ANNUAL MARKET ANALYSIS EDITION

Urner Barry's Reporter

the newsmagazine for the food industry professional

VOLUME 17 | NUMBER 3 | SUMMER 2022 | QUARTERLY

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A la carte

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From the Editor's Desk...

For those of us who remember the highly pathogenic avian influenza (HPAI) outbreak of 2015, we recall terrifying and unpredictable times. Certainly not terrifying in the human sense, such as was the case with COVID-19, but economically frightening and devastating, particularly to the egg and turkey industries. Not to mention the bad taste high prices left in the mouth of wholesale buyers and consumers alike who, at times, were unable to purchase their protein of choice due to limited supplies and skyrocketing prices. They were forced to shift from turkey or egg preferences towards an alternative; a transition away from a regular consumption pattern which took time to return.

In 2015, if turkey and eggs proved elusive, there were options available for both the wholesale buyer and the consumer. Today those choices are far more limited as protein centric complications are not just about turkeys or the egg layer flock. Each of the traditional center of the plate offerings is experiencing its own impactful confluence of several external influences. In fact, animal disease, natural weather events, cost of inputs, sourcing issues, and nightmarish port congestion, among others, are presenting unique obstacles and stifling a smooth trade flow. In turn, the supply chain is stressed. This is contributing to inflation in America which is greater than what has been experienced in decades. And food prices are among the greatest components of a soaring Consumer Price Index.

Once again, the food industry sits in the thick of things, at a juncture where agricultural challenges abound and have a reach far broader than what is encapsulated here. In the poultry sector, a foe that is every bit as formidable as we remember it being seven years ago is once again wreaking havoc. A couple of its henchmen—drought and disease—are impacting live performance, catapulting input costs skyward, and enhancing death loss in the cattle and swine herds. Meanwhile global port congestion and multi-layered challenges with trade partners complicate an already difficult-to-navigate seafood industry.

Disease, drought, input costs and logistical hurdles can be terrifying and devastating. What the ultimate outcome of the current HPAI crisis will be is unclear. We also can't predict the weather and the long-term impact of drought, ascertain the life cycle of disease in the swine herd, say with certainty what the impact of grain prices on cattle production will ultimately be, or just when the global "transportation crisis" will abate. The only thing we can say with certainty is that the demands placed on the food industry will not cease, the economic losses being experienced will continue to complicate existing hardships and, if history is any indication, ripple effects will be felt for months, if not years to come.

Stay in touch.

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Urner Barry's **Reporter**

THE NEWSMAGAZINE FOR THE FOOD INDUSTRY PROFESSIONAL

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AGRIBRIEFING

Vacation is all we ever wanted...

Summer travel on the comeback trail

For the first time in two years, normal summer travel trends are expected to return. With the CDC removing mask mandates and many COVID restrictions a thing of the past, many are ready to take normal vacations and travel somewhere during summer break.

During the onset of the pandemic, Transportation Security Administration (TSA) checkpoint travel numbers showed screenings drop to 244,000 on May 16, 2020. A year later, that number jumped to just over 1.7 million travelers and that number has skyrocketed again to 2.2 million travelers, only 18% lower than pre-pandemic totals seen in 2019.

Ellen Edmonds, External Communications Director for AAA, said booking data indicates travel trending upwards and nearing levels seen before the pandemic.

“This momentum has been building so we may not see a massive uptick, but we will see travel volumes come much closer to those in 2019,” Edmonds mentioned.

Although summer doesn’t officially start until June, Memorial Day is the “unofficial” start to the season for most Americans. According to AAA, Memorial Day travel is on the upswing. AAA Travel booking data shows reservations for flights, rental cars, cruises and hotels for the holiday are up 122% over 2021.

“We saw a notable increase in our travel bookings in early spring, which is a strong indication of what to expect for summer,” said Paula Twidale, senior vice president, AAA Travel. “Despite inflation and higher gas prices, people want to travel and we believe they will find ways to do so without breaking their budget.”

AAA Travel also projected a strong boost in cruise travel in 2022 as bookings during late winter and early spring were twice as strong as 2021. And that momentum is expected to continue. Alaska was among the top destinations this summer, specifically due to the cruise options in the state.

“We are seeing a resurgence in travelers who are eager to vacation again and that includes cruising,” said Debbie Haas, Vice President of Travel for AAA. “Cruising is more available now than it ever was during the pandemic. Destinations are loosening travel restrictions and cruise lines hope to reach full capacity in the second half of the year. As a result, our travel agency is seeing a wide mix of bookings that include everything from short weekend excursions to worldwide voyages.”

The conversation surrounding inflation cannot be ignored when talking about summer travel in 2022. However, Edmonds said it won’t impact consumers taking vacations. Instead it will just impact some consumers in terms of where and how they travel.

“So far, we are not seeing a big impact on summer and Memorial Day travel due to inflation and higher gas prices. Instead, people will look to cut costs in other ways in order to still take a much-needed vacation,” Edmonds explained. “That might mean staying closer to home or traveling in a group to divvy up costs. They may pick accommodations that have a small kitchen to limit the need for eating out.”

Edmonds noted that vacations in 2022 are a mix of road trips, tours, cruises and air travel. As people saved up for vacations that they were unable to take in 2020 and 2021, consumers that delayed a big trip are using the extra money for longer vacations or “bucket list” trips this summer.

“Inflation and higher gas prices may have chipped away at that a little but we are seeing people spend more to travel. Whether that’s opting to upgrade their accommodations, extending their stay or adding on activities. UB

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THE METAVERSE IS HELPING THE FOOD INDUSTRY ENGAGE WITH THEIR CONSUMERS

Fast-food brands are trying to understand the marketing potential of the metaverse by testing their companies in the virtual world. Just one question... what is the metaverse?

Facebook was recently rebranded to Meta, and now is focused on becoming the "metaverse." However, asking what is the metaverse is kind of like asking what the internet is. The metaverse is a digital environment where people create avatars to work, play games, and shop. So, it is technically everything one does in real life, but virtually.

"The full vision of metaverse may be years away, but brands should start experimenting on what their metaverse presence will be now," said Vishal Shah, Meta's Vice President of Metaverse.

Several quick-service brands have joined the metaverse such as Wendy's and Chipotle Mexican Grill. The food industry is testing out how the metaverse can help them connect with their consumers on a different level.

At the end of March, Wendy's opened a virtual restaurant in Horizon Worlds, which is the virtual reality game from Meta. Visitors here can play a basketball-themed game that is near the restaurant, but they cannot buy food there (virtually or in reality). However, there are still ways for fast food lovers to find in-person deals through the metaverse.

Chipotle Mexican Grill is separating themselves from a lot of other companies in terms of connecting real-world items with the virtual world. The fast casual chain announced the launch of Chipotle Burrito Builder on Roblox on April 7, National Burrito Day. This virtual experience challenges players to earn Burrito Bucks (Chipotle's in-experience currency on Roblox). This experience allowed the first 100,000 Roblox players who earned enough Burrito Bucks to exchange them for an entrée code that could be used on the Chipotle app, Chipotle.com, or Chipotle restaurants.

> " ...BRANDS SHOULD START EXPERIMENTING ON WHAT THEIR METAVERSE PRESENCE WILL BE NOW."

"We're blending the metaverse and real-world elements of our brand to take the Chipotle fan experience to a whole new level," said Chris Brandt, Chief Marketing Officer at Chipotle.

Fast-food chains entering the metaverse are making strategic moves to attract and retain more customers in the virtual worlds. McDonald's, Taco Bell, and Panera are also going to be making their metaverse debut soon. Each fast-food chain has filed trademarks in the metaverse, but since it can take up to nine

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months for trademarks to get approved, it will be some time before we see them there.

Trademark lawyer Josh Gerben told *Forbes* that “I think you’re going to see every brand that you can think of make these filings within the next 12 months.”

With it being the start of the metaverse, there is plenty of room for growth and elevation. Companies are beginning to see where they fit in the virtual world and how they can make their mark.

According to Nada Stirratt, vice president of Americas at Meta, “over the next five to 10 years, the metaverse will unlock new opportunities for people, businesses and communities.” UB

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HOW BRAND LOYALTY IS BEING AFFECTED BY INFLATION

With inflation causing grocery prices to rise, customers may be swapping out their usual brands for the more inexpensive options on the shelves. This is leading some to question customer loyalty to brands and how brands can keep shoppers returning to them.

The rise in grocery prices is causing consumers to find smarter ways to shop and save. Brands with customer loyalty rewards, promotions, and discounts have a better chance of keeping customers loyal to their brands.

According to PYMNTS, 52% of grocery shoppers said that discounts and promotions would increase their loyalty to the store and to the brand. The mentality behind this is that consumers that are loyal to a brand want a loyalty reward in return. The more loyalty rewards a brand provides to their customers, the more returning customers they will have.

“The rise in grocery prices is causing consumers to find smarter ways to shop and save.”

PYMNTS found that 46% of grocery shoppers are stressed about finances and are willing to switch to other food brands for a cheaper price. It was also reported that 37% of shoppers say that price is their top concern, and it ultimately dictates which grocery store they choose to shop from.

Tony Sarsam, chief executive officer of grocery chain SpartanNash Co., told the *Wall Street Journal* that they are seeing people make more choices on items because they are available.

According to a survey by private-label consulting company, Daymon Worldwide Inc., about 70% of U.S. shoppers said they had purchased a new or different brand than they had before the coronavirus pandemic.

Retailers have found that the shift in consumer behavior has shoppers more willing to buy from less popular brands, for the sake of price and availability.

Article contributed by **Georgeanne Nigro**
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Drought, high feed costs impact cattle market

There are concerns about lackluster beef sales this summer amid inflation and its impact on consumer spending.

Early this year, pandemic-related slowdowns in cattle slaughter supported wholesale beef prices. Urner Barry's Choice beef cutout value was elevated at seasonal all-time highs throughout the first quarter and peaked at about $284.00/cwt on January 21. This was nearly 13% above the prior record held by 2015.

An uptick in slaughter levels heading into the second quarter pressured boxed beef prices. Typically, wholesale beef prices hit their seasonal high in May. This year, the top was achieved in mid-April at about $274.00/cwt, a 3.5% decline from its first quarter peak.

The boxed beef market was struggling to gain traction leading up to the Memorial Day weekend. UB's Choice quote was valued at about $257.00/cwt in mid-May, down 9.5% from its first quarter peak. Lackluster retail sales and large beef supplies weighed on the cutout.

Urner Barry's retail beef index, which is a measure of the price of beef being advertised, averaged $9.03 per pound on May 9, 41.4% above the 3-year average. The high price points have caused some consumers to step away from beef as households react to the increased costs of living, ranging from fuel to food.

While the outlook for domestic beef demand is cautious this summer, global demand for U.S. beef has been strong so far this year.

According to data from the U.S. Meat Export Federation (USMEF), first quarter U.S. beef exports increased 6% to 353,852 metric tons and was valued at just over $3 billion, up 41% from last year.

"Global demand for U.S. beef has eclipsed anything I have seen in many years in the meat business," said USMEF President and CEO Dan Halstrom. Halstrom noted that the Q1 results did not fully account for the impact of the COVID-19 lockdowns in China.

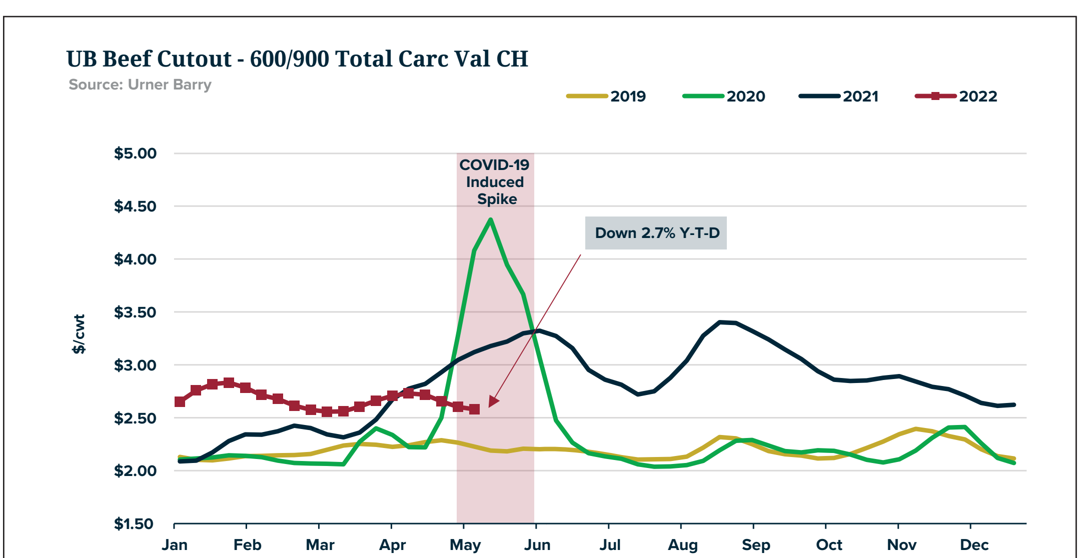
Cattle ranchers in the U.S. are faced with a variety of challenges, including record feed prices, drought, and decades-high inflation.

Drought continues to force cattle off grass and into feed yards despite high corn prices. Grain prices this year have surged due in part to international trade disruptions sparked by the Russia-Ukraine war and a slow start to the U.S. planting season.

USDA's Prospective Plantings report released in March indicated a reduction in corn acreage, likely influenced by input risks, including high fertilizer prices.

According to Iowa State University, corn costs for producing a 1,300-pound finished steer in April were estimated at nearly $329 per head, up about $16 from the start of the year.

Cash cattle prices could come under pressure this summer because of large supplies. Fed cattle prices rebounded in late April and achieved as high as $147.00/cwt live on a negotiated basis in the North, up as much as $27/cwt from the same week a year prior. The advances in cash cattle prices stalled by early to mid-May as supplies began to undergo a moderate year-over-year buildup.



USDA reported cattle placements in March at 99.6% of a year ago, well above the average trade guess of 91.7%. This pushed the April on-feed number to 101.7% above last year—the highest level for that month in history.

Due to prior placement patterns, front-end cattle supplies are expected to remain above year-ago levels throughout the summer. This could delay an advance in fed cattle prices until late fall, said analysts.

Moreover, ranchers are contending with historically heavy carcass weights. Since the beginning of 2022, steer and heifer carcass weights have been elevated at seasonal all-time highs amid excellent feeding performance.

Typically, steer and heifer weights hit their annual lows during May. This year, weights have declined by roughly one-third the normal seasonal rate. Heavier weights add additional beef tonnage to the marketplace and require adequate processing levels to prevent supplies from backlogging.

As the industry works through the fourth quarter placements from 2021, the long-term outlook for cattle prices is optimistic. Ongoing herd liquidation is expected to tighten cattle supplies later this year and beyond, thus laying the groundwork for higher cash prices in 2023.

Cash cattle prices next year could approach the record levels that were achieved in 2014. In 2014, the U.S. cattle inventory was at the lowest level since 1952. While USDA forecasts lower beef production in 2023, a major determining factor in beef sales will be the state of the economy and consumers' spending abilities going forward. UB

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Prices nearly triple as bird flu depletes supply

By **Karyn Rispoli**
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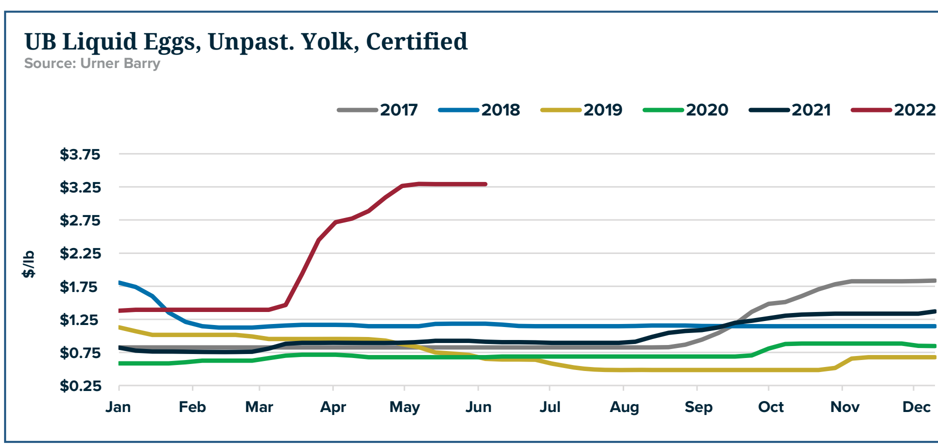
From fuel to fashion—and just about every industry in between—the economy has experienced price hikes this year at rates not witnessed in decades. Inflation has impacted nearly every facet of day-to-day life for U.S. consumers—perhaps none so much as the grocery store checkout. According to the Bureau of Labor Statistics (BLS), food prices in April rose 10.8% year-over-year, marking the biggest 12-month percentage gain in more than 41 years.

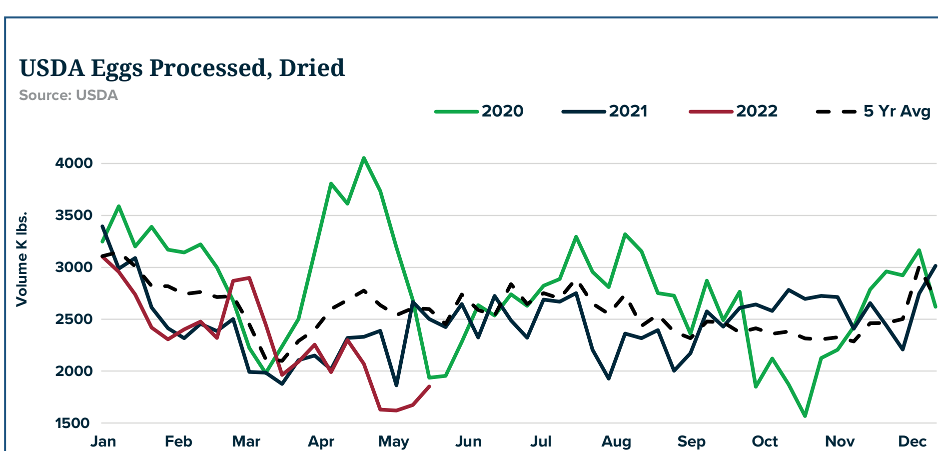
And the average cost of staple grocery items has gone up even more. Prices for eggs, meat, poultry and fish soared 14.3% between this April and last—the largest increase since May 1979. While eggs remain the most affordable protein option, prices in this category have actually risen the most. According to the BLS, the average retail cost of eggs jumped to $2.52 per dozen in April, up 23% and 44% from last month and last year, respectively.

Eggs are not just a center-of-the-plate protein; they're also an ingredient. So, the rising cost of eggs doesn't just have an implication on breakfast, but on any item that uses liquid, frozen or dried egg in its formulation: pasta, ice cream, mayonnaise, salad dressing, and even dog food, to name a few.

Price gains across the egg-products complex have been even more pronounced than those seen in the shell-egg arena. Values in this segment of the market were already trending higher thanks to robust demand and inflationary pressure. And with the onset of the bird flu in late-February, prices in just about every category surged to record-high levels.

To date, nearly 29 million laying hens have been culled as a result of the outbreak. Roughly 60% of them belong to producers that service the retail industry, while the other 40% feeds into foodservice and food manufacturing channels—a seemingly equitable split at first blush. The difference though is that there are substantially more producers supplying the retail sector than there are further





processors servicing the foodservice and food manufacturing industries.

While producers impacted by the bird flu were able to get their retail shortfalls covered with relative ease, production losses in the products sector have had a catastrophic impact on availability. Since deficits here cannot be easily made up, many processors had no choice but to cut or short orders, and in the worst of circumstances, declare force majeure. Supplies, which were already in close-to-tight balance, became virtually non-existent and prices soared to some of the highest levels on record. Liquid yolk, for instance—after increasing 55% between August and February—surged another 137% between March and May, topping out at $3.30/lb.

Gains across the dried complex have been even more eye-popping. During the bird flu outbreak of 2015, the industry had a fair amount of working inventory to fall back on. This time around, dried stocks were already running low due to labor-related capacity constraints. Without enough staff to generate the volume of product being requested, processors in the year leading up to the outbreak had no choice but to dip into their reserves. The little bit of inventory suppliers had on hand was quickly depleted, and with end users clamoring and competing for product, prices for whole egg, whites and yolk shot up by nearly 300%.

In early-June, the USDA cleared the largest processor hit by the bird flu to begin repopulating their barns. And by month's end, two more are expected to start replacing birds. That should help bring some relief to this supply-constrained marketplace—particularly the liquid market—but sources believe the dried market will be slower to react. Not only do processers have to contend with the exorbitant cost of natural gas, which is used to fuel driers, but elevated feed costs may prompt some processors to replace only a portion of the production that was lost. UB

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HPAI claims 29 million laying hens, sending egg prices soaring

By **Karyn Rispoli**
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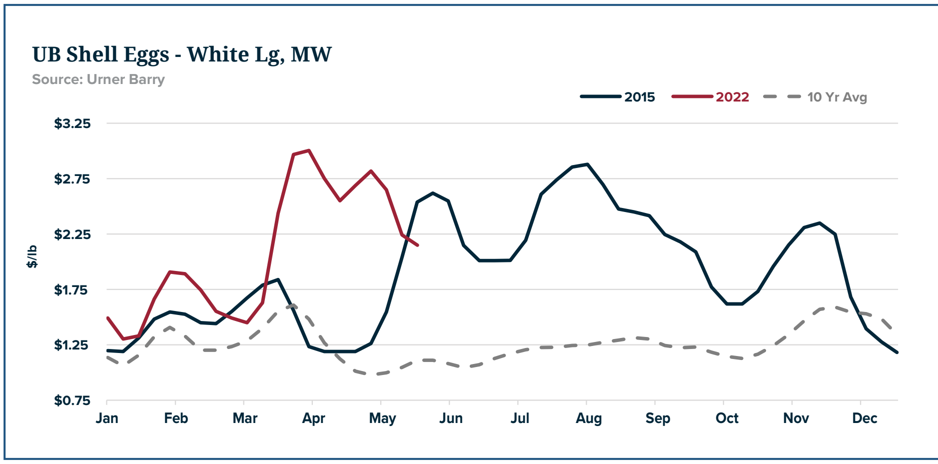

In the early part of the year it appeared that COVID-19 was moving into the rearview and that a return to normal—or at least a new version of it—was within reach. But for those in the egg industry, that was not to be, as there was another kind of virus waiting in the wings: highly pathogenic avian influenza (HPAI). Though the egg industry has grappled with HPAI in the past—most recently in 2015—the circumstances surrounding this year's outbreak differ greatly from the last. Foremost is the timing of its arrival. The first case detected among commercial laying farms this year occurred in late-February—roughly two months before the initial outbreak of 2015.

While there is hardly an opportune time for a bird flu, most industry watchers would agree that the timing of this one was especially poor, arriving several weeks in advance of Easter and just as the peak migratory period was getting underway. Since the virus is spread through wild birds, that meant there was a much greater risk for transmission, just as producers were preparing for what is traditionally one of the year's stronger demand periods. Short-covering, coupled with fears about potential supply disruptions, led to a flurry of spot market buying interest. And in the back half of March egg prices nearly doubled, reaching a high of $3.01/dozen—only the second time in history that values have breached the $3.00 mark.

However, the gains were not sustainable, holding there for only a week before coming under pressure. There's an old maxim in the commodity market: "The best cure for high prices is high prices." And while that rings true in just about any setting, it's perhaps even more evident in an inflationary environment like the one we're in now, where consumers have grown increasingly price sensitive. As those higher market values trickled down to the retail level, suppliers began to report a notable downturn in orders.

At the same time, in a bid to ensure adequate supply levels, producers slowed exports and pushed off seasonal molts and flock rotations. Molting is a rejuvenation process that takes laying hens out of production for a period of weeks so that they come back with improved efficiency. According to the USDA, the percentage of layers being molted at the start of May dropped to an all-time low of just 0.9%, falling 65% below year-ago levels and 110% below the 10-year average for the same period. Though a portion of the decline versus the 10-year average can be attributed to the fact that some farmers have moved away from the practice altogether in recent years, many say they have made a deliberate effort to keep production levels up in light of all of the uncertainty—not to mention elevated market values. With prices perched at some of the highest levels seen in recent history, producers have had plenty of incentive to hang on to birds for as long as possible in order to take advantage of spot market opportunities.

But those supply-conservation efforts, in concert with lackluster retail demand, tipped the supply-and-demand balance so much in the other direction that—even after the bird flu led to the destruction of nearly 29 million laying hens—the market was under pressure for half of April and almost the entirety of May. Egg values coming off of the Memorial Day holiday were perched at "just" $2.15/dozen—down 29% from the peak highs recorded in April, though still a remarkable 79% above year-ago levels.

As we enter summer and temperatures heat up across the country, the virus' survivability wanes—and so too do concerns about the threat it poses to egg supplies. The last case reported at a commercial laying farm during the bird flu of 2015 was in mid-June, giving farmers hope that the worst of this outbreak is in the past—and that the "new normal" may, finally, be in the not-so-distant future. UB

States and corporations continue to push for cage-free egg systems

By **Andraia Torsiello**
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As some of the nation's egg producers engage in a costly shift to cage-free systems, new developments are emerging from states and corporations. Pushed by voting initiatives and pressure from foodservice and retailers, Arizona became one of the latest states to ban the sale and production of eggs from caged chickens.

Arizona made the move to ban cages for egg laying hens in April, and the decision will ensure that all eggs produced or sold in the state are cage-free. The regulations by the Arizona Department of Agriculture proclaim that the over 7 million chickens laying eggs for the state's market can no longer be kept in confinement. Through adopting these regulations, Arizona joins California, Oregon, Washington, Michigan, Colorado, Nevada, Utah, Massachusetts, Ohio, and Rhode Island in the commitment to outlaw the use of cages for chickens.

The mandate was scheduled to take effect in Arizona on May 1, 2023. However, following protests by egg producers in Arizona, the state agriculture department pushed the deadline to January 1, 2025. Some producers argued that part of their flock would have to be euthanized because the deadline was unattainable. In the modified plan, starting October 1, 2022 through the end of 2024, laying hens must have a minimum of one square foot of floor space. The cage-free mandate will begin in Arizona after that timeframe.

In addition to states adopting cage-free laws, retailers and foodservice outlets are making a shift towards cage-free eggs. For example, CVS Health reduced the length of its cage-free pledge by two years. CVS's original goal was to provide cage-free eggs in all 9,900 locations by January 2025. Due to changes in cage-free egg availability and state mandates, the company was able to fast track its goal to December 2022.

For foodservice, casual dining chains and QSRs alike are claiming cage-free intentions. The Cheesecake Factory announced that it will reach its cage-free goal entirely in the U.S. and Canada by the end of 2022. That target is three years ahead of the 2025 anticipated deadline. Additionally, Papa John's announced in its most recent sustainability report that the company is committed to transitioning all its eggs and egg ingredients to come exclusively from cage-free suppliers by 2030.

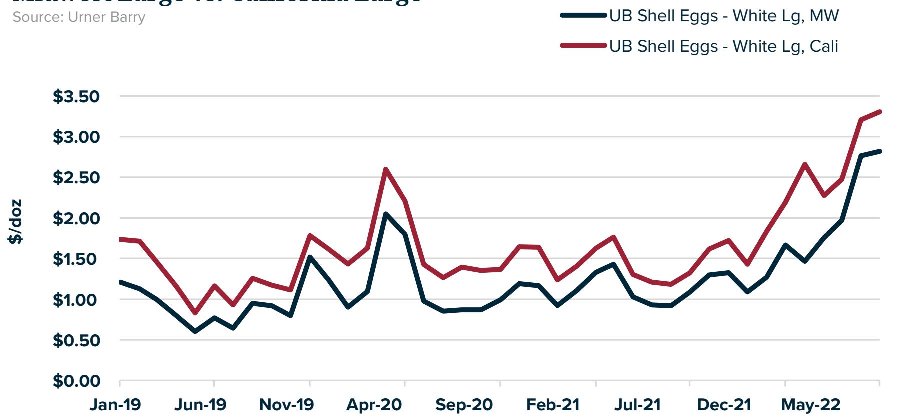
Also, egg producers like Cal-Maine Foods allocated $82 million to further expand the company's cage-free egg production capabilities. The funding will be used to update locations in Delta, Utah, and Guthrie, Kentucky. At the Utah facility, four new cage-free layer houses will be built along with two pullet house conversions with capacity for about 810,000 cage-free layer hens. This project is expected to be completed by fall 2023. At the Kentucky facility, nine cage-free layer house conversions and two pullet house conversions are set to take place with capacity for approximately 953,000 cage-free layer hens. This work is anticipated to be completed by spring 2025.

In January, the Cooper Farms Egg Division announced the opening of their partnership farm, Golden Heritage Cage-Free Egg Farm, in Western Ohio. Golden Heritage will house 1.96 million layers, with permission to increase to 4 million. Located on 100 acres of land, Golden Heritage has a Fienhage Aviary Layer system, allowing the chickens to move freely around the four-level farm. Also included is an inline egg grading and packing plant. Cage-free eggs from Golden Heritage meet criteria to be sold in California under all cage-free state and retailer commitments.

