ANNUAL MARKET ANALYSIS EDITION

Urner Barry's Reporter

the newsmagazine for the food industry professional

VOLUME 18 | NUMBER 3 | SUMMER 2023 | QUARTERLY

a *deli*-cious summer *awaits*

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From the Editor's Desk...

It's always an interesting exercise to spend some time outside my tenured, industry-veteran mindset. After observing and then fully immersing myself in the poultry industry for the past 38 years, I sometimes become concerned that tenure can be just another way to say that I am no longer as open to change and new ideas as I once was. Conversations with the up and comers of the business help me be sure that I'm staying grounded and forward thinking.

A common train of thought I've discovered during my trade conversations with industry veterans and up and comers alike, is a shared sentiment loosely centered on how responsive and nimble the industry has become during the past several years. The agility of this ages old food business has been nothing short of impressive. That agile disposition led to rapid specialization and fulfillment of customer needs and wants that previously may have been ignored altogether, or at the least, took significant amounts of time to accomplish. Specialized need fulfillment has created a more immediate requirement to create partnerships which allow all of us to serve our customers more quickly and efficiently. We see these partnerships everywhere. The vehicles we drive, the hotels we stay at, the airlines which take us on our business trips and vacations, and, yes, right here in the protein industry. Is there truly any among you who has not benefited from a partnership that 10 or 20 years ago would not have been possible and probably not even considered?

Speaking of that, business associates and partners alike gathered in Las Vegas in late April for the 47th annual Executive Conference. During that event I had the honor of presenting Urner Barry's inaugural Rising Star Award, which was awarded to its recipients in consideration of a candidate's innovative thinking, among other superlative character traits. The nominations were numerous, and it was reassuring for me to see that there are so many eager, hard-working and, yes, forward thinking rising stars in this great industry. Each of the nominees for this award possessed what it takes to get the job done and done right. Surely their roles in the individual companies they represent now, and the partnerships they build moving forward, will be great assets in their professional "toolbox"; and we all know the food industry is in regular need of maintenance and, occasionally, a real fixing.

To coin two well used but still appropriate phrases, "thinking out of the box" and "pivoting" on demand will always be hallmarks of this business. Partnerships and innovative thinking by today's rising stars will ensure it remains an integral part of the fabric that makes up the food industry.

Stay in touch.

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Urner Barry's **Reporter**

THE NEWSMAGAZINE FOR THE FOOD INDUSTRY PROFESSIONAL

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Inflation fears egg on savings...

Backyard farming, is it worth it?

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In recent years, one of the buzz words in the U.S. economy has been inflation. Everyone is looking for ways to save money. Unless you've been hiding under a rock, one of the most popular, fun, and educational routes the American consumer has taken to become more fiscally prudent is producing eggs in their own backyard farm.

As a refresher, many of you will know that last year's egg prices were severely affected by highly pathogenic avian influenza (HPAI) or what is commonly referred to as bird flu. The loss of laying hens caused by the disease had the ultimate impact of increasing the price of eggs to the point where people considered having their own backyard egg farm. But with costs in mind, what is the feasibility of starting a backyard egg farm?

There are several options available to the backyard egg farmer, each with its own set of merits and detractions. One option is to purchase hatching eggs, which typically run at least $50 for six standard breed eggs. Naturally, one cannot hatch an egg without incubation. Without a mother hen to do the task, backyard farmers can buy incubators, recommended for hatching, which are estimated to cost $100. A note of caution, this option is not necessarily recommended for beginner egg farmers because of the substantial inherent risks of caring for hatching eggs.

The next option is to buy chicks. The expense associated with most common breeds of Rhode Island Reds and Wyandottes can range widely, but $5 to $20 per chicken is not uncommon, while exotic breeds may be over $100 each. The proper care of chickens requires additional accessories including a brooding box, warming plates, special chick feed, a feeder and waterer that can all be purchased at a feed store for around $100. An alternative option to chicks is to buy pullets, which are hens close to the point of laying eggs. Since they are quicker to produce eggs, this can be a pricier option. A less costly option is to acquire rescue hens which are considered past their egg laying prime. Most rescue hens are around 18 months old but still have a decent laying ability ahead of them.

It goes without saying that if you intend on raising hens you will need housing, which will be the biggest expense. Chicken coops can range between $200 and $4000 depending on the size of the coops. Even DIY coops can cost around $500 for supplies. Purchasing used or secondhand coops is not a great idea, since the coops may contain diseases leftover from the previous owners.

Once you get the eggs or chicks and housing figured out, additional items will be needed for taking care of the flock. Items needed are feed, wood chips, waterers, feeders, and nesting boxes. Additionally, water costs and electricity need to be factored into the budget. All these items combined can range from $200-$600.

If you want to raise healthy egg producing hens, you will want to give them supplements. Oyster shells are used to produce good strong eggs and maintain healthy bones. Insoluble grit helps grind up and digest their food. Vitamin supplements are also popular for raising healthy hens. The cost for these supplements is between $33 and $100. Without a calculator in hand, you can see the cost is adding up quickly without even factoring in time spent maintaining the farm.

Backyard farming can be a very rewarding experience. It can be a great way for the family to spend time together and learn more about agriculture. Most backyard egg farmers do it because they love animals and enjoy maintaining the farm.

But as rewarding as backyard farming may be, the commercial egg industry should probably get more credit for what they do for the price of a carton of eggs. Egg producers raise millions of hens at a time on a much larger scale. They adhere to strict biosecurity measures to combat the spread of HPAI. Veterinarians are usually in house to care for the hens 24/7. Today's egg farms are kept cleaner than the previous generations of barns and have advanced machinery in place to operate more efficiently. What most people don't know is when the egg is produced, it is conveyed into a facility on premises where it is cleaned and inspected for flaws, graded, and packaged into clean branded cartons on site. These cartons are shipped to store and can be on your table in less than two to three days. Not too bad for less than $3.00 for a carton of eggs. Financially speaking, it makes perfect sense to look for alternative options to save money, but you should know it can get quite egg-spensive to start your own backyard farm. UB

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A deep dive with Urner Barry's Consulting team...

