed by not only having Popeyes under their umbrella but also Burger King, who debuted their own chicken sandwich in 2021 to rave reviews and helped increase their sales revenue by a whopping 37.2%.

Taco Bell has also decided to join the fight, but has taken a unique stance on the matter to keep its "tacocentric" menu free of any actual sandwiches. Their new option is named the "Crispy Chicken Sandwich Taco," a much smaller more snack-sized option compared to the competition, in the hopes to bring something fresh and different to the table. Even their website itself pokes fun at the sheer magnitude of offerings available to consumers, "There's no shortage of chicken sandwiches out in the world. Everywhere you look, there's a chicken sandwich here. Chicken sandwich there. Chicken sandwich. Chicken sandwich. Chicken sandwich. You just can't seem to escape it. Enough is enough. Is there nothing out there to save us from the monotony? Glad you asked."

But lost in all of this has been that the latest set of newcomers to the years-long war have been more known as burger providers than anything else. KFC seemingly took offense to all the new kids on the block as they announced their new and improved sandwich in February 2021. With it came a passive-aggressive marketing campaign designed to ensure that the public recognized who deals in chicken and who deals in beef. The new commercial, starring the Colonel himself, states, "When making the Kentucky Fried Chicken Sandwich, people asked how I felt about burger places selling fried chicken. I'd say that's none of my business, just like making fried chicken is none of theirs." Quite the statement…especially from a company that's trying to get back in the limelight stolen from them by the competition. Thus far, the tactics appear to be paying dividends, literally, as YUM Brands, the owners of Taco Bell and KFC, reported a 34% gain in revenue in July compared to last year.

©Popeyes

©Taco Bell

©Kentucky Fried Chicken

Despite all the horrors and unpleasantness of war, I think we can all agree that the true winners here are us, the consumers. In a rarely experienced before scenario, all major fast-food chains are carrying some variation of the chicken sandwich. And for someone who considers himself a connoisseur, I for one, welcome the challenge of trying them all! It remains to be seen just how long this craze will last, but if the earnings reports say anything, it's that the public hasn't quite had their fill of these delicious offerings. UB

©MDonald's

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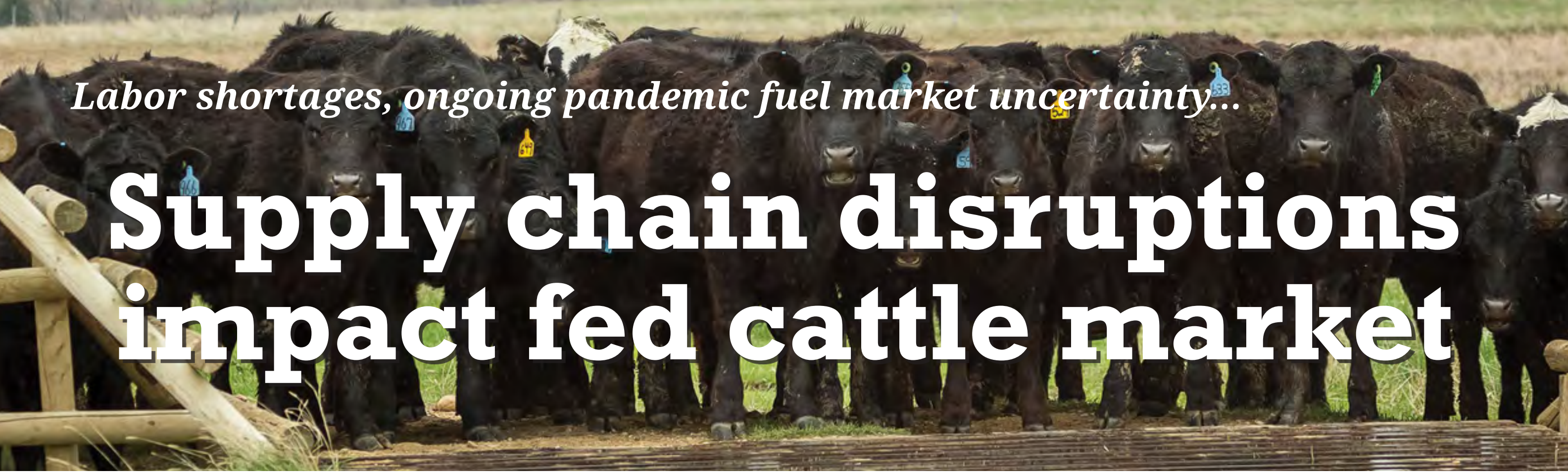

Labor shortages, ongoing pandemic fuel market uncertainty...

Supply chain disruptions impact fed cattle market

Challenges stemming from the ongoing pandemic, including a lack of labor and lackluster slaughter levels, are limiting a sustained rally in fed cattle prices for U.S. ranchers.

Negotiated live cash cattle prices traded mainly between $118 to $122 per cwt in the second quarter before topping at $127 per cwt in mid-September. In early Q4, prices have pulled back as supplies of market-ready cattle remain adequate for current processing capacity. In the first full week of October, prices traded in a tight range between $122 to $124 live per cwt.

While weekly negotiated trade volume is improving, persistent labor shortages coupled with scheduled cooler cleanings, which are common during the fall time, are limiting the number of supplies packers can harvest. This is making it increasingly difficult for cattle feeders to become current, or up to date, on their supplies.

As of October 16, year-to-date cattle harvest is 3.2% above 2020, which saw a drastic slowdown in production due to COVID-19-related plant closures. For the same period, beef production is up by 2.8% and cumulative year-to-date meat production is 0.3% higher than 2020.

"In the early weeks of the fourth quarter, front-end cattle supplies are slowly declining but remain at near record levels for this time of year."

Average carcass weights are below year-ago levels but remain historically heavy. During the week ending October 2, dressed steer weights were 8 pounds below a year ago but were 11 pounds above the 5-year average. Weights are trending upward in seasonal fashion and typically peak sometime in November. Heavier weights equate to more beef entering the marketplace, considered bearish for fed cattle prices.

In the early weeks of the fourth quarter, front-end cattle supplies are slowly declining but are lagging analysts' projections and remain at near record levels for this time of year.

According to USDA monthly data, marketings in August this year were slightly below 2020 while placements were 2.3% above last year. The September cattle on feed total was reported at 11.234 million head, the second highest September total in history.

On a bright note, live cattle futures are anticipating firmer cash cattle prices in the months ahead. The December live cattle futures contract is carrying a premium of nearly $5 per cwt over October. February is about $4.50 per cwt higher than December.

In the meantime, feeders are continuing to navigate higher feed costs. According to Iowa State University agricultural economists, the latest breakeven price in September for finishing steer calves in Iowa was $131.75 per cwt on a live basis. The cost of corn to produce a 1,300-pound finished steer were estimated at $331.12 per head, up from $323.40 per head the month prior. Due to higher feed costs, some feeders are placing heavier cattle that require less corn while on feed.

Maintaining strong domestic and global demand for U.S. beef, along with improving processing capacity, will be a major determining factor in the current and future trajectory of fed cattle prices.

On the domestic front, demand for U.S. beef has remained strong despite higher price points. However, demand is starting to wane as record prices have turned some consumers away from middle meats. Urner Barry's Choice rib quote surged to a record high in September at $622.41/cwt. The rib primal is undergoing a swift correction and has declined by over 19% from its peak.

Urner Barry's weekly retail beef index currently stands at $7.01 per pound, a record high that is 21.5% above the 3-year average and nearly 23% over 2020. While sticker shock has negatively impacted beef demand in some regions, tight beef cold storage stocks are helping underpin higher retail prices. USDA's cold storage report for end-August showed beef in cold storage at 414.9 million pounds, the lowest level for that month since 2014.

Analysts are eyeing the impacts of inflation on beef demand. Beef is typically the first protein to suffer from slowed demand when a consumer's disposable income decreases. However, subsite protein meats like poultry and pork are also more expensive relative to last year.

Meanwhile, it is impossible to ignore the implications of the nationwide labor shortage. Unemployment benefits expired at the end of the third quarter for many consumers, but some individuals have remained reluctant to reenter the workforce. This is due in part to government mandates or childcare needs.

Job growth remains disappointing as the Delta variant disrupts reopening efforts. According to the Bureau of Labor Statistics,

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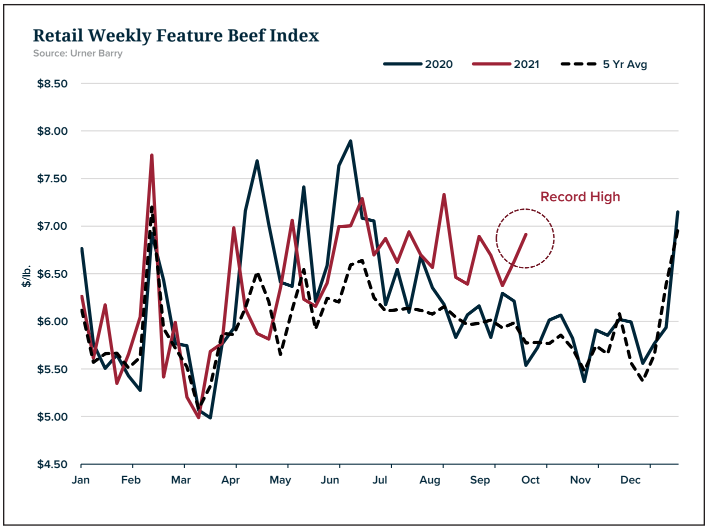

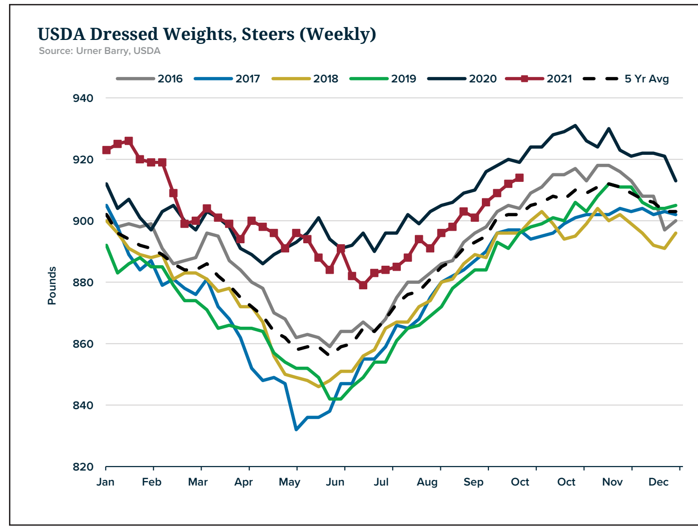

total nonfarm payroll employment rose by just 194,000 jobs in September, the lowest since January.