Since California switched to cage-free systems in January, the state can be used to some degree as a barometer for transition progress. At the retail level, demand has remained seasonally average overall. On the west coast, there have been mentions of feature activity beginning in June with national and independent chains. As the market adjusts downward, this may soon be reflected at retail and stimulate consumer buying interest in the months ahead. UB

Midwest Large vs. California Large

Source: Urner Barry



Shell eggs and egg products in turmoil across the supply chain

By **Fabienne O'Donoghue**
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Like most agricultural products in Europe, the egg sector was severely impacted by the international events during the first quarter of 2022. Three new factors led to egg shortages and soaring prices on all products and categories: high inflation, bird flu and the attack of Ukraine. Prices remained stable in January and February, with demand traditionally on the lower side. But in the build up to Easter celebrations, March and April saw an unusual peak of values (+86% price increase in eight weeks), reaching €1.90 per kilo for industry eggs.

Many expected to leave behind the COVID-19 context of uncertainty this year, and hoped for economic growth in many regions. However, the invasion of Ukraine by Russia came as a surprise at the end of February, reshuffling the cards of energy providers and removing a major supplier of cereal for the EU from the map. As a result, the price of grain reached €436 per ton, pushing layers' feed cost up to €46 per 100 kilogram. Egg producers tried to adapt to these soaring production costs by raising shell egg prices, which sometimes didn't even allow them to break even. This situation brought tension in the negotiations with the retail sector, which were very reluctant to pass on elevated egg prices onto consumers, who were already hit by raised energy bills and general post-COVID inflation. The lack of profitable sales options led many farmers to lower the volumes of egg produced.

In addition to these constraints of elevated input cost, European farmers also had to face new outbreaks of avian influenza when wild birds migrated back, crossing Western Europe from South to North. This episode was particularly severe in France and the Netherlands, leading to the disappearance of at least 3 millions layers, including chicks, in France. The beginning of spring was a period of industry egg shortage in most European countries as the reduced egg production was first distributed to supermarkets.

As a result, industry egg quotations soared and egg product quotations followed the same trend.

Liquid eggs were impacted, with a 70% price increase on liquid whole egg between January and April 2022 (€1.35 to €2.30 per kilo).

In the powder arena, processors limited production at first as raw material was unvailable or unaffordable. But despite these difficult conditions, the market was maintained by a

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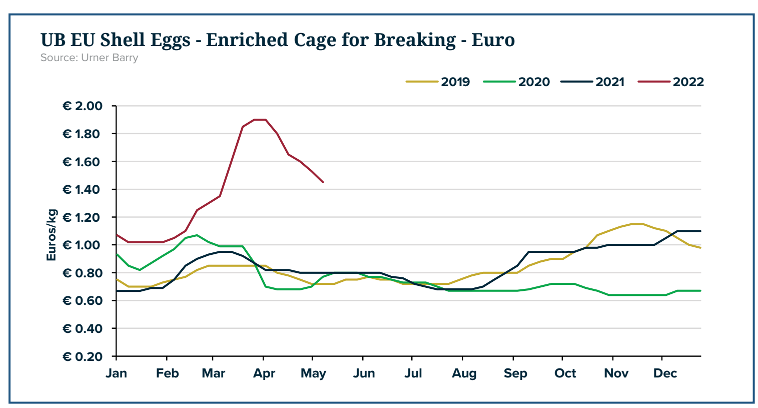

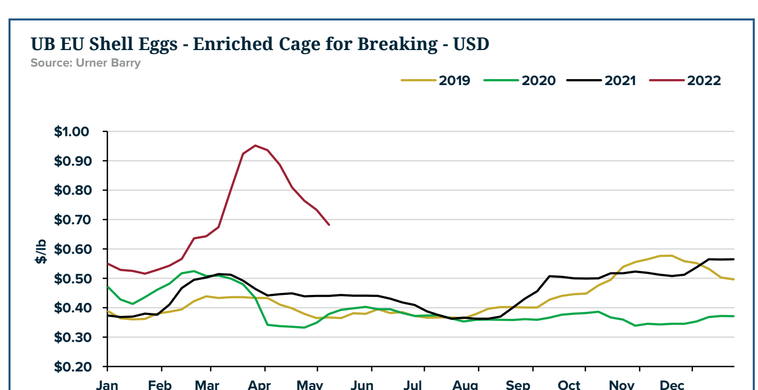

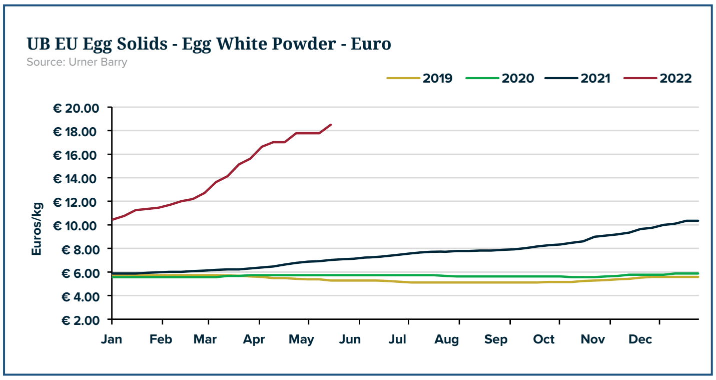

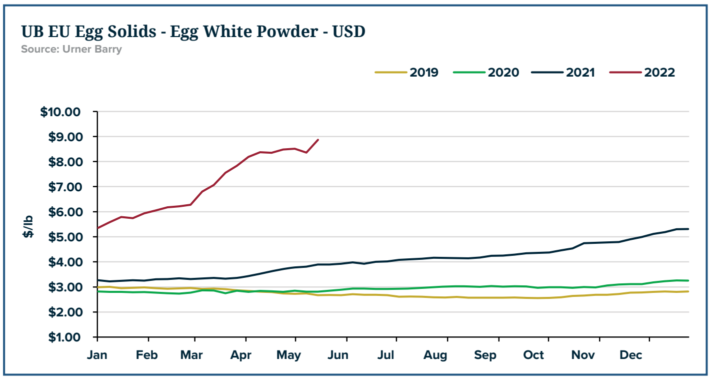

strong demand from Asia and the elevated cost of raw material was absorbed by increased powder prices. Egg white powder specifically, but also whole egg powder quotations, soared to levels never reached in the past. Egg white powder on January 3 in Europe was traded at around €10.45 per kilo. On April 25 average quotations had risen 70% at €17.78 per kilo. Whole egg powder prices also increased sharply, mainly between mid-February at €6.38 to €10.83 per kilo eight weeks later, which also represents a 70% growth.

The response from the market to this strong inflation often included shortening the length of sales contracts (from one year to several weeks for example), to allow market participants to adjust prices more often following the changes of the raw material costs.

The situation in the last five weeks after Easter reversed, as the post Easter period always leaves the retail sector less hungry for shell eggs, and, consequently, raises availability for industry eggs. Despite a shortage of eggs in some countries, the inventories that were built up in the few days before Easter are then for sale on the market at the time of a lower demand from retail; hence a sharp drop in cage egg values from €1.90 on April 4 to €1.45 per kilo on May 9.

As we write this article, despite this price turn around, the cost of raw material is still elevated compared to previous years when it used to stand at around €0.80 per kilo. The question of high production costs remains a challenge across the entire supply chain, starting with egg producers and their ability to keep a profitable business given the current price of grain. UB

Behavior challenges the norm

By **Dylan Hughes**
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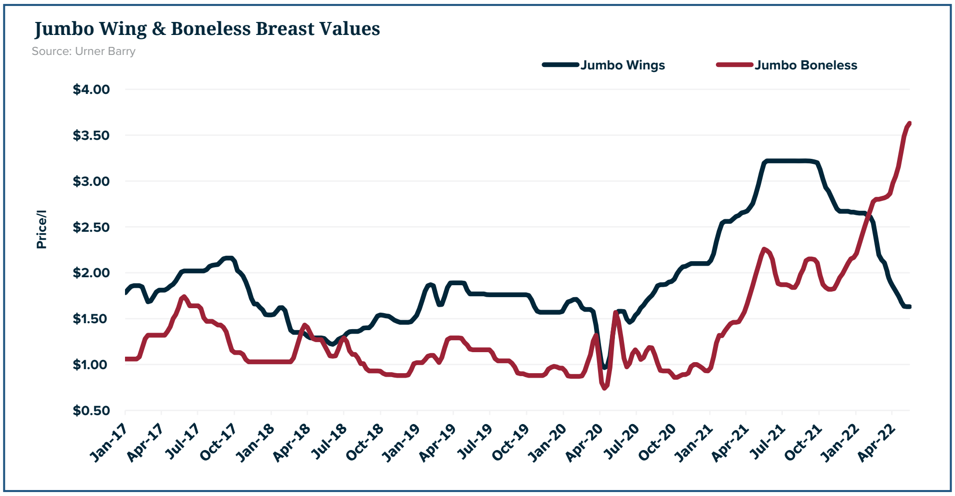


Over the course of the past year, chicken market participants on both sides of the negotiation table have been forced to contend with some of the most unique set of challenges in recent history. Although disease, heightened feed costs, limited freight availability, and inconsistent plant labor are all hurdles that have surfaced at one point or another throughout the years, very rarely have these factors culminated into a "perfect storm" of sorts which persists to this day. With that in mind, it almost goes without saying that spot market conditions over the past year have been dynamic, unpredictable, and often inconsistent with that of the established seasonal norm.

Perhaps the most obvious indications of the exceptional times that have been thrust upon the chicken industry are the lofty values associated with most key lines within the complex. In the words of one market participant: "It's easier to count the lines which aren't at an all-time-high than the ones that are." Of course, supply complications are only one side of a much broader picture. The gradual post-COVID resurgence of traditional business channels continues into 2022 with prospective buyers having to rely more on sheer luck and deep pockets than experience and timing. Still, with chicken continuing to be one of the most cost-effective animal proteins out there, retail, foodservice, and QSR channels are all vying for limited availability.

While the price action and market volatility over the past year has been a sight to behold, the elephant in the room remains HPAI. Between mid-February and late May, roughly 2.4 million commercial broilers were depopulated as a result of the disease. Of this total, 71,800 breeders have been affected, which could carry some longer-term implications on the grow-out side of the business. While the number of impacted chickens pales in comparison to the losses realized on the turkey and egg side of the business, chicken participants are slow to breathe a sigh of relief.

HATCHERY

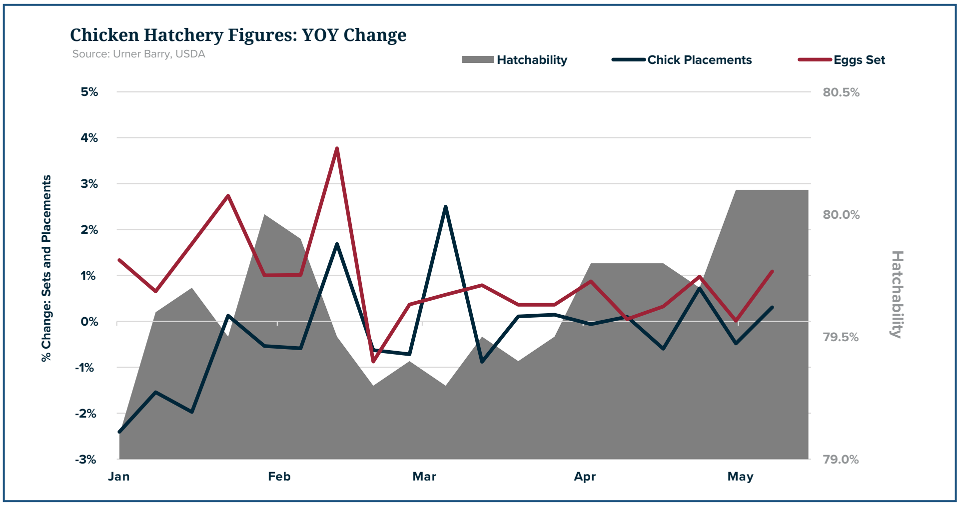
As we've seen throughout 2021 and into early 2022, there have been a multitude of factors which are playing a role in chicken slaughter. Although upward-trending grain prices and ongoing inconsistencies in plant labor availability remain two of the most commonly discussed variables in play, it's difficult to ignore the hatch itself. On a year-to-date (YTD) basis, the number of pullet chicks placed stands 4% above this time in 2021. It almost goes without saying that the advancement in pullets is having a direct impact on broiler sets which presently reside just shy of 1% above last year. That being said, at -0.25% broiler chick placements have struggled to make year-over-year (YOY) headway. At the root of this scenario is hatchability, which has remained tethered within the 78% and 80% range throughout the past year. For perspective, players on the grow-out side ordinarily realize an 82-84% hatch rate. Largely driven by a shift in breeders during the height of COVID, hatchability has been slow to claw its way back to more traditional levels.

SLAUGHTER

When it comes to cumulative headcount, 2022's YTD figures have, so far, outpaced that of 2021 by about 1%. It is important to bear in mind, however, that last year's inclement weather left many players—especially those in the Midwest—at a standstill during early February. This translated into one of the most severe dips in weekly slaughter in recent history and is one factor which has helped to influence this year's comparative figures in a positive direction. In terms of average live weight, 2022 is shaping up to be very similar to 2021 with YTD weights coming in just one point shy of last year's 6.34 lb. average. Still, the long-standing uptrend in chicken weights remains firmly established with 2022 marking the second heaviest year on record behind 2021. Upon breaking down the overall slaughter figures by weight class, all but smallest-sized broilers have realized a YOY advancement.

EXPORTS

The past year has been riddled with supply and logistical complications and chicken exports are no exception. Nevertheless, the relatively attractive prices of chicken continue to inspire some of the strongest export demand in recent history. Although 2022 got off to a fairly choppy start with overall export tonnage coming in at just 558 million pounds, by the time February rolled around outbound volume sprang upward; tying the 654.7 million pound seasonal high achieved one year prior. March followed along a similar path with overall volume nearly topping the seasonal charts at 653.7 million pounds. In addition to the aforementioned value of chicken relative to some other proteins, HPAI-rooted trade restrictions on the turkey side of the business prompted proactive



buyers to up their draw for chicken as they attempted to hedge against the unknown.

COLD STORAGE

Given the significant headwinds that most players on the production front continue to deal with, along with the pent-up consumer demand in retail and especially restaurants, it is no surprise that YTD cold storage holdings reside at some of the lowest levels in the past five years. Breaking public warehouse holdings down by category, whole chickens remain well-cleared at just 13.18 million pounds through the end of March. This represents the third lowest seasonal inventory level on record. Breasts and breast meat are also tough to find in the freezer with the most recent figures coming in at 167.5 million pounds. This compares to a five-year average of 194.3 million pounds. Conversely, lines such as wings outpace the five-year watermark by 8.7 million pounds. This is largely a result of the significant price rally experienced between 2020 and late 2021 and the efforts of some players to stock up on product in anticipation of 2022's "sporting holidays."

WHOLE BIRDS AND WOGS

Although spot valuation of WOGs began 2022 well above most other years on record, relatively flat demand gave way to a $0.14/lb. price correction during mid-February. Shortly thereafter, a combination of limited supplies and maturing demand patterns, specifically within the retail and QSR sectors, resulted in a $0.50 rally between February and May. Whole chickens followed a similar, albeit less pronounced path; dipping just $0.06 in February before notching up by $0.41 by the time that mid-Q2 came along. As it currently stands, both markets remain in a somewhat balanced position with enthusiastic deboning demand clashing with historically lofty asked prices.

BREAST MEAT

Contrasting the topsy turvy start to the year that WOGs and whole birds experienced, boneless breast values maintained the momentum from Q4 2021 and then some. Between January 1 and March 31, jumbo boneless breasts, for example, packed on an additional $0.71/lb. which represents one of the most aggressive price ascents on record. At $3.65/lb. current values remain comfortably positioned at an all-time high. Here, a combination of constricted supply, heightened freight and feed costs, and a renewed sense of buyer optimism from further processing, retail QSR, and foodservice channels, continue to position this segment in bullish territory.

WINGS

When it comes to the market behavior of wings, 2022 was atypical in the sense that spot values trended against that of the historically established norm; depreciating in value throughout the first four months of the year. Perhaps the most impactful variable had to do with prices themselves. At $2.66/lb. jumbo wings opened the year at the highest value on record. The resulting hand-to-mouth approach of buyers, along with aggressive boxing and freezing efforts throughout Q4, ultimately left marketers with little recourse but to entertain lower bids. As for the here and now, supply and demand patterns surrounding the jumbo wing platform have begun to strike a balance. Additionally, with spot values situated at $1.63/lb. against an average of $1.97/lb., traditional buyers have begun to take notice; once again upping their draw for traditional wings over their less cost-effective "boneless wing" counterparts.

THIGH MEAT

Upon turning to the back half of the bird, most participants would agree that thigh meat is the standout item on the list. With other lines such as leg quarters being quickly absorbed through domestic and export business channels, bone-in thigh availability remains limited at best. This, when combined with the relatively steep price of other boneless items, has left deboning and foodservice buyers doubling down on their order volume. Between March and May, thigh meat quotations rose by $0.70/lb.; topping the all-time-high charts. Further exacerbating this scenario is cold storage which, through the end of March, resides at the third-lowest season level in the past 20 years. UB

Will history repeat itself in the wake of HPAI?

By **Matt Busardo**
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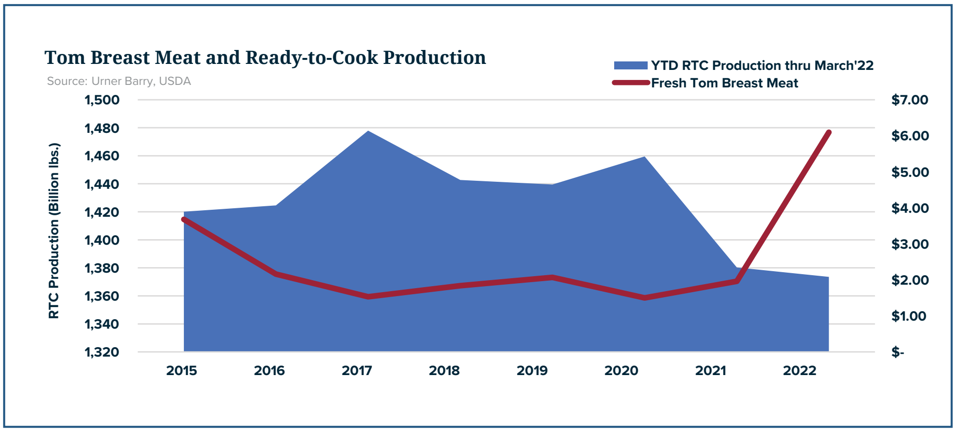
Past *Reporter* articles have addressed how history has a way of repeating itself in the turkey market—sometimes for the good and sometimes for the bad. Most of this was rooted in normal supply and demand factors that help to shape the present and future outlook of trade. Unfortunately for the industry, history has reared its ugly head once more as a strain of highly pathogenic avian influenza (HPAI) has again spread like wildfire throughout the industry. But when examining all the factors at play, it's important to take a look at previous years to get a better perspective of what the future holds.

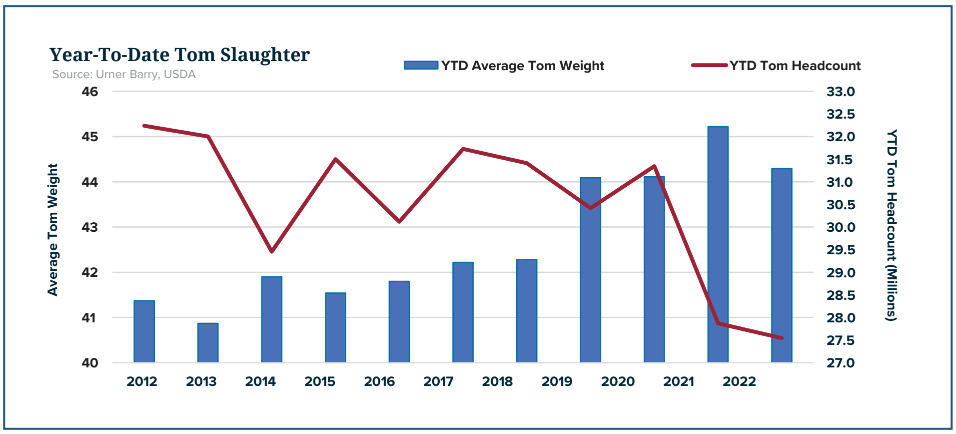
In the aftermath of the 2015 strain of HPAI, players in the industry, particularly breeders, were hard at work rebuilding flocks in order to get back to a semblance of normal. With that, an overcorrection ensued, causing a surplus of turkey to hit the streets in the preceding years. This has led values to remain well below seller expectations. As a greater understanding of demand patterns came into view, processors took a proactive approach and began adjusting hatchery figures to better align with consumer needs. This gave way to a resurgence of sorts for the industry as sellers were suddenly in the best position they've been in for some time and values began to adjust to higher levels. 2022 was supposed to be a year of additional recovery after a long COVID-induced foodservice lull. But tragedy struck as the first commercial detection of HPAI was recorded in early February.

Now that a backdrop of sorts has been set, we can look further into the lines themselves and dissect their current and future whereabouts. It's no surprise that whole body toms and hens were strongly positioned at the outset of this year. But as more and more flock detections came into play, processors' apprehension about committing any future production was beginning to grow. This caused many sellers to step away from the negotiating table until a better grasp of what their availability would look like could be understood. At the time of the first commercial flock detection, frozen 16 lb. toms stood at $1.41/lb., which is roughly 37% higher than the 10-year average for that time. Since that point, and as it stands in late May when this article is being written, the quotation has risen an uncharacteristically high 10%. To put that into perspective, the 10-year average growth in that same time period is only 4%. Now that's not to say that all of this is due to HPAI, but like most items within the complex, the current set of circumstances have only exacerbated things.

Institutional-sized breasts are likewise an interesting study. Due to the lower trending availability of heavy toms, the ability for spot buyers to find product was already in question before the latest outbreak. But when combined with the sharply higher figures being paid on breast meat, processors more often than not have chosen to debone all offerings and only pack whole breasts to satisfy longstanding commitments. Similar to what happened in 2015/2016, spot values have skyrocketed in response. 16-18 lb. institutional breasts currently sit at a whopping 60% higher than year-ago figures.

A bit of a different story is being told for parts. Whenever a flock detection comes to light, the majority of export destinations put trade bans in place to prevent the movement of affected meat into their countries. This obviously has a profound effect on sellers who count on moving a set number of loads out of the country per





week and it began to show on the spot market. The lion's share of items, but most notably drums, tails, and gizzards, were plentiful on the domestic streets as players had nowhere to send their offerings. This caused sellers to willingly discount items in an attempt to keep product flow consistent. Currently, as seasonal demand moves higher, most items have stabilized, and some have even begun to rebound.

Most items within the raw material's complex, but especially breast meat, have seen sharply higher paid prices as already limited supplies were further tightened due to ongoing flock loss. For better perspective, and as I noted earlier, the turkey complex moving into this year was at that time being inked at historically high price levels. Fresh young tom breast meat for instance was already 161% higher year-over-year when the first commercial flock detection was recorded. Prices have since exploded even higher and moved well past the previous record high of $5.85/lb. documented during the last outbreak. With over 5 million turkeys affected, most of which were ticketed for breast meat supply, a sense of urgency on the buy-side has been palpable. Cold storage, which is normally a valuable fallback option for buyers, is just as limited. The latest report shows freezer stocks of breasts at 39% lower than last year, which was already a down year by most accounts. Tenderloins and scapula are likewise a normal life raft for players to switch to when breast meat becomes unavailable. But unsurprisingly, offerings are just as hard to find, and values sit at record levels.

Now as we look forward, the industry will attempt to rebound once again as the effects of this outbreak will reverberate throughout the market for quite some time. The current task at hand will be players attempting to navigate a summer and fall full of many more questions than answers. What will breast meat availability look like in August? Will contracts for whole turkeys be fulfilled for the holiday season? What will production levels be at this time next year? Are values going to fall as sharply as they rose? As you can see, no one has the answers just yet, but like in years past, the industry has shown a remarkable ability to bounce back—even when the biggest haymakers are thrown. UB

The Russia-Ukraine conflict intensifies plant protein challenges

By **Andraia Torsiello**
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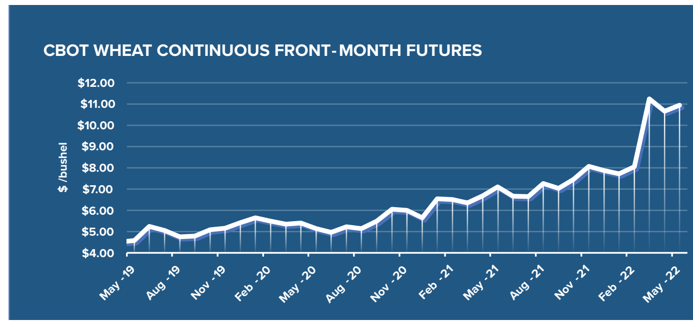
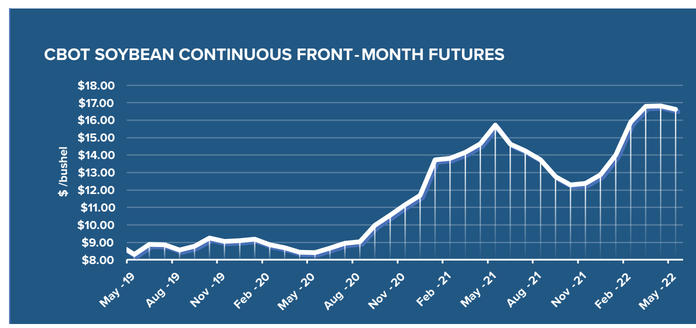
While unfavorable weather conditions like drought have been impacting plant protein supplies in recent months, the Russia-Ukraine war has exacerbated ongoing challenges. In February, tensions between Russia and Ukraine were on the rise, and suppliers and manufacturers expressed concerns about what consequences would be faced in terms of sanctions and trade upon an invasion.

About five years ago, Russia overtook the United States as the leading wheat exporter to Africa and the Middle East. Meanwhile, Ukraine's wheat exports have reached almost 37 million metric tons, around 30% higher than a year prior. In the past year, Ukraine has displaced Russian exports into key regions, and is starting to standout on the global stage politically and economically. Combined, Russia and Ukraine are more significant than the Australian export market for wheat, exporting about twice as much as Australia in any given year. While the U.S. does not import product from Russia, effects from the invasion will ripple globally as supplies have been tight overall this past year.





Meanwhile, participants started to note a shift in vital wheat gluten prices in February after months of skyrocketing costs. Supply began to recover as Australia had a record wheat crop in quantity but not quality. Approximately 45% of the United States' vital wheat gluten is imported from Australia, and ample supply, along with a lack of storage facilities, started to drive prices down. Since such a large supply of this item comes to the U.S. from Australia, domestic prices are being influenced as well. While prices in the U.S. remain higher than Australia's, there has been a noteworthy drop from figures seen in recent months. In the U.S., prices have shifted from as high as $8.00/lb. to a range of $1.10-$1.20. Prices for this item continue to soften.

Along with commodities such as crude oils and metals, Russia is a major supplier of fertilizer. Participants expressed concerns about rising input costs for farmers in recent months as an energy crunch in China caused coal prices to surge. The Russia-Ukraine conflict has placed further pressure on these costs. Also, wheat futures boomed to a 14-year high in March. With prices ramping up, a noticeable impact on either quality or quantity of crops is to be expected this growing season.

After releasing its Prospective Plantings report in April, the USDA estimated that area for all wheat would reach 47.4 million acres in 2022, a slight increase from a year ago. However, this represents the fifth lowest all wheat planted area since records began in 1919. The shift away from wheat does not come as a surprise with farmers being squeezed by cost pressures. Plantings for dry edible peas will dominate 1.09 million acres in 2022, an 11% increase from last year. Planted area is anticipated to be higher than last season in Idaho, Montana, and North Dakota. The increase in dedicated acreage to pulses can be attributed to the fact that these crops do not require fertilizer at the time of planting.

"At this point, 20-30% of a normal harvest would be a miracle for Ukraine."