The protein market outlook amidst a potential recession

For many analysts, describing the current state of the economy has been difficult. Perhaps the most appropriate word to label the situation would be "complex." Talks of a possible recession have escalated, as many economists expect a contractionary period sometime in 2023 if, in hindsight, we are not already in one. The actions of the Federal Reserve have been debated due to the potential consequences that tighter credit may have on overall economic activity. Yet, interest rates continue to increase to combat the persistent inflation that consumers and producers have incurred.

Similarly, the protein markets have experienced "complex" situations that have resulted in "out-of-the-norm" price behaviors, including record highs and lows and seasonal disruptions. Before providing a recap on our outlook on several protein markets presented at the Global Protein Summit in October 2022, we must understand some of the fundamental determinants of demand that could play a more prominent role in the months ahead.

THE STATE OF THE ECONOMY

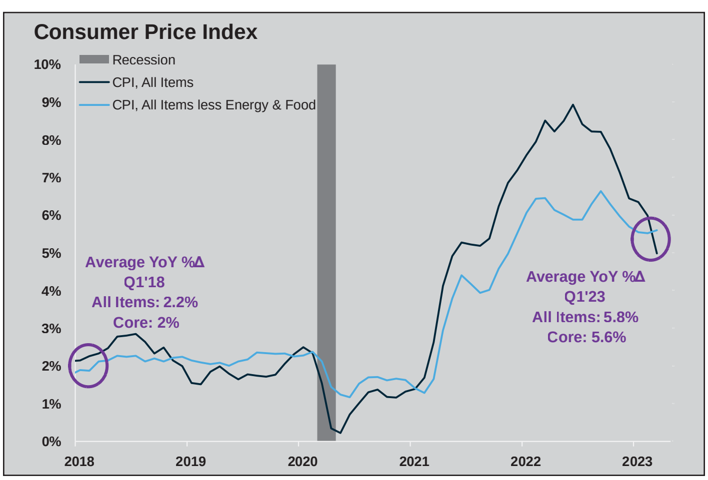

Figure 1. Consumer Price Index Year-over-Over Percent Change, All Items vs. All Items less Food and Energy 2018-2023 YTD. Source: Federal Reserve Bank of St. Louis, U.S. Bureau of Labor Statistics, UBC

Consumers and producers have faced persistent and historically high inflation levels despite slowing down more recently. During the first quarter of 2023, the average year-over-year change in the all-items consumer price index (CPI) was 5.8%, approximately 3.5 percentage points higher than the average rate during the first three months of 2018. Concerning core inflation—excluding energy and food—the average rate was 5.6% during Q1 2023 as opposed to 2% during Q1 2018.

These price increases could make one think consumers would face challenging circumstances, everything else equal. Still, the resilience of the labor market and its impact on wages have allowed consumers to continue spending. For instance, the unemployment rate remains historically low; through Q1 2023, the unemployment rate has averaged 3.5%, approximately 0.3 percentage points lower than the average unemployment from January 2022 to March 2022. As the economy rebounded from the pause caused by the pandemic, consumers encountered increased wages, and in Q1 2023, such wages managed to outpace headline inflation. Furthermore, wages for the bottom two quartiles have outpaced those of the top earners.

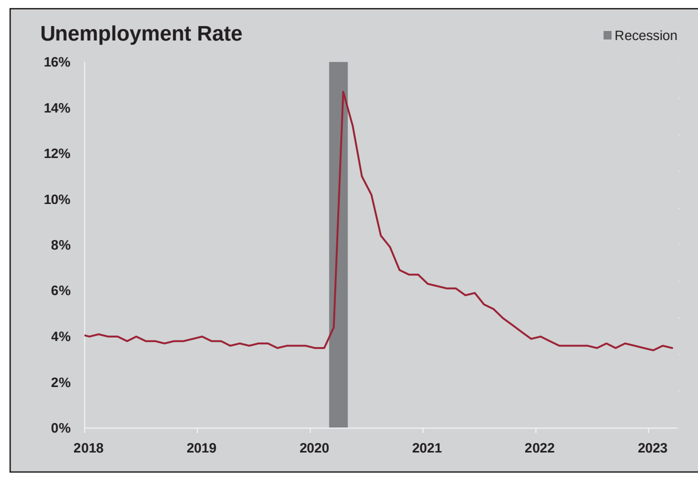

Figure 2. The Unemployment Rate, 2018-2022 YTD. Source: Federal Reserve Bank of St. Louis, U.S. Bureau of Labor Statistics, UBC

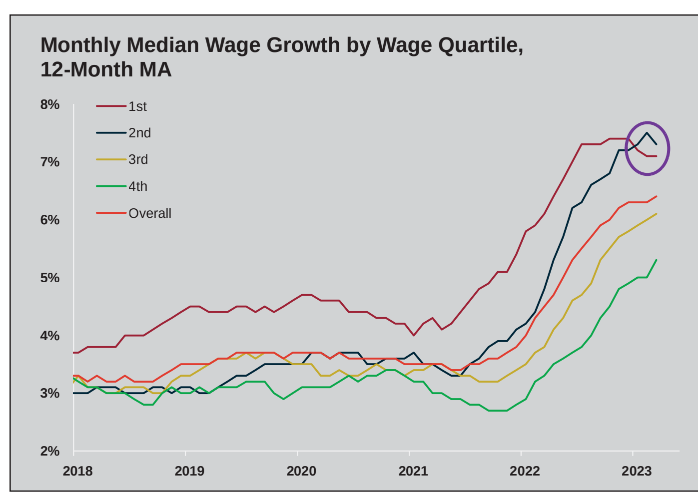

Figure 3. Monthly Median Wage Growth by Quartile, 12-Month Moving Average, 2018 -2023 YTD. Source: BLS, FRBSL, FRBA, UB Consulting, 12-month moving averages of monthly median wage growth for each average wage quartile, wages based on an hourly basis.