On the global front, U.S. beef exports climbed to a new record in August and surpassed the $1 billion mark in a single month for the first time. According to data released by USDA and compiled by the U.S. Meat Export Federation, beef exports in August were up 21% from 2020 while export value climbed 55% to $1.04 billion.

U.S. beef exports to China have steadily increased since early 2020 following a reduction in market access barriers under the U.S. China Phase One Economic and Trade Agreement. Through August, exports to China ballooned by more than 800% from 2020 in both volume and value.

While export demand is positive, several obstacles pose challenges towards maintaining strong global pull for U.S. beef. A sharp uptick in freight costs, port congestion, and reduced container availability are fueling uncertainty in the marketplace. No sector appears to be immune from the disruptions currently plaguing the global supply chain. For many market participants, there seems to be no immediate solution in sight. UB

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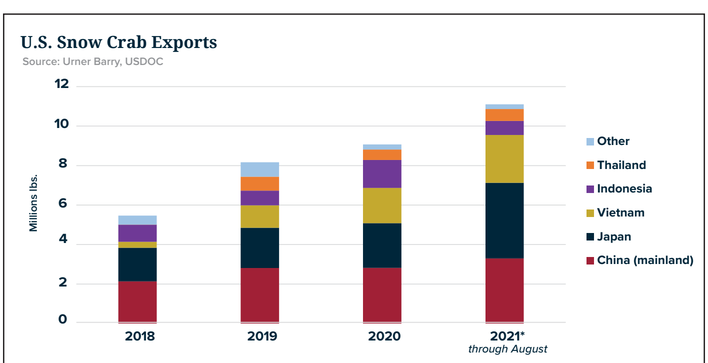
Crab quotas slashed heading into 2022

SNOW CRAB

With the mid-October announcement out of Alaska that the Bering Sea snow crab quota will drop 88% to 5.6 million pounds, market participants have been buzzing around crab products. The Canadian snow crab market trended slightly higher on both 5-8s and 10-ups out of both Newfoundland and the Gulf after the announcement. Most participants reported they were closely holding current inventories and putting customers on allocation. Prior to the scientific findings in Alaska—where recruitment of snow crab was found to be very low, hence triggering the massive drop in quota—the market on snow crab had been fairly flat. Some participants reported lower offers than listed quotations prior to these findings. However, since the scientific findings were made public and the official quota released, lower trading activity than quotations is reported to have ceased. Overall reaction to the quota reduction in Alaska's 2021/2022 season has caused upward pricing pressure in the market and many report increased sales activity.

On the Russian snow crab side, the market is full steady to firm as well, and participants here have also reported an uptick in sales activity and inquiries. Again, prior to the scientific findings in Alaska, this market was reported to be stagnant with a few lower offers floating around. This situation has tightened up as well. With almost 26 million pounds imported through August, Russian snow crab continues to play a more prominent role. Russia's market share stands at 22%.

With an almost 90% decline in quota, Alaska's market share drops significantly. When looking at worldwide production this decrease will represent around 17% of finished product. There will only be 5.6 million pounds to go around this year and Alaska's export market could look very different as well. Exports of snow crab have grown over the past three years and through August 2021. 2021 is trending higher than any of the past three years with 11.1 million pounds exported year-to-date.

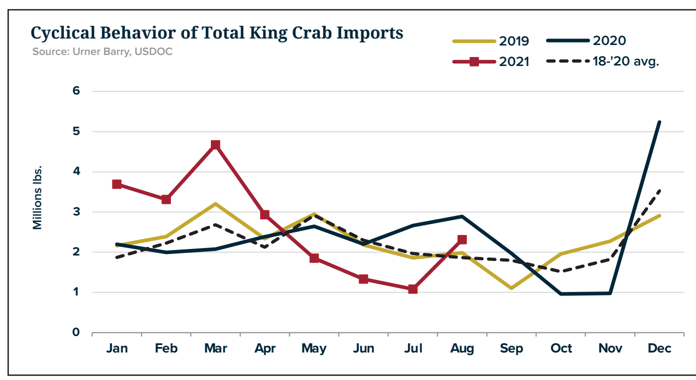


The market will continue to watch the situation closely as snow crab suppliers sense their customers' inventory positions and needs for the next five to six months. Product from the 2022 Canadian season will not arrive in the U.S. market until around the end of April 2022, leaving a large gap in what was typically filled with Alaskan product. Upward pricing pressure is being felt in other crab markets too as all eyes continue to watch the situation develop.

KING CRAB

King crab imports released October 5 for August reveals Russian import levels remain in the green. Overall year-to-date imports out of Russia are trending 15.4% higher; month-to-month data shows a huge increase from July 2021, with August 2021 imports out of Russia up 163.8%. In total, Russia has exported 19.3 million pounds into the U.S. market this year as compared to 16.7 million pounds last year at the same time. These are the highest overall levels seen since 2017 when year-to-date levels were 21.3 million pounds compared to the 21.2 million for 2021.

In addition, August marks the first time in three months that imports have trended above the three-year average when looking at the cyclical behavior.



May, June, and July of 2021 trended significantly below the three-year average. And while August is above that trendline, it is still lower than the first four months of 2021.

When looking at the breakdown of red, blue, and golden king crab out of Russia, all species are tracking higher when compared to 2020. Red king crab out of Russia, the largest percent of the overall king crab catch, is up 21.7%. Russian blue king crab is up 1.3% and Russian golden king crab is up 0.8%.

When looking at price, the market has been full steady to firm; with another larger jump seen towards the end of October for both Russian red and golden king crab.

With no Bristol Bay red king crab season out of Alaska, Russia is literally the only game in town. As we have been reporting the past several years, the market continues to compete against stiff competition in Asia who prefer live king crab and have been paying a high price for it. As we head into the end of the year, market participants continue to report that product will be tight and competition to source that product will be tough. UB

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SNOW CRAB
KING CRAB
SHRIMP
ICY OCEAN
GRILLING
JUMBO
DIRECT
SOURCE
SEAFOOD
WWW.DIRECTSOURCESEAFOOD.COM
WHOLE KING CRAB

Trying to fill a hole the size of China...

GERMANY— THE GREAT EXPORT RESHUFFLE AFTER ASF

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In late 2019 and early 2020, Germany was enjoying record pork exports to Asia. China specifically represented nearly a third of their total pork exports during certain months of that period, with demand having skyrocketed following the massive degree of hog loss incurred due to the African swine fever (ASF) outbreak. However, the fear that every pork-producing nation holds was soon to come true for Germany, as an infected wild boar crossed the vast, wooded border of Eastern Germany, and forced the country to report that they, like many other countries at this point, had a case of ASF.

As we have seen with other nations that have reported a case of ASF, China and a handful of other countries take a near zero-tolerance policy with infected countries. In the case of Germany, from July 2020 to July 2021, their exports of pork to China declined by 99.7%. In terms of poundage, that is a drop from 68 million pounds to less than 200,000 pounds. Other countries followed suit as well, with year-to-date exports to South Korea declining by 99% or 164 million pounds to 1.2 million pounds, Japan pulling back from 56.6 million pounds to roughly 404,000 pounds, and exports to South Africa down by 89% or 11.6 million pounds to 1.2M pounds. Malaysia and Serbia both cut off Germany all together, which when combined equates to roughly 23 million pounds lost.

With these significant losses in export volume, Germany was forced to court new partners or bolster the relations with existing pork importers. The obvious alternative destinations for their pork were countries within Europe, and indeed we did see substantial gains across a number of them. On a year-to-date basis, compared to 2020, Italy and the Netherlands both imported 10% more pork, a gain of more than 54 million pounds. Spain imported 138% more pork from Germany, or 25 million additional pounds. Norway imported almost 70x the amount of pork they did during the January-July period in 2020, going from 176,000 to 12.2 million pounds year-to-date. Perhaps the most noteworthy partner that Germany found during this period however was Chile. Chile imported a mere 230 pounds of pork from Germany during the first seven months of 2020. In 2021, that figure exploded to nearly 40 million pounds.

Unfortunately, all of these gains did not make up for the losses incurred from China and others. Year-to-date, German exports are still down nearly 663

NOTABLE GERMAN PORK EXPORT LOSSES (Pounds)

	YTD 2020	YTD 2021	% Change
China	677,820,401	12,321,893	-98%
South Korea	164,473,685	1,208,129	-99%
Japan	56,644,720	404,459	-99%
South Africa	11,623,933	1,249,025	-89%
Malaysia	10,159,820	-	-100%
Serbia	12,754,196	-	-100%

NOTABLE GERMAN PORK EXPORT GAINS (Pounds)

	YTD 2020	YTD 2021	% Change
Chile	230	39,969,224	17377823%
Norway	176,435	12,281,667	6861%
Hong Kong	2,131,651	28,292,165	1227%
New Zealand	2,785,902	23,316,500	737%
Viet-Nam	4,085,518	27,869,767	582%
Canada	13,769,248	32,974,514	139%
Spain	18,589,881	44,330,435	138%
Slovenia	8,681,734	14,443,603	66%
Lithuania	6,180,933	9,820,037	59%
Singapore	8,575,945	13,549,722	58%
Bulgaria	17,366,858	26,062,618	50%
Croatia	26,089,205	34,652,551	33%
Greece	49,748,374	62,125,702	25%
Romania	63,108,141	71,479,360	13%
Poland	186,182,254	207,958,549	12%
Italy	365,112,932	401,746,862	10%
Netherlands	175,723,481	193,198,233	10%

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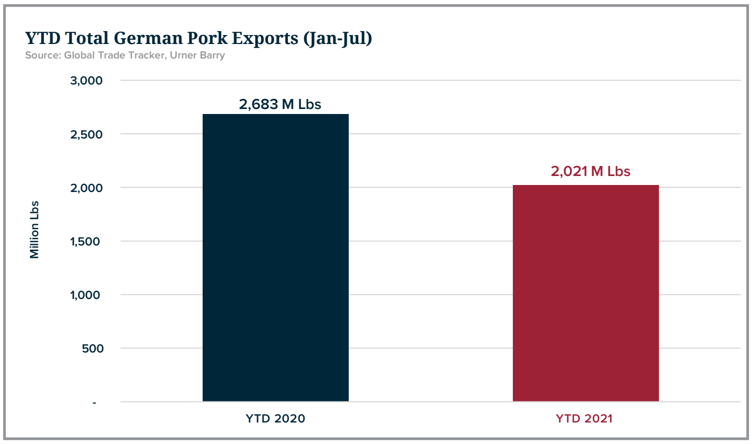
million pounds. This leaves them in an obvious predicament, with no easy solutions until they can reestablish the confidence of China, Japan, and South Korea. However, Germany has strengthened their export relations with other nations in the meantime and will likely look to maintain those in the future, which would equate to a very strong export presence. Participants in the U.S. and other countries that produce pork and have yet to report an outbreak of ASF can use Germany as somewhat of a case-study. While the global reaction could be very different and more measured if the U.S. reported an instance of ASF due to the reliance on U.S. pork that many countries have, we could still see this reshuffling of export partners become necessary. UB

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



Moooo-ve over porta potties...