Overall, this volatility in the spot market for isolates and concentrates is anticipated to be transitory, as a new crop is planted and there will be a push for growers to haul in late May and early June. If Ukraine can harvest wheat in July, the crop would be for domestic use with no exports in the coming year. Also, due to considerable damage from the war, it is unlikely growers will be able to fertilize crops in the spring. At this point, 20-30% of a normal harvest would be a miracle for Ukraine. As sourcing product has become difficult, the market has shifted from steady to full steady. A softening in prices will depend on how the incoming crop fares based on factors like weather conditions. Hurdles including logistical issues, freight costs, labor retention, pressed packaging materials, and an expensive production process will also remain in the mix for the plant protein market going forward. UB

Building strength in Q1

By Ryan Hojnowski
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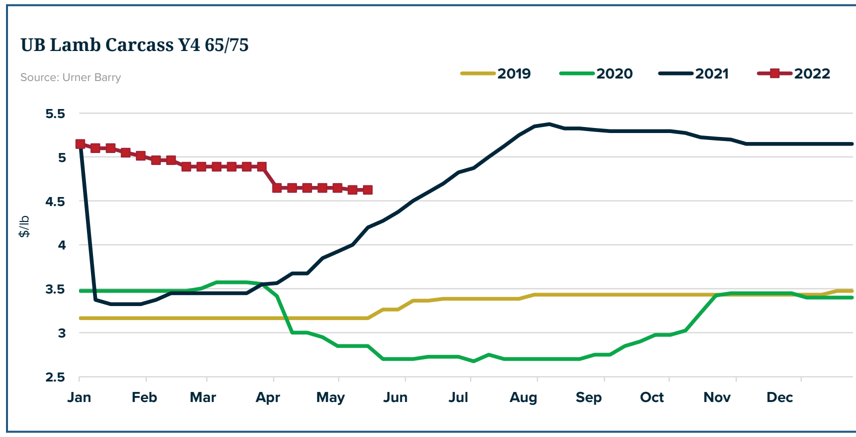

Domestic lamb saw higher prices in Q1 2022 versus Q1 2021 levels as COVID concerns eased and many consumers opted for more foodservice options. In addition to this, imported lamb product saw a short supply as port congestion severely limited or delayed the availability of product, resulting in strong demand for domestic cuts.

Although average monthly lamb carcass prices trended downward during Q1 2022, they still averaged all-time highs throughout the entire quarter. In addition to this, all domestic boxed lamb cuts that Urner Barry quotes averaged all-time highs during Q1. The significance of this can be related to the decrease in slaughter and production in Q1 2022 versus Q1 2021, which was roughly 13.2% and 14%, respectively. Although demand has waned as the years progress, Q1 of 2022 saw moderate demand on a short supply.

Using the 65/75 weight as a benchmark for lighter carcasses, the monthly average price ranged from $512.2/cwt to $489/cwt throughout the quarter, versus year ago figures of $373.5/cwt and $345/cwt. The monthly average price was significantly higher in each month and week in Q1 2022 versus that of Q1 2021. A very similar story happened for heavy carcasses of 85 and up with Q1 2022 figures ranging from $497.5/cwt to $440.5/cwt on a monthly average price basis versus $350.5/cwt and $323.75/cwt last year. With newfound demand since the beginning of the pandemic and a shorter supply of lamb than previous years, prices have a fair shot to remain near their recently established levels, though it is noted that we are now past the major holidays where lamb is typically consumed.

As stated above, all domestic boxed lamb cuts averaged all-time high figures during Q1 2022, all of which were significantly higher than the numbers witnessed in Q1 2021. Even though January and February saw average demand levels, buying interest improved in March as we approached Easter. Imported lamb would normally see great demand, but this year shipping delays and port congestion resulted in limited availability of product coming in from overseas, which was a strong demand driver for domestic product. Seven and down racks were a major beneficiary of this, and saw their monthly average prices range between $1425/cwt and $1418.75/cwt versus $1022/cwt and $934.38/cwt in Q1 2021.

Expectations for domestic lamb carcasses and boxed cut values have a positive outlook for the rest of the year. The limited supply of product being produced domestically coupled with continued shipping issues for getting imported product have resulted in a healthy layer of support for domestic lamb so far in 2022 and can be expected through the remainder of the year. UB

The resurgence within veal; All-time highs and active demand

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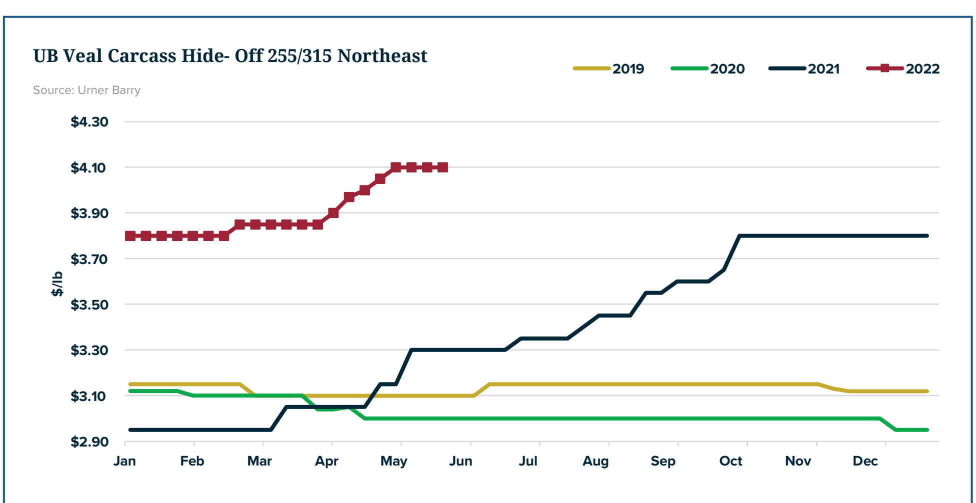
Veal carcasses and a majority of boxed cuts were higher in Q1 2022 versus the same period a year ago. Veal production in the U.S. decreased by roughly 3.5% from year ago figures during Q1, while special fed veal slaughter also fell by roughly 1.3%. Weights, on a monthly average basis, decreased by 3.7 pounds from Q1 2022 versus Q1 2021. Demand for veal has generally been steady to a little lower over the years, with interest in boxed veal product in the retail channel improving during the pandemic. When considering the current demand, reduced production, lower slaughter figures, and decreased calf weights, we are currently witnessing many all-time and 52-week price highs for veal.

According to Urner Barry, and using the northeast quote as a benchmark, veal carcass prices ranged from $380/cwt and $385/cwt during Q1 of 2022 on a monthly basis versus $295/cwt and $301/cwt during the same period a year ago. Historically we would expect to see an increase in price levels heading into a holiday like Valentine's Day. However, due to prices being at all-time high levels, they have trended slightly lower since late July. This decrease wasn't as impactful as it would have been during a normal year due to prices already being historically elevated.

Veal boxed cuts fared extremely well during Q1 of 2022 as COVID concerns eased and foodservice options continued to improve following the Omicron variant. Items such as racks started the year at all-time high levels and continued to increase as demand was strong, with monthly average prices ranging from $1600/cwt to $1850/cwt throughout the quarter. Another factor that resulted in boxed cuts seeing strength is the expansion of retail options that began at the start of the pandemic. Ossobuco foreshanks and hindshanks both started the year steady before seeing significant price increases that neither cut has seen since 2015.

Many veal items are expected to see strength throughout 2022, regardless of being past the popular veal related holidays. The tighter supply over last year and increased demand at both the retail and foodservice levels will likely be very supportive factors moving forward. UB



Mexican beef markets show strength in early 2022

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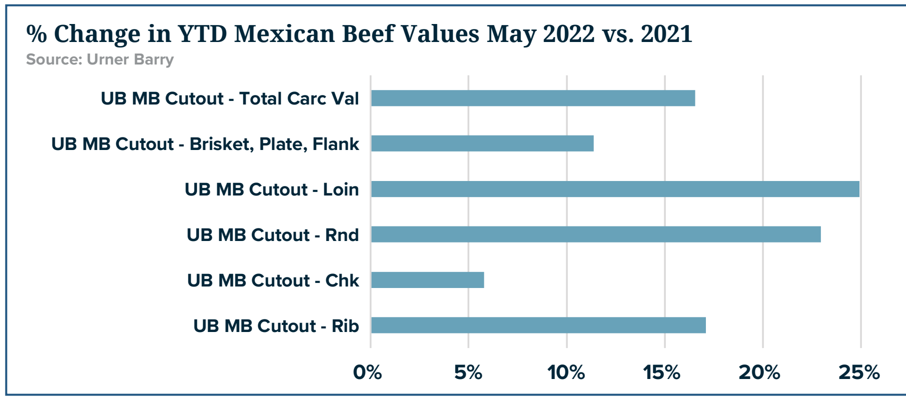
Mexican beef prices have been somewhat mixed in 2022 versus last year. Like many other protein markets, traders were challenged by logistical issues, including trucking and labor.

Looking at Mexican beef export items, cuts that saw average trading levels that were higher from 2021 include thin meats, such as flank steaks, tri tips, and flap meat. Losers so far this year include strip loins, shank meat, back ribs and short loins. Trends are very much following those of the U.S. Select market, where Mexican beef competes for the U.S. buyers' dollar.

The Mexican domestic beef market saw more items advancing than declining versus the same time last year. Skirts, hanging tenders and brisket flats were just marginally lower while all other items quoted in our canvass were higher. Round cut advances were considerable, with items like knuckles and goosenecks seeing prices move higher more than 20% versus the previous year.

Looking at Mexican beef cutouts, all primal areas were higher from last year. Loins and rounds showed the sharpest increase on a combination of Mexican domestic and export market demand, while advances in chucks and ribs were more modest.

USDA data that measures the volume of beef moving through FSIS inspection shows that the Mexican boneless beef trimmings imported to the U.S. are on the rise. As of early May, the U.S. imported 5,937 MT of boneless trimmings versus 4,603 MT for the same period in 2021. Imports of cuts were also on the rise with 73,221 MT imported versus 59,254 MT in 2021. In both the cuts and boneless beef categories, these are the highest year-to-date numbers since we began tracking the data 10 years ago as usage of Mexican beef continues to rise in the U.S. UB



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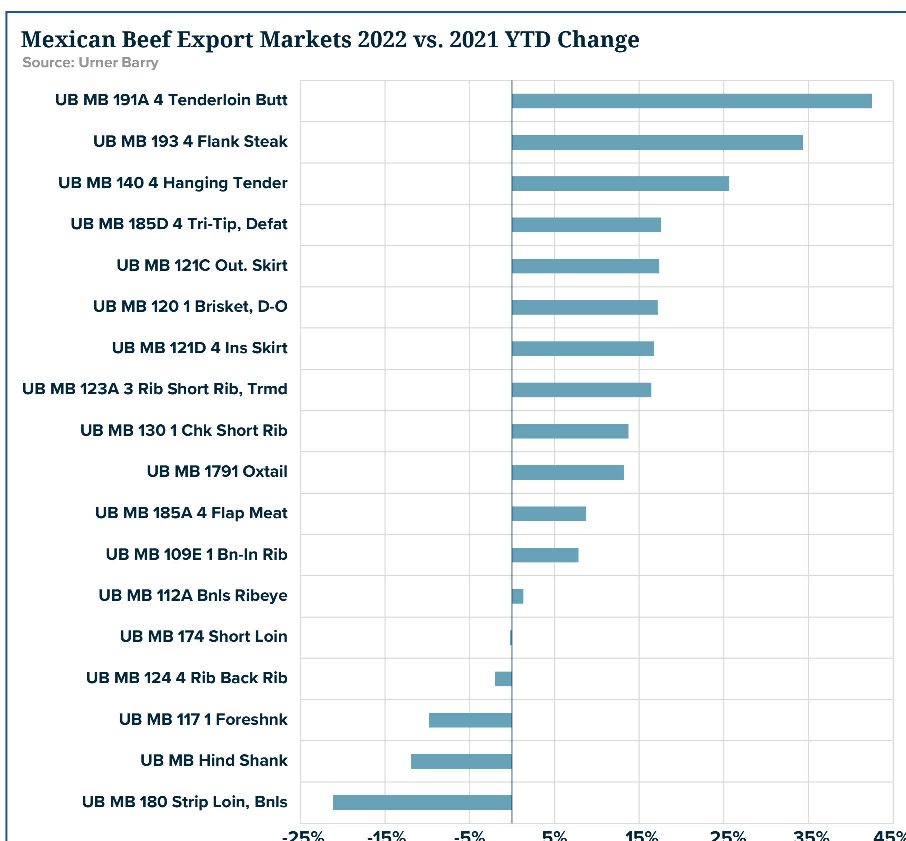

Expectation of more limited offerings push values higher

By **Joe Muldowney**
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Drought, Asian beef demand, logistical challenges and COVID issues all have exerted significant and sometimes opposing force on the imported beef market.

IMPORTERS WORK TO CONTEND WITH LOGISTICAL CHALLENGES

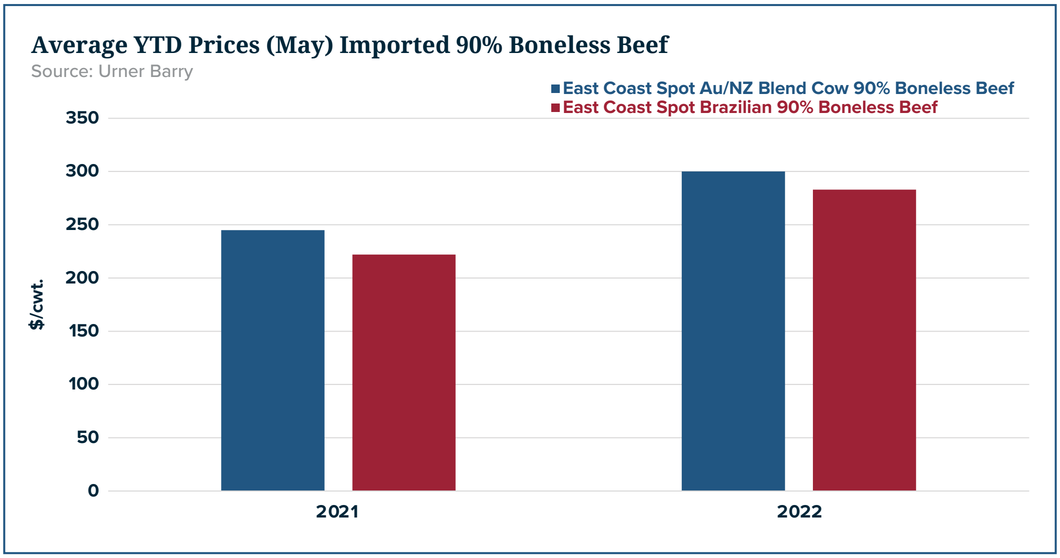
Capacity at freezers, advancing shipping costs, along with drayage and detention charges and availability of labor, are just a few challenges that importers are contending with in 2022 and factors that put extra costs into the system.

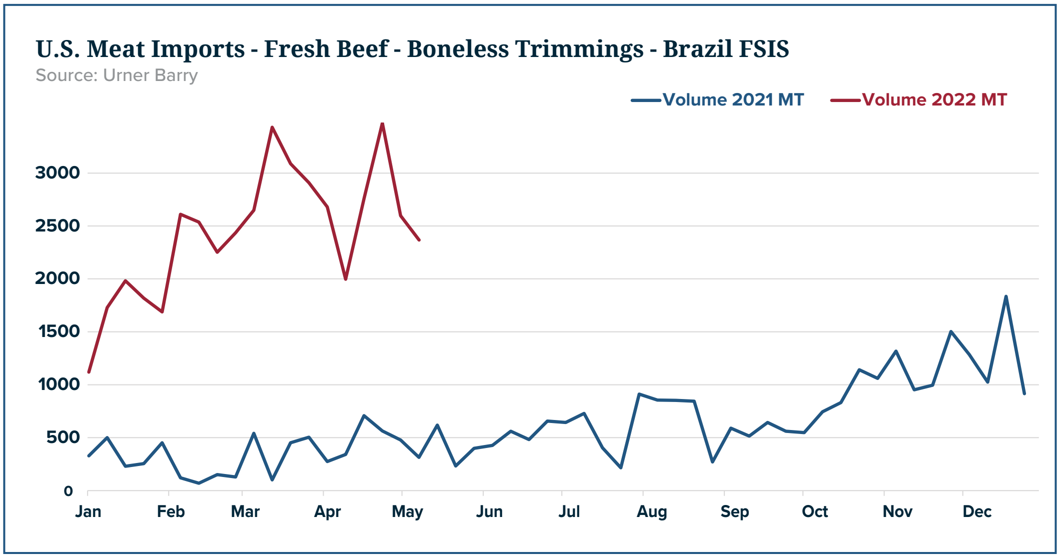
Imported beef values are generally higher in 2022 as compared to last year. As of late May, East Coast spot Au/NZ Blend Cow 90%, a popular item in this complex, saw year-to-date trading levels at $300/cwt versus $245/cwt for the same time last year. Brazilian 90% boneless beef has also seen higher prices trading $283/cwt May year-to-date in 2022 versus $220/cwt for the same time last year. Other items in the imported beef complex have seen similar increases. That said, prices had started to moderate early in the second quarter of 2022.

BRAZIL BECOMES A SIGNFICANT SUPPLIER OF BONELESS BEEF TO THE USA

According to FSIS inspection data, as of early May, year-to-date U.S. imports of boneless trimmings had increased 23% over 2021 levels. A major driver in this increase has been Brazil, who posted year-to-date imports of 43,753 MT versus 6,195 MT for the same period in 2021. Brazil has no country-specific quota to ship beef into the U.S. They ship under the "other country quota" and are a major reason that this quota was filled in April. All countries that ship under that category are now subject to a 26.4% ad valorem duty on their remaining beef exports to the U.S. for the balance of the 2022 calendar year. There are now some indications that Brazilian shipments to the U.S. have subsided following the triggering of the quota, but the sample of data is still fairly small.

This is important because U.S. importers had increasingly been looking to Brazil as a source of lean beef. The material had been priced at a value compared to other origins, which is a factor in accelerating acceptance of Brazilian beef. Drawing material out





of New Zealand had become challenging as they developed more business in China. Australian production was moving higher following years of drought and subsequent herd rebuilding, but their monthly shipments to the U.S. remained historically light as Asia was also aggressively drawing beef from the Aussies. In part, it has been the expectation of more limited imported beef availability for 2022 that had driven the market higher.

ABUNDANT DOMESTIC BEEF SUPPLIES GIVE BUYERS OPTIONS

Domestic cow production, a key source of U.S. lean beef, has been surging over year-ago levels in 2022. This occurred as Western regions of the U.S. were dealing with drought, which forced more cows to market. The higher cow slaughter was a significant factor in higher year-over-year U.S. beef production. In addition to more heavily supplied cow beef, processors also found options in end cuts coming from the fed cattle sector. As of late May, point per lean values of Choice peeled knuckles were lower than Au/ NZ 90s for 65 days in 2022. Last year at this time PPL values for peeled knuckles were lower than Au/NZ BC 90s for zero days. Au/NZ Blend Cow 90s have been priced at premiums to U.S. domestic 90s all year long.

The abundance of domestic lean beef at lower price points eventually applied downward pressure to imported beef values in the second quarter as many processors were to keep off the market for months.

"...U.S. importers had increasingly been looking to Brazil as a source of lean beef."

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As we move to the second half of the year, participants monitor consumer demand patterns to see if inflationary pressures will have consumers trading from higher-valued steaks to hamburgers and ground beef products, which could be supportive of domestic and imported raw materials. Demand from Asia also remains an area of interest to U.S. imported beef users who compete with Asian buyers for Australian, New Zealand, Central and South American beef. UB

Strong start to 2022 for boneless beef trimmings

By **Bill Smith**
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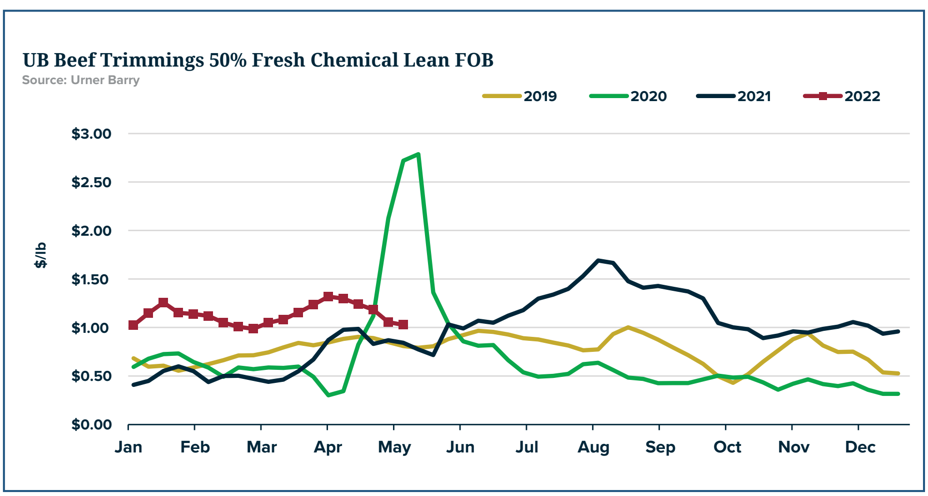
This year opened with fresh 90% lean beef prices at a premium when compared to the prior year. Fresh 50s have been significantly higher so far when looking at monthly prices relative to the previous five years. Compared to 2021, monthly average prices were up between 116% to 127% throughout the first quarter. As of mid-May, YTD cattle slaughter is up 0.6% relative to the same time frame in 2021. Cattle live weights are up 7 pounds, and beef production is up 0.9% year over year.

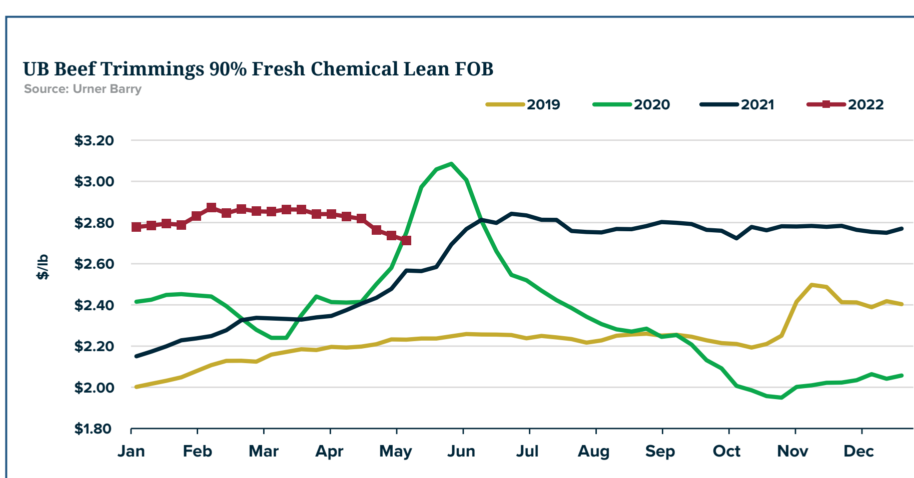
Fresh 50s began 2022 with the monthly average price for January up 127% compared to January 2021. February was slightly lower with the monthly average price dropping to $107.19/cwt, still 116% higher than last year. The March monthly average price was $109.81/cwt, up 119% relative to the same month in 2021.

The April monthly average price rose to $125.97/cwt, but was only up 39% year-over-year. Supplies appeared to be more readily available in May.

Fresh 90% lean boneless beef prices for the first quarter of 2022 were at a premium compared to the equivalent time period in 2021. Monthly average prices for the first quarter were up 27%, 26% and 22%, respectively, compared to 2021. Federally inspected cow and bull numbers for the first quarter were roughly 6% higher. Demand has been active. Import arrivals so far this year from major suppliers of grinding meat are mixed, with Australia up 11.5% and New Zealand down 12%. Imports from Brazil are up over 600% so far this year; that market continues to ship material despite being out of quota.



As we progress through the second quarter of 2022, there is still some uncertainty regarding the fresh 90s. Drought conditions have resulted in higher cow and bull slaughter numbers in some regions. Volatility within the imported beef complex is still apparent. The price gap between domestic fresh and blend cow 90s has narrowed. Meanwhile, the market for fresh 50s is mixed as we head towards the summer months. Production numbers could pressure these markets somewhat, but overall demand for boneless beef will likely remain active. UB



Record high prices in 2022

By **Bill Smith**
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The by-product market for 2022 has been very strong. Year-to-date beef production is up 0.9%, while pork production is down 4.9%.

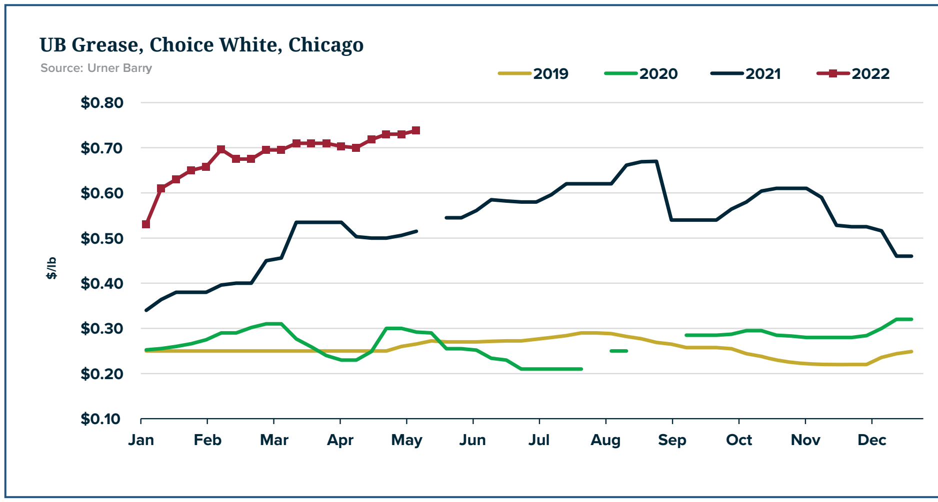
Renewable fuels, oleo chemical, feed, pet food, and baking are all key demand sectors for the tallow and grease markets. With all of these different buying areas, it is often hard to predict when the peaks and valleys in the market will develop.

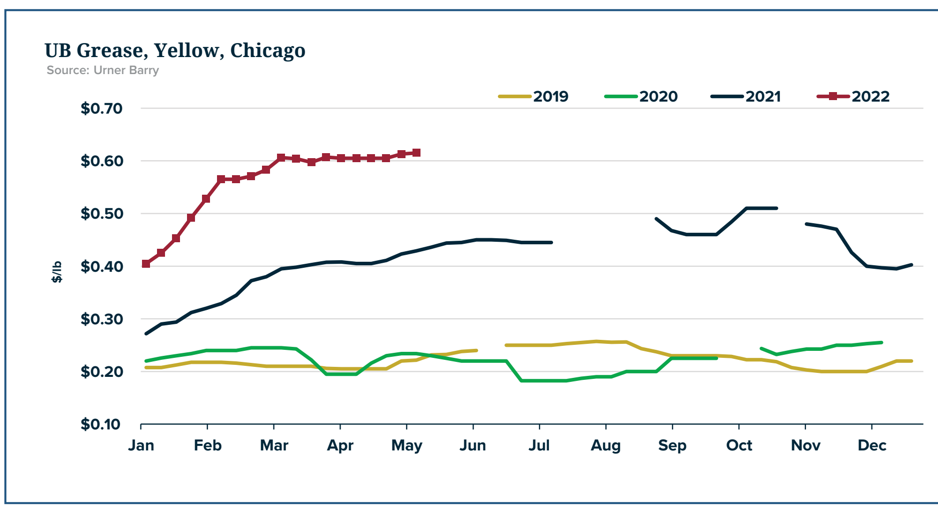
Loose lard and edible tallow are the two edible items quoted in Urner Barry's By-Product Report. Loose lard traded at a premium early in the first quarter of 2022 compared to 2021. Edible tallow also traded at a premium with limited volume during Q1 when compared to the equivalent time in 2021. In fact, January and February's monthly average prices were up 68% and 45% respectively, compared to last year as record high prices were a common theme.

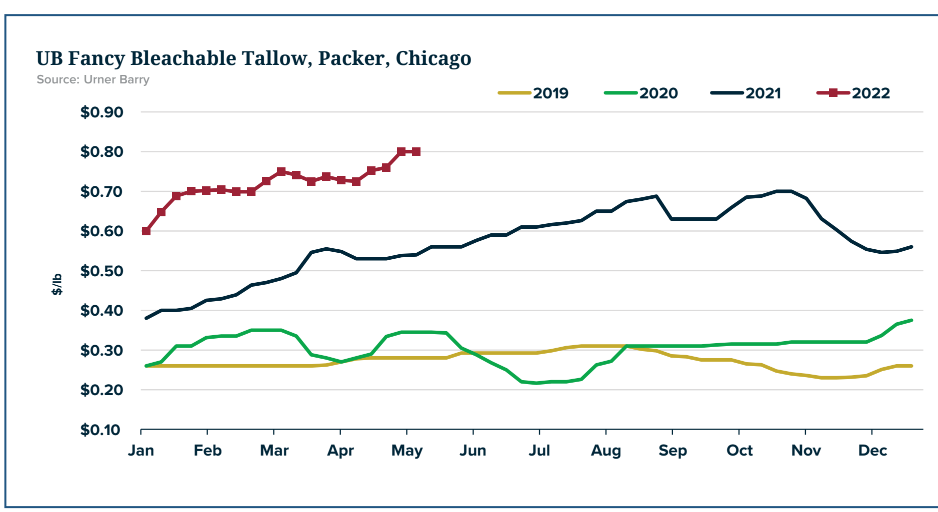
The first quarter of 2022 experienced monthly average prices for renderer and packer tallow that were at historical highs each month going back to 1984. Inedible tallows markets are still firm but some buyers seem to be taking a more cautious approach.

Choice white and yellow grease were also trending higher throughout Q1 and are currently listed at record high price levels. The second quarter opened with prices at steady to slightly lower levels on choice white and yellow grease, although prices did rebound in late March and early April.