Many have argued that the excess savings accumulated by consumers throughout the pandemic have shrunk, especially for the lower-income quartiles; however, spending has remained robust. On an inflation-adjusted basis, the total amount of personal

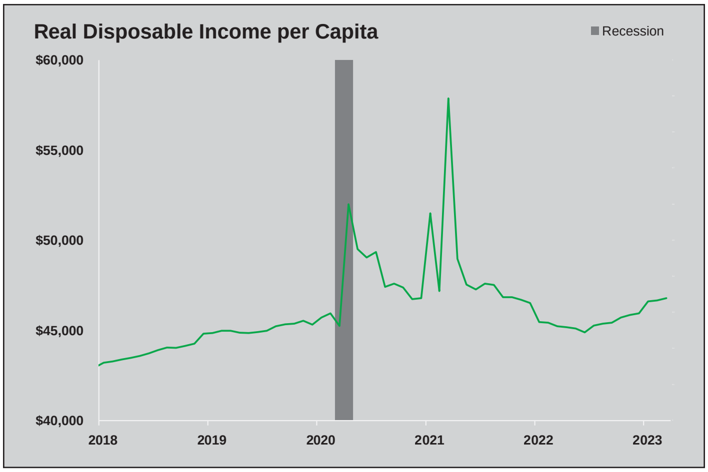

Figure 4. Real Disposable Income Per Capita, 2018-2022 YTD. Source: Federal Reserve Bank of St. Louis, U.S. Bureau of Economic Analysis, UBC

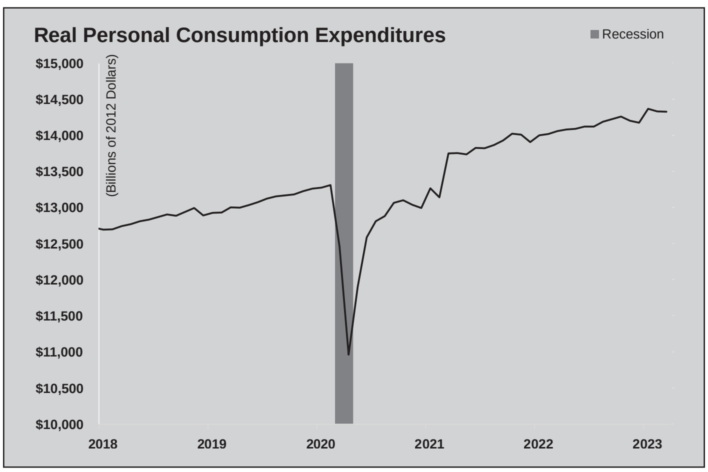

Figure 5. Real Personal Consumption Expenditures, 2018-2023 YTD. Chained in 2012 USD. Source: Federal Reserve Bank of St. Louis, U.S. Bureau of Economic Analysis, Urner Barry Consulting

consumption expenditures in Q1 2023 sits approximately 12.8% higher than the total amount accumulated in 2018.

The indicators mentioned here serve as important barometers of the economy's overall health. Although spending remains strong despite inflationary pressures, it may break. And if a break occurs, protein markets may be heavily impacted, as consumers will most likely adjust their consumption habits.

PROTEIN OUTLOOK RECAP

The protein commodity markets have incurred complexities over the last several months. Within this section, we will look back on a few of our projections made in October 2022 at the Global Protein Summit, revisiting the beef, chicken, and shrimp markets.

As mentioned, disposable incomes grew through the pandemic, and consumers were more willing and able to spend on higher-end proteins. The beef market has reflected this. Higher-end cuts, like ribeyes, NY strips, and PSMOs (tenderloins), reached historical highs over the last year or so and remained elevated through the beginning of 2023. However, lower production levels may be more indicative of the higher pricing behavior recently. Beef production and slaughter through the week of April 29 was 4.8% and 3.2% below year-ago levels. These lower production levels have resulted from lower cattle availability, partly due to liquidation in the overall cycle and lower cattle weights. According to our best-case scenario, we expect production to dip between 2.8% and 5.8% from year-ago levels; our base forecast indicates a 4.3% contraction. Concerning beef prices, we had initially yet to anticipate the effect of the supply crunch on prices; thus, projections missed a steeper-than-expected upward movement through April 2023.