MOOLOO...

THE BATHROOM FOR CATTLE

Scientists from the University of Auckland, Friedrich-Loeffler-Institute and the Experimental Facility for Cattle at the Leibniz Institute for Farm Animal Biology in Dummerstorf, Germany, joined forces to find out if calves have the capability of being taught to urinate in a specific area...or, as humans put it, "potty train."

Scientists took the same approach to training the calves much like one would potty train a toddler. Calves would be ushered through the process and, upon urination in the latrine, or "Mooloo," as the scientists cleverly named it, be rewarded with a sweet molasses. The latrine used is about 2 meters wide with a turf covered floor.

Now, why would anyone want cattle to collectively go to the bathroom in the same area? Let's try to put this in perspective. Cattle, on average, can urinate up to eight gallons a day. Multiply that by a couple thousand cattle per lot and that's a heck of a urine sample! You've no doubt experienced that unpleasant smell of ammonia when the cat's litter is past due being changed. This occurs when nitrogen, which is contained in urine, is mixed with feces, which creates ammonia. Environmentally speaking, ammonia can wreak havoc. It also is not healthy for the animals in the surrounding area. With very high levels of cattle concentrated on farmland, in time, the excreted urine has the potential to taint water supplies and create acid rain which contributes massive amounts of nitrous oxide into the atmosphere. Lindsay Matthews from the University of Auckland says that "if we could collect 10% or 20% of urinations it would be sufficient enough to reduce greenhouse gas emissions and leching significantly."

Despite having only 16 calves inside the facility, the sample population proved fully sufficient for the intended purpose. The type of training the calves received is referred to as "chaining methods," which is taking it one step at a time. In the case of Mooloo training, once the calf began urinating it was stopped from emptying its bladder and moved down a corridor into the Mooloo. Once the calf urinated it was rewarded with a sweet molasses. If the calf did not urinate inside the Mooloo, a spray bottle filled with water was used as a "deterrent" for that behavior. By the end of the study, 11 out of 16 calves had learned to use the Mooloo. Naturally this took some effort but ultimately these bovines began to use it all on their own. On average the process to a successful conclusion took about 15 days! A track record that would be the envy of any parent.

The real question now is can this become scalable—is there a way to mass train calves and cattle to use a latrine? This will be the task and challenge at hand for scientists and ranchers alike. In the meantime, the Mooloo, if nothing else, is a viable idea in a day where global warming and greenhouse gases have elicited strong emotional response from humanity. UB

Article contributed by **Todd Unger**
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Photo credit: Research Institute for Farm Animal Biology

Pollock landings seeing improvement, market hit with $350 million fine

Boasting the largest fishery in the United States, wild Alaskan pollock accounts for roughly 30% of our country's seafood landings, claiming a spot in the top five species consumed in the U.S. The versatile whitefish is a seafood favorite thanks to its mild flavor, firm texture, and nutritional profile, not to mention sustainably sourced in our very own backyard.

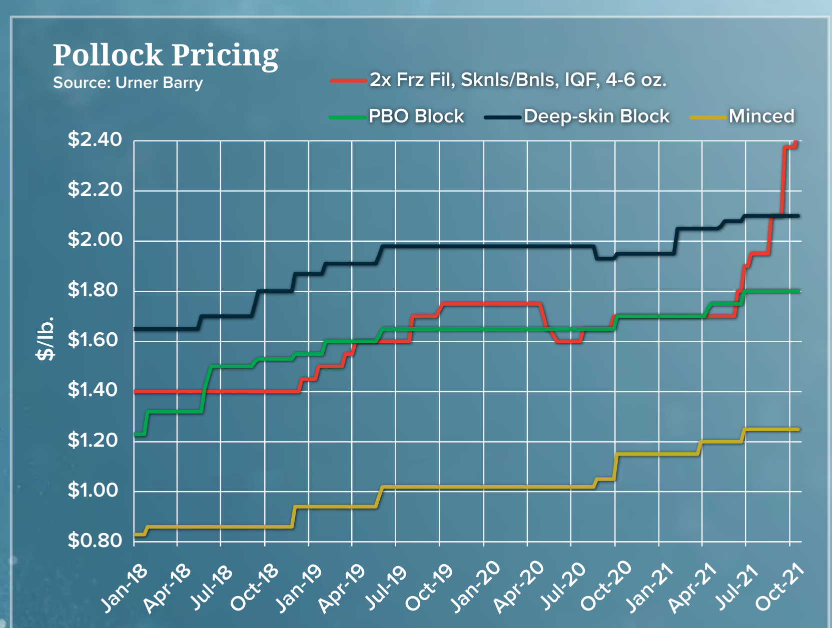
Alaskan pollock is most commonly consumed in fillet, reprocessed fish block, and surimi product forms. Fish blocks and surimi end up as value-added products, including breaded fish sticks and patties sold at retail and quick service restaurants. Surimi, otherwise known as artificial crab meat, is a staple in sushi restaurants.

With such a large consumer base in both the retail and foodservice sectors, any challenge facing the industry could have major implications on the market. Unfortunately, due to multiple setbacks even outside a global pandemic, obstacles have been mounting for the industry.

Beginning in 2019, wholesale prices began strengthening across the pollock market as poor weather and ice conditions postponed the start of the already shorter A season running January through April. Shortly after, the size mix of pollock landings started trending smaller during the 2020 B season, which spans from June to November, and again throughout both the 2021 A and B seasons.

Despite the supply issue causing higher prices in the market, demand has consistently remained strong and active. Retail sales throughout the pandemic even increased as consumers stocked up on frozen seafood, including Alaskan pollock. Because of this, the industry is still playing catch up on orders placed in previous seasons.

In addition to constrained raw material supply entering the market, along with all the setbacks associated with COVID-19, the pollock industry is facing yet another major obstacle in the form of $350 million dollars in fines. Without apparent warning, in August 2021



Customs and Border Patrol, a Department of Homeland Security agency, began issuing fines to companies that both produce and transport wild Alaskan pollock, citing violations against the century-old Jones Act.

> **"With such a large consumer base in both the retail and foodservice sectors, any challenge facing the industry could have major implications on the market."**

The Jones Act states that all ships carrying goods between two points of the country not only be built, owned, and staffed by U.S. citizens, but also must be U.S.-flagged to denote the vessel is operating under American laws. However, included in the Jones Act, is an exemption entitled the "Third Proviso" which states that the rule "does not apply to the transportation of merchandise between points in the continental United States, including Alaska," as well as routes that take place "in part over Canadian rail lines and connecting water facilities" if the routes are recognized by the federal agency overseeing rail transport.

The parties involved, including one of the largest seafood harvesters in the world, American Seafoods Group, stand firm that their shipping routes meet the requirements of the Third Proviso exemption.

Since the CBP issued the hefty fines, millions of pounds of product destined for the U.S. market have been halted throughout the supply chain. At a time when the market is already so supply stricken, further delays added could result in major implications down the line for the U.S. consumer that not only includes those who frequent major retailers, big-box stores, and fast-food chains, but for students across America as well, as Alaskan pollock has a large presence throughout the nation's school lunch programs.

As of this writing, the court battle continues. However, the shipping companies under American Seafoods Group were granted a preliminary injunction from the CBP's Jones Act enforcement, allowing the stalled product to freely move without further fines while the lawsuit continues.

With continued supply issues, active demand, increased transport costs and logistical issues weighing heavy on the market, and now a legal battle that is putting added pressure on supply and costs, the outlook for the Alaskan pollock market remains firm into the new year. UB

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A swell of bone-in hams...

AN *unprecedented* YEAR FOR *Hams*

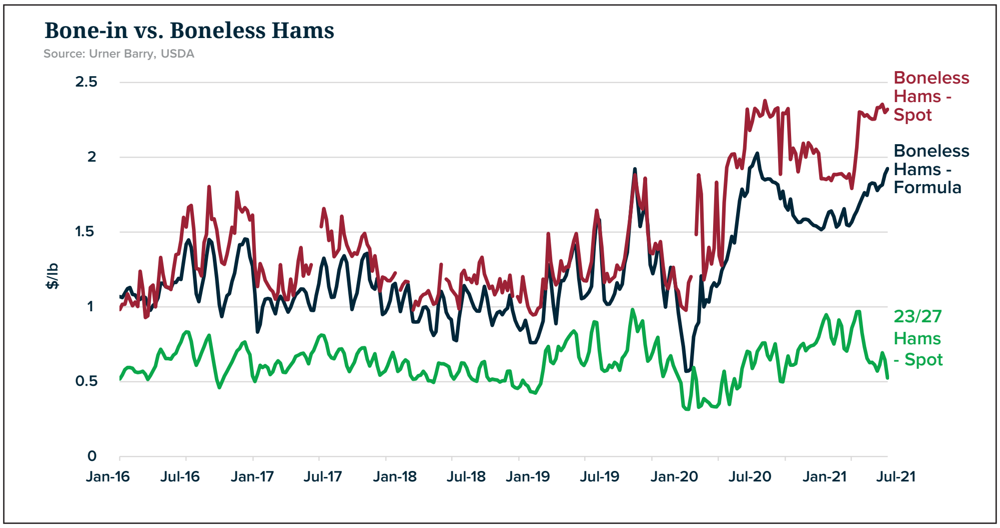
Ham—whether intended for the holidays, lunchmeat, or export markets—is a staple pork item. However, due in large part to the labor issues that have become systemic since the pandemic began, ham has been one of the most impacted pork categories in the ongoing tug-of-war for conversion resources. With attendance suffering to some degree at many pork plants, companies have had to decide to pull available labor from one line to another, depending on needs. And often throughout this period hams have found themselves on the short end of the stick. This lack of boning time has resulted in unprecedented spreads between bone-in and boneless hams, and even between negotiated and formulated prices for boneless.