The by-product market will continue to be largely impacted by production numbers and availability of raw materials. Record high prices were noted on almost all of the tallows, greases, and edible products in 2022. At what point will we see demand shift away from these animal fats due to the higher price points? Recent volatility in the futures markets has caused participants to take a more cautious approach. UB







U.S. beef buyers brush off inflation concerns

By **Gary Morrison**
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Todd Unger
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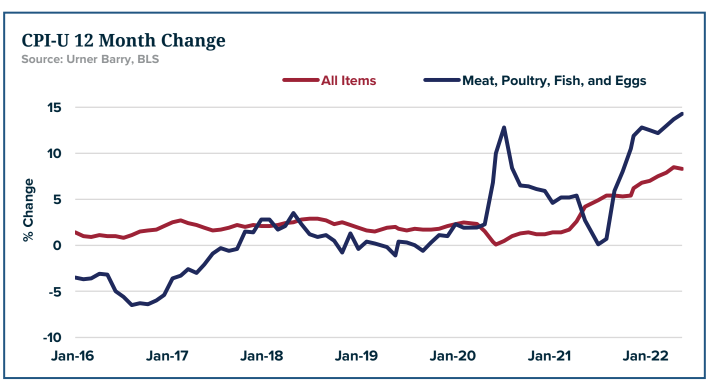
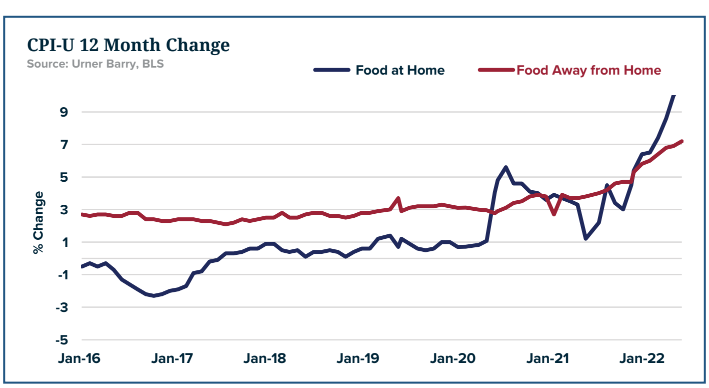
This year has once again been filled with disruptions and volatility. There seemed to be something new to deal with ever since a fire at a major packing plant in late 2019. For nearly two years, it was the COVID-19 pandemic and the resulting fallout. There were supply chain issues, labor force challenges, supply/demand shocks, and fiscal stimulus response to move the world in the right direction. While there are still some issues, especially globally, it does, however, look like the United States has rounded a corner in terms of COVID-19.

More top of mind for almost everyone now is the broad-based inflationary pressures that are rampant in the marketplace and the policy response to it, as well as the war in the Russia and Ukraine region. Inflation is at a 40-year high with food and energy prices leading the way. While consumers have weathered the storm so far given the pent-up demand for a return to some normalcy, there is concern of how much more they can absorb.

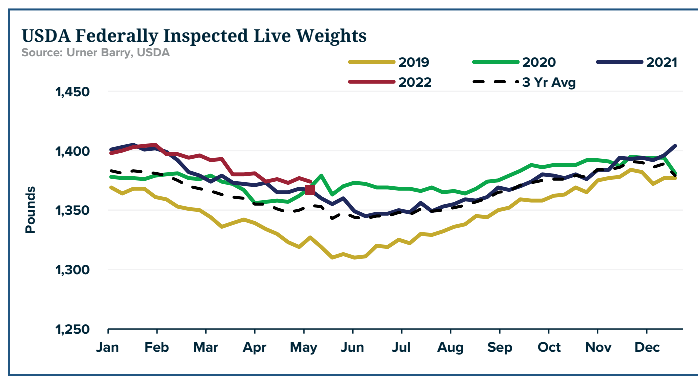




SUPPLY

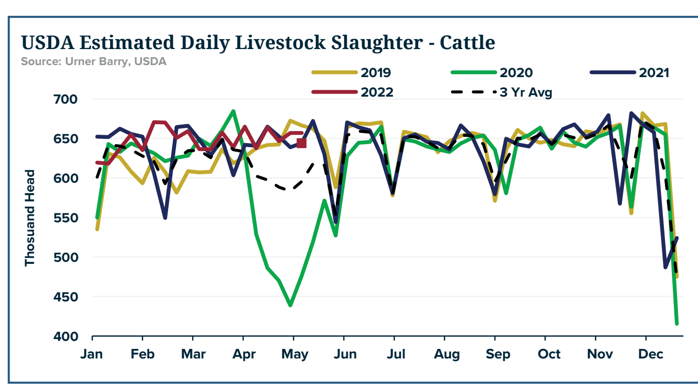
The supply picture must start with the weather pattern. Although somewhat improving, the March U.S. Drought Monitor showed that moderate to exceptional drought covers 48.8% of the United States. But drought or abnormal dryness expanded or intensified in cattle raising regions. This has forced some liquidation to occur.

Corn prices remain high, and higher cost of gain typically translates into less feed. So far we have not seen this to be the case for reasons we will outline in the demand section. Cattle weights remain record large despite starting to seasonally trend towards summer lows. Weights through April have averaged 1391 pounds, 7 pounds above last year when a backlog of cattle was seen. It is also 23 pounds above the three-year average.

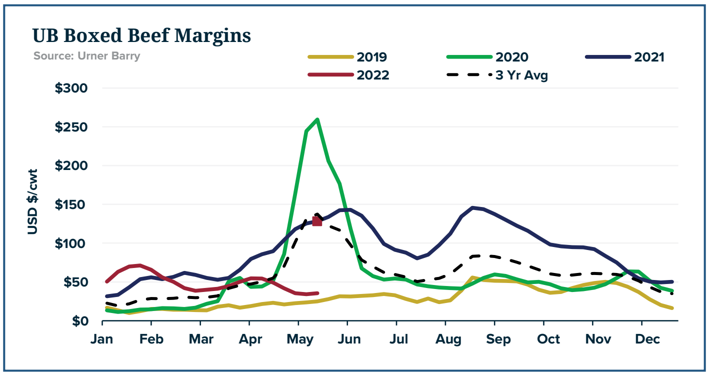


April USDA Cattle on Feed showed placements down slightly in March from 2021; after a large increase in February. This might be a result of poor margins and will help with cattle supplies later in the year. But cattle on feed as of April 1 was 2% above the same month last year. In fact, this is the highest April 1 inventory since data started to be collected in 1996. This means there are plenty of animals in feedlots, and heavy ones at that.

Slaughter is running about 1.7% above last year so far in 2022. There is little concern for beef supplies in the short term as a result.



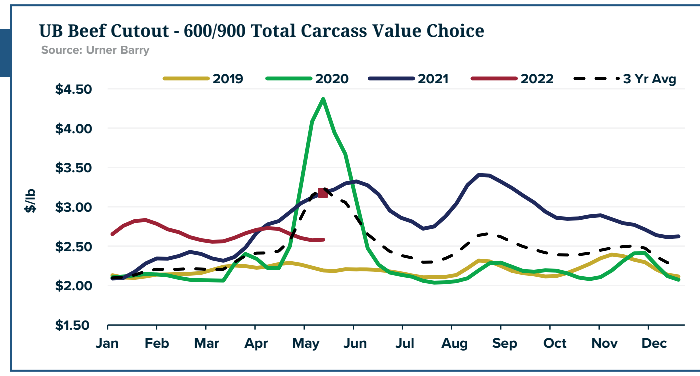
Packers have had every incentive to keep chain speeds to the maximum they can with more normalized labor operations. Even with cattle prices well above most of the last five years, increased prices and the willingness from buyers has kept margins squarely positive. Although they have tightened from the outsized years of 2020 and 2021, they remain historically high.



UB Boxed Beef Margins
Source: Urner Barry

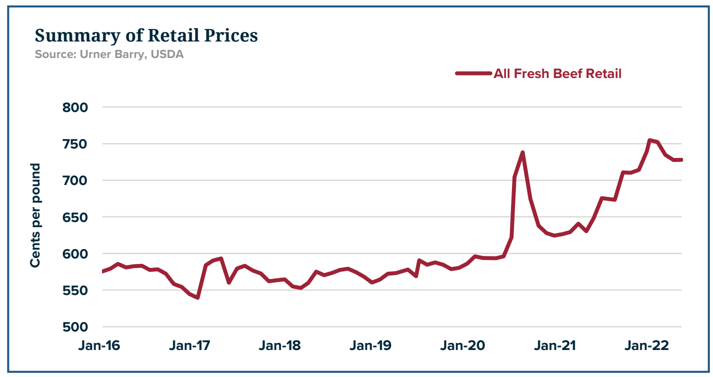
DEMAND

Demand for U.S. beef remains strong. It is widespread from both domestic and export markets. The choice cutout averaged $268.44/cwt through the first four months of 2022. This is above even the previous two years, which outpaced history. There has been some moderate lagging, but we see this as a function of increased costs hitting shoppers in all facets of life.



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

There is also increased cost structures through the value chain that have contributed to greater gains at retail. Not only are wholesale prices higher, but wage increases and record high diesel prices have added money at each step of the way.



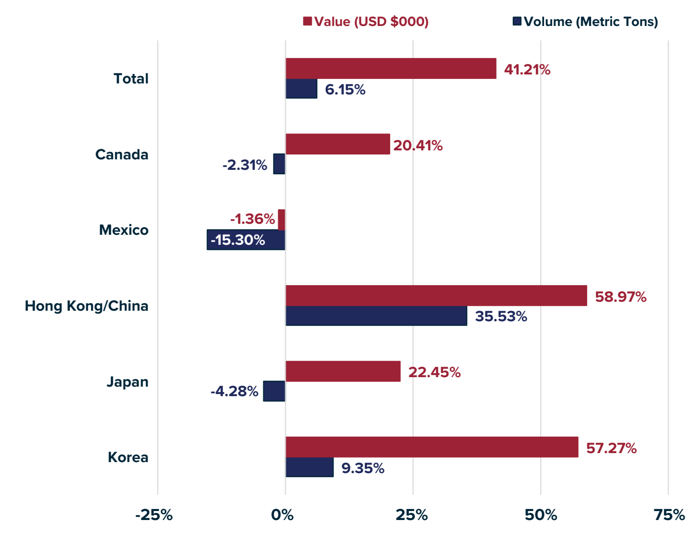
Summary of Retail Prices
Source: Urner Barry, USDA

Continued on page 30

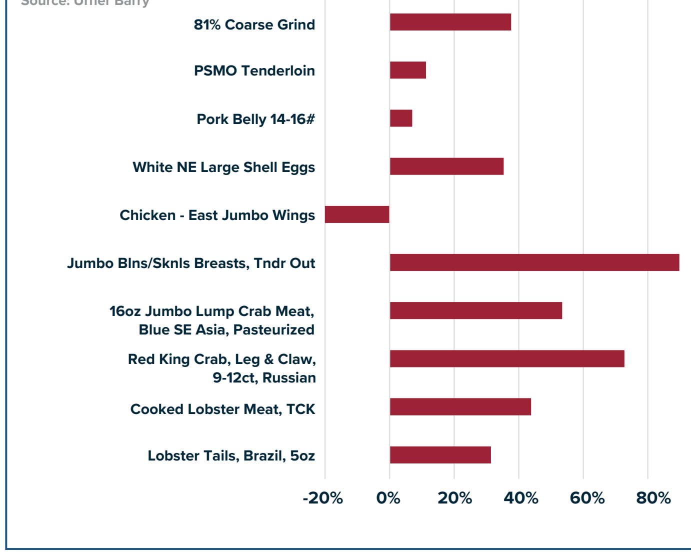
Continued from page 29

On the export side, volume movement is fair to strong. But the willingness to pay the higher prices, as well as procure more expensive cuts, has increased the value of exports through the first quarter to over $3 billion. This is a 41% increase from last year even with only 6% higher volume.

However, there are some demand headwinds. High retail prices are starting to see some push back and it goes back to the inflation story we have been pounding throughout. In addition, a strengthening U.S. dollar so far has not hurt exports, but we would expect if it continues it may have some impact.



U.S Beef Plus Beef Variety Meat Exports (YTD Through Mar)
Source: Urner Barry, USMEF



Urner Barry Wholesale 12-Month Price Inflation (Mar 2021 vs. Mar 2022)
Source: Urner Barry

There are a lot of factors that seem to be going against the beef market. Corn prices are extremely high and global tensions contributing to record fertilizer prices seem to be conducive for this to continue. Diesel prices are also record high, tipping an already fragile logistics industry. Inflation in food and energy is heard and felt daily. Other proteins are feeling it too, so this has not deterred beef consumers yet. All eyes will remain on the consumer. UB

What's going on with back ribs?

By Ryan Hojnowski | rhojnowski@urnerbarry.com

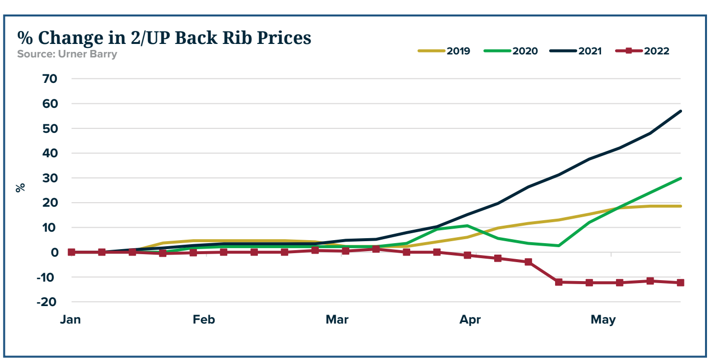
One of the more fascinating items in the pork market through the pandemic has been the back rib. In the lead up to summer 2021, while thin labor conditions continued to make back rib production a challenge and freezer stocks were lacking, the warm weather favorite saw an explosion in demand from both foodservice and retail as consumers were once again able to go out to restaurants and host outdoor gatherings around the grill. Following peak season in 2021, a retracement in prices ensued. However, values never returned to more historical levels, instead finding a floor close to twice the value of pre-pandemic norms. This would inevitably create major hurdles as the industry turned its sights toward summer 2022.

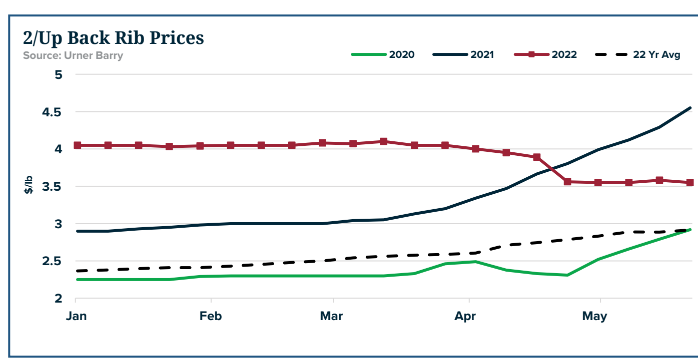
On a weekly basis, heavy back ribs averaged between $290/cwt and $315/cwt from October 5, 2020 to March 22, 2021. These prices were considered elevated at the time, though not entirely unexpected as cold storage stocks of ribs had begun 2021 at their lowest level since 2012. With the lighter slaughter and limited labor for processors, keeping up with fresh product demand was difficult. Ultimately, this confluence of limited supply and the resurgence in demand resulted in a new all-time high weekly average price of $510/cwt for heavy back ribs during the week of June 14, 2021, according to Urner Barry Prices.

As we moved from summer 2021 into winter 2022 a price retracement occurred, although not nearly to the extent that many participants had hoped. From the beginning of January through early April 2022, prices trended between $400/cwt and $410/cwt without much deviance. For comparison, during the pre-pandemic years of 2016-2019, the average price of 2 lb. and up back ribs for this time period was $234/cwt.

With a $400/cwt back rib failing to garner the retail and foodservice attention that the item typically would enjoy, that buyer pushback forced values lower throughout much of April. In fact, 2022 is the first year in our database, which extends back to 2000, where the average price for April was lower than that of January. Elevated cold storage figures and consumer caution in the face of an increasingly inflationary environment only acted to add more pressure on the cut.

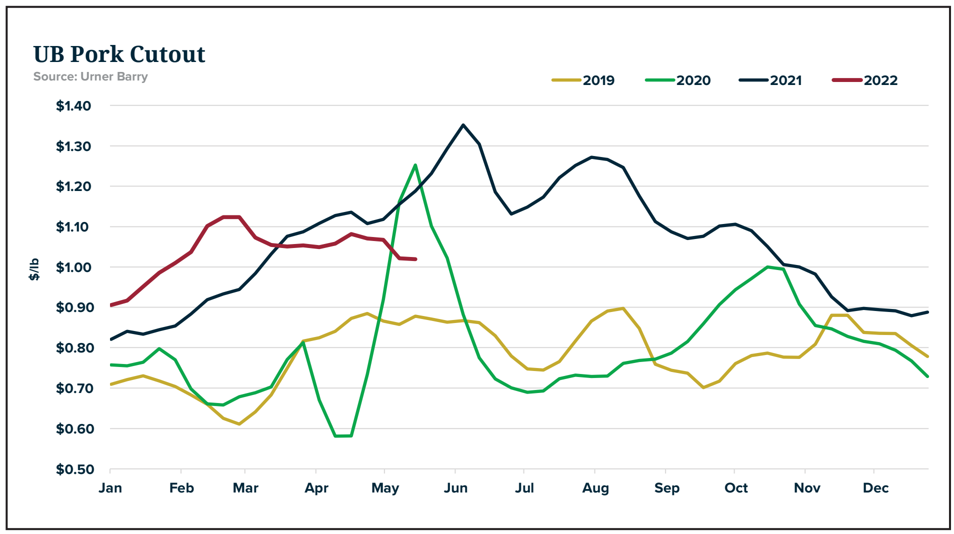
That leads us to the time of writing this article, which is mid-May. We would normally expect to see strong demand ahead of Memorial Day, though this year in addition to the above-mentioned reluctance among buyers, the weather during early May around parts of the U.S. has been cool and wet, resulting in weaker demand for grilling items. Consumers are tightening up their spending as all consumer necessities are rising in price. What was once a competitively priced grilling item is now competing with beef cuts that are no longer extremely elevated, with many having receded to 52-week lows. We will have to wait and see if consumers still flock to pork ribs this year or if price, amid all of the other inflated costs in our day-to-day lives, forces people toward an alternative choice. UB





Pork-flation

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



Pork, like so many other commodities, has struggled to return to pre-pandemic price levels. While restaurant traffic has resumed and social gatherings are back on the menu, that increased demand has been met with an evolving series of supply-related hurdles.

Hog diseases, including Porcine Reproductive and Respiratory Syndrome (PRRS) and Porcine Epidemic Diarrhea virus (PEDv), have resulted in fewer animals available than initially anticipated. On the labor front, although progress has been made, market participants often still find themselves shorthanded in most stops along the supply chain. The poultry industry has contended with notable head loss and lofty prices due to Highly Pathogenic Avian Influenza (HPAI), which has strained some pork supplies as processors and other buyers seek alternative options. Total pork in cold storage, as of March, was the second lowest year-over-year total over the last decade. Internationally, rising energy and feed costs related to the Ukraine-Russia conflict has forced hog producers within the E.U. to scale back production. Finally, as we have seen throughout the pandemic, packaging and shipping product remains oppressively expensive in many cases.

With these factors considered, it becomes more understandable why the Urner Barry pork cutout for May 2022 is averaging nearly 20% over that of the pre-pandemic May 2019. Hogs are up more than 33%.

For this article, we are going to continue to compare this year's prices to 2019 as anything during 2020 or 2021 was just too extreme, unpredictable, and often counter to any seasonal norms. Among individual pork cuts, sausage materials are one of the most elevated categories versus that of 2019. 42% and 15% lean trimmings have averaged 73% and 67% higher, respectively, in May 2022 than during May 2019. 72% lean trimmings are up 26% to 35%, depending on the item.

If it's not a sausage on your grill, there is a high likelihood it may be ribs. Unfortunately, the inflation among ribs is just as, if not worse in some cases, than among trimmings. For the month of May, back ribs, St. Louis style ribs, and light spareribs are up 63%, 41%, and 36% respectively compared to 2019.

Belly and bacon prices remain highly elevated entering the summer as well. Skinless bellies are averaging prices roughly 22% over 2019, while retail bacon is up nearly 28%.

There is a fairly short list of items that are trading near pre-pandemic levels. Somewhat surprisingly, as they are typically a summer favorite in the form of pulled pork, butts are among them, averaging prices between 1% and 5% higher than 2019. In fact, boneless butts have consistently lost value throughout the year, down nearly 12% from January, as of the writing of this article. Contributing to this weakness was disappointing exports to South Korea, where over the first quarter of 2022 exports were down to the lowest levels seen since 2016. Finally, boneless loins are only 3% to 9% over 2019 and bone-in hams are between 5% and 8% higher.

With so many variables that are both intertwined and seemingly out of our control, the outlook for the market is anything but certain. Livestock disease tends to come and go, but the timing is difficult to predict. Conflicts, like the one in Ukraine, are even more challenging to navigate. And when it does end, no one knows what the state of the country and its agricultural production will look like. Domestically, returning to more typical consumer behavior following the pandemic is certainly a step in the right direction, but it is clear that we still have a long way to go before true normalcy in these markets is seen again. UB

HPAI leads to spike in U.S. pork exports to Mexico

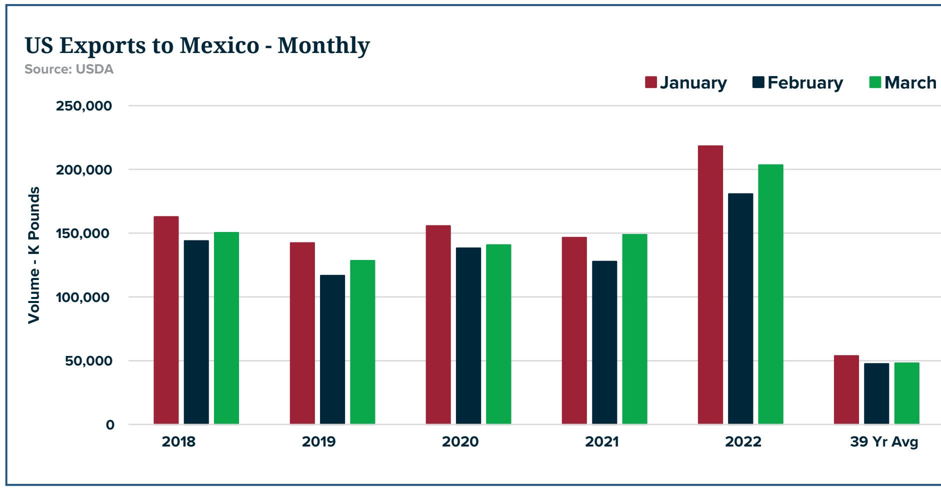
By **Ryan Hojnowski** | rhojnowski@urnerbarry.com

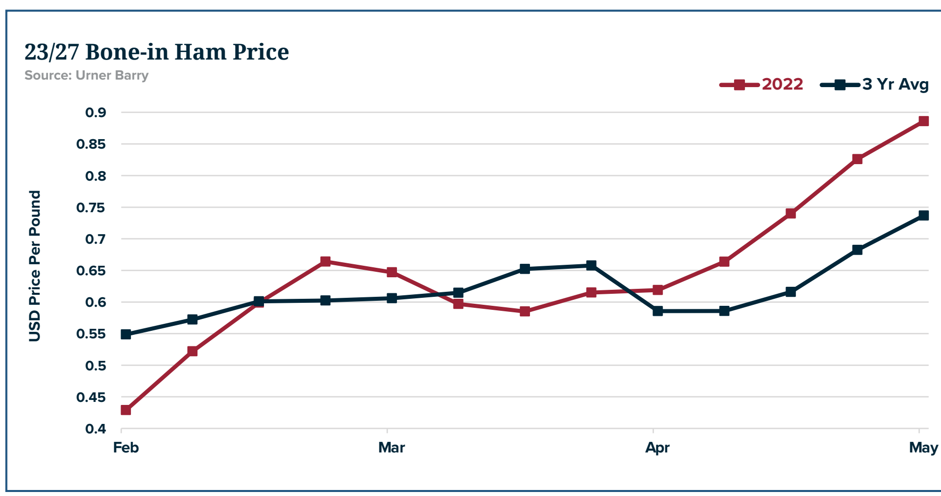
Although the impact of highly pathogenic avian influenza (HPAI) is most commonly discussed in terms of the poultry market, chicken and turkey aren't the only proteins affected by this virus outbreak. As HPAI has put a cap on the supply levels of poultry, some pork items have been used as viable alternatives, particularly bone-in hams. For example, bone-in turkey thighs compete directly with bone-in hams for Mexican exports. Simple economics can explain that when the supply of one item decreases and price rises, a cheaper, more available alternative will see increased demand as a substitute. And that is exactly what happened in this situation.

Early in 2022, improved labor conditions at some domestic processing plants allowed more hams to be boned, an act that has been a major struggle since the beginning of the pandemic. This, coupled with a lighter slaughter as hog supplies came in under expectations, resulted in fewer overall bone-in hams available on the market.

As HPAI cases began to be reported, Mexico deemed that if a case was reported, then any product from that impacted county could not be imported. Throughout the month of February, turkey exports to Mexico touched a 52-week low in reaction to the regulations, as well as the highly elevated turkey prices. Boneless turkey thigh meat entered the year at \$2.02/lb. and has held at that level up to the time of writing this article. For January and February, that price is roughly 1.8 times the 2019 pre-pandemic value of the item.

While exports of turkey to Mexico were falling, U.S. pork exports were stronger than ever, reaching all time-high levels for the months of February and March, according to USDA data. This culminated in 23/27 bone-in ham price increasing a whopping 106.5% between February 7 and May 2, according to Urner Barry data.





Even as Mexican export regulations eased up eventually for turkey, transportation congestion became a major part of the story. For a brief period, new inspection regulations at the Texas-Mexico border resulted in days-long delays with getting product into the country. Other regulations required some turkey product to be trucked in directly to a TIF plant, a federally inspected facility in Mexico, creating further issues with getting turkey product where it needed to go. These factors continued to strongly support bone-in ham values.

Since there is no guarantee as to when HPAI will be resolved, bone-in hams have continued to present a value on the export front. On the domestic side, we have yet to see the typical lunch meat demand ramp up in a meaningful way, though that situation may change as we move deeper into summer. Between the overall inflationary environment, a cautious domestic consumer, labor being adequate at best, HPAI ongoing, and the tighter hog herd, there are significant questions over the direction that ham, and many other pork products will go. This most recent HPAI situation has reinforced the fact that our protein markets are connected and to understand one, sometimes you must track the happenings of another. UB

Eight straight years of record U.S. shrimp imports

By **Jim Kenny**
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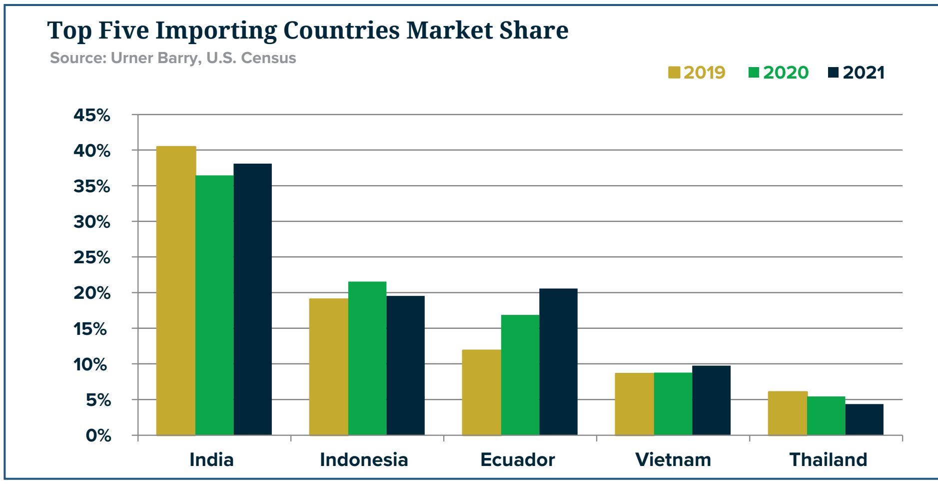
Lingering challenges from COVID-19, especially in major shrimp producing regions and consuming markets, altered the landscape again in 2021. However, it also presented new opportunities as well. There are still major logistical challenges with both trucking and shipping adding cost structures throughout the supply chain. Now, top of mind is the widespread inflationary pressures, especially in food and energy.

One thing that didn't change was the record setting pace seen for United States shrimp imports. Imports surged again to 1.970 billion pounds, or 19.8% above the 1.645 billion pounds in 2020. It seemed each monthly figure quickly pierced a previous record as each importing country set monthly records on a near consistent basis. There has been annual growth for the last eight years, and in that time shrimp imports increased 77% from 1.112 billion pounds in 2013.