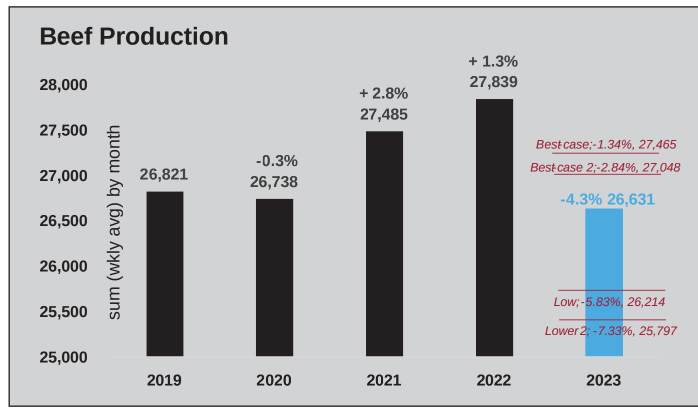

Figure 6. Beef Production Forecast. Source: USDA, Urner Barry Consulting

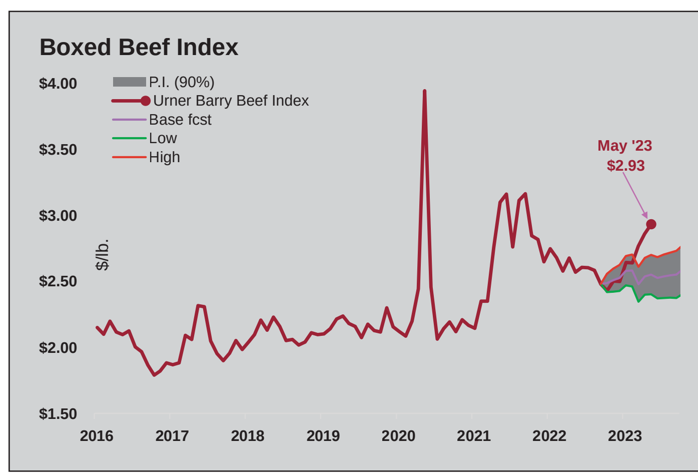

Figure 7. Boxed Beef Index Forecast. Source: Urner Barry, UBC

In the chicken complex, average weights have reached record highs oscillating at similar levels to 2022. Eggs set in incubators continue to increase year-over-year, but lower hatchability figures that have permeated the industry over the last year or so, although improving, remain an issue. Our projections through September suggest an increase in slaughter levels of about two percent compared to a year ago—similarly, overall production by about the same proportion. Prices reached record levels through the first nine months of 2022. Through September 2023, our model's project prices could settle between 7% and 16% lower than year-ago levels.

Continued on page 8

Protein market outlook

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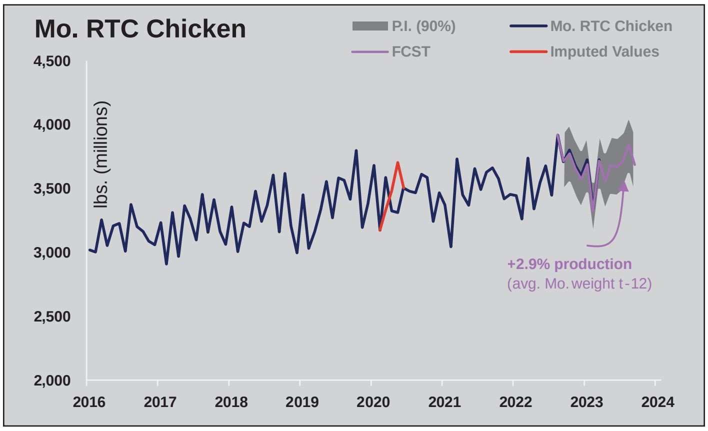

Figure 8. Monthly Ready-to-Cook Chicken Forecast. Source: USDA, UBC

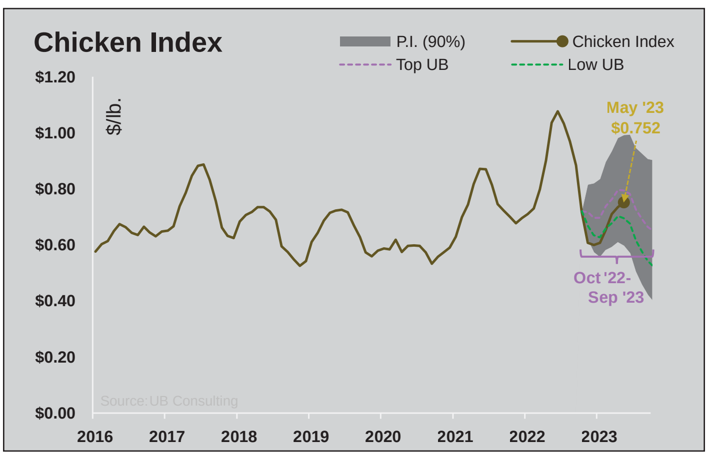

Figure 9. Chicken Index Forecast. Source: Urner Barry, UBC

After the record-high prices reached in 2023 due to the effects of avian influenza (HPAI), egg prices corrected steeply downward. Despite the flock population being somewhat decimated, we expect the recovery to be gradual. Still, we expect prices to remain subdued due to the apparent demand destruction caused by high prices. Therefore, we could still expect volatility in this market to remain throughout 2023, similar to 2016 in the aftermath of the 2015 HPAI outbreak. These projections assume that there will be no more outbreaks throughout the year.