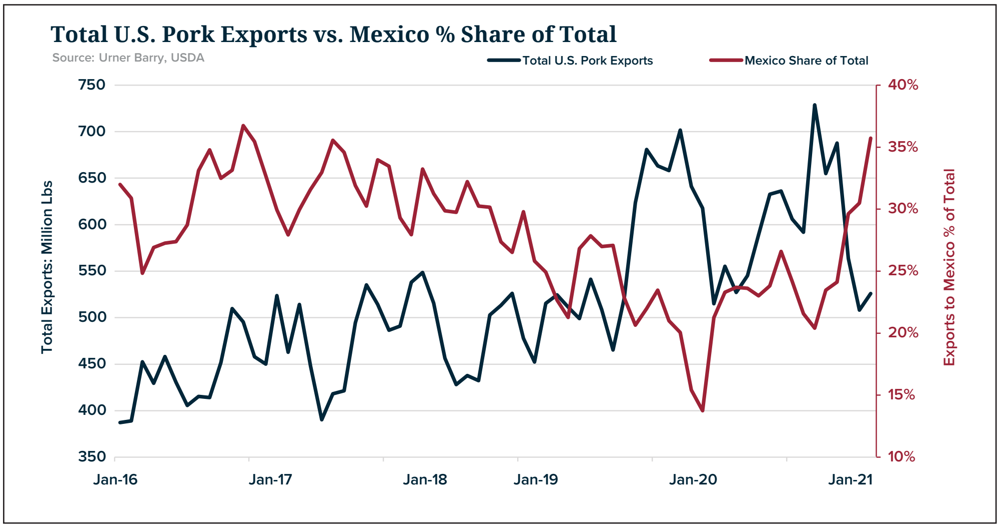
Starting in mid-2020, when the labor situation began to spiral following the series of COVID-19 related plant shutdowns, the industry was forced to shift boning labor away from the ham lines and onto other areas of the plant. This resulted in an outsized supply of bone-in hams, and a particularly tight availability of boneless hams. Between April and November of 2020, boneless 4-piece hams rose in price by 143%. This rally put boneless ham prices around the $230/cwt mark, which besides a brief pullback, these prices have been maintained through the time of this writing.

From late 2020 through present day, this rally has created wide spreads not only between bone-in and boneless, but also between the prices of spot boneless and formulated boneless trade. During the pre-pandemic period of 2016-2019, the average gap between 23-27 pound bone-in and 4-piece boneless hams was $60/cwt. Year-to-date in 2021, that spread widened to $132/cwt. Similarly, between 2016 and 2019, the average spread between spot and formulated boneless hams was $12/cwt. So far in 2021, that figure has more than tripled to $42/cwt. The formulas failed to capture just how tight the availability and how high the demand for boneless hams actually were, hence the premium on the spot market.

So, what happens when you have an excess of bone-in hams? For one, we lean on Mexico, which is historically a large recipient of bone-in hams. We can see this play out through a number of metrics, not the least of which is just pure exports to Mexico. In May 2020, Mexico represented just 15% of U.S. total pork exports. That figure skyrocketed to 36% by August 2021, a stake that we haven't seen since late 2016. In addition, looking at pork exports by port, the Laredo, Texas, border crossing moved to the number one slot in 2021, surpassing the volume of the Port of Los Angeles, the former leader in pork departures.

We can also see this excess of bone-in hams play out in the cold storage figures. As of August, bone-in ham is the only pork category in the USDA Cold Storage Report that is up versus both last year and the 5-year average. While most other cuts were





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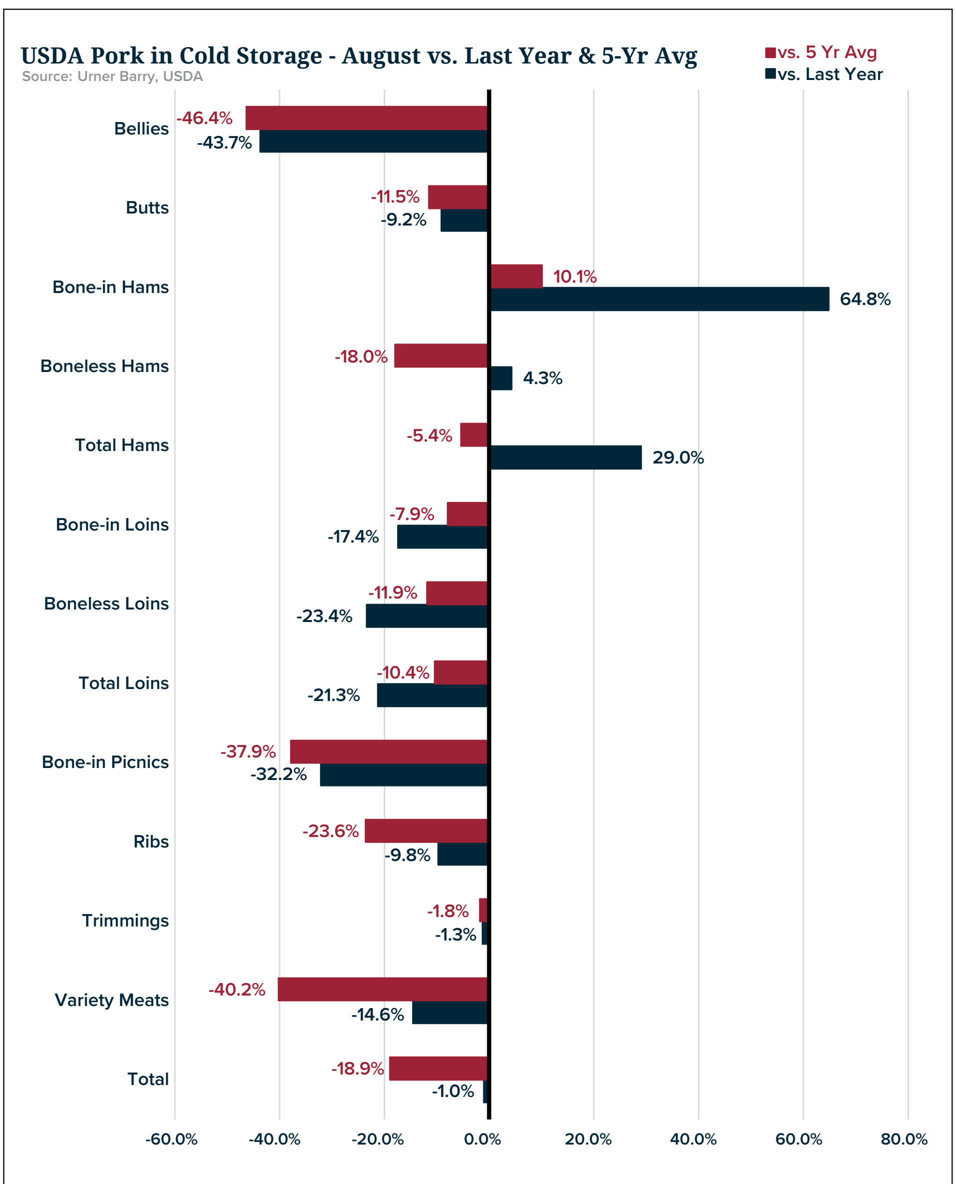
withdrawn to concerningly low levels during the plant shutdowns in 2020 and have failed to recoup the losses to this day, the swell of bone-in hams supplies in the ensuing months has more than made up for any possible shortfalls.

With the labor situation still showing little signs of meaningful improvement, this discrepancy between the availability of bone-in and boneless hams doesn't have a clear solution in the near future. Unfortunately, the attendance issues are not exclusive to ham lines, nor the pork market, nor the center-of-the-plate protein industry as a whole, and thus the solution is considerably more complicated. UB

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



Part of a bigger plan...

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Trade deal between the UK and New Zealand leaves British farmers anxious

Hailed as a historic deal, a comprehensive trade agreement between the UK and New Zealand is set to remove red tape for businesses, reduce trade tariffs and make it easier for professionals to live and work in both countries.

Agreed in principle on October 20, 2021, the deal has been met with a fair amount of objection, particularly by UK livestock farmers.

With New Zealand a net exporter and the UK a net importer of meat, many argue that Kiwi livestock farmers stand to benefit more from the trade deal.

Some fear the deal could eventually lead to a lack of British product on retail shelves and dine-out menus, with concerns of being undercut by cheaper meat from export orientated producers.

AGREEMENT IN PRINCIPLE

The agreement comes at a time when the British meat industry is already struggling to compete with inflated costs and cheaper imported meat from the likes of mainland Europe and South America.

Prior to the agreement, imports of New Zealand beef had a tariff-free quota of just 454 tons. Under new requirements the quota will increase on an annual basis starting at 12,000 tons in the first year and increasing to 60,000 tons by year 15.

Lamb producers, particularly those based in Wales, continue to raise concerns regarding the cumulative impact of offering significant market access to export orientated farmers. And those concerns from farmers are warranted considering Kiwi lamb is priced at around a fifth of UK-produced lamb.

According to the agreement, Kiwi exporters will be able to send 35,000 tons of lamb to the UK tariff-free during the first four years, increasing to 50,000 tons for the following 10 years before quotas are entirely removed after 15 years.

If volumes exceed the annual limit, a duty of 20% to any further imports will be applied.

PART OF A BIGGER PLAN

The deal will continue to be scrutinized by UK farmers, regardless of the final agreement.

According to recent estimates, the deal itself is unlikely to boost economic growth, with existing trade with New Zealand valued at less than 0.2% of the UK's annual GDP.