While the top 10 trade partners remained the same it was really the outsized growth in the top five that drove the changes. The top takeaway is the concentrated effort by Ecuador to make a full commitment to the United States. Some of it was driven by COVID-19 disruptions with their main trade partner China that spilled into the realization that the proximity and spend of the United States makes it a worthwhile endeavor. There have been many conversations since that indicate investment into continuing this trend. The most telling data is the market share gain Ecuador has made. Going back to pre-pandemic 2019, India was nearly 41% of total share, falling to 38% in 2021. Indonesia was relatively stable during that time, but Ecuador gained a whopping 73% share from just under 12% to 20.6% last year.



THE TOP SHRIMP SUPPLIERS

India: The continued late year surge sent imports to over 750 million pounds. Nine straight months of highs to end the year helped set the all-time high in annual pounds sent to the United States. There were less shell-on (-16.6%) but more peeled (+48.0%) and cooked (+3.4%) shipped.

Ecuador: The concentrated effort from Ecuador to make the United States one of its top trade partners shined as we ended 2021. The most drastic statistic was the annual figure of 405.293 million pounds to cement this country as the clear number two. This was 46.1% above last year's record. At first it seemed entirely out of necessity, but even as China resumed purchases, there was still a real effort to satisfy both customers. As infrastructure investments increase, there are growing expectations for the region.

Indonesia: There was a continued back-and-forth with Ecuador, and when all was said and done, despite a record 384.886 million pounds, the effort by the latter surpassed Indonesia on a calendar basis. There were less shell-on (-3.1%), but more peeled (+8.9%), cooked (+11.5%), and breaded (+60.9%).

Vietnam and Thailand: Vietnam (+33.1%) shipped more on the year, while Thailand (-3.8%) shipped less. The latter was the only country in the top five to decrease shipments on an annual basis.

THE PRODUCT MIX

The shift towards more value-added product preferred for convenience was again evident. As retail market share increased and the lack of labor hit the service industry, product type changes remained. Shell-on imports were 2.3% higher, peeled up 11.4% and the largest by volume as well, cooked up 5.1%, and breaded up 53.4%.

Shell-On: Shell-on imports edged (+2.3%) only slightly higher, with Ecuador (+37.4%) the driving factor. Nearly all sizes were up against 2020.

Peeled: At nearly one billion pounds, imports of peeled shrimp were the largest volume category. It was again driven by the top four trade partners: India (+48.0%), Ecuador (+61.8%), Indonesia (+8.9%), and Vietnam (+67.9%). Replacement pricing (import $/lb.) moved higher to $4.02 per pound despite the increase in supplies.

Cooked: Cooked (warm water) imports moved 4.9% higher after outsized gains from 2019 to 2020. While restaurant business returned slightly, retail focus remained. Import pricing was also higher, reflecting the need and additional costs associated with Asian origin product getting to the U.S.

Breaded: Imports of breaded shrimp were also much higher, to the tune of 22.6%. With the need to keep product in their domestic market, China (-24.8%) again shipped less for the second consecutive year. Indonesia (+60.9%), Thailand (+21.3%), Vietnam (+21.6%), and Ecuador (+37.0%) all shipped more.

THE SHRIMP MARKET

Farmed White: In almost a near exact opposite from the previous year, prices were in an uptrend for the most part with a small pullback in mid-to-late summer and seasonally at the end of the year. Consumers shifted some during the pandemic and continued to favor shrimp in the seafood category.

Farmed Black Tiger: Pressure on prices given the spread to white alternatives that started in 2018 were further hurt by waning restaurant demand and the overall lack of business travel during the pandemic. Importers shifted focus and as business started to come back, the supply for the most part fell short of needs. This led to a firmer trend in 2021.

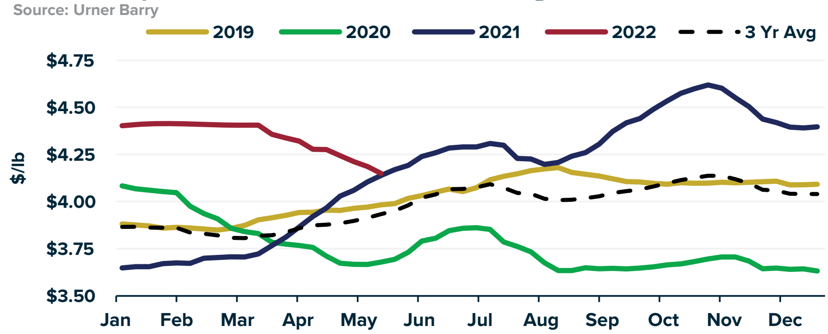
THE SHRIMP OUTLOOK

There seems to be no let up when it comes to shrimp imports through March 2022, which sits 19.5% higher than last year during the same period. This outpaces the early gains seen then. The top five have all shipped significantly more—between 13.4% and 39.5% above last year. India still leads the importing nations by volume but have some competition from both Indonesia and Ecuador. All product forms are higher as well.

It looked like after a flat start to the year with lower early sales and a slow start to Lent that activity was picking up. More recently, however, prices have started to fall. Despite overseas moving higher, especially Asian origin, inflationary pressures and concerns over these much larger supplies have weighed on buying patterns. The ongoing concern is that there will be no let up in product. UB

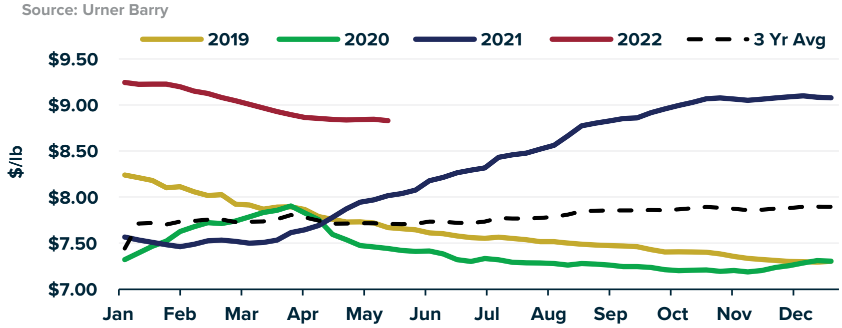
Urner Barry HLSO Farm-Raised White Shrimp Index

Source: Urner Barry



Urner Barry HLSO Black Tiger Shrimp Index

Source: Urner Barry



Blue swimming crab meat sees market correction

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

Similar to most markets, it's amazing to see what a difference a year makes. Both blue and red swimming crab meat across all grades throughout the complex are adjusting lower and as of this writing blue swimming crab meat in particular is moving lower at a steady pace. Much like we watched the rise last year, it appears we are watching the market correct lower. The market has trended lower across the complex on most grades since the beginning of 2022.

Several factors are attributing to this correction, the main being increased supply and reduced demand. As crab meat rose throughout 2021, users began to buy more cautiously and take crab meat off of their menus.

Imports are also much higher than previous years. In the first quarter blue swimming crab imports are up 55.2% from the same time last year. Imports are currently trending well above the three-year average as well. Year-to-date imports from Indonesia (who holds a 43% — market share, the highest in the category) continues the year up 40.9%. On a month-to-month basis, March imports from Indonesia are up 2.9% in comparison to February. Imports from China are lower this month as compared to February 2022, down 33.7%. Year-to-date China is up 68.3%. When looking at some of the other producing countries, the Philippines are up 105.1% year-to-date. Venezuela is up 43.4% and Vietnam is up 40.3%.

With this continual rise in imports, inventories stateside have been rising and demand has not been keeping pace. As we begin to head into the historic busy season for crab meat, especially in the Mid-Atlantic states who will have plenty of beachgoers during summer, we will watch closely to see how both buyers and sellers navigate their inventory positions and how much crab meat starts to move through the system. UB

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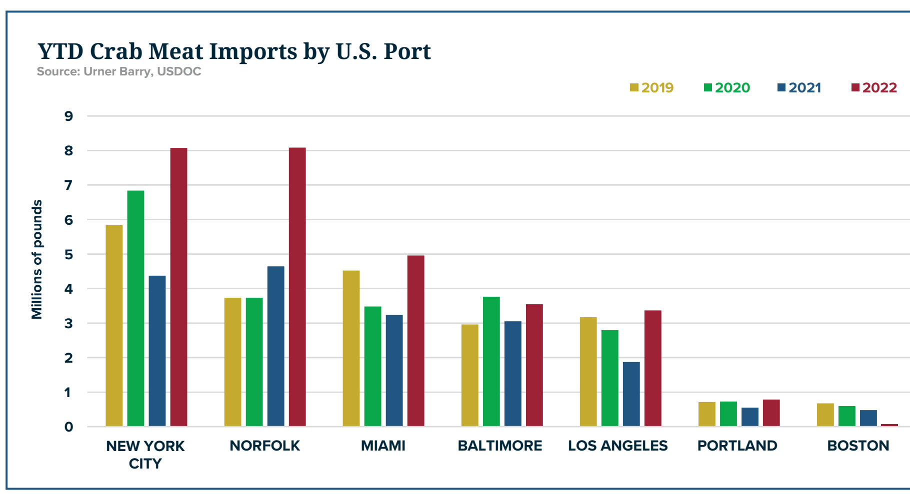

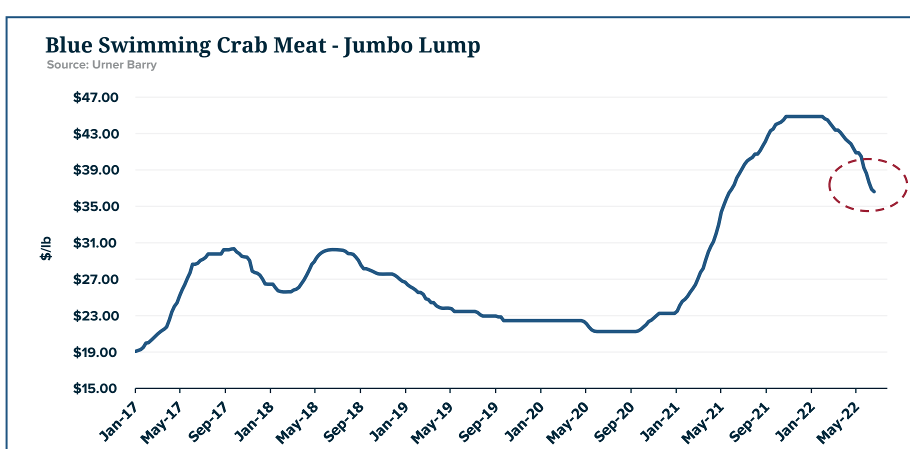


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The rise of Argentine Red Shrimp

By **Fabienne O'Donoghue**
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From 2012 to 2018 the volume of shrimp exported around the world by Argentina has more than doubled, rising from 78,081 MT in 2012 to 185,431 MT in 2018. This progression stabilized in 2019 but dipped in 2020 during the COVID crisis. However, it reached pre-pandemic levels last year. Despite a remarkable breakthrough in a competitive market, Argentine red shrimp could be suffering from uncertainty this year. What are the factors influencing its growth on a global scale?

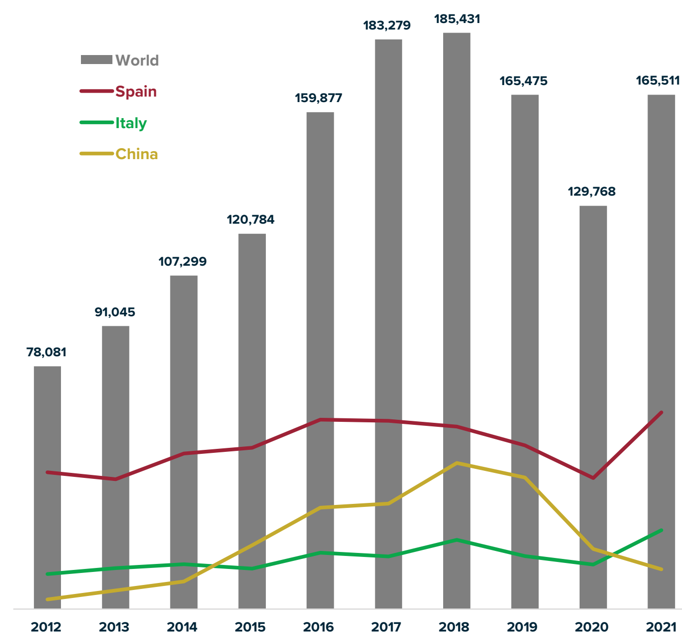
In the last 10 years, the value of red shrimp exports from Argentina nearly tripled from $476 million to $1.3 billion. With a continuous growing demand for shrimp protein around the world, Argentine red shrimp found a market position between the farmed vannamei shrimp—widely traded around the world and number one by far—and the higher valued black tiger shrimp from Vietnam, fished in the mangrove, organically fed, and naturally grown to larger sizes.

Argentine Red Shrimp is a beautiful shrimp similar in color and shape to lobster. It is used in the Spanish national dish "paella" and is mostly exported head-on shell-on. However, the headless shell-on option is being requested in greater frequency as restaurants and canteens prefer this prepared version. In addition, it is a wild shrimp, so traditionally more qualitative than farmed seafood. These aspects match the recent consumer trend, toward organic and seasonal food sustainably grown. However, in terms of pricing, Argentine red shrimp is situated below wild black tiger shrimp and above the vannamei shrimp produced all year round in large volumes, which confirms its mid-range position.

The *Pleoticus Muelleri* shrimp is now very established around the world, especially in large markets in Europe and Asia. A decade ago, Spain imported more than half of its exported volumes, followed by Japan (17%) and Italy (14%). The major success of Argentine red shrimp is to have conquered the Chinese market, going from 3,100 MT in 2012 (4%) to an amazing 47,000 MT in 2018, representing a quarter of shrimp exports and the second destination after Spain (then at 32%). So in 2018, Spain, China and Italy represented 69% of the 185,431 MT exported globally. But its production is dependent on wild resources and in 2019, exports dropped by 12%. The year after, COVID-19 significantly limited international trade and Argentine red shrimp sales to China more than halved, with many other destinations impacted by restrictions, mostly in Europe. As of last year exports are already back to pre-pandemic volumes, but with a new destination map. Fifty-six percent of the exports are sold to the EU. China is now in third position with only 8% and 12795 MT imported (a 230% drop since 2019, around 30,000 MT less). This was compensated by increased trade with Spain and Italy, which now count respectively for 38% and 15% of exports, and also Peru (6%), Thailand (5%), and the U.S. The latter now represents 4% of Argentine red shrimp world exports; its share more than doubled since 2018.

Argentine Red Shrimp Exports (MT)

Source: Global Trade Tracker



This year the market landscape is starting to show some uncertainty, related to three main factors:

- Soaring fuel and energy prices are inflating the production costs, including sending vessels fishing in the ocean, running packing stations, keeping freezers cold and CFR prices.

- In addition, the European demand is slightly slowing down. Because of general inflation, elevated energy bills and a price increase on many food items, the consumer wallet in most buying countries is shrinking, which could push Argentine red shrimp to a more luxury item, not affordable by all. This is even more the case in Europe where imports from Americas are being impacted by a stronger dollar-euro exchange rate.

- Last, with the current invasion of Ukraine leading to Russian sanctions worldwide, Argentine red shrimp lost two markets and major entry ports in Eastern Europe. As the ruble devaluated 75% in March, a large number of containers were rejected by Russia, which imports represented 3% of Argentine red shrimp exports in 2021.

Considering these difficult conditions, the final question for Argentina is about the next best move in the Argentine red shrimp export strategy. Argentina rebounded swiftly after the COVID-19 pandemic and progressed in 2021 out of China. Could North America become a major market destination in 2022, to avoid rising freight costs and elevated currency issues? UB

What a difference a year makes...

By **Janice Schreiber**
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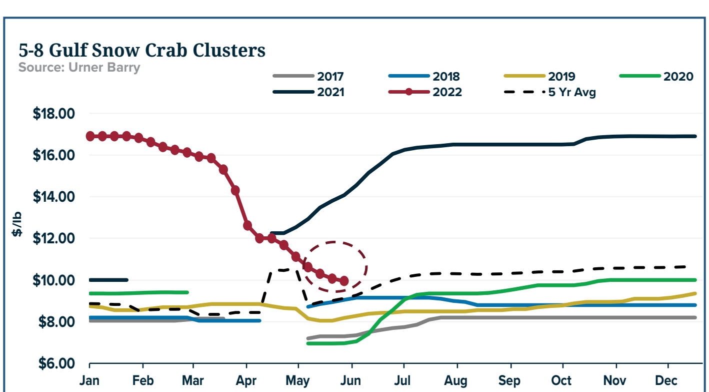
In the second quarter of 2022 the markets have altered quite a bit in a year's time. We see COVID receding in some areas of the country and world, but there are continued supply chain issues, constant talk of inflation and Russia's invasion of Ukraine, which has led to a ban on the importation of Russian goods into the U.S. market.

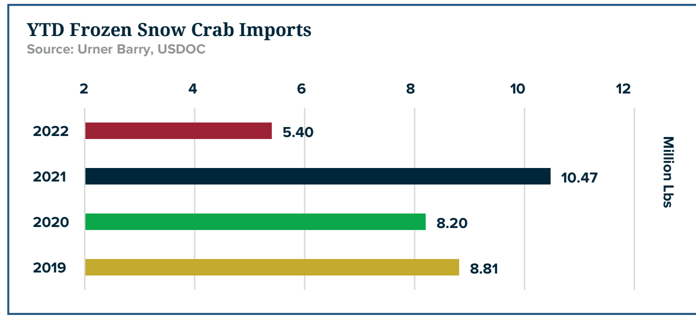
For crab, we have seen major shifts from a year ago. We spoke of the "crustacean craze" in this same issue last year and it looks as though for most crab species, the craze tipped scales out of balance—for some in a large way.

KING CRAB

The hot topic in king crab is the ban of Russian product. Anything landing in the U.S. after June 23, 2022 will not be allowed to be sold in the U.S. market. Aside from smaller domestic production out of Alaska, Russia is the only supplier in the world of red and golden king crab and these sanctions will serve as a major supply shock to the market. Through the first quarter we have seen imports drop 23.2% year-to-date and that decline will most likely continue over the next several months with the war in the Ukraine still ongoing.

Pricing for king crab on most both red and golden sizes have fallen off all-time highs, in addition to 52-week highs, which was a major discussion point last year. Pricing has been flat on most sizes as well as buyers assess their needs. The beginning of the year saw pricing fall as demand regressed. But with Russia's invasion and the subsequent ban on Russian goods, the market has been in a wait-and-see mode over the last several weeks. With some foodservice and retail groups announcing their own bans on the use of Russian product, pricing was initially mixed. However, the market now looks to be unchanged as many participants continue to wait-and-see. King crab imports have the potential to be extremely finite, and buyers look to be weighing that scenario. Most sellers are reported to not be in a rush to move product.





SNOW CRAB

The biggest changes and stories though appear to involve snow crab. In 2021 there was an eager anticipation for the opening of the Canadian snow crab season and for most it could not come soon enough. After a banner year of snow crab sales in 2020, the U.S. buyers were enthusiastic to purchase crab for an apparent starved crab market in 2021. However, in 2022, the appetite for snow crab is fair at best and most would rate it as lackluster. All buying sectors report inventories of previous season crab and as of the back half of May 2022, many buyers still report hand-to-mouth purchases and lack any enthusiasm to take positions. A major contributor to the lack of interest in the market is that pricing continues to push lower each week. 5-8s out of the Gulf remain above the 3-year average whereas 8s have dipped below their 3-year average.

Most market participants report there to be less stability in 5-8s and that 8s and 10s could see market pricing settled at a quicker pace. This scenario could play out due to the lack of larger Russian snow crab that will enter the market in 2022. As discussed within the king crab market, Russian snow crab is also banned after June 23. But unlike the king crab market that looks to be in the wait-and-see mode, Russian snow crab has been significantly weaker this year and continues to see downward pricing pressure as the Canadian market adjusts lower as well.

Out of Russia, through the first quarter of 2022, imports of snow crab are down 57.3%. Like king crab, these lower levels were anticipated due to the ban of Russian seafood. Through the end of the year, even with higher quotas out of Canada, we will see how the total volume of snow crab flushes out. Many market participants report the market could be short on larger crab 8s and 10s, which is the majority of what is harvested out of Russia.

For snow crab, much will come down to larger foodservice and retailer buyers stepping up and starting to take positions. Throughout the winter and early spring many reported that needs were fully met and the appetite for buying crab was nil. Inventories looked to be fully adequate to ample in some cases, far from the starved market that we saw in 2020 and 2021 at the open of the Canadian season. We will watch closely to see how all sides navigate the market landscape the back half of the year. UB

High prices, quotas low

By Lorin Castiglione
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THE DOMESTIC FISHERY

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

According to the NEFMC Council Report, Framework Adjustment 34 to the Atlantic Sea Scallop FMP, which contains catch specifications for the 2022 and 2023 (default) fishing years, has been approved by the National Marine Fisheries Service (NMFS) for implementation, including two trips in Closed Area II Southwest Extension, one trip in the Nantucket Lightship-South, and 24 open area days at-sea. The access area possession limit will be set at 15,000 pounds per trip, where vessels will be allocated a total of 45,000 pounds; 30,000 pounds to be fished in Closed Area II and 15,000 pounds in Nantucket Lightship South.

Due to dense aggregations of smaller sized scallops that take longer to handle and shuck in the Nantucket Lightship South area, Framework 34 will continue to allow a two-person increase in crew limit for this area only.

These allocations are projected to result in landings of about 34 million pounds of scallops in fishing year 2022, a 15% reduction to the 40 million pounds projected for fishing year 2021 and almost half of the 62.5 million pounds projected just three years ago in 2019, and the lowest level since 2014. This drop is due to diminishing harvestable biomass, as well as not enough recruitment in recent years.

SCALLOP TRADE

China is typically the leading supplier of scallops into the United States, however, beginning in 2019 when a 25% tariff was implemented on that specific market, import volume drastically fell, allowing Canada (2019) and Peru (2020) to take on the title. While 2021 saw a shift back to China regaining the top supplier position, volumes from the country were historically lower than average, while product from Canada, Peru, and namely Japan outweighed previous years. China accounted for 22.7% of the 55.4 million pounds of scallops imported into the U.S. in 2021, while Japan accounted for 20.9%, and both Canada and Peru accounting for 14.8%. When comparing 2021 volume to the previous 5-year total average of 43.2 million pounds, 2021 fell 20% below average.

Export activity recorded 7.1 million pounds for 2021, falling year-over-year since 2017 and the lowest volume on record since 1999 reported 5.2 million pounds. Canada remained our largest export destination despite volumes retreating, accounting for roughly 44.8% of the 2021 exports. The Netherlands was the second major export destination with 20.1%.

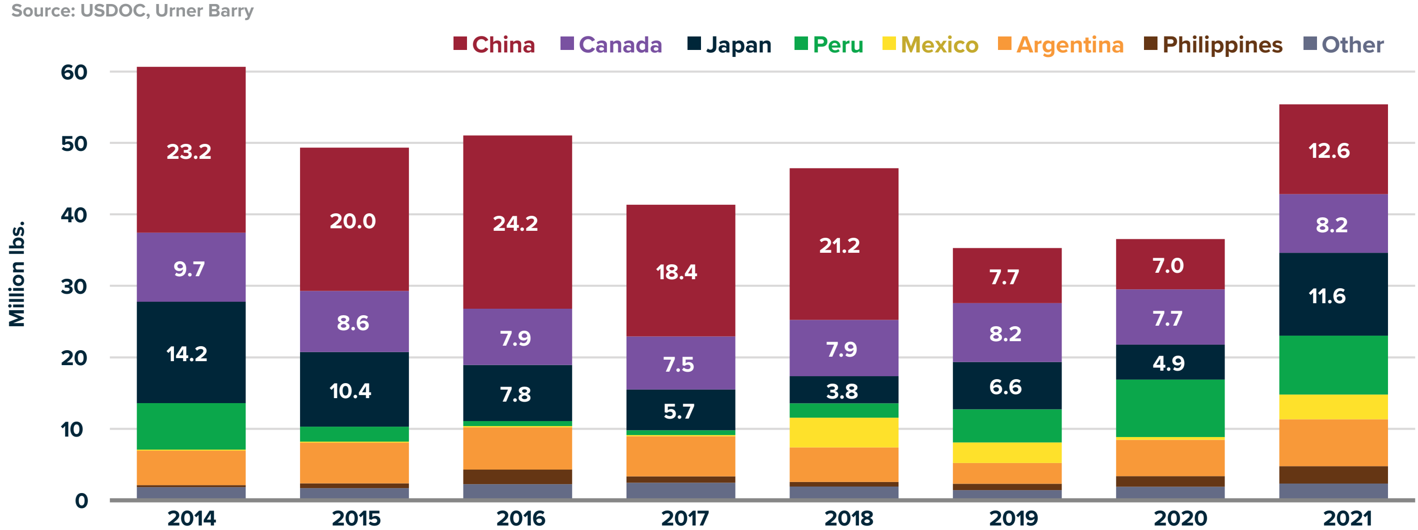
In looking at year-end totals, the U.S. is currently seeing more imports, fewer landings, and a decline in exports compared to 2020. Our net supply calculation suggests an annual total of 89.2 million pounds in 2021 compared to 72.9 million in 2020; a 22.4% increase. The 2021 net supply is the highest on record since 2013 reported 94.4 million pounds.

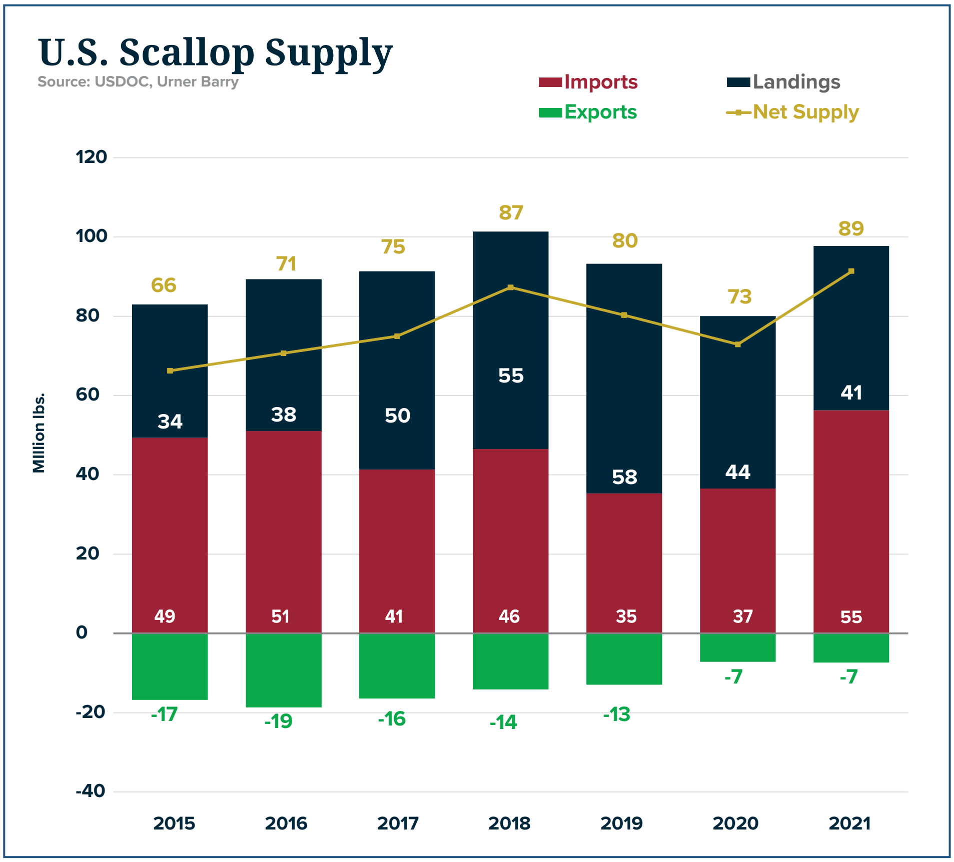
THE MARKETS

The market for U.S. origin Atlantic sea scallops strengthened steadily throughout the entirety of 2021, hitting new 52-week or record highs across all sizes and moisture contents. Demand remained

Yearly Scallop Imports by Country

Source: USDOC, Urner Barry





strong for much of the year. However, pushback at the retail level was noted in Q4 as demand tempered after the holiday season. At that time, fishing efforts waned due to seasonal storms placing more constraints on supply. The focus turned towards imported scallops with consumers substituting domestic product for less expensive, more widely available scallops from Peru and Japan.

The average price paid for an all-natural domestic U10 count sized scallop in 2021 was $27.50/lb., while 10/20 count sized scallops averaged $18.27/lb. Looking ahead with the 2022 quota continuing to retreat, prices are expected to retain a firm undertone.

Canadian scallops continue to demand premiums based on short supply and a moderate demand despite the higher prices, mimicking the trends seen on the domestic front. For 2022, Fisheries and Oceans Canada adjusted the interim offshore quota down 13% from the previous year to 4,505MT. Seasonally, Canadian prices remain firm until the U.S. season begins in April. However, prices remained elevated for much of the year driven by lack of supply on larger size scallops with growing retail demand. The average price paid for a 10/20 count Canadian sea scallop in 2021 was $15.49/lb., $4.31 higher than the 2020 average.