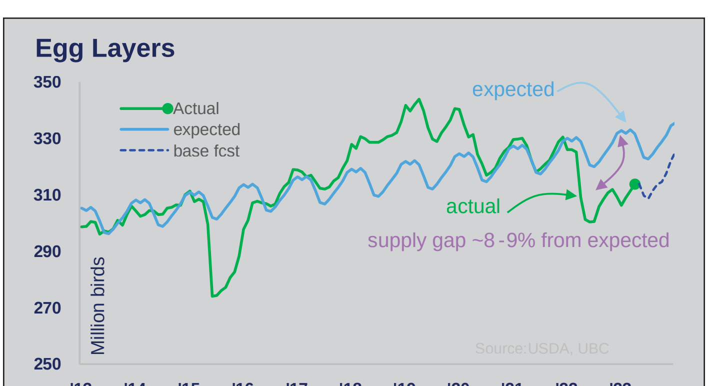

Figure 10. Egg Layer Forecast. Source: USDA, UBC

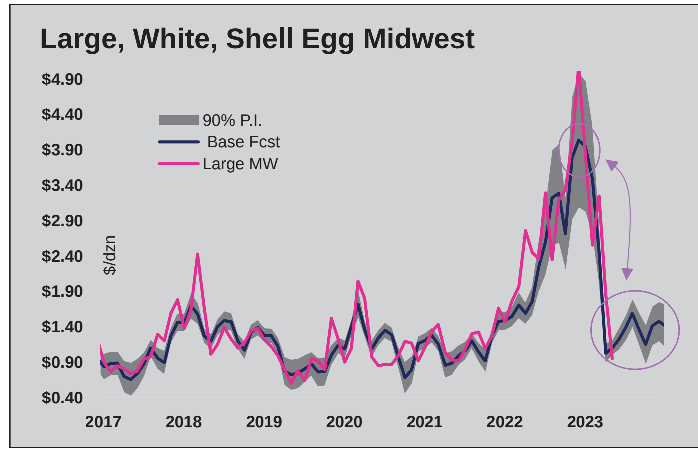

Figure 11. Egg Layer Forecast. Source: Urner Barry, UBC

Regarding seafood, we chose the top most consumed species, shrimp, as a benchmark. Compared to original projections, the value-added shrimp market has corrected lower. Much of it was due to a significant oversupply from 2021 into Q2 of 2022. We must remember that shrimp inventory holding time can extend for several months because most of the shrimp consumed in the U.S. is packed frozen. Based on our models, there is a 90% chance that the March 2023 price is undervalued between 5.6% and 2.3%. Through September 2023, models indicate a potential price rebound; however, this rebound might be modest at best.

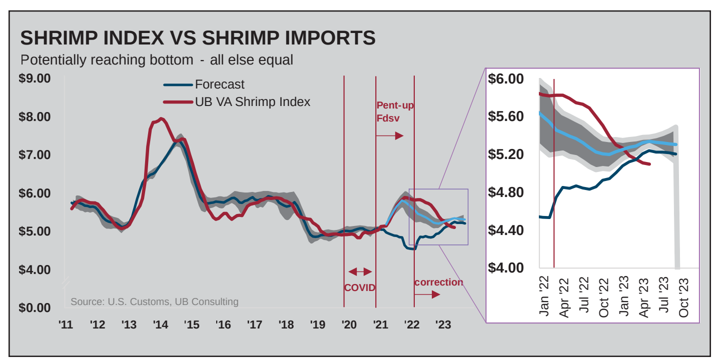

Figure 12. Shrimp Index vs Shrimp Imports Forecast. Source: UB, UBC

CONCLUSION

Our overall outlooks are dependent on current market dynamics. Our assessment suggests that chicken will be the big winner in 2023. The main reasons include the increased probability of a recession, combined with better availability and the likelihood of its affordability relative to other proteins, such as beef. In addition, despite egg prices correcting steeply downward from record highs, overall demand might take some time to return to its previous levels, making chicken, a low-priced protein, an even more attractive alternative. Still, as of the writing of this piece, there are few indications that consumers have downgraded their protein intake in any meaningful manner. Perhaps consumers will finally have to tighten their belts after years of relatively affordable protein prices and a couple of pandemic years in which robust demand kept prices supportive. UB

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The future is female...

Groundbreaking technology could end the culling of male chicks

It's one of the egg industry's lesser-known realities: for every commercial egg-laying hen that is born, a comparable number of male chicks are culled. That number totals somewhere around 300 million in the United States alone, and about 7 billion worldwide.

Since they can't lay eggs like their female counterparts, the unfortunate reality for male chicks is that they serve no practical purpose to the egg industry—or any other. The breed of chicken used for egg production puts on weight far too slowly to make them suitable for chicken meat, rendering them as nothing more than a by-product of the egg industry.

And since adding billions of roosters to our global ecosystem on a yearly basis is untenable, these male chicks are destroyed within hours of hatching. Global efforts to develop technology to end the practice have been underway for years, but scalable solutions have often been elusive and costly—mostly centered around in-ovo sexing, which would effectively stop the incubation process for males, and thus the need to cull them.

But an exciting new breakthrough developed by American-Israeli tech company Huminn and agri-food research firm the Volcanic Institute has taken it to another level by preventing male chicks from developing altogether. They've genetically engineered a hen that lay eggs from which only female chicks hatch—a discovery that stands to nearly halve the cost of hatching and eliminate the financial burden associated with sexing and disposing of male chicks entirely. The team, led by embryology expert Yuval Cinnamon, has gene edited DNA into the "Golda hen" that prevents the development of any male embryos in the eggs that they lay, which is activated when the eggs are exposed to blue light.

According to Dr. Cinnamon, the female chicks are not affected by the blue light and no DNA is added to either the hens or the eggs they produce. "Farmers will get the same chicks they get today, and consumers will get exactly the same eggs they get today," Dr. Cinnamon told the BBC. "The only minor difference in the production process is that the eggs will be exposed to blue light."

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Because Hummin intends to license its gene-editing technology, it has not yet been peer-reviewed. However, the team did collaborate with and gain the backing of Compassion in World Farming (CIWF), a UK-based animal welfare group that believes the development to be "extremely important" for animal welfare.

CIWF's principal policy advisor, Peter Stephenson, told the BBC: "Normally I am very weary of using gene editing of farm animals. But this is an exceptional case and I, and my colleagues at CIWF, are supportive of it." According to a Hummin company statement, the European Union's director general for Health and Food Safety has evaluated the technology and determined that hens from the Golda line, as well as the eggs they lay, can be sold without any regulatory changes. Dr. Cinnamon said the U.S. Food and Drug Administration is currently reviewing its research and that he hoped it, along with Israel's Agriculture Ministry, would follow suit.

But even if the technology gains regulatory approval, it may have other hurdles to overcome—public perception among them. Though gene editing is generally thought to be more palatable than its predecessor, genetic modification, it may draw skepticism from consumers.