While there remains strong opposition to the agreement, there is sentiment circulating that the trade deal with New Zealand and the previous agreement with Australia is part of a bigger play towards joining the Trans-Pacific trade bloc or Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a trade agreement between 11 Pacific Rim nations: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

While gains for households would be marginal, at least initially, joining the CPTPP will enhance global market access for UK businesses. UB

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The modern-day lawn dart: NOAA's Seafood Import Monitoring Program

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

The National Oceanic Atmospheric Administration's (NOAA) Seafood Import Monitoring Program (SIMP) is the modern-day lawn dart. Envision it—excited, naive toymakers merge a distinctly indoor game with outdoor fun on a grand scale. Enthusiastic elves whip themselves into a frenzy, and then the barely pressure-tested concept is sent to toy manufacturers to be readied for the holidays.

As it turns out, lawn darts don't work that well. While they might be conceptually fun, they're also very dangerous. And, ultimately, do more harm than good.

While you're unlikely to be impaled by a flying Seafood Import Monitoring Program, expansion of the program could also do more harm than good. It's also a misdirected effort of federal programming, a compliance headache and a regulatory mess. SIMP was supposedly created as part of an effort to stop illegal, unreported and unregulated (IUU) fishing and seafood fraud, but the program falls short of its big, intended purpose.

NOAA ITSELF SAYS SIMP DOES NOT STOP IUU.

SIMP currently covers 13 species (such as shrimp, cod, tuna, mahi-mahi, and grouper) thought to be at risk of illegal, unreported, and unregulated fishing. Keep in mind the majority of shrimp is farmed, making this effort to stop illegal fishing almost nonsensical. What's more, it's a misnomer to suggest the program only covers a handful of products because these 13 categories include more than 1,100 unique species.

In its own report, released May 21, 2021, NOAA clearly states, "SIMP does not prevent or stop IUU fish and fish products from entering the U.S." In fact, NOAA highlights that the "violations" are largely clerical, "most of the issues that have been found relate to issues apparent from the documents themselves (e.g., vessel permit dates do not match harvest dates, documents are missing)."

While groups, like Oceana and WWF, along with various offices on Capitol Hill continue to push for the expansion of SIMP, NOAA itself emphasizes that the agency remains "focused on maintaining the risk-based nature of SIMP."

Calls for expanding the program to all species undercut this very clear focus on risk. So why do we continue to see misguided legislation pushing to expand an already flawed federal program? Could it be that NGOs are unwitting pawns in a game designed to not stop IUU, but to place non-tariff barriers on imports? Your guess is as good as mine.

The National Fisheries Institute (NFI) and six leading associations representing the nation's commercial seafood supply chain that employs 1.25 million Americans stated in a letter to Congressional leaders, "In attempting to respond to the challenge of Illegal, Unreported and Unregulated ("IUU") fishing, the bill imposes unworkable regulatory mandates on industry, raises the costs and risks for American fishermen to sell their catch in the United States, and exposes U.S. exporters to retaliation in overseas markets, all without addressing the existing program's lack of demonstrated success in deterring illegally harvested products from reaching U.S. ports."

Costing U.S. seafood jobs, in search of an ill-conceived plan likely designed to impede imported competition, would be the real legacy of expanding SIMP.

LAWS THAT CONTINUE TO CREATE SUPPLY CHAIN BURDENS.

In an unprecedented time, where port congestion and shortages in transportation are causing severe disruptions, we need real solutions. Not a misguided effort that creates significant cost and administrative burdens for the entire value chain, thus impacting U.S. jobs and raising prices for American consumers.

The seafood community estimates it has spent over $50 million on SIMP regulatory and paperwork compliance for just the 13 species covered by the program, a significant economic burden on an industry working hard to feed Americans.

An expansion of SIMP would cost hundreds of millions of dollars in annual expense and impose a complex regulatory burden on domestic harvesters of the additional items, without having an impact on IUU (because little to no U.S. fish is caught illegally).

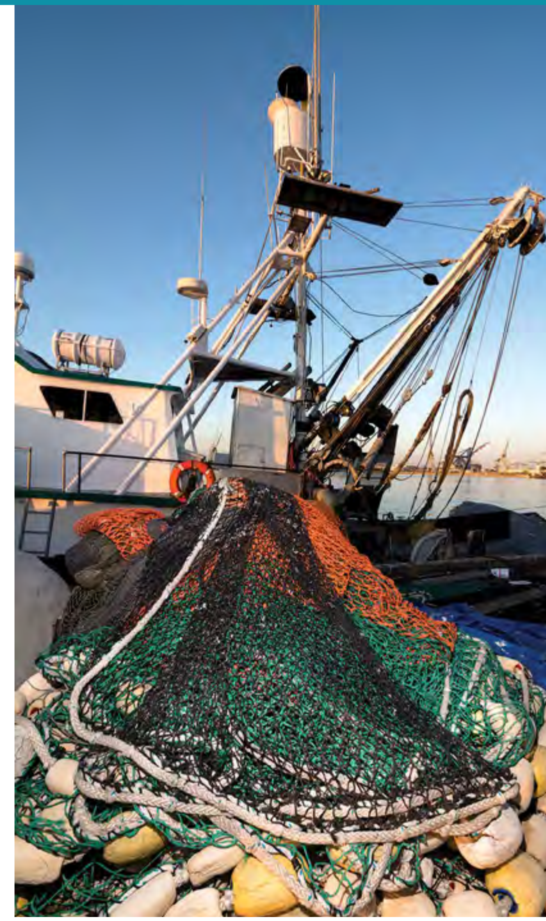
SIMP WAS FLAWED FROM THE START.

Though initially framed as an attempt to combat IUU fishing among non-U.S. fleets, the program continues to miss its mark. SIMP was prompted largely by a single study published in May 2014. Relying almost entirely on confidential interviews, that study made wild assertions about the extent of IUU-harvested products in the U.S. market. Using the same approach, two of the authors made similar allegations in a 2018 study about IUU products harvested in the U.S. and found in the Japanese market. This methodology was so flawed that the publishing journal retracted it.

The seafood industry strongly supports efforts to combat IUU fishing, which includes support for the many federal initiatives underway to ensure the U.S. is a strong leader in promoting sustainable fisheries management and identifying measures that can reduce the rate of IUU fishing activity globally.

The U.S. has strong laws in place to protect the rights of workers across all industries, credible reporting on instances of human rights abuses in parts of the global seafood supply chain reminds us that not every country prioritizes or enforces such protections.

SIMP is not, and was not designed to be, a silver bullet against IUU; moreover, federal resources to devote to SIMP are finite. The focus of U.S. policy must be on constructing a streamlined SIMP program that is more effective, more efficient, and more carefully targeted towards the highest-risk sources of IUU products. One way to do that might be to scrap it and start over. Sort of like what they did with lawn darts. UB



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UrnerBarry GLOBAL PROTEIN SUMMIT TACKLES THE TOUGH STUFF

Article contributed by **Bill Lynskey** | blynskey@urnerbarry.com

Urner Barry's Global Protein Summit was back and better than ever in 2021.

Professionals from all areas of the supply chain gathered in Chicago to network and hear from top analysts and speakers on the issues the industry is facing in a post-pandemic world (or near post-pandemic, we hope).

In two jam-packed days, attendees heard from the foremost experts on the big-ticket items, including global trade, China, logistics, sustainability, inflation, and price volatility. The insights gained from this event will aid the industry in building their business strategies as we head into next year.

But don't take our word for it—here is what a few of our sponsors had to say:

"With so much turmoil in the supply chain currently, the Global Protein Summit was the perfect forum to gain insight on the outlook of the protein markets."

RAY RODRIGUEZ, *Director, Business Development,* **Americold Logistics**

"Urner Barry offers APPI Energy an invaluable platform to connect with existing and future clients, as well as timely educational sessions that display the state of the protein industry and it's ever-evolving challenges. Key insights around current challenges allow our team to further develop tailored strategies, helping our clients within the protein industry to effectively manage energy costs while improving resiliency."

MICHAEL LEWIS, *Senior Client Advisor*, *Energy Solutions,* **APPI Energy**

"Urner Barry's Global Protein Summit was a perfect fit for us to network face-to-face and share Sunset Transportation's logistics management solutions with an audience of key decision makers in the protein industries. We look forward to partnering with Urner Barry on future events."

ERIC HAMPTON, *Owner/Operator*, **Sunset Transportation**

"I was excited to finally get back to networking in person and the Global Protein Summit was the perfect place to start. Speaker after speaker highlighted the extreme levels of market volatility that impact our clients' bottom line and highlighted the need for Stable's innovative solutions to manage this risk."

MICHAEL NEPVEUX, *Senior Analyst, Animal Protein*, **Stable**

"It was great to be back in person for this year's Urner Barry Global Protein Summit. The conference was well attended, with a great list of speakers and presenters giving timely and up-to-date information. The networking events were great opportunities to meet with industry stakeholders. We look forward to future events."

RYAN TURNER, *Regional Director,* StoneX

"The Urner Barry Global Protein Summit was a great source of knowledge for me as well as other members of our company. From the opening remarks by Jamie Chadwick to the explanation of our livestock challenges, right up to the discussions on the beef, pork and poultry markets. The insight and information learned in each session will assist all attendees with the difficult decisions we will need to make in this post-COVID era."

TERRY MCDONNELL, *National Sales Director,* Weinstein Meats

"Urner Barry's Global Protein Summit offered a great opportunity to network and connect with industry professionals who span the commodity supply chain. The presenters & panels did an outstanding job discussing the ever-changing dynamics to the grain and feeds markets, along with the impact inflation might have on the food and transportation industries."

MICHAEL REGINELLI, *Risk Management Consultant,* **Advance Trading, Inc.**

"Barchart is proud to have sponsored the recent Global Protein Summit hosted by Urner Barry in Chicago. It was great connecting with mutual Urner Barry and Barchart customers to learn how they use both of our platforms and how well they complement each other. We look forward to building our partnership with Urner Barry even further in the future."

RYAN NELSON, *Senior Account Executive*, **Barchart**

CONSUMER INSIGHT: OUR COMPETITIVE ADVANTAGE IN 2022

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

As we sprint to the finish line of yet another holiday egg sales season in the shadow of COVID-19, I know there is some trepidation. While volume sales of shell eggs at retail are tracking closely with pre-pandemic 2019, we're still short of where we might expect to be. And our egg products business has only begun the slow march to recovery in tandem with the restaurant industry. But as we look ahead to the promise of a new year, we have good reason to be bullish about the prospects for eggs in 2022.