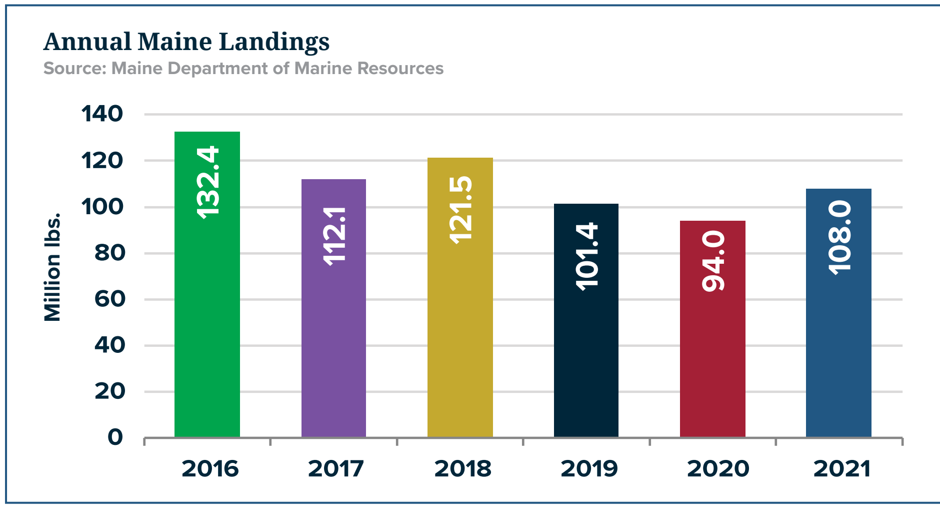
Premiums continued to increase on imported China bay scallops amid the rising freight costs, logistical issues, labor shortages, lack of domestic scallop supply putting more pressure on imported product, as well as increased consumption within China; all supporting strengthening prices. Through the first half of 2022, China bays have remained steady at elevated levels.

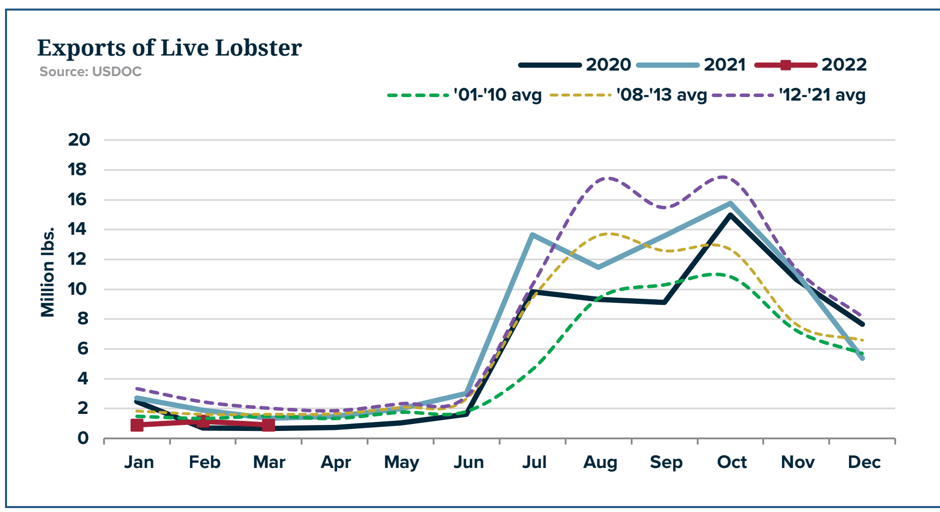
OUTLOOK

The 2022 scallop season is well underway, and the reduced quota puts upwards pressure on the market from the start. However, the uncertainty remains largely on demand and if consumers are willing to continue to pay the premiums that have been burdening the market throughout much of the 2021 season. Despite discounts seen on the market thus far, prices remain above previous years through May. Imported product is poised to play a pivotal role for another year. UB

2021 was a record year...will economic headwinds damper demand?

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





To say the U.S. lobster industry had a good year in 2021 would be an understatement. According to the Maine Department of Marine Resources, the Maine lobster fishery in 2021 recorded its most valuable year in history, landing an incredible $730 million worth of lobster, a 53.76% increase over its 5-year average of $475,147,233. The fishery hauled in 108,889,871 pounds of lobster, 11.23% more than 2020, although it falls short by 3.7% compared to its 5-year average of 113,173,086 million pounds. Demand for lobster products emerged as economies around the world recovered from COVID-19 restrictions amid depleted inventories. Market prices across the complex traded at or near record highs for the better part of 2021 and into the first quarter of 2022. Will the current economic headwinds facing the U.S. economy damper demand...and in turn pricing?

In 2021, the adoption of seafood in the retail sector and the expansion of the frozen market was a driving force in the market. Premiums began to emerge in the first quarter of 2021 as we experienced the unprecedent demand for processed product amid a constrained supply channel. The combination of empty freezers and the insatiable demand for lobster meat and tails flowed unimpeded through the supply chain, leaving processors scrambling to rebuild inventories. Competition for raw material throughout 2021 was pronounced as processors, live buyers and shippers looked to secure product, keeping acquisition pricing and market prices firm.

In 2021 U.S. imports of live lobster from Canada recorded 47.8 million pounds, a slight 3.78% increase year-over-year. However, it must be noted that 2020 imports were the lowest import volume recorded since 2008, with 2021 recording the seconded lowest import volume. Meanwhile, Canadian imports of frozen lobster product surged as demand favored value added products over live; in-shell, which include tails and whole cooked, were up 47.1% year-over-year. Meat and prepared exploded with imports up 68% and 108.5% respectively.

Exports of live lobster for the year were up 21.2% year-over-year, largely the result of shipping 13.7 million more pounds year-over-year to Canada. The majority is used for further processing into tails, meats, and other products. Live exports to China declined 17.4% for the year. The supply constraints on the preferred larger size lobster, push back on high prices, as well as logistical issues, all hampered exports.

Historically, live demand would dictate the shore or boat price paid to fishermen and subsequently the market price. However, the unabated demand for meat and tails had processors setting the tone of the market. As market prices continued to firm due to limited supply, demand for live product began to diminish. The uncertainty of holding an expensive, time sensitive product reduced volume sales for many sellers. China, a large consumer of live product, had numerous lockdowns throughout the year, curtailing trade. In addition, many supermarkets passed on featuring lobster in retail specials as price weariness began to set in. Live buyers have been cautious in their purchases, working on slim margins, and holding just enough inventory to satisfy customers as they look for volume landings and price relief from the Canadian spring season.

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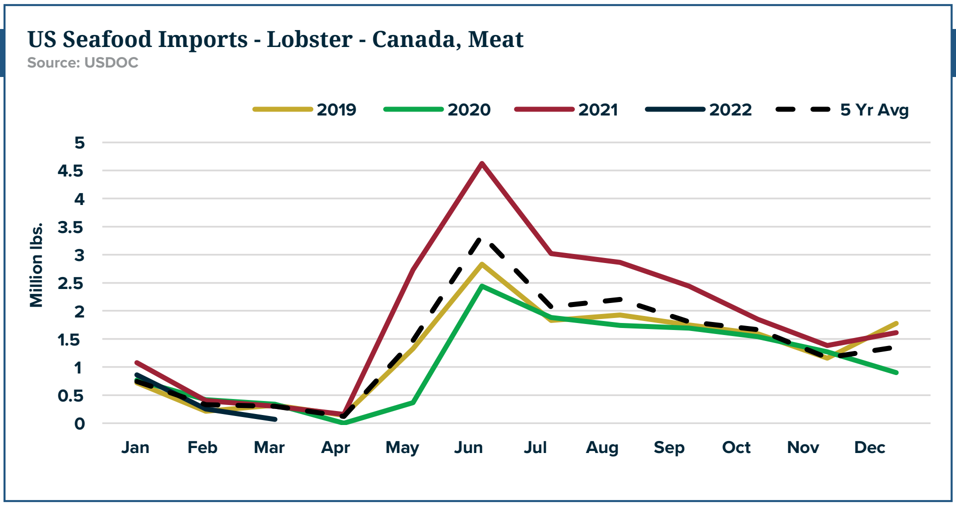
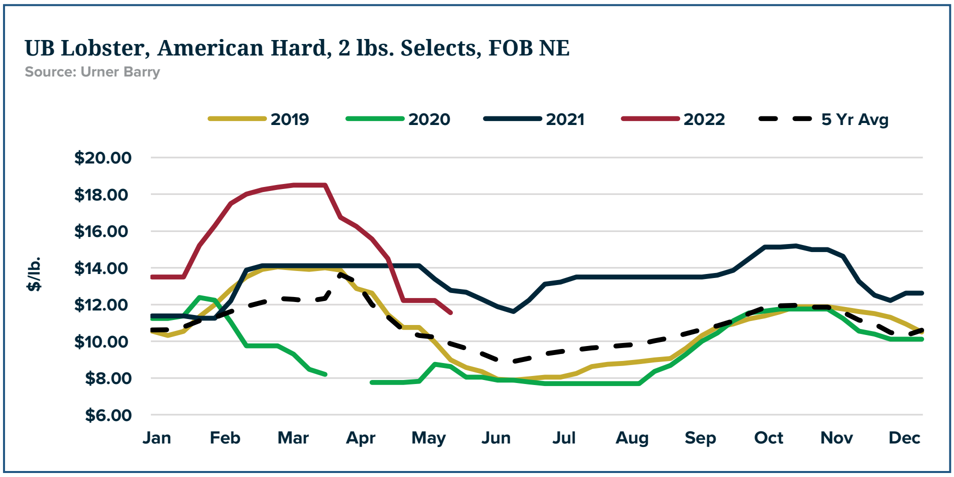




Live market prices moved largely in seasonal form, but at substantially higher premiums compared to 2021 and 5-year average levels.

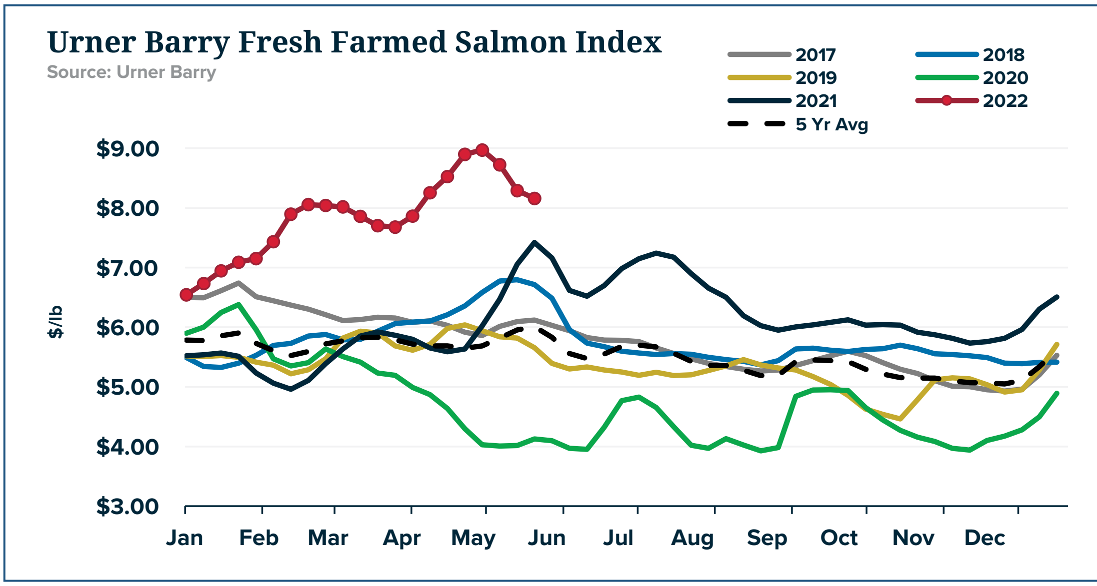
As we go to print on this issue, the Canadian spring fishing season is in force with the majority of all fishing areas open. Acquisition and market prices have retreated as more supply enters the market. However, the economic environment this spring is decidedly different compared to last year. The pent-up demand for travel, excess savings, and government money that we saw in 2021, has evaporated. Inflationary pressures are mounting in the form of rising fuel, food costs and interest rates. Although current frozen inventories are reported to be fair, processors are cautious in acquiring high priced lobster—understanding that consumers may not have the same funds nor desire to purchase the same product they did just a year ago. Record gas prices across the country may jeopardize summer travel, which in turn may curb restaurant traffic. The Maine fishing season is in full force by June. That much desired lobster roll may be affordable after all this summer. UB

Record high pricing for salmon

By **Janice Schreiber** | janice@urnerbarry.com
Joshua Bickert | jbickert@urnerbarry.com

As the farmed salmon market heads into the summer, the landscape of the market is the same but different. Typically, we speak about seasonal summer slowdowns, which in previous years has been a more gradual decline. But the pace at which we reach that slowdown, if there in fact is one, may be at a much quicker pace.

Starting at the end of March the fresh farmed salmon complex truly took off on its meteoric rise. On May 2, 2022 the complex was at $8.97 compared to a previous all-time high on May 24, 2021 of $7.42, for an increase of 21% in just under a year.



"When looking at the 5-year average, [the salmon index] is currently 2% lower from the end of May into the first week of June."

Many market participants along the entirety of the supply chain felt at that time that these prices could not be sustained. Shortly after Mother's Day, in line with when the market typically starts to see a slowdown, we saw that the index dropped 6.8%. At the time of this writing the market continues to look barely steady to weak in some areas of the farmed salmon complex.

From a historical perspective, around the Memorial Day holiday the farmed salmon market traditionally sees a seasonal dip; starting what many call the summer doldrums. Outside of 2020, the index usually drops at the end of May. When looking at the 5-year average, it is currently 2% lower from the end of May into the first week of June.

FRESH WHOLE FISH

When we look at fresh whole fish imported into the United States in the first quarter the first thing that jumps out is the increase out of both Norway and Iceland on the year-over-year trend. Iceland went up 44% and Norway had an increase of 147%. Overall Q1 fresh whole fish is 3.5% lower, with Norway filling in much of the market share of Scotland, which fell almost 70%. Both Chile and Canada fell by around 10% for each origin.

The situation for the fall off for those countries can be attributed to a lack of supply out of Scotland ranging back to November 2021 until about February 2022. Chilean product reported a more vigorous demand from competing countries, with Brazil being the main rival.

Norway and the Faroe Islands could contribute to the significant increase into the U.S., possibly due to difficulty with logistics into Asia amidst the Russia-Ukraine war.

The United States became a more appealing destination for that fish opposed to the challenges with logistics into the previously mentioned areas.

FRESH FILLETS

On the fresh fillet side for farmed salmon, for the first time since 2017, imports year-to-date are under the previous year and are lagging 1.6%. The leader in the category, Chile, which holds a 73% market share, is currently seeing an 8.1% decrease in year-to-date numbers through March 2022. Norway, which holds a 14% market share for fresh salmon fillets, is seeing higher imports through the first quarter, up 9.7%.

When looking at the breakdown of fresh fillets, we also notice that as Chilean fresh fillet volumes trend lower, European and Canadian fresh fillet imports combined are growing. Imports of these origins are up 20.6%.

Continued on page 46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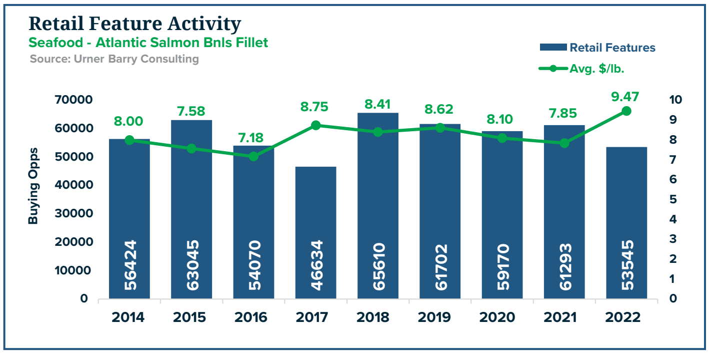

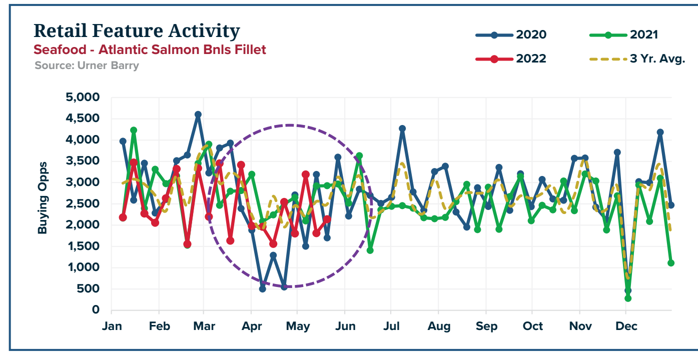

RETAIL

When looking at retail, we see average retail pricing year-to-date much higher than previous years. 2022 currently is at the highest average retail price since 2014 and is 21% higher than the same time last year. Current average retail pricing has been tracking significantly over the three and five-year averages and is 23.3% higher as of this writing.

Taking a closer look at retail features, or the number of buying opportunities at retail, we observe features oscillating around the three-year average for fresh fillets. It appears, although pricing is much higher than previous years, that retailers continue to feature salmon but at a much lower level than previous years. Year-to-date buying opportunities are down 13%.

Looking ahead to summer, we will continue to watch how supplies will pair with what is typically a more modest demand period for farmed salmon.

WILD SALMON

The wild season in 2021 had a projection of 190,135 pounds and the actual harvest was 233,849; 123% realized over the projected. Overall, the total number of fish caught was up. However, average weight was down, tempering optimism. Higher prices and higher volumes ultimately helped raise total ex-vessel pricing by about 78% year-over-year,

With Copper River underway, market participants look forward to a successful wild salmon season. UB

Wild Alaska pollock at war

By **Lorin Castiglione**
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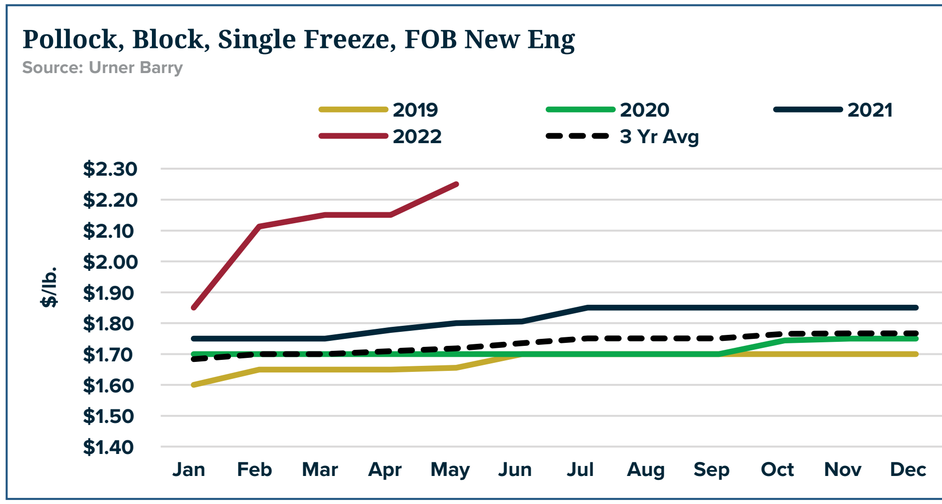
While the pollock industry closely monitors the Russian invasion of Ukraine, impacts of the war continue to mount for the pollock market through the first half of 2022. Unrelenting upwards pressure from supply constraints being carried over from seasons past, as well as a quota reduction of 19% for the new 2022 season, coupled with demand remaining unphased by the premiums seen within the current market, is the baseline undertone before throwing in war-related obstacles.

Product bans, canceled carriers and cargo insurance, increased sanctions, restricted banking systems, consumer opposition to Russian product, as well as transit interruptions along the various stages of shipment, are just a few of the challenges facing the market, outside of any human element of an industry experiencing the crisis through business partners or family members living it.

Industry players have struggled with trying to identify their incoming or outgoing order status, dependent upon their industry role, working to gain as much knowledge of their moving parts to reassess and once again, be forced to pivot their initial familiar gameplan to fulfill and secure orders.

The 2022 Bering Sea Alaska pollock fishery in the U.S. is slated to land 2.4 billion pounds of pollock. The primary source for Russian pollock, the Sea of Okhotsk, is set at just over 2.1 billion pounds. Historically, China was Russia's leading export destination, but in 2021 that changed to South Korea amid obstacles stemming from the pandemic leading to a decrease of seafood exports to the country. In turn, focus on domestic consumption within Russia of their own pollock products has increased.

Similarly in the U.S., the Republic of Korea also claimed the top export destination for U.S. pollock from the Netherlands in 2020. Japan has held the top spot in previous years.



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As more sanctions are put in place and uncertainty mounts, reports of Russian suppliers offloading product at a rapid pace have been noted, along with discounts to entice buyers. If the situation escalates and twice frozen Russian product becomes banned, the record pricing on U.S. product seen currently will continue to set records, leaps and bounds from the wholesale price value the industry was once accustomed to.

As of the end of May, single frozen, double frozen, and reprocessed blocks boast record wholesale pricing. Single frozen Alaska pollock PBO blocks average $2.30 per pound, while 2-4 ounce single frozen fillets average $3.70 per pound, demanding higher premiums for larger sizes.

Looking ahead, as pollock has a presence in retail and the rapidly recovering foodservice sectors, as well as in our schools and institutions, demand is poised to remain active. With Russian product off the table, this places more focus and upwards pressure on U.S. product. UB

Despite strong imports, demand outpaced supply in 2021

By **Liz Cuozzo**
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It has been well documented that consumer demand for proteins surged in 2021 as economies recovered from the pandemic. Foodservice made a roaring comeback, while seafood items fared extremely well in the retail sector. The lack of frozen inventories across the seafood complex, coupled with an active demand, was price supportive for both the frozen mahi and tuna markets.

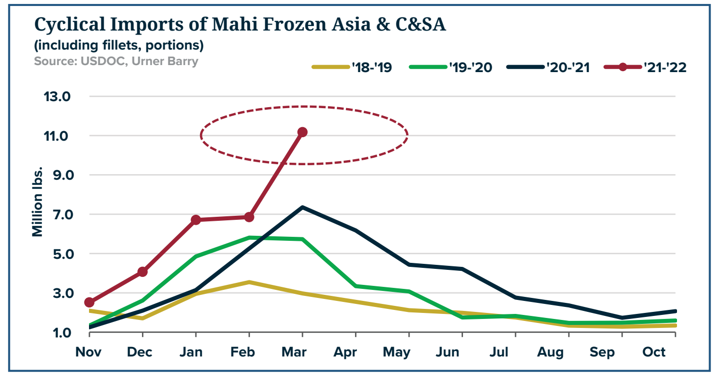
MAHI IMPORTS

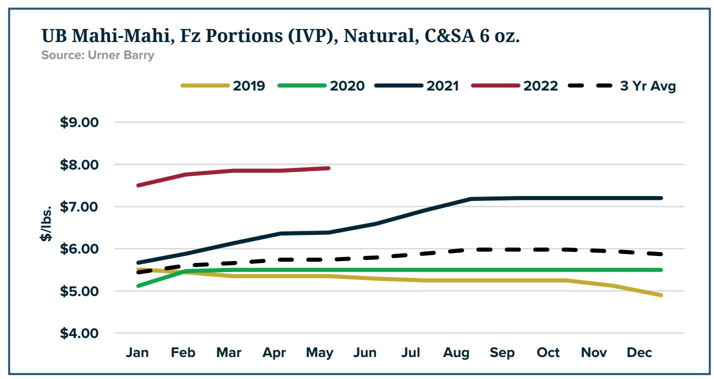
The majority of frozen mahi products originate in C&SA, with Peru and Ecuador currently representing 77% of the market share. C&SA imports for the 2020-2021 season (October 2020-September 2021) registered 29.1 million pounds; a 25.7% increase over the previous season. Although total frozen mahi imports from all countries per season recorded 42.4 million pounds, a 22.54% increase year-over-year, product moved quickly through the supply chain, leaving inventories heading into the new 2021-2022 fishing season short. As the new fishing season in C&SA got underway in October 2021, importers were aggressive to secure product to re-build meaningful inventories and meet future commitments. Imports year-to-date (October 2021-March 2022) from C&SA stand at 26.6 million pounds, an 83.45% increase over the same period last season. Ecuador shipped 9.09 million pounds while Peru shipped 14.2 million pounds; 86.85% more year-over-year and 4.41% more than the record producing 2017-2018 season.

MAHI PRICING

Despite the increase in volume imports, frozen mahi market prices firmed throughout 2021. In fact, the frozen mahi complex is currently trading at their 52 -week highs with prices for C&SA 6 oz. portions trading at an average price of $7.91; 24.12% higher than this time last year and 14.01% higher than their five-year average of $6.94. Interest from both the retail and foodservice markets have product holders in the U.S. maintaining high offering levels as we move into the seasonally strong summer demand months.

Imports will continue to arrive from C&SA, as well as Asian countries, with the Taiwanese fishing season underway. Early reports from Taiwan indicate that they are off to a slow start with high replacement costs noted. The logistical disruptions such as container shortages, rising freight, cold storage, and fuel costs that plagued the marketplace in 2021 continue to this day. Frozen market prices will remain firm, especially if imports from April through October trend significantly lower.





> **"...as the container shortage escalated and freight costs continued to rise, costs were eventually passed on to the importer."**

TUNA IMPORTS

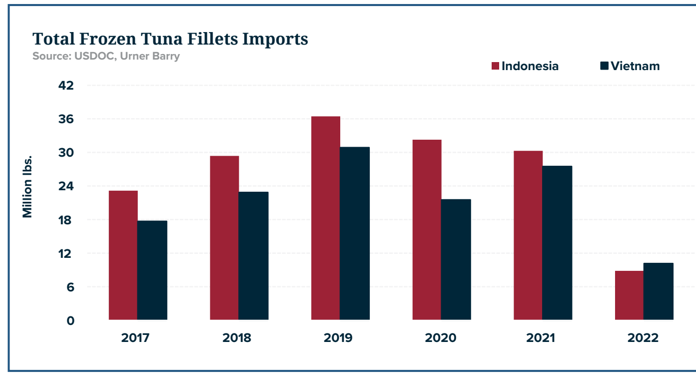
The popularity and versatility of frozen tuna products, especially saku and poke cubes, have been the catalyst for consistently strong import numbers. Frozen tuna fillet imports from all countries peaked in 2019, registering a record 90 million pounds with 2021 recording the second highest import volume of 81 million pounds; a 10.6% increase year-over-year. Current year-to-date imports (January-March 2022) stand at 26.19 million pounds; 41.34% more than this time last year. Breaking down the market share, Indonesia was the top producer in 2021, shipping 30.3 million pounds. However, it was 6.2% less than 2020 and the third year in a row that imports fell short than the previous year. Meanwhile, Vietnam shipped 27.5 million pounds in 2021, 27.7% more than 2020 with current year-to-date imports (January-March 2022) outperforming Q1 2021 by 105.5%.

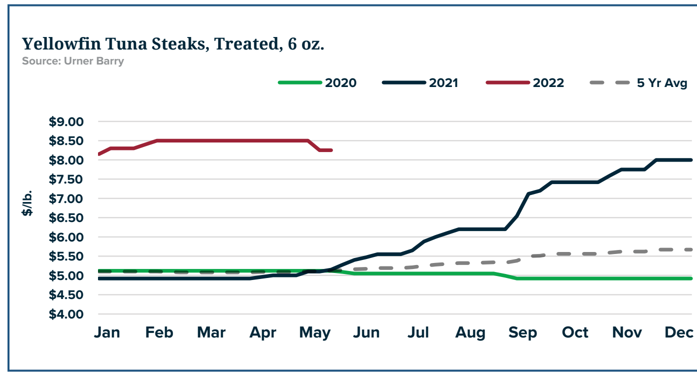
TUNA PRICING

Overseas replacement costs increased in the second half of 2021 as production and logistical issues in the producing countries continued to mount. Some packers were able to absorb these costs in a bid to keep product moving and prices stable. However, as the container shortage escalated and freight costs continued to rise, costs were eventually passed on to the importer. Competition for raw material was heightened as spikes in COVID cases impacted fishing operations and already reduced labor pools. Filling an empty pipeline became a challenge as demand from foodservice was unwavering. The frozen tuna market in the U.S. firmed in Q2 2021 amid short inventories and an active demand. Market prices for both frozen tuna loins (5-8lbs.) and steaks (6 oz.) finished the year well above their five-year averages by 42.34% and 40.4% respectively.

OUTLOOK

Summertime is when seasonal demand for mahi and tuna products peak. But price weariness by consumers may be setting in as inflationary pressures in the U.S. are currently building in the form of rising food, fuel, and interest rates. Foodservice demand may slow as consumers adapt their buying behavior in light of the higher costs of living. Time will tell if robust import volumes will weigh on historically high prices. UB





New market disruptors create volatility for tilapia and pangasius

By **Lorin Castiglione**
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Tilapia and pangasius, both widely recognized as value finfish, have incurred record pricing well above previous years due to a multitude of factors imposed on the markets during, yet another, pandemic year. Typically, tilapia import volume largely outweighs that of pangasius. However, as new disruptors enter the market, trend reversals are reported more often, setting course for possibly a new normal.