Dr. Larry Sadler, Vice President of Animal Welfare for United Egg Producers tells Urner Barry, "It's unknown if general egg consumers will accept this solution. Additionally, this solution must receive buy-in from the breeding companies. And the complications related to future genetic selection for other traits must be addressed." UB

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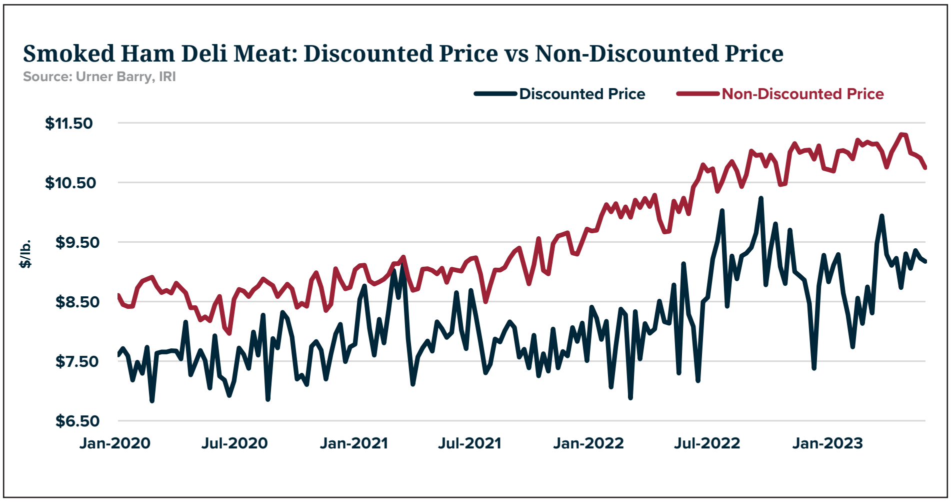
How turkey, chicken, and ham are adapting to changing consumer preferences and industry challenges

The deli meat industry has encountered several hurdles in recent years, posing challenges to its operations. The highly pathogenic avian influenza (HPAI) outbreak has had a profound effect on deli turkey production, leading to unprecedented wholesale price surges. However, the market for deli chicken has remained resilient, exhibiting competitive wholesale prices and an increase in sales figures. In contrast, deli ham has experienced moderate demand in recent years, accompanied by a steady increase in non-discounted prices. The new Retail Dashboard from COMTELL, which utilizes Circana (formerly Information Resources, Inc. (IRI) and NPD), provides an accurate and comprehensive overview of the retail landscape for turkey, chicken, and ham deli meats.



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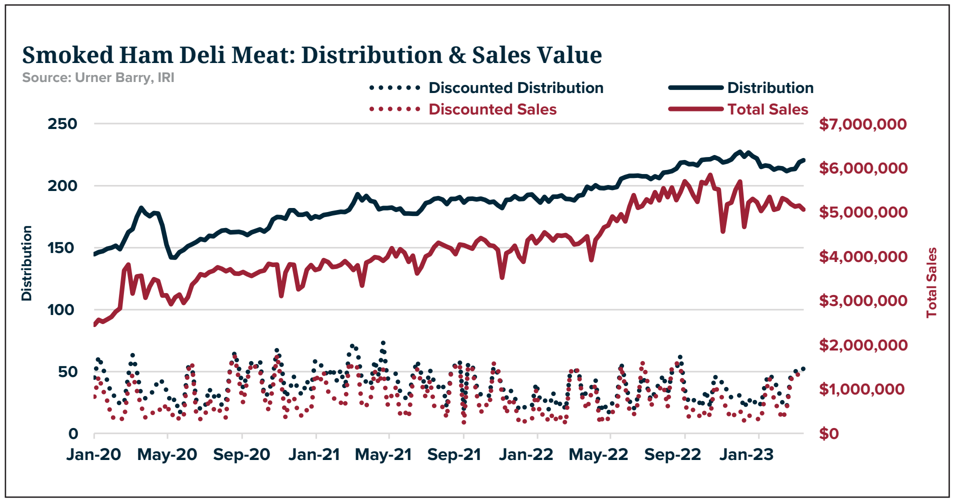
HPAI wreaked havoc on industries throughout the past year, turkey included. Due to massive bird loss, availability was significantly impacted, and caused wholesale prices to skyrocket to never-before-seen levels. Here, the rise in wholesale values of items such as tom breast meat, which is the main ingredient in turkey deli meat, forced cooking operations and other buyers to pass the uptick in price to the consumer. Average sales prices for turkey deli meat at the retail level came in over 28% higher in early April of this year when compared to 2021 and 19% higher than last year. Distribution, or the total number of units sold, was impacted as well, as cost-conscious buyers began to shy away from their favorite deli meats as they looked to source their needs in other more affordable proteins. The total distribution for the first week in April of this year came in approximately 9% lower when compared to the same time period in 2021. One might surmise that this slowdown in buyer interest would negatively impact retailers' bottom line, but due to the increasing cost per pound, total sales numbers are following suit. 2023's total sales for deli turkey during the first week in April were recorded at over $62 million. 2021's total sales for the same time period were only $51 million. This uptick, despite lower distribution, is buoying current asking prices at the retail level. Time will tell if buyers continue to slow their pull, but with many contracts written off at 2022's record high levels, the ability for them to lower their ask prices to the consumer will be stunted somewhat.

While the chicken industry certainly has its fair share of production-related challenges to contend with, such as disease, low hatchability, and less costly but still relatively expensive feed costs, cumulative headcount and average live weights have managed to post moderate year-over-year advances. Given the resulting 1% uptick in ready-to-cook production, limited freezer space, and a moderate, but not necessarily aggressive call from traditional purchasing channels, wholesale values reside at highly competitive levels relative to some other center-of-the-plate proteins.