Yes, these are challenging times. The world continues to change rapidly, and the consumer has become something of a moving target. But we're becoming increasingly equipped to master these conditions. I'm particularly excited about investments in consumer insights that are coming to fruition, which will enable the egg industry to market and communicate more precisely and effectively. I believe strongly that these insights will constitute an important competitive advantage with demonstrable impact.

Presently, we are competing not so much with other products as we are with clutter, noise and distraction, short attention spans, the speed of evolving consumer needs and priorities, and, in cases, misinformation. To break through requires laser focus on what matters to consumers, meeting them where they are and ensuring they feel great about choosing eggs. Under these circumstances, the strategic goal we set a year ago to understand the consumer better than anyone could not be more important, and I am pleased to share just a couple of examples of the progress we're making toward that end.

PERFECTING THE NUTRITION MESSAGE

We know that nutrition is one of the most important demand drivers for eggs, so this year we undertook a four-phased approach to ensure that we have the right focus and messages to increase purchase intent. This included an initial nutrition landscape assessment, a consumer audience survey and segmentation, and nutrition benefit-ranking research. Based on these inputs, we were able to workshop a narrative and messaging. The team is now in phase three of this project: qualitative and quantitative message testing.

While this is a work in progress, you might be interested in some important foundational insights from the work:

- A gap exists between what consumers claim to know and what they actually know about egg nutrients. (Millennials claim to be the most informed, but their actual knowledge is the lowest of any group.)
- Consumers are much more motivated by understanding the nutritional benefit than the actual nutrient in eggs.
- Protein is the most compelling nutrient to consumers, while cholesterol perceptions are the biggest barrier to consumption.
- Consumers are looking for simple, convenient ways to make nutritional improvements. Recipes and cooking ideas keep eggs top of mind.

We also uncovered which specific messages resonate with different audiences:

- Millennials respond positively to workout-related messaging, presumably due to the link to protein.
- Moms, including expectant moms, prefer messages focused on nutritional benefits for kids.
- Aging consumers are most responsive to cholesterol-related messaging.

Taken together, these insights are proving incredibly useful to the team as we develop a tailored approach to nutrition that speaks loudly and directly to key audiences with high probability of impact at the retail shelf.

The specific communications we've created based on this work are now undergoing consumer dial testing and will be further refined. We expect to share those final messages with producers and our state association partners this quarter, ahead of the 2022 health and wellness season where they may be put to optimal use.

A CONSUMER-CENTRIC APPROACH TO THE PRODUCTION STORY

This year, our communications team was charged with developing an insights-based strategy for telling the egg production story. We know that consumer perceptions of egg farmers and production practices matter at the shelf, but we needed to understand exactly where to focus to maximize purchase intent. The story that we in agriculture want to tell is not always the story that the consumer needs to make a confident purchase decision, so we made it our task to understand the job we needed to do from the consumer's point of view.

A nationally representative consumer survey helped us understand what consumers know about on-farm production and egg labels, what more they want to know and what myths they believe to be true, as well as identify the topics most likely to drive positive perception of egg production and purchase/consumption of eggs. Key findings include:

Consumer knowledge is generally low, the landscape is rife with confusion and people are hungry for information, especially around how egg pricing works; hormones and antibiotics; housing/labels and the differences between white and brown eggs.

Topics that impact perceived human health, such as hormones, antibiotics and GMOs, are most likely to impact purchase decisions and are often misunderstood.

Hen health and welfare is the secondary driver of purchase, and the consumer is confused about labels like cage-free, free-range, certified humane and animal-welfare approved.

Our research also uncovered a direct correlation between positive perceptions of egg farmers and purchase intent.

Following the survey, we conducted a deeper dive analysis of traditional and social media and search behavior around the topics with the most impact, which led to a three-tiered approach to educating the consumer:

1. **Open with human health and dispel key misconceptions.**
2. **Address labeling confusion and provide clear, transparent information about housing systems.**
3. **Conclude the journey with education about farmer social responsibility efforts.**

The team is now embarking on a final phase to determine how best to deliver the right level of information, especially related to sensitive issues and tradeoffs around housing systems, based on the needs of three key consumer segments.

Upon completion of this research, we plan to begin production on a new section of the Incredible Egg website and communications collateral including infographics, FAQs and video suited to social media, followed by media outreach and an educational campaign.

And on a parallel track, we will build out a program targeting channel partners—retailers, foodservice and CPG—to educate them, address their needs and provide the information and resources for them to educate their customers. All of this is slated for launch in the first half of 2022.

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PUTTING THE CONSUMER AT THE HEART OF ALL WE DO

Circumstances shift, markets fluctuate and times changes, but at the end of the day, the consumer always holds the key to our success. The projects I've described are but two examples among many in a much broader initiative at the AEB to thoroughly understand the consumer and to ensure that this deep knowledge is baked into everything we do, across channels. We fully expect that these investments will deliver against the AEB's mission to increase demand for eggs and egg products in 2022 and beyond, and we will objectively measure the extent to which we're successful and report those data back to the industry. More to come!

As always, I welcome your questions and thoughts and appreciate your continued support and enthusiasm for our shared mission. Wishing everyone safe and happy holidays and an incredible new year! UB

Mussels find their match with Dogfish Head's SeaQuench Ale

In *Urner Barry's Reporter* magazine we primarily focus on proteins. However, it's also important to highlight those that help elevate our beloved proteins and take them to the next level—like Delaware-based brewing company Dogfish Head.

Dogfish Head, which was bought by Boston Beer Company in 2019, cheekily boasts that they brew "off-centered ales, for off-centered people." And these "off-centered ales" aren't just attractive to craft beer lovers, but foodies alike. Just look at SeaQuench Ale, which was first brewed to celebrate the opening of Chesapeake & Maine, Dogfish Head's "geographically enamored" seafood restaurant in Rehoboth Beach, Delaware.

"We source 100% of the seafood just from those two regions," Dogfish Head founder Sam Calagione told *Urner Barry's Reporter*. "We're really, really proud of how sustainable and local our seafood program is and we wanted to design a beer that was the ultimate partner for Maine and Chesapeake seafood dishes."

SeaQuench Ale, which is brewed with black limes, sea salt, and lime juice, took a full year to develop. And that's not the norm for a Dogfish beer.

"It's twice as long from the concept of the recipe we come up with to the first batch being commercially available," explained Calagione. "And that's because we spent a ton of time doing research. We researched what would be considered the most quintessential, refreshing, German beer styles, and the three that came up the most were Kölsch, Berliner Weisse, and gose. We wanted to incorporate all three of those into this one beer, so it's all three of those styles brewed in sequence—hence the name—using sea salt and designed to be really refreshing and quenching. All of those characteristics are captured in the name, and that concept took us a full year to bring from 'on paper that sounds awesome' to 'wow, the liquid actually delivers what the concept says on paper.'"

SeaQuench Ale is Calagione's personal favorite, and he's not alone. According to Dogfish's founder, it's the number one selling sour beer in America. And, as I'm sure you can guess, it's just as good paired with a meal as it is cooked in a meal. Just try it for yourself in Dogfish Head's SeaQuench Ale Mussels recipe.

"You got the natural salty, briny awesomeness of the mussels themselves," said Calagione of the dish, which is also available to order at Chesapeake & Maine. "As you're steaming them they're opening up and even contributing a little more salt pairing to the broth they're boiling in. It's kind of this exponentially awesome experience that the SeaQuench has the different sea salts from the Chesapeake and Maine shores in them, and then also the lime layer on top of that gives an additional layer of complexity. But it's a really simple dish, and the fact that you can pair the SeaQuench with the dish cooked with the SeaQuench and have it work so well is pretty unique as well."

Check out the recipe from Ray Giangeruso, Chef at Dogfish Head's Chesapeake & Maine restaurant, on the following page. UB

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

Photos provided by Dogfish Head

From the recipe box: Quality FOOD

Dogfish Head's SeaQuench Ale Mussels

INGREDIENTS

- 1 lb. Cleaned Maine Mussels
- 3 oz. Pancetta
- 1 tbsp. Garlic
- 1 tbsp. Shallots
- 1 tbsp. Red Bell Peppers
- 1 tbsp. Cilantro
- ½ c. Dogfish Head's SeaQuench Ale
- ⅓ c. Vegetable Stock
- ¼ c. Key Lime Juice
- 1 oz. Sour Cream
- 1.5 oz. Unsalted Butter
- 1 tsp. Oil

Scan the QR code to watch SeafoodNews Managing Editor Amanda Buckle and Urner Barry market reporter Lorin Castiglione taste Dogfish Head's SeaQuench Ale Mussels in the latest "Watch Us Eat" video.

DIRECTIONS

1. In a medium-sized, deep pan, add oil and pancetta.
2. Render pancetta until crispy (do not burn).
3. Add garlic, shallots and red bell pepper to the pan. Toss evenly and for about 2 minutes.
4. Add cilantro to pan and toss.
5. Add mussels to pan and toss evenly over low heat.
6. Add SeaQuench Ale, vegetable stock and key lime juice to pan.
7. Place lid on pan and steam until mussels open.
8. Once mussels open, add butter and sour cream to pan.
9. Taste for seasoning. Add salt and pepper, if needed.
10. Serve hot, in a bowl, with a slice of grilled bread.
11. Enjoy alongside a can of Dogfish Head's SeaQuench Ale for an even tastier culinary experience!

YIELD: 1 BATCH SERVES 2-3 PEOPLE

Tailgate with turkey…

Exploring new market segments

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

When consumers think of fall, turkey and traditions, more likely than not Thanksgiving comes to mind. While the fourth Thursday in November remains the turkey industry's hallmark holiday, there's another fall tradition where turkey has the potential to score big points: the time-honored tailgate party.

For sports fans, the allure of tailgating is a known commodity. Whether you're in the parking lot or parked in front of the couch, a tailgate (or homegate) party adds to the excitement of the big game, connects a community of fans and extends the celebration. As sporting events come back into full swing and the comfort level with group gatherings grows, the National Turkey Federation's (NTF) latest marketing campaign—"Tailgate with Turkey"—is working to capitalize on the momentum behind tailgating and the desire to return to game day traditions.