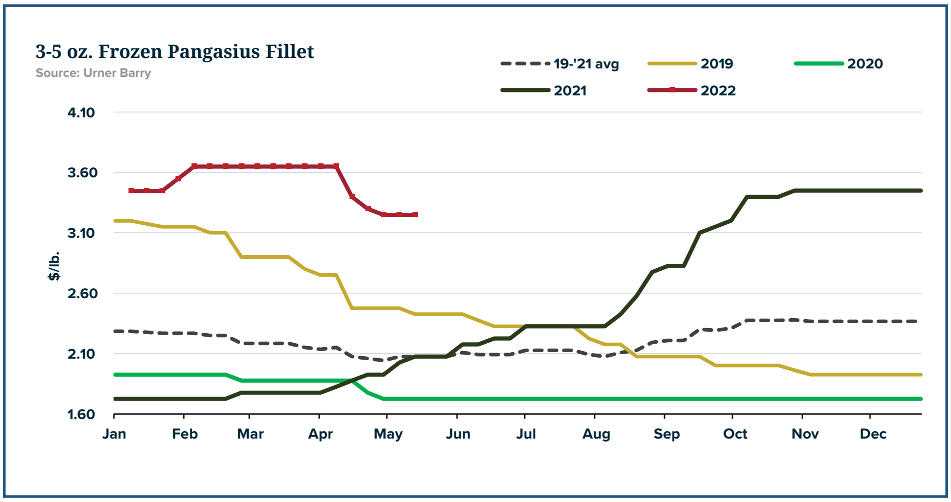
PANGASIUS

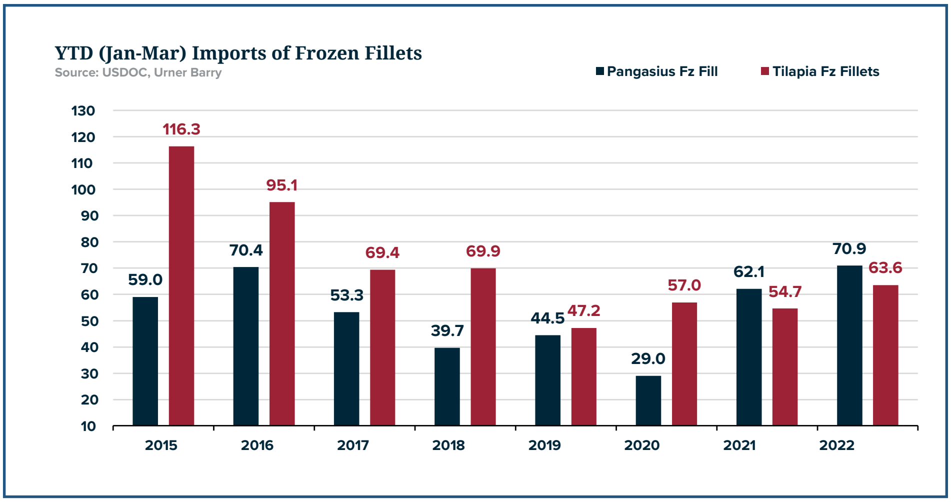
Back in 2018, when pangasius originally hit record pricing well above any level the industry was accustomed to, no one would have believed that the market would be in for another anomaly, peaking even higher than what was reported just four years ago.

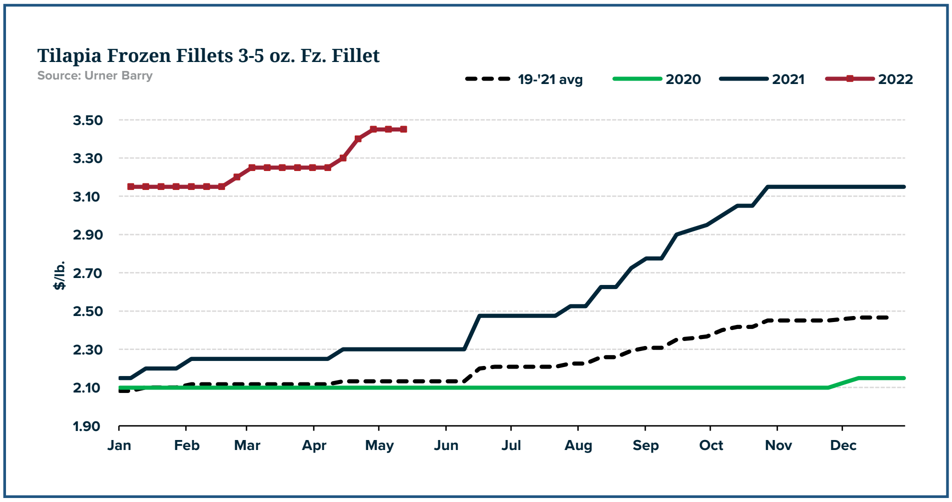
In 2018, premiums within the market were a result of government regulation switching from the FDA to the FSIS within the USDA. Hefty administrative fees, along with new and in-depth inspection processes, resulted in lengthy delays and soaring replacement costs, all while demand remained active.

Four years and a pandemic later and the market found itself reaching new record level wholesale pricing. Production efforts were curtailed due to labor shortages in the producing country, while increased freight and feed costs, mounting logistical issues and increased consumption within China, resulted in elevated replacement costs leading into the 2022 Lenten season.

However, soon thereafter production efforts improved. This allowed for multiple incoming shipments in succession into the U.S., sharply increasing inventory positions at a time when seafood demand seasonally falls following the Lenten season, with reports of consumers already pushing back on the long-lived premiums imposed on the market.







"...the struggles throughout the supply chain, due in part by labor shortages, logistical issues, and increasing freight and feed costs have allowed wholesale prices to rise to new record highs..."

As of the end of May 2022, wholesale prices for a 5-7 ounce sized fillet were averaging $3.25 per pound, which is $1.17 higher than a year ago, or $0.50 lower than the record high of $3.75 per pound quoted on April 4, 2022.

2021 import volume increased by 108.8 million pounds from the previous pandemic year. On a year-to-date basis, 2022 volumes thus far are the highest on record, nodding to the production efforts catching up on backorders.

TILAPIA

Throughout the height of the pandemic, the tilapia market remained steadfast with wholesale costs largely unchanged and import volume unaffected due to the timing of the latest harvest cycle coming to an end as China was shutting down in the first quarter of 2020. This allowed the U.S. supply of frozen tilapia fillets to be intact for the following months. In 2021, however, the struggles throughout the supply chain, due in part by labor shortages, logistical issues, and increasing freight and feed costs, have allowed wholesale prices to rise to new record highs, while demand remained active on both the retail and fast casual dining fronts. This bullish tone has continued into the first half of 2022.

As of the middle of May 2022, frozen tilapia fillets from China have seen an average increase of $1.49 per pound since 2018; or a $1.40 per pound increase from November 2020 when reports of increased freight were just starting to circulate.

Demand trends are beginning to range from moderate down to fair as consumers push back on the record high premiums, noting the retail sector has long stopped promotions for the once "value" finfish.

2021 import volume retreated by 16.3 million pounds from the previous year. Compared to the previous 5-year average of 258.2 million pounds, 2021 falls 7.2% below average. On a year-to-date basis, however, 2022 volumes thus far are the highest on record since 2018.

OUTLOOK

The age-old saying goes "high prices cure high prices." In previous years when the markets reached record pricing, the industry saw fallen demand as opposed to consumers accepting the premium prices as the new normal. As we head into summer, a time when demand seasonally picks up on both the foodservice and retail sectors, the question remains if the uptick will reverse any softening tilapia or pangasius saw in the second quarter—especially when freight and logistical issues remain a pain point. UB

Heading in a new direction...

Automation in the trucking industry ramps up as supply chain issues linger

The supply chain front is as perplexing as ever. One moment the logjams are improving, but then the next there is an exorbitant number of ships idling once again outside the Port of Los Angeles. Even as this situation persists in the supply chain, the show must go on for the trucking industry. And that is apparent when talking about Highly Automated Vehicles (HAVs).

Many manufacturers are now offering systems that feature capabilities that generally fall within the first three of the five levels of autonomy defined by the Society of Automotive Engineering (SAE), which range from Level 0 (no driving automation) to Level 5 (full self-driving capabilities under all conditions).

HAVs are gaining traction as the truck driver shortage continues. According to the U.S. Bureau of Labor Statistics, preliminary figures for the trucking industry show that the number of workers decreased from 1,555,700 in February 2022 to 1,550,800 in March 2022.

However, there are plans to incentivize new drivers. Proposed legislation in Congress calls for the Strengthening Supply Chains Through Truck Driver Incentives Act, which would create tax credits for truck drivers in an effort to retain drivers and entice new recruits. The proposal would create two refundable tax credits—one up to $10,000 for new drivers or apprentices, and one up to $7,500 for drivers with a valid Class A commercial driver's license who drive at least 1,900 hours in a year. Both credits would last through 2023.

And while there is a strong push to get drivers to join the ranks, there is also major interest in autonomous vehicles. Many are of the opinion that Level 4-capable autonomous long-haul trucks will likely be a driving force in the years ahead. Level 4 vehicles are fully responsible for driving tasks within limited-service areas, while people act only as passengers.

Many states only allow a limited number of "self-driving" vehicles to conduct testing, research, and pilot programs on public streets. The National Highway Traffic Safety Administration (NHTSA) and US Department of Transportation (DOT) oversee the safe testing, development and deployment of these systems. Testing and commercial deployment of

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HAVs are currently being advanced in 39 states, including Arizona, California, Florida, and Iowa.

According to a recent Pittsburgh-based study, the prediction is that the HAV sector will grow to an over $1 trillion global market by the end of the decade. An estimated 5,000 new jobs would be created and it would make a $10 billion impact for Southwestern Pennsylvania alone if it captures only 1% of that global market growth.

Experts believe that full autonomy is likely going to be deployed first on commercial vehicles, including autonomous trucks. Many believe widespread adoption of autonomous driving is still likely years away from becoming a reality, largely due to the challenges with advanced technology including accurate sensors, cameras and computer systems.

Another major consideration is cybersecurity, which the DOT and automotive companies are working to address for safe deployment. In addition, unions rather have less automation at ports and other areas in the driving world as job security could ultimately be an issue. For instance, the Ports of New York-New Jersey and Virginia already have semi-autonomous marine terminals, but the ILA (International Longshoremen's Association) recently negotiated for stronger protections against further automation in its current collective bargaining agreement. UB

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"...the prediction is that the HAV sector will grow to an over $1 trillion global market by the end of the decade."

How have consumers coped with increased protein prices?

Over the last couple of years our economy has dealt with a series of unfortunate events, beginning with the pandemic up until the Russia-Ukraine conflict. As a result, production and trade were crippled. Producers continued to deal with shocks to the market while trying to satisfy strong consumer demand, causing prices for many goods and services to rise. The year-over-year consumer price index (CPI), a measurement used to examine the change in prices for consumers over time, averaged 8.1% within the first five months of 2022. The core CPI, excluding energy and food, averaged 6.2% during the same timeframe.

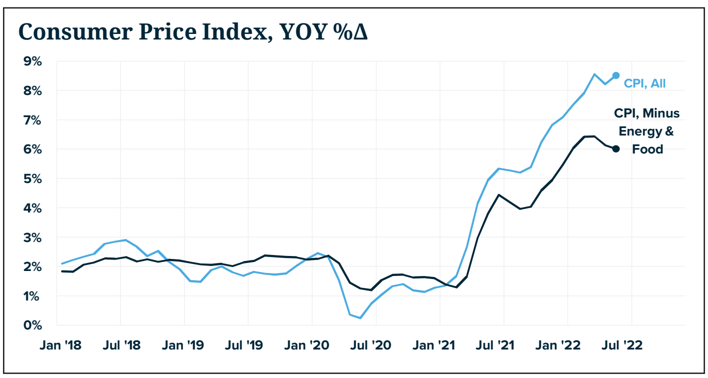

Figure 1. Consumer Price Indexes, Year-over-Year Percentage Change. Source: BLS, UB Consulting, index 1982-1984=100, seasonally adjusted, year-over-year percentage change.

The COVID-era forced consumers to shift food expenditures from foodservice to retail. As a result, foodservice sales decreased approximately 16% in 2020 from 2019. With increased demand and a relatively fixed to lower supply, prices increased, especially in retail.

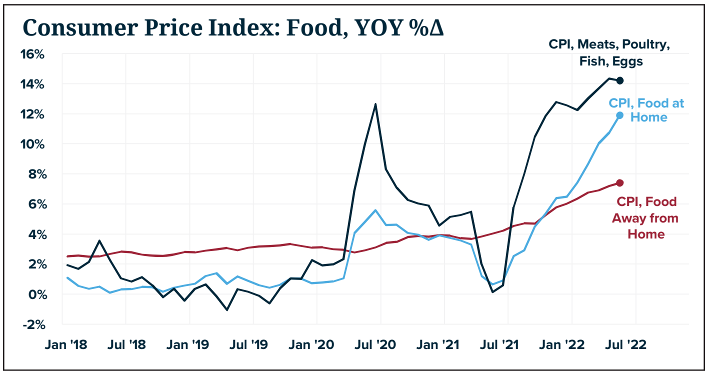

Figure 2. Consumer Price Indexes: Food, Year-over-Year Percentage Change. Source: BLS, UB Consulting, index 1982-1984=100, seasonally adjusted, year-over-year percentage change.

From January 2022 through May 2022, the food CPI exhibited rates our economy had not seen in decades. Within the first five months of 2022, the average year-over-year food away from home and food at home CPI were 6.9% and 9.8%. The year-over-year average CPI concerning meats, poultry, fish, and eggs from January 2022 through May 2022 was 13.5%.

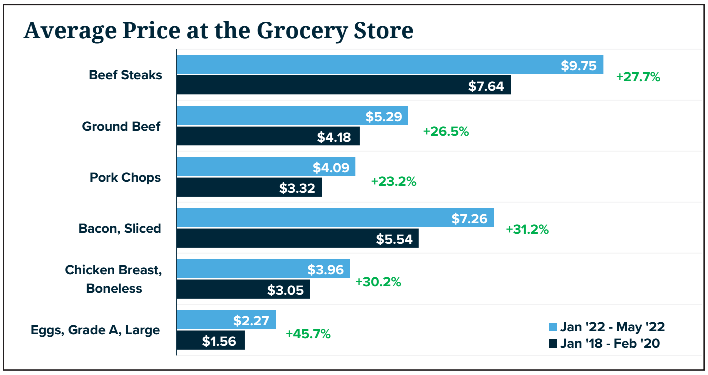

Figure 3. Average Prices at the Grocery Store, Comparison from Pre-pandemic to Early part of 2022. Source: USDA, UB Consulting.

Consumers witnessed these price increases at the grocery store firsthand, mainly when focused on their protein purchases. From January 2018 to February 2020, beef steaks and ground beef averaged $7.64 per pound and $4.18 per pound. The average retail price for beef steaks and ground beef from January 2022 to May 2022 was $9.75 per pound and $5.29 per pound, an increase of 27.7% and 26.5% compared to their pre-pandemic averages.

Pork prices showed similar comparisons in terms of price increases. Before the pandemic, the average price of pork chops and sliced bacon were $3.32 per pound and $5.54 per pound. From January 2022 to May 2022, average prices increased by 23.2% and 31.2% for pork chops and bacon, to $4.09 per pound and $7.26 per pound.

Considered consumer staples, chicken and egg prices were not immune to price hikes either. The average price of boneless chicken breasts from January 2022 to May 2022 was $3.96 per pound, increasing approximately 30.2% from its pre-pandemic average. Concerning eggs, the average price of a dozen large white eggs was $1.56 before the pandemic. From January 2022 to May 2022, the average price was $2.27 per dozen, roughly 45.7% higher.

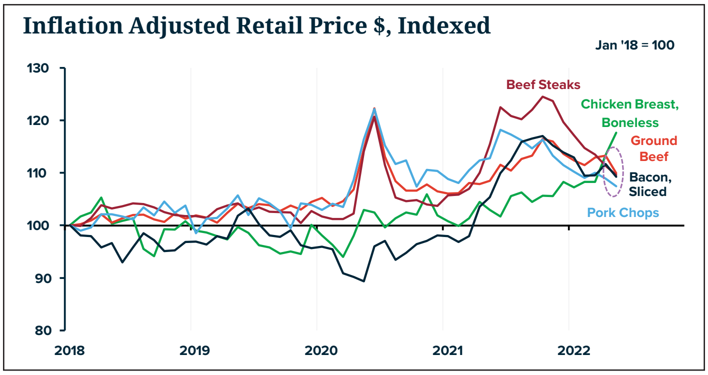

Figure 4. Inflation-Adjusted Retail Price, Indexed. Source: USDA, UB Consulting, index 2018=100.

In real terms, or when adjusting these items for inflation using 2018 dollars, average prices during the first five months of 2022 were approximately 13.1% above their pre-pandemic levels. Although real prices appeared to be correcting downward for some items in the early part of 2022, prices still hovered at or near all-time seasonal highs.

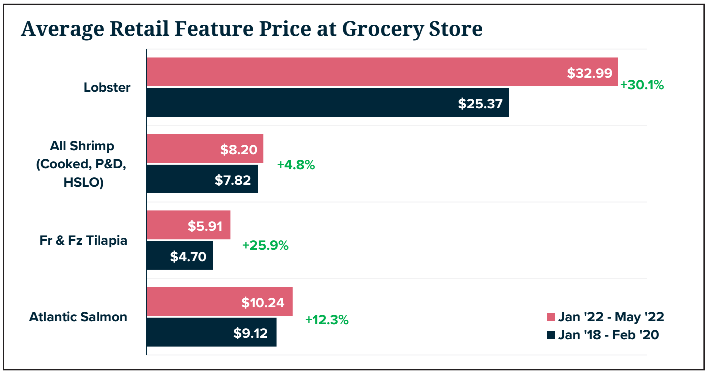

Figure 5. Average Retail Feature Prices at the Grocery Store, Comparison from Pre-pandemic to Early part of 2022. Source: UB Consulting.

> **"With increased demand and a relatively fixed to lower supply, prices increased, especially in retail."**

With respect to seafood, average retail feature price data shows similar findings to red meat, pork, and chicken for premium and value seafood options for the consumer. Premium items such as lobster increased approximately 30.1% from averaging $25.37 per pound from January 2018 through February 2020 to $32.99 per pound during the first five months of 2022. Value-priced items like frozen and fresh tilapia increased 25.9% from the pre-pandemic to $5.91 per pound. On the other hand, mainstream seafood items like Atlantic salmon and shrimp told a different story during the early part of 2022. Atlantic salmon increased 12.3% from $9.12 per pound prior to the pandemic to $10.24 per pound during the beginning of 2022. Meanwhile, shrimp increased at a much slower rate averaging $7.82 per pound from January 2018 through February 2020 to $8.20 from January 2022 through May 2022.

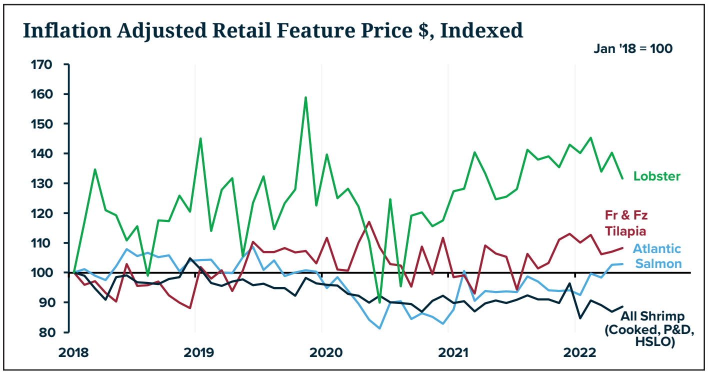

Figure 6. Inflation-Adjusted Retail Feature Price, Indexed. Source: UB Consulting, index 2018=100.

When adjusted for inflation, premium and value-priced items increased 10.9% from the pre-pandemic to the beginning of 2022. Real Atlantic salmon and shrimp retail feature prices decreased during the same time frame by 6.1%. However, consumers rarely think in real terms. As stated before, nominal prices have increased during the first five months of 2022. Data suggests that in the early part of 2022, many consumers were still willing and able to take on these price hikes. Overall, income grew during the pandemic, with savings rates and deposits increasing. We can assume that as inflation grew more aggressively in the early part of 2022, certain income classes, presumably lower-income families, were affected differently and had to make tougher decisions on their protein intake when shopping at the grocery store.

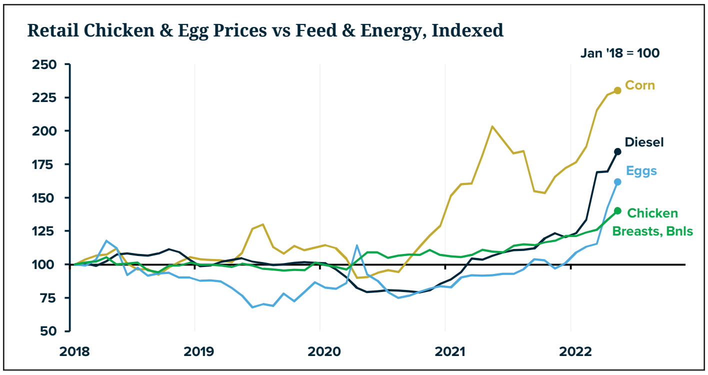

Figure 7. Retail Chicken & Egg vs Feed & Energy, Indexed. Source: EIA, USDA, UB Consulting, index 2018=100.

However, the data on this assumption is unclear. Typically, when consumers are in a pinch, they are more likely to revert to inferior goods, and in the world of proteins, this would mean consumers shifting away from higher-priced items. But during the early part of 2022, lower-priced items, like chicken and eggs, faced a variety of different issues all at once; from highly pathogenic avian influenza (HPAI), increased energy prices, high feed prices, and inflation at both the producer & consumer levels, to name a few. Therefore, it is challenging to confidently state that the rise in prices for these consumer staples was mainly caused by the shift away from higher-priced proteins due to inflation.

In all, food prices will always be carefully examined. Although food is something we cannot live without, grocery expenditures are a relatively small portion of consumers' income. A true illustration of the market seems to be blurred during this time due to the many outside factors affecting the market; from the increasing odds of recession caused by inflation to improvements along the supply chain, price corrections in grains, and energy caused by the Russia-Ukraine conflict. Prices during this time were sure to rise, as sustained increased costs at the producer level would typically be passed onto the consumer over time. In theory, increased price levels should have consumers double thinking about their purchases. Yet, regarding the first five months of 2022, it is still unclear whether these increases had that effect. This may not be a question of if but when. UB

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Fastballs to fast casual restaurants…

Former MLB pitcher Todd Stottlemyre DIVES INTO POKE CONCEPT

For World Series champion Todd Stottlemyre, entering the foodservice industry wasn't something he was interested in.

Stottlemyre heard the war stories of former athletes getting into the foodservice industry and how some of those ventures didn't have a storybook ending.

However, he was convinced to take a lunch and check out a restaurant concept.

"I thought at least I'll get a meal out of it," he said frankly.

Stottlemyre's business partner made the right pick. Stottlemyre's favorite food is poke. After chatting with the owner of the poke restaurant, Todd had one goal in mind.

"I want to take it to the nation."

Quickly, his hesitation about entering the restaurant segment has turned into a passion. Stottlemyre's focus on healthy eating and family ties to the business sees the former Major Leaguer working day-in and day-out on a poke concept.

Over three years later, Koibito has multiple locations in Arizona, a pair of locations set to open in St. Louis, one under construction in North Carolina and the company moved to land a 300-store sales agreement across eight states in the next five years.

When Stottlemyre, the CEO and co-founder of the business, initially decided to get involved in the concept, he noted how he had increased his focus on health, fitness and longevity after losing multiple family members to cancer during his life.

Stottlemyre discussed the death of his father, fellow Major League pitcher Mel Stottlemyre to cancer in 2019 and the loss of his younger brother to cancer when he was in his teens.

Stottlemyre felt strongly about how Koibito could be a means to spread the importance of raw, fresh ingredients with his community

"Let's help the nation get healthier, let's feed them what they need to be fed. It can be grab and go, it can be delivery and it can be dine in. We can create an environment and atmosphere where we can fit you."

Koibito aims to please multiple lifestyles and eating habits. Customers on the go can order online or opt for delivery and the create-your-own bowl style can fit the needs of a variety of diets as those looking for omega-3s from seafood can include tuna or salmon in their bowls.

KOIBITO® POKE FRESH EATERY

The impact of family doesn't end there for Koibito. Stottlemyre's 20-year-old daughter is currently the vice president of operations for the company, overseeing four stores. According to Stottlemyre, she has passed him right by.

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CEO of Koibito Poke, Todd Stottlemyre. Photos provided by Koibito Poke.

"Like I grabbed the sport of baseball, she grabbed the sport of business, and I couldn't be more proud of her."

Stottlemyre said Koibito aims to hit some aggressive goals in the coming years. He explained the concept has garnered interest from some serious players in the franchising sector and there are several regions the company is looking to expand too, including Texas, Idaho and Florida.

"Up to this point, we haven't moved fast, we've been very methodical," Stottlemyre said. "I don't want to build a flash in the pan, I want to build something that lasts."

The key to reaching those goals will be adding the right people, according to Stottlemyre. He put it simply, "you can ruin a great business plan with the wrong people but you can take an average business plan with great people and have success."

"The difference between winning and losing championships always depends on the people wearing those uniforms."

Stottlemyre would know. He won a pair of World Series titles with the Toronto Blue Jays in 1992 and 1993.

For Stottlemyre, he hopes his current business can come full circle with his baseball career with Koibito expanding his footprint to Toronto, where he began his 14-year Major League journey. UB

Article contributed by **Ryan Doyle**
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NO ONE DOES IT BETTER.
Why eggs continue to stand front and center.

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

The egg does a lot. It has for generations. Nature's perfect protein has woven its way into the very fabric of American lives. The ability of the egg to take on any number of roles has elevated it to the status of "kitchen workhorse" capable of taking on a number of jobs. Simply put: the egg is irreplaceable.

We at AEB recognize that the global food industry is facing unprecedented pressures. Pressures that eggs are not immune from. Whether it be rising costs brought about by inflation, supply chain issues, or the ever-changing consumer, the incredible egg has held its position as the nation's preferred protein at home, at restaurants and in formulation for some of our most beloved brands.

Residing in 94% of American refrigerators, the egg remains a vital component in countless food product formulations. Offering over 20 functional properties, no single ingredient can replace the multiple functions provided by REAL eggs. That claim cannot be emphasized enough. Replacing the multiple functions provided by the egg is not likely possible, particularly when scaled up. For years, eggs have proven to be simple to order, store and use when following good manufacturing practices.

HEALTHY LIVING

The vast health benefits of the egg have been espoused for decades. Consumers are routinely tweaking their diets in response to evolving health guidelines. The egg has repeatedly been called a "perfect protein choice". Multiple research studies have confirmed that egg protein has the highest biological value of any food, in terms of (or as a measure of) how well it supports a body's protein needs, especially when examined on a calorie per calorie basis compared to other proteins. An abundance of research, including a recent Harvard study, has shown that eggs can be included in a heart-healthy diet. For most healthy adults, consuming eggs does not negatively impact blood cholesterol levels and is actually recommended as part of heart-healthy diet. Continuing to use real egg products, and the accompanying health benefits, in the goods that are marketed to consumers allows them to buy with confidence.

IT MAKES CENTS

The cost-effectiveness of eggs and egg products cannot be overstated. When a purportedly "cheaper" egg replacement is used, it can often lead a litany of unforeseen costs for a manufacturer. More than likely, the egg replacement is then supplemented by additional ingredients to make up for the egg's attributes that it lacks. Additional costs associated with an egg replacer often include new packaging and labeling, transportation and sourcing, and the need to warehouse the additional ingredients to achieve a functionality similar to that of the egg.

With inflation reaching a 40-year high, consumers are continually looking for ways to provide nutritious, well-balanced, and delicious meals for their families; all while the family budget is getting stretched thinner and thinner. For the consumer, no *single* food item offers the nutritional and health benefits that the egg brings to the proverbial table. As such, demand for eggs has remained high.

OUR JOB AT HAND

While not immune to the many challenges facing the food industry, America's egg farmers have largely managed to mitigate disruptions and continue to provide a way for Americans to feed their families. Our producers have worked tirelessly to keep shelves from becoming bare in the face of HPAI. As an industry, we learned a great deal from the 2015 outbreak. Heightened surveillance, early action and a commitment to biosecurity, implemented in the succeeding years have quickly put the egg industry, in particular those farmers adversely affected, on the road to recovery. Given the relative lack of disruption to the consumer, the egg has remained a visible and vital part of the American diet.

America's egg farmers and the American Egg Board are working tirelessly to keep the egg, and egg products, front and center in the minds of customers and consumers alike. Our ability to evolve and adapt, coupled with continued innovation, will continue to drive home the important role that eggs play in our ecosystem.

We owe it to those that have put their trust in the egg for so many years to continue delivering on that trust. Times will get better. Conditions will improve. As the state of our businesses improve, let's not lose sight of how we got here. We want eggs to always be your solution, your partner. So, reach out. Let's problem solve together.