On a year-to-date basis, jumbo boneless breast meat, for instance, has averaged $1.38/lb. so far in 2023, which is 52%, or $1.42/lb., below this time last year. In terms of retail business, discounted sales value has been slow to increase over the past three years, which is largely a result of the already "low" prices at the deli counter. That said, non-discounted sales have been gradually improving on a year-over-year basis as customers flock to the most attractively priced option available to them. As it currently stands, total sales of deli-roasted chicken reside 41% above this time in 2022. This scenario closely aligns with the retail distribution figures, where the total number of UPCs scanned continues to rise while discounted distribution itself has remained even keeled over the past several years.

Smoked ham deli meat has been a staple in many American households in recent years. However, the latest retail data indicates that the demand for this product has been moderate, unlike what we have seen for items such as bacon and ribs. From 2020 to the end of 2021, non-discounted smoked ham deli meat was sold at an average price of around $8.50 to $9.50 per pound. Despite the recent inflationary period, the price of non-discounted smoked ham deli meat has risen, with the average weekly price currently hovering between $10.00 to $11.30 per pound. Although prices have been on an upward trend, overall discounted sales have remained relatively stable since Circana data collected from 2020. This suggests that while more transactions are occurring at non-discounted price levels, consumers can still save an average of $1.00-$3.00 per pound by purchasing discounted smoked ham deli meat. Total sales for smoked ham deli meat have increased over time, with a rising number of UPCs available. However, the distribution of discounted smoked ham deli meat has slightly trended downward since mid-2021, indicating that the number of UPCs being placed on retail shelves has increased for non-discounted smoked ham deli meat rather than discounted meat. Overall, consumers are purchasing more non-discounted smoked ham deli meat despite the rising prices.

While the deli meat industry has faced challenges in recent years, each type of deli meat has its own unique story to tell. From the impact of disease on turkey



availability, to the steady sales of deli chicken, and the moderate demand for deli ham, it will be interesting to see how these trends continue to evolve in the coming months and years. Despite the challenges, the industry has adapted to changing circumstances, and consumers continue to purchase their favorite deli meats, despite prices fluctuating over the past couple of years. UB

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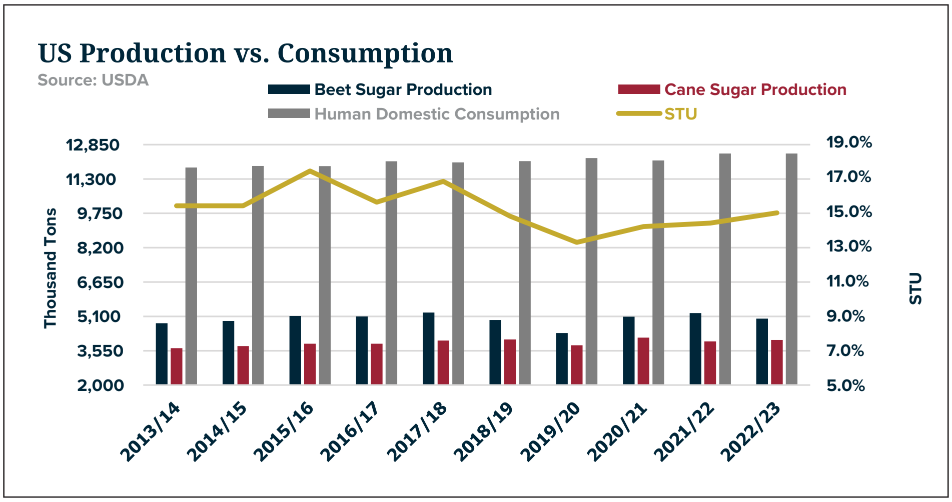
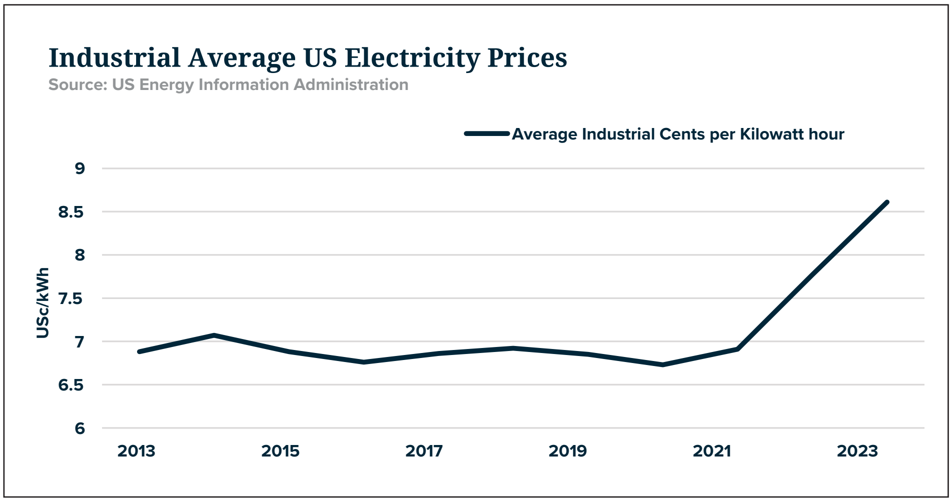
Sugar supplies to remain limited in 2023