According to a 2019 study conducted by Quicken Loans Racing and Beckon Media, 80 percent of Americans tailgate. The same report found that Americans spend over $35 billion on food, beverages and supplies for tailgating each year. This represents a significant consumer audience, and turkey's versatility in the tailgate lineup signifies a prime opportunity to reach consumers with more ways to try turkey. Tailgate with Turkey is part of NTF's consumer marketing efforts to create new—or expand existing—occasions for turkey, particularly in the grilling space. With the ever-growing protein marketplace, including alternative proteins, positioning turkey in non-traditional spaces and increasing consumer awareness is key to maintaining market share and supporting future growth of the turkey industry. The campaign aligns with NTF's larger outreach efforts through the Turkey Smoke platform launched in 2019. The grilling and smoking components of tailgating correspond with the work through Turkey Smoke to engage professional pitmasters and barbecue and grilling enthusiasts.

Tailgate with Turkey is a pilot program featuring a partnership with the Kansas City Chiefs Radio Network in addition to a comprehensive digital campaign. The Kansas City Chiefs Radio Network is home to game day coverage of the Kansas City Chiefs, where 12 million listeners tuning in to pre-game and game coverage will hear Tailgate with Turkey ads directing them to the new TailgateWithTurkey.com for recipe inspiration and a chance to win the ultimate tailgate grilling bundle.

For this campaign, NTF partnered exclusively with recteq, a premium lifestyle and grilling brand, on giveaways to help tailgaters upgrade their party. At the same time, NTF launched a digital marketing campaign to reach fans online with unique applications for turkey. Content for the campaign features a variety of turkey cuts, encouraging consumers to work with turkey products that may differ from a typical sandwich or Thanksgiving turkey. We all love those big smoked turkey legs at the game, but turkey can take traditional tailgate fare to another level whether its Grilled Buffalo Stuffed Turkey or a Beer Can Turkey Breast.

Tailgate with Turkey is a key play for Team Turkey, and NTF looks forward to expanding turkey's reach as a grilling protein year-round. Remember, if you're looking to make an impression with your game-day feast, a turkey tailgate is the way to go. In the meantime, avoid a fumble and go for the first down by heading over to TailgateWithTurkey.com to check out game day spreads everyone will want to gobble up. UB

Images provided by the National Turkey Federation

“*Tailgate with Turkey* is part of NTF’s consumer marketing efforts to create new—or expand existing—occasions for turkey, particularly in the grilling space.”

Stay up-to-date with the COMTELL product roadmap

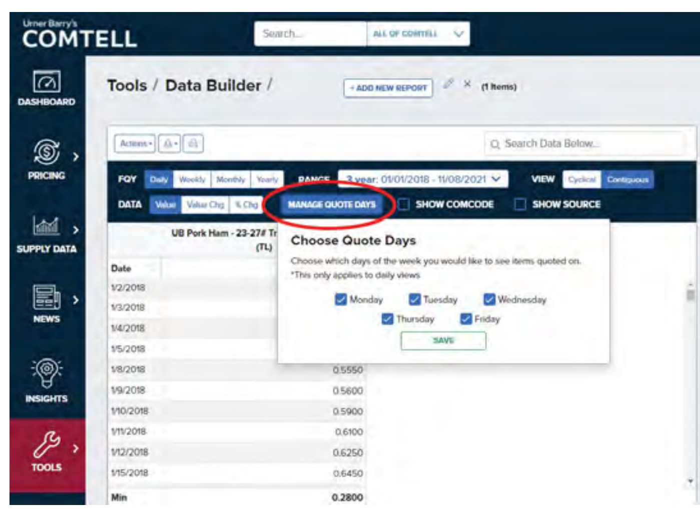
The COMTELL product roadmap continues to evolve as we learn more about the needs and expectations of Urner Barry customers. And as development on several key components of the 2021 roadmap ends, the team at Urner Barry has been analyzing improvements which lie ahead in 2022.

Most recently, the focus remained on completing the development of the COMTELL Excel Add-in, designed to increase efficiency and productivity by providing access to the historical database on COMTELL without having to leave Excel. The add-in is expected to be available later in the fourth quarter.

We have also continued to bolster the shipping and transportation data on COMTELL as interest around this subject amplifies. COMTELL subscribers will notice an increase in news stories surrounding logistics, supply chain, shipping containers, labor shortages, etc., and can find the stories within the **Transportation** link under the **Trending Now** section of the News menu. We are also working towards building out a designated section for transportation data which will contain rates for a number of land-based freight lanes and maritime data.

Other enhancements completed during Q3 include:

- "Manage Quote Days" button added to **My Items** and **Databuilder**.
    - Users can choose which days of the week they would like to view quotes for in a Daily, 5 Day Rolling, or Current Week view in **My Items** and in the Daily, Contiguous view in **Databuilder**. This is a great feature for those who formulate off of a specific day's closing price.



- Nearly 150 new historical items added since June.
    - Most of the items can be found within the newly added plant protein market reports. Other new items include Vietnam Farmgate-Vannamei and Black Tiger Shrimp, USDA Estimated Calf Slaughter, and USDA Canadian Slaughter.
- Launch of Urner Barry's brand-new **Egg Forecast**.
    - This biweekly report features price forecasts for regional shell eggs, breaking stock, egg solids, and liquid eggs, as well as confidence intervals, charts, and commentary. Like Obsono, there will also be a quarterly webinar providing insight into the current state of the market.

As always, Urner Barry welcomes any feedback and suggestions on how to provide the most value to our customers and improve our customer's experience on COMTELL and all of our services. UB

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

MEET URNER BARRY'S MARKETING TEAM MANAGER

Sean Plunkett

Sean Plunkett is closing in on his fourth year at Urner Barry, having started full time in Spring 2018 after interning between college semesters in Summer 2017.

Starting as a Publications and Research Assistant, Sean was tasked with the duty of understanding and optimizing the company's relationship management software. His hard work and success quickly landed him a spot on the marketing team as Marketing Coordinator where he aided in building value for Urner Barry services and events through promotions, podcasts, webinars, and general content creation. From there Sean was promoted to Marketing Team Manager, overseeing general marketing activity.

The youngest of the Plunkett clan, Sean and his family are from Toms River, New Jersey. He was encouraged from a young age to develop a sense of pride in his work, to be timely, and always give 110% in whatever he did.

Sean received a Bachelor of Science in Business Administration from the New Jersey Institute of Technology in Spring 2018. There he would make lasting friendships, take late night train rides into New York City, attend performances on Broadway, and work part-time on campus.

In his free time Sean likes to express his creativity through photography and making music, as well as analyzing old movies, and raging at video games with his friends. UB

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2. Mailed In-County Paid Subscriptions Stated on PS Form 3541.	-	-
3. Paid Distribution Outside the Mails including Sales Through Dealers and Carriers, Street Vendors, Counter Sales, and Other Paid Distribution Outside USPS®	-	-
4. Paid Distribution by Other Classes of Mail Through the USPS (e.g., First-Class Mail®)	-	-
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D. Free or Nominal Rate Distribution (By Mail and Outside the Mail)		
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2. Free or Nominal Rate In-County Copies Included on PS Form 3541	-	-
3. Free or Nominal Rate Copies Mailed at Other Classes Through the USPS (e.g., First-Class Mail)	-	-
4. Free or Nominal Rate Distribution Outside the Mail *(Carriers or other means)*	219	500
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H. Total *(Sum of 15f and g)*	9,913	10,100
I. Percent Paid *(15c divided by 15f times 100)*	97.75%	94.93%

I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).
Joseph Muldowney, Publisher

Upgraded features and modern aesthetic, *THE NEW* urnerbarry.com *caters to the client*

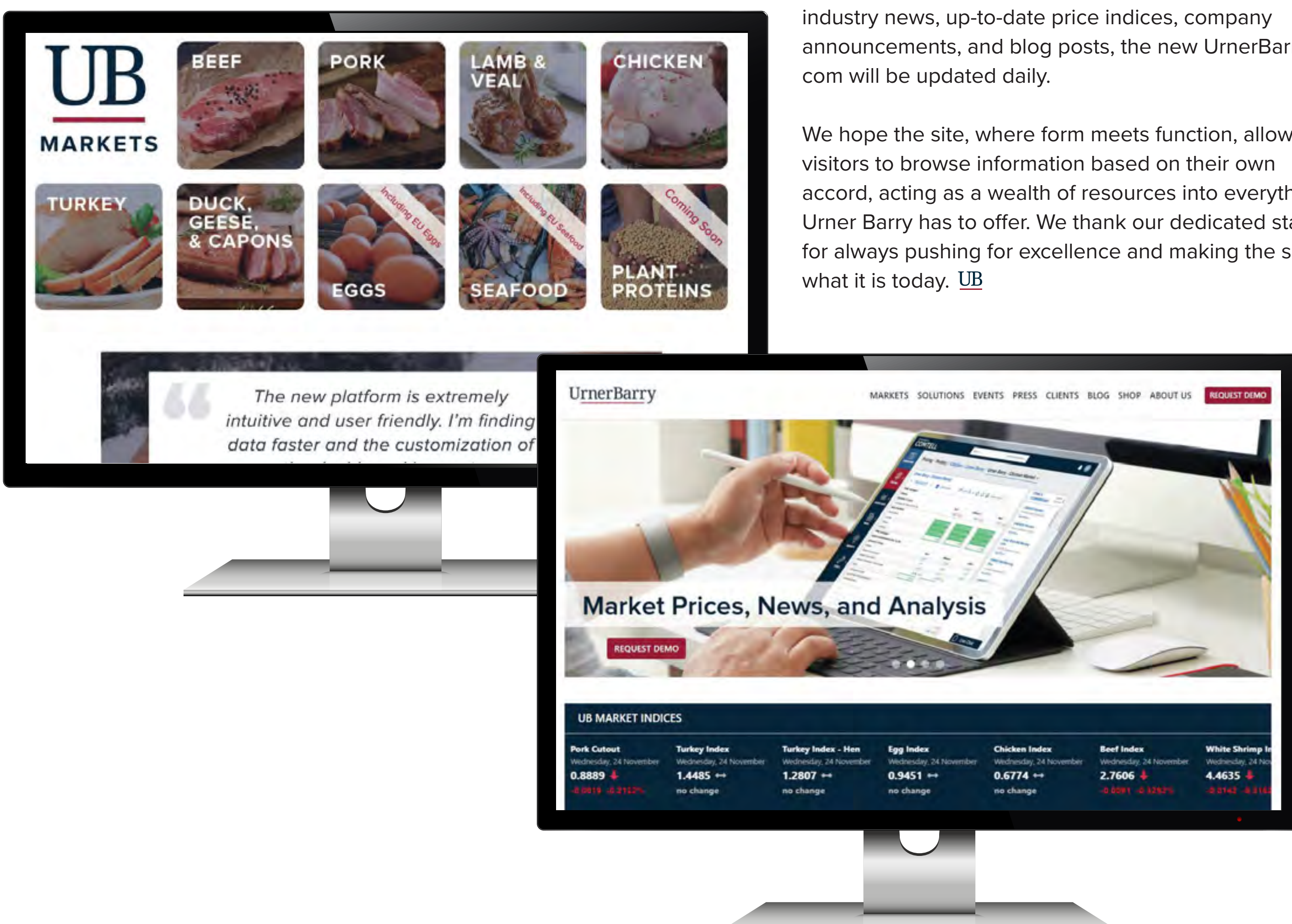
As a company that caters to the ever-changing needs of food industry professionals, offering multiple levels of service to keep our clients well-informed of the key drivers impacting the protein markets, our homepage needed to be as up-to-par as our solutions. After months of hard work, dedication, and a collaborative effort across multiple departments, UrnerBarry.com is ready for its reveal and a pandemic project is crossed off the list!