Because deep down we all know this fundamental truth. Nothing gets the job done like an egg. UB

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Keeping seafood's seat at the White House table

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

Seafood is arguably the healthiest animal protein on the planet. The Dietary Guidelines for Americans (DGA) encourage people to eat two-to-three servings of seafood each week for numerous health benefits throughout the lifespan, including brain development in babies and strong bones and muscle maintenance in older adults.

NATIONAL FISHERIES INSTITUTE

The DGA are an important vehicle for nutrition policy—they inform what's in school lunches; Women, Infants, and Children (WIC) food packages; and feeding programs for older adults. Seafood has long been mentioned by the DGA as a healthy, lean protein and the 2010 DGA include the first specific guidance to eat two-to-three servings of seafood each week. Since then, the seafood recommendations have become stronger and clearer. The current 2020-2025 DGA encourage caregivers and healthcare professionals to introduce foods rich in omega-3s, like seafood, to babies beginning around the age of six months, rounding out recommendations for all parts of the life cycle.

The latest DGA also emphasize that 94% of children and 80% of adults do not eat enough fish. The evolution of seafood in the DGA sees it move from a vaguely healthy choice to a powerful source of specific benefits from birth to old age.

While this shift in seafood's place at the table has been monumental, there's more the federal government can do to help turn nutrition advice into actual changes in the way Americans eat.

CLEAR UP CONFUSING AND COMPLEX SEAFOOD ADVICE

As the White House plans to convene its Conference on Food, Nutrition and Health for the first time in more than 50 years it will be important to make sure future seafood advice is clear, concise and science based. Consumers, policymakers and even many doctors are still confused about the benefits of seafood, particularly during pregnancy.

The science is crystal clear—seafood, including traces of mercury alongside beneficial nutrients like omega-3s and selenium—provides brain development (and continued brain health) benefits. Period.

The White House has the power to declare for once and for all what the Dietary Guidelines allude to: The demonstrable health risk associated with eating seafood is not eating enough to reap the benefits.

FOCUS ON THE FOODS—LIKE FISH—THAT IMPROVE PUBLIC HEALTH THE MOST

The amount of health problems and potential interventions the White House could explore is overwhelming. The science must inform the diseases with the greatest detriment to well-being and the most powerful dietary interventions. For example, a Harvard School of Public Health study estimates that low seafood intake is responsible for about 84,000 American lives lost to heart disease each year, which makes seafood deficiency the second-biggest dietary contributor to preventable deaths in the U.S.

PROMOTE AFFORDABLE ACCESSIBLE SEAFOOD OPTIONS

The 2020-2025 DGA emphasizes a need for affordable, healthy protein, "despite a common perception that eating healthfully is expensive, a healthy dietary pattern can be affordable and fit within budgetary constraints." Frozen and canned seafood fill that need perfectly and pack a nutritious punch.

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THE IMPORTANCE OF COMMUNICATING THE BENEFITS OF EATING SEAFOOD

The medical and nutrition community, globally, agree; seafood is the healthiest animal protein on the planet, and maintaining access to safe healthy food, like seafood, will be imperative as we aim to feed a growing population.

Seafood is a food to be encouraged and is not only needed for a new and ageing population, but essential. It's time to for the federal government to effectively educate and communicate to Americans about seafood and the role it plays in their lifelong health and there is no bigger platform to serve these facts from than the White House's own table. UB

End of an era...

Jim Sumner officially retires from USAPEEC after more than 30 years as CEO

While the announcement took place in December of last year, the official changing of the guard happened at the USA Poultry and Egg Export Council's (USAPEEC) Annual Meeting this June in Vail, Colorado. Jim Sumner was expected to miss his final meeting due to health concerns, but made a surprise appearance the way only Jim Sumner can at the Chairman's Reception. He then ceremoniously handed over the President and CEO title to Greg Tyler, who has been with the organization in different capacities for over 25 years.

Under Sumner, who took over 32 years ago, USAPEEC expanded its reach throughout the world and became a fixture in the export community for both the poultry and egg industries. The process of succession began three years prior with the anticipation of Sumner's retirement. A committee was formed with the task of reviewing potential candidates and choosing the next CEO. Tyler was quickly identified and began sharing some of the position's responsibilities last year. Tyler most recently held the title of Chief Operating Officer and prior to that was Senior Vice President for Marketing.

Jim Sumner's "legendary" status in the world of poultry and egg exports is indisputable. In addition to the primary role of USAPEEC President and CEO, he was instrumental in developing and executing the establishment of the International Poultry Council (IPC) where he went on to be the organization's first president, and currently serves as their treasurer. If there had been any lingering doubt, Sumner's legendary status was made "official" during the Chairman's Reception. To the surprise, laughter, and heartfelt tears of those in attendance, the ballroom doors were thrown open, the band started playing Sinatra's "My Way", and in strolled none other than Jim Sumner himself, microphone in hand, singing lead! It was an unforgettable moment among a lengthy list of unforgettable moments in USAPEEC Chairman's Reception history, but this one likely topped them all!

Top: USAPEEC CEO Greg Tyler with Jim Sumner. Right & bottom: Sumner has been a speaker at Urner Barry's Executive Conference numerous times over the years. Pictured is Sumner speaking at the 2014 and 2016 events.

Sumner will continue to play an active role within the organization as a senior advisor and serve as the industry's representative to the Agricultural Policy Advisory Committee. UB

Article contributed by **Matt Busardo** | mbusardo@gmail.com

Old friends and new faces come together for the annual Urner Barry Executive Conference

Springtime in Las Vegas means one thing for us at Urner Barry: The annual Executive Conference. Intended for leaders in the protein sector, the Executive Conference has become a mainstay of the Las Vegas area and over the years the conference has provided a community for its guests where they can come together to network, innovate and learn from a robust agenda. This year was no different as the 2022 Executive Conference, hosted at the historic and scenic Bellagio, felt like a return to normalcy for the repeat attendees.

"For those that were in attendance it certainly felt like old times," said Russ Whitman, Senior Vice President at Urner Barry and the longtime chairperson of the Executive Conference. "It was evident during the networking events how happy people were not only to be there, but genuinely happy to see their colleagues that they haven't seen in a long time due to the pandemic."

Top: Founder and CEO of ButcherBox, Mike Salguero, on transforming the nature of the meat industry. Bottom: Christie Pearce Rampone, former captain of the U.S. Women's National Team, during her book signing.

One thing that Whitman mentioned in his opening statement to the crowd was that by the end of the conference guests would be inspired by the presentations provided. It was hard not to agree with him after hearing from our keynote speakers Mike Salguero and Christie Pearce Rampone. Salguero is the CEO of Butcherbox, a meat delivery company that delivers 100% grass fed beef, free-range organic chicken, humanely raised pork, and wild-caught seafood to subscribers. He told his story, presenting his beginnings and circumstances that led him to the protein industry, his perception as a disrupter to the industry and the changing digital consumer that will lead the industry in years to come. He advised protein companies to lean into this growing digital landscape and adjust to the changing consumer.

Rampone was the keynote speaker on day two. As a previous captain of the U.S. Women's National Soccer Team, a women's World Cup champion and multiple time gold medal winner, Rampone embodies leadership and understands the qualities needed to lead others to success. She talked about how these qualities can be translated to the work environment and the mental toughness needed to succeed there. After her presentation she sat down with Whitman for an interactive Q&A and then joined us outside the ballroom to sign her books, converse with guests and show off her gold medals!

Outside of the keynote presentations, other speakers focused more on the industry and global issues affecting the protein industry. Global economist Joel Naroff examined the state of the economy, discussing the various issues affecting the economy and what he anticipates will change in the months to come. Political reporter Paul Steinhauser presented an outlook on the upcoming election season, with insights and analysis on which races to keep an eye on, updates on candidates that could affect

Top: Executive Conference chair Russ Whitman presenting to 2022 Poultry Person of the Year, Kent Puffenbarger. Bottom: The family of Henry Kuhl accepting his Lifetime Achievement Award.

the sector and even looking at potential candidates for the 2024 Presidential election. Tuesday morning consisted of a fireside chat on the alternative protein market with Jorge Azevedo of AzYo Consulting and Urner Barry plant protein researcher Andraia Torsiello. They discussed the state of non-animal protein products in big name retailers and restaurants, the obstacles staggering the further growth of the industry and whether the products are a friend or a foe to the traditional animal protein markets.

Additional agenda items included some phenomenal panels with professionals in the industry, consisting of Bea Radtke from Red Robin, Allen Ligon from BJ's Wholesale Club and Audrey Leach from Wendy's Quality Supply Chain Cooperative. The All-Star Buyers panel discussed consumer trends and what their companies are doing to address these trends, rising inflation and other factors to the decision-making process.

"All three of us brought a different perspective which was really interesting," says Radtke, the Director of Purchasing at Red Robin. "Having the retail representative like Allen talking about how the average shopper selects an item for their cart. That's something I really hadn't thought about too much beforehand coming from the restaurant side."

Another panel featuring David Williams from CTI Foods, Eric Hampton from Sunset Transportation and Sean Slain from Tippmann Group focused on the supply chain and transportation sectors. They discussed the logistical challenges affecting the supply chain, the role of automation in the future and where the solutions lie. Laura Zinger, the Territory Sales Manager for Key Accounts at Urner Barry, hosted a panel on the ongoing labor shortage affecting the industry. Panelists here included Bill Phelps from Dave's Hot Chicken, Dan Leyva from Wings Over, Matt Johnson from Case Farms, and Prof. Joey Mehlhorn from the University of Tennessee at Martin. They discussed the generational gap for labor in the sector, the issues affecting immigration related labor and how they have maintained a positive company culture to reduce the pains of the labor shortages.

In addition to the panels, Urner Barry's Executive Conference takes the time to honor a few industry members for their dedication and achievements. This year, the 2022 Poultry Person of the Year Award was presented to Kent Puffenbarger from Prestage Foods. Puffenbarger is a member of multiple industry associations and has served USAPEEC as Chairman.

"All of our Persons of the Year in the past have had to be a gentleman or gentlewoman in their business practices. Someone who isn't working for their own advancement, but rather for the industry as a whole," said Whitman, who presented Puffenbarger with the award. "Kent is an individual that due to his humbleness and lack of ego has flown underneath the radar for the decades that he has served the industry, so it was a pleasure to honor him with the award."

The 2022 Lifetime Achievement Award was awarded to the late Henry Kuhl, from Kuhl Corporation. Kuhl Corporation was started in 1909 by Henry's father and brother. It started as a poultry equipment business and has since grown into a machinery manufacturer for poultry, food, pharmaceutical and other industries. While Henry was with the company, he created 20 plus patents which helped the industry flourish. Kuhl also held positions at Flemington Fair, Town & Country Bank, the US Poultry & Egg Association, Independent Bakers of America, the International Egg Commission and the National Chicken Council. Kuhl's Lifetime Achievement Award was accepted by his wife Cynthia and son Kevin. He was truly missed at this year's Executive Conference, yet his colleagues and friends will continue to celebrate his legacy and contribution to the industry.

UB Executive Conference

The Executive Conference concluded with the annual Market Reporter Roundtable. Broken out by Poultry/Red Meat and Eggs, our reporters talked about the different issues affecting the animal protein markets and how those are impacting their prices. If you were lucky enough to be in the Egg breakout you also witnessed an in-depth conversation with Emily Metz, the CEO and President of the American Egg Board, who gave her thoughts on the state of the egg industry.

The Executive Conference will be making its return to Las Vegas in 2023 at the Palazzo at the Venetian from April 30—May 2. Keep an eye on all Urner Barry platforms for more information on next year's conference as we get closer to 2023. If you can't wait for that, then feel free to join us for our next event, the Global Protein Summit, taking place October 17-19 at the Drake Hotel in Chicago, Illinois. This highly educational event focuses primarily on buyers and sellers in the poultry, red meat and seafood sectors. Tickets are available now for that event at **urnerbarry.com/GlobalProteinSummit.** UB

Article contributed by **Chris Fastiggi**
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Eyes to the sky...

Avian influenza outbreak front and center for turkey industry

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

Move over COVID-19, labor shortages and supply chain disruptions—there's another factor in play that's affecting the U.S. poultry industry. Any animal disease presents a challenge, but as those who have been around the poultry industry in recent years or even recent months know, highly pathogenic avian influenza (HPAI) is particularly devastating. The National Turkey Federation (NTF) has closely tracked the threat of HPAI since the virus was first detected in wild birds in the Atlantic Flyway early this year. Now, three plus months following the first commercial HPAI detection in Indiana in February, the turkey industry remains engaged in a coordinated response effort with USDA and state animal health officials to control the virus. It's a full court press with everyone involved acting quickly to detect the virus and reduce the risk of spread.

"A smaller share of turkey production has been affected to date compared to 2015 losses, likely the result of the lessons learned from previous outbreaks..."

While preventing additional HPAI cases is the most immediate focus, the industry is also tracking potential longer-term impacts. As of mid-May, more than 5.5 million turkeys have been lost to HPAI, representing more than 2.5% of annual production in 2021. A smaller share of turkey production has been affected to date compared to 2015 losses, likely the result of the lessons learned from previous outbreaks and further enhancement of biosecurity practices.

USDA has worked to craft policies that have helped control the disease swiftly while minimizing negative effects on production. One example is setting clear, science-based standards for when non-infected farms in areas affected by HPAI can restock. In 2015, there were spot interruptions in the availability of some products, but the holiday season was not affected, and that experience bodes well for this fall. HPAI in key turkey producing regions may create short-term challenges for consumers looking for specific products, but there is no indication of an impact on Thanksgiving or the entire holiday season. At this point, it appears the inflationary and supply chain issues affecting the entire economy are going to be a more significant long-term factor for the turkey industry.

While the slowdown in commercial HPAI cases as of mid-May is certainly encouraging, the turkey industry understands that enhanced biosecurity protocols must be maintained. Turkey farmers have long practiced strict biosecurity measures on the farm, and efforts to expand these measures will continue even as cases slow. It shouldn't be forgotten that even when cases subside, farmers will continue to face downtime as they deal with the aftermath of avian influenza and the thorough cleaning and disinfecting processes required before production begins again. This is not a quick or simple recovery process. It is an incredibly tough position for any farmer to manage.

In the last edition of the *Reporter*, we talked about the benefits of having a crystal ball. It would still be useful today! Avian influenza is top of mind for the turkey industry, and we remain focused on doing what it takes to keep flocks safe and farms running. There will still be some time before we see how things shake out and determine the full impact on the turkey industry and production. However, as we've said before, there is no doubting the ability of the turkey industry to adapt, tackle challenges and take turkey to new places on the menu. UB


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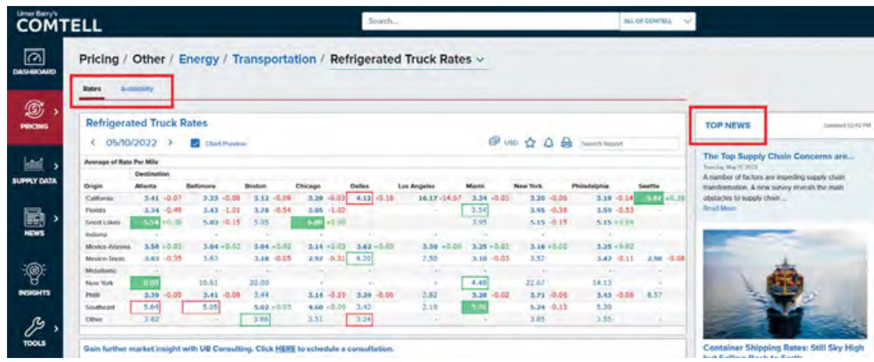
The latest updates to Urner Barry's COMTELL

Urner Barry's COMTELL, the industry's leading platform for protein market coverage, has received numerous improvements since January, including new efficiency-boosting features, as well as new highly requested market data.

In terms of brand-new market data, we saw the addition of the Refrigerated Truck Rates table in the beginning of the year. This was only the beginning. We continued to expand on our transportation coverage with several additional resources, including a Refrigerated Truck Availability table and five new PDF reports, including Brazilian and Mexican freight. A Top News widget has also been added to the transportation page, which includes all the most recent headlines related to transportation and logistics.



Other new data on COMTELL includes:

- 65 New Historical Items
- Beef 90% trimmings - Mexican Beef coverage
- USDA - National Weekly Comprehensive Lamb Carcass Report
- USDA National Weekly Pork Report - Specialty - Full Report
- USDA National Weekly Pork Report - Specialty - Fresh and Frozen Pork Cuts
- USDA National Weekly Pork Report - Specialty - Sausage Materials

New Features on COMTELL include:

- Insights Page - Ability to customize each widget the same way you would on the dashboard to narrow down the information to what is most important to you.
- 30/60/90-day United States drought map forecast in the weather section

"We continued to expand on our transportation coverage with several additional resources including a Refrigerated Truck Availability table..."

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The COMTELL Customer Advisory Board will be continuing for another term in 2022. The Advisory Board members have been providing excellent feedback and suggestions on how we can continue to build a truly user-driven market intelligence platform for the benefit of the entire supply chain.

Following feedback from the COMTELL Advisory Board members and other customers, we have prioritized the following enhancements and new features to be added to the platform:

- Integrating OBSONO forecasts into history charts
- Expanded freight/maritime information
- Creation of how-to videos and additional tooltips
- Overhaul of the Retail Feature section
- News Alerts
- Ability to share content between users (within same organization)

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

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

MEET URNER BARRY CONSULTING JUNIOR ECONOMIST

Andrei Rjedkin

Since beginning his journey at Urner Barry in November 2021, Andrei has used the tools he acquired in both his academic and early professional careers to excel in his position as Junior Economist of Urner Barry Consulting.

Andrei completed his undergraduate education at Merrimack College with a major in Economics and a minor in Mathematics. To further develop his expertise, Andrei attended Boston College's Graduate Program, where he earned his master's degree in Applied Economics, as well as a certificate in Data Analytics. Following his time spent learning about Economics, Andrei worked at two boutique investment banks to increase his understanding of the economics field in action in the work force, taking part in some particularly interesting analyses with reference to income effect on coffee consumption.

As Junior Economist for Urner Barry Consulting, Andrei is responsible for creating custom research reports that provide insight through both quantitative and qualitative analyses. He also forecasts and produces analytical models of the market for customers. Andrei appreciates the variety of commodities and resultant array of dynamics at work within Urner Barry. The egg market's biweekly forecast report is Andrei's personal favorite component of his project repertoire.

In working both in the city and closer to home, Andrei was able to realize his appreciation for his hometown of Little Silver, NJ, especially with regards to its beaches, rivers, and warm summers. He deems Urner Barry "the perfect place" to engage in his love of economics while developing a stronger understanding of the markets that surround him.
Andrei enjoys spending his free time cooking, surfing, playing hockey, or hanging at the beach. UB

Article contributed by **Kate Deane** | editor@urnerbarry.com

Record high feed and fuel costs impact producers...

Elevated input costs squeeze hog farmers' margins

Traders are monitoring Russia's invasion of Ukraine and its ripple effects on the agricultural marketplace. Global supply constraints due to stalled exports from the Black Sea region have intensified logistical issues for farmers in the United States and abroad.

Ukraine is referred to as the "breadbasket of Europe" and was the world's fourth largest grain exporter in 2020/21, according to International Grains Council data. China, Africa, and Europe were the main buyers of Ukrainian grain.

Russia is a major exporter of crucial agricultural commodities, including fertilizer. Russia exports large quantities of potash, phosphate, and nitrogen-containing fertilizers, all of which are used to grow crops, including corn.

Boosted by supply constraints abroad and a drop in planted corn acres in the United States, July CBOT corn futures eclipsed $8 per bushel in late-April, a near decade high. Higher prices for feed grain are raising production costs for U.S. hog farmers and eating into a large portion of producers' returns.

Producers have few substitute options for corn in their hog feed. Soybean meal, which is the main source of protein in hog feed, cannot be swapped out for corn, which is the main energy source.

While corn in hog feed can be substituted with wheat and distillers grains (a by-product of ethanol), it will likely not cut costs since both commodities are also expensive.

To reduce their animals' feed intake, some producers may send their animals to slaughter sooner. This could translate to lighter hog weights during the summer. Hog weights typically bottom during the summer months due to heat stress, which slows the growth rate of pigs.

For now, hog weights remain heavy from a historical standpoint. As of the week ending May 7, USDA reported the average weight for barrows and gilts in Iowa/Southern Minnesota at 288.9 pounds, five pounds heavier than a year ago and a near seasonal all-time high.

Despite being heavy, hog supplies are described as barely adequate to short, largely due to persistent animal disease issues. Farmers continue to contend with porcine reproductive and respiratory syndrome (PRRS), which has plagued hog operations across the nation since the tail end of 2020.

Boosted by active packer competition for the available supplies, cash hog prices during the first quarter gained 66% and surpassed $100/cwt by early March, according to USDA data.

Along with PRRS, producers have also reported cases of porcine epidemic diarrhea virus (PEDv), and actinobacillus pleuropneumonia (APP). Viruses like PRRS and PEDV typically peak in fall and early winter before waning during the summer months. However, some sources anticipate the disease complications to persist throughout the year due to the viruses ability to mutate frequently.

USDA's quarterly hogs and pigs report for March indicated that supplies would remain below year-ago levels through the balance of 2022 and possibly into early 2023. The various supply chain issues and input risks have reduced the incentive for farmers to expand their hog numbers.

An expansion of the U.S. hog herd began in 2017, largely due to increased processing capacity.

Producers began to halt their expansion efforts in 2020 because of pandemic-related complications, animal disease pressure, and negative returns.

The total inventory as of March 1, 2022 was reported at 72.2 million head, down 2% from 2021. The breeding stock was also 2% lower than a year ago. Pigs per litter were about even with the year prior, while analysts on average were expecting an increase.

While the outlook for cash hog prices this summer is generally optimistic due to tight supplies, market participants are assessing a possible slowdown in pork demand due to inflationary pressures, lockdown measures in China, and poor returns for pork packers. Record high fuel costs are also raising trucking costs for hauling animals to the processing plants.

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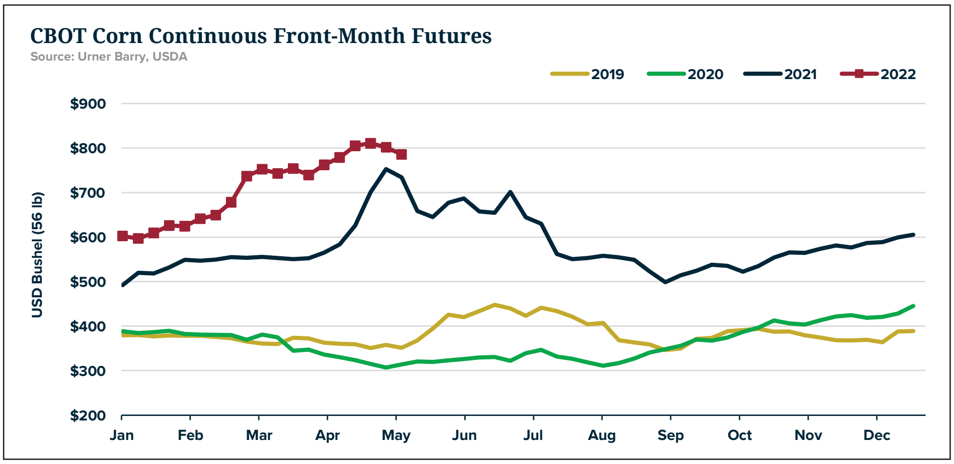

Lockdowns in cities including Shanghai and Beijing have disrupted the movement of U.S. pork to China. According to the U.S. Meat Export Federation, first quarter U.S. pork exports fell 20% from last year to 629,928 metric tons. First quarter exports were valued at $1.71 billion, down 17% from 2021.

"While pork exports were down significantly from last year's record, we saw some encouraging trends in the March results. U.S. pork commanded a higher price per pound than a year ago, with outstanding demand from Mexico and value growth in key markets such as South Korea and the Dominican Republic," USMEF President and CEO Dan Halstrom explained.

"July CBOT corn futures eclipsed $8 per bushel in late-April, a near decade high."

Halstrom cautioned that the first quarter results did not fully reflect the impact of the pandemic-related restrictions in China.

In late-April, the summer lean hog futures contracts were anticipating a $118 to $120 per cwt price range. A seasonal uptick in demand typically supports the cutout during that period. Lean hog futures underwent significant selling pressure towards late April and into May amid market volatility in outside markets, including U.S. equities, along with an uncertain demand outlook.

By the second week of May, the June lean hogs futures contract declined to the low $100s/cwt, a discount to the current cash market.

Heading into the summer, livestock dealers reported that farrow to finish operations still had positive margins, albeit narrow. Feeder to finish operations were thought to be losing money due to expensive feed and sluggish cutout values. Urner Barry's pork carcass cutout value was about $99.00/cwt on May 13, a 12% decline from its first quarter peak.

Industry participants are also eyeing developments pertaining to Proposition 12. In late January of this year, the Superior Court in Sacramento Country halted the enforcement of Proposition 12 until 180 days after the final regulations go into effect.

In March, the Supreme Court agreed to hear a case brought by the National Pork Producers Council and the American Farm Bureau Federation against California's Prop 12.

Voters approved Prop 12 in 2008. The law banned three forms of animal confinement, including gestation crates for pregnant pigs. This would severely restrict pork sales to California since a small percentage of U.S. hog farmers are Prop 12 compliant. UB

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

ADVERTISER INDEX

QUICK BITES

Add it to the cart...

TIKTOK MADE ME DO IT

All sorts of things go viral on TikTok—and not all of them are good. But one food trend on the app featuring people dipping their burgers into different sauce and chip combinations did inspire Kraft Heinz's latest innovation: The Heinz Dip & Crunch.

Photo credit: The Kraft Heinz Company

The Heinz Dip & Crunch was created to take burger night "to the next level." Simply put together your burger of choice then dip it into the Heinz sauce and top it off with salty potato crunchers to "add both flavor and texture to every bite." The sauce is made with tomato puree, molasses, sun-dried tomatoes, garlic powder, tamarind concentrate, onion powder and spices. And for those that like a little heat, Heinz has also made a Spicy Dip & Crunch.

"Here at Heinz, we recognize the magic in making memories on burger night thanks to the way our condiments uniquely elevate the classic burger," said Ashleigh Gibson, Brand Director at Heinz. "As we continue to reimagine mealtime, we're excited to offer a solution for consumers looking for accessible dipping sauces and unique textures to help further embrace the fun of cooking and eating at home."

The latest product from Heinz had a successful test run at West Coast Jack in the Box restaurants and can now be found nationwide at Walmart, Meijer, Target and Giant.

GIVE THE PEOPLE WHAT THEY WANT!

Taco Bell first debuted their Mexican Pizza in 1985, but at that point it was known as Pizzazz Pizza. By 1988 it was rebranded as the Mexican Pizza that fans have come to know and love. Then 2020 hit, and in an effort to be a more eco-friendly establishment, Taco Bell pulled the beloved menu item.

"Currently, Mexican Pizza packaging accounts for over 7 million pounds of paperboard material per year in the U.S.," Taco Bell explained at the time.

One Taco Bell super fan, Krish Jagirdar, just couldn't accept the fate of the Mexican Pizza. He took to Change.org and managed to get over 171,000 people to sign his petition to "Save the Mexican Pizza." And it worked! On May 19—or May 17 for Taco Bell loyalty members—the iconic menu item made its triumphant return.

"Our menu is full of fan-favorites, but the Mexican Pizza is at the top of that list," said Taco Bell CEO Mark King. "From its flashy introduction to menus in 1985 as 'Pizzazz Pizza' to its inspiration behind the creation of infamous jingles, Mexican Pizza has a long history with the brand and I'm glad we could give fans what they crave and bring our classic Mexican Pizza back home where it belongs."

Of course, Taco Bell said that it took more than just fan pleas to get the Mexican Pizza back. The fast food chain explained that the masterminds in their test kitchen "worked to streamline operations and ingredient sourcing, and leave a lighter footprint at the same time."

Photo credit: Taco Bell

"TOP CHEF" SUPPORT

The Plant Based Seafood Co. has been turning heads with their Mind Blown brand. Earlier this year the company's Mind Blown Plant Based Dusted Scallops won a NEXTY award for "Best New Frozen Product." And now, the company has reeled in a new investor partner—celebrity chef and "Top Chef" host Tom Colicchio.

"I've worked with and tasted a lot of seafood in my career," said Colicchio, who is also the chef and owner of Craft Hospitality. "I've been fishing my whole life. I was a little dubious when it came to alternative seafoods, but Plant Based Seafood Co. blew it out of the water, no pun intended. Their plant-based scallops tasted like scallops. The shrimp were delicious. The texture was spot on."

Photo credit: Plant Based Seafood Co.

Founder and CEO Monica Talbert's vision is to replicate every seafood from the water that people like to eat, but with a plant-made version.

"Having 'pack your knives and go' Tom Colicchio invest in plant-based seafood speaks volumes as to where changes are occurring in consumers and chef's acceptance," explained Talbert. "We need solutions that relieve the pressure off our ocean fish stocks if we need to continue to provide food for a swelling population that is expected to reach 10 billion by 2050." UB

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