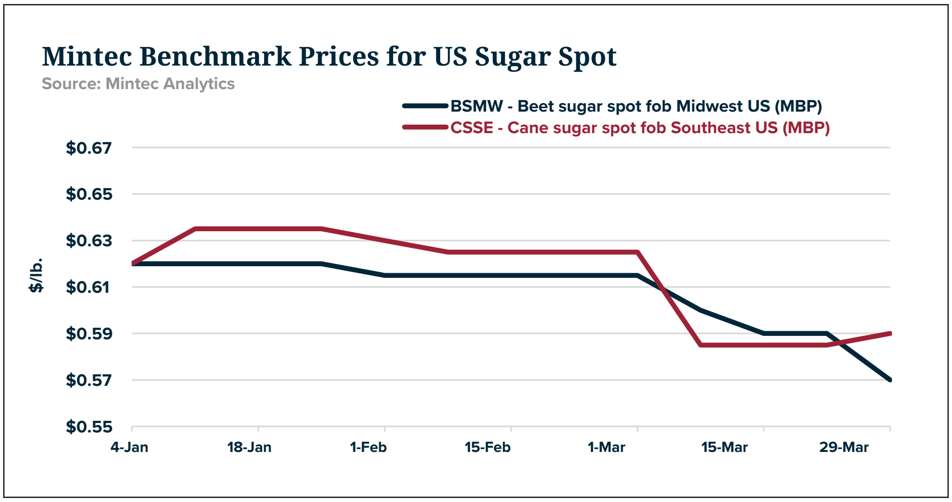
The sugar market in the United States has experienced quite a bit of volatility in the past year, as factors including limited supply, inflation, and increasing domestic consumption have contributed to elevated pricing for spot and contracted sugar. While prices have eased from values seen in Q4 of 2022, spot prices for beet and cane sugar are still hovering nearly 12% higher year-over-year. At the time of this writing, the Mintec Benchmark Price for beet sugar spot was assessed at $0.57/lb, while cane sugar spot was assessed at $0.59/lb, a 5.6% decline month-over-month. Meantime, 12-month contract pricing for beet and cane sugar was assessed at $0.56/lb, and $0.58/lb, respectively.

In the April WASDE report, the U.S. sugar supply for 2022/2023 increased by 176,692 short tons, raw value (STRV) month-over-month, as larger sugar production was offset by lower imports. If recognized, supply will reach a new record high. Production estimates for beet sugar decreased marginally month-over-month, totaling 5.1 million STRV, which is still an uptick as sucrose recovery is set to improve from the 2022 beet crop. National sucrose recovery from beets sliced during August 2022 through January 2023 is estimated at 15.4% and recovery in all regions is above average. Additionally, the Red River Valley region is likely to be at a record high. Cane sugar production, which mostly takes place in the Southeast, increased in Florida. Total cane production was raised to 4.15 million STRV, which would be a new record high if realized.

Despite a positive fundamental outlook based on government projections, market participants noted pressure from suppliers to book ahead during Q1 of 2023. This sense of urgency to book for the upcoming year is a common occurrence after the annual International Sweetener Colloquium takes place. Historically, some deals would be made when the conference concludes at the end of February, with most of the







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purchasing spread out between May and June. That timeline has crunched since the pandemic, with buyers nervous to wait too long as prices get firmer over time. Also, several participants feel that the USDA's estimations are too optimistic, and projections should be 50,000-100,000 metric tons less. This is based on rising input costs for items like fertilizer and herbicides because of the Russia-Ukraine war, causing growers to plant less acreage.

Although sources have told Mintec that there was more supply available in Q1 of 2023 and the spot market was weakening, the economic environment continues to play a role in production costs. While inflation has eased from the peak seen last summer, energy prices remain elevated. Sugar production is one of the most energy intensive industries, and the costly process of crushing and refining white sugar is expected to continue to trickle down throughout the supply chain. Overall, global energy prices remain supported by the war in Ukraine, reflecting Russia's position as a major exporter.

Additionally, demand has picked up since the end of 2022, and sources have stated that there has been more sugar sold this year than last during Q1 and Q2. This is a hot period for industrial users; however, some larger buyers may have chosen to wait out the push to book earlier in the year. Traders have mentioned that some suppliers will offer around 80% of their volumes early in the year, and save 20% for later as the year progresses, noting that a significant chunk of volume has been put out for 2024.

Overall, supplies are expected to remain limited throughout the year, even if production improves. Also, imports are projected to decrease, as Mexico's cane crop lags the five-year average. If so, this will impact the global supply, as the USDA estimates that the pace through end of December is at least 15% behind the pace established over the preceding nine years. Reformulation for cost reasons is contributing to supply tightness as well, as participants state that some manufacturers have chosen artificial sweeteners over sugar like dextrose or high fructose corn syrup that are limited in availability too. Refined sugar prices could be impacted in the coming months as players prioritize cost minimization, and attempt to meet rising domestic consumption throughout the United States. UB

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Surplus supply puts pressure on plant-based protein prices

By **Andraia Torsiello**
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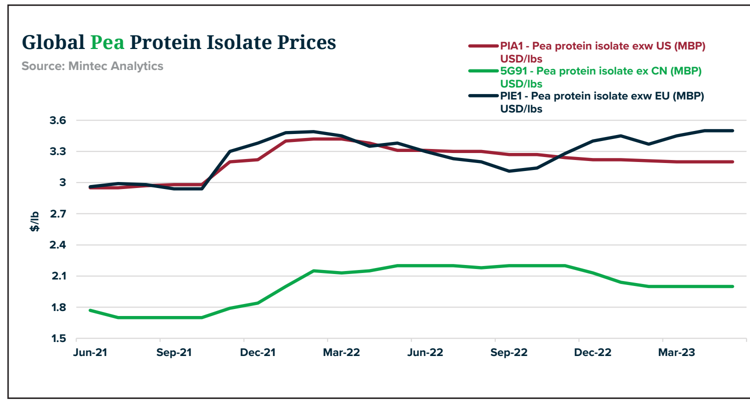