Our primary goal during the redesign process was to provide visitors with an easier way to learn about Urner Barry's core principles and solutions. Our focus was on creating a user-centric experience that is interactive, provides better access to our events, webinars, podcasts, and insightful videos, as well as a peek behind the paywall. The updated aesthetic and upgraded features were carried across from the desktop view to mobile devices as well.

"Our primary goal during the redesign process was to provide visitors with an easier way to learn about Urner Barry's core principles and solutions."

Amongst the new features, the site contains integrated social media links, including LinkedIn, Facebook, Twitter, YouTube, Spotify and Apple Podcasts, to foster improved interaction and communication with our client base. With top trending industry news, up-to-date price indices, company announcements, and blog posts, the new UrnerBarry.com will be updated daily.

We hope the site, where form meets function, allows visitors to browse information based on their own accord, acting as a wealth of resources into everything Urner Barry has to offer. We thank our dedicated staff for always pushing for excellence and making the site what it is today. UB



ADVERTISER INDEX

What's new?

Urner Barry Consulting launches Egg Market Forecasting report

UrnerBarry CONSULTING

Egg Market FORECAST

VOLUME 01 NUMBER 04 | NOVEMBER 17, 2021

COMMENTARY

Shell Eggs:

Midwest, SE, SC, and NE: Seasonal price increases are materializing as expected. Price increases this week have recorded upward movements above weekly historical averages, possibly making up for a sluggish first week in November. Prices in November are likely to fall within our ranges.

California and NW: We removed California forecasts altogether to allow further adjustments in the market place settle towards new regulations going into 2022. Our previous forecasts assumed this transition to begin taking place into the remainder of the year. However, sudden price increases took place over the last two weeks; these price increases would have been otherwise seasonal, expected, and within historical averages without considering regulatory changes. Northwest forecasts are still relevant and generally remained unchanged from the previous report.

Breaking Stock: Our forecasts are essentially unchanged and continue to suggest a modest seasonal rally in November.

Egg Products: Liquid and solid remain steady to firm, and our forecasts remain supportive through Q4 2021 amid historic low cold storage figures.

Other Indicators

Retail purchases: Our forecast still suggests a seasonal increase in purchases in November but at a lower threshold as suggested by the structural break seen from July through October of this year. However, such an expected and seasonal increase is supportive of a rise in prices for conventional eggs.

Cases Broken: We expected cases broken to remain relatively flat, averaging about 1.540 million cases in October, only to see the month end at slightly over 1.606 million cases. Relatively high prices for egg products and a sustained relatively strong demand appear to be the main driver for such an increase. Still, we must consider that October is seasonally a month where the average number of cases broken is relatively high. We made slight upward adjustments to our forecasts, although November is expected to adjust lower as seasonal patterns suggest.

TABLE OF CONTENTS

Shell Egg price history is reported as a monthly average of daily quotations from Urner Barry's Regional Table Grade Eggs Report. Price history for Breaking Stock and Egg Products are reported as a monthly average of the low-end of the daily quotations from Urner Barry's Breaking Stock and Egg products Reports. Forecasted prices use these data points in their models along with other supply and demand indicators.

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Akash Pandey, Data Scientist, apandey@urnerbarry.com, (732) 240-5330

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UB Shell Eggs - White Large, Northeast

Displayed in $/dzn

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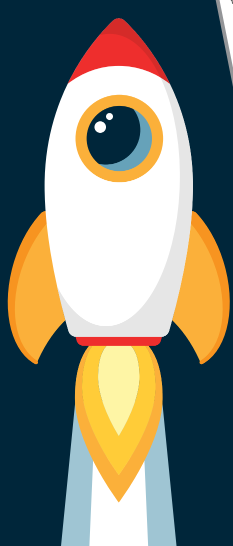

Urner Barry, the leading provider of protein market news and information, is pleased to announce the much-anticipated release of the Egg Market Forecast report.

Brought to you exclusively through Urner Barry Consulting, the report will provide forward-looking data and market intelligence on the egg market—allowing subscribers to identify trends before they happen.

UB Consulting's Egg Market Forecast will be a subscription-based, bi-weekly report that projects market conditions six months into the future. The report will feature historical and forecasted data, confidence intervals, charts, and commentary. In addition, a webinar will be held each quarter to deliver unparalleled insights while giving subscribers direct access to Urner Barry Consulting's economist and author of the report, Angel Rubio.

"Uncertainty creates risk. The goal when we developed our forecast model was to provide subscribers with clarity on market direction in future periods by combining time-series analysis with our years of experience in the protein commodity markets," commented Rubio. "Urner Barry Consulting is perfectly positioned to examine and analyze the supply and demand impacts happening now and reverberating into the future."

The report will feature price forecasts for regional Shell Eggs, Breaking Stock, Egg Solids, and Liquid Eggs. Additionally, projections on supply and production indicators such as Table Egg Layers, Table Egg Production, Eggs in Incubators, Chicks Hatched, Shell Egg Inventory, Breaking Stock Inventory, Cases Broken, and Egg Retail Purchases will also be included.

Urner Barry COO Jim Kenny added: "Urner Barry is pleased to serve our customer base with our latest offering. We feel that the Egg Market Forecast Report will provide our customers with the insight they need to negotiate with confidence and create sound business strategies."

The Egg Market Forecast report debuted on October 6, 2021. The PDF is delivered to subscribers via email and is also available within the COMTELL platform for those permissioned to access the report.

Interested in subscribing? Contact sales@urnerbarry.com or call 732-240-5330 or toll free at 800-932-0617. UB

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From the archives...

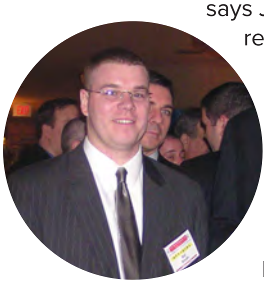
Celebrating our employees

Urner Barry prides itself on being a reliable source of market information since the company was founded by Benjamin Urner in 1858. Of course, a lot has changed since then, and Urner Barry has adopted, expanded and evolved with the times. What started with a handful of people has grown to an operation of over 75 dedicated and hardworking employees—many of whom celebrated big anniversaries this year.

Russell and Jamie's on-camera interview test takes from 2011.

RUSSELL BARTON and **JAMIE CHADWICK** both celebrated their 10-year anniversaries—or "Urnerversary" as we playfully call it around the office—in 2021. Russell joined the company in April 2011 as a pork reporter, and while he's still active in that role, he's also now Urner Barry's Director of Instant Products. Jamie was hired in August 2011 as an account manager and is now the Editorial Director, where she spearheads the news department and has a hand in all of Urner Barry's publications, including market reports and books.

"Urner Barry has been a big part of my life and has empowered me in many aspects of my career growth," says Jamie. "I truly believe in the work we are doing to help those tasked with the immense responsibility of feeding the world. I am proud to look back on my 10 years and look forward to the next chapter!"



Bill at an Urner Barry event in 2005.

BILL SMITH has been with Urner Barry since 2001 and celebrated his 20th Urnerversary in May. Initially working in sales, Bill is now the Administrative Director, in addition to reporting on boneless beef, lamb, veal and the by-products market. For Bill, hitting his 20th year milestone with Urner Barry was easy thanks to the family atmosphere and how the company puts its employees first.

Glenn hard at work in the late1990s.

Like Bill, the office culture is what led **GLENN JUSZCZAK** to commit 25 years as a graphic designer to the company.

"Everyone here has a great work ethic and the company is always moving forward," says Glenn, who was hired in October 1996. "I've witnessed many changes during my time here. It has been amazing to watch our brand move from print, to satellite, and finally to our online delivery methods."

Russ at Urner Barry's Executive Conference in the early 1990s.

And if there's anyone else that can attest to that it's **RUSS WHITMAN**, who some may be surprised to learn got his start at Urner Barry as "summer help" in 1986. Russ worked his way up from painting, cutting the grass and performing some data entry, to now serving as Senior Vice President for Urner Barry, where he oversees all off the company's market reporting initiatives... in addition to his role as Editor in Chief of *Urner Barry's Reporter magazine*, of course.

Greg running the press in 2008.

Stop the presses! Over in Urner Barry's printshop **GREG HYSLOP** reached his 40th Urnerversary. Greg has been an integral part of making sure that the presses run smoothly since 1981.

Last but not least is **LYNN DEKOVITCH**, who was hired in 1976 and celebrated her 45th Urnerversary in November. As Administrative Assistant and Benefits Coordinator, Lynn is the glue that holds the office together. And Lynn's seen it all in her time here, even meeting one of Benjamin Urner's relatives, Gordon Urner and his wife, at her first company Christmas party.

Lynn in the office in the early 1980s.

Urner Barry is proud of its history and proud of its hard-working employees. Here's to celebrating many more Urnerversaries in the new year! UB

Article contributed by **Amanda Buckle**
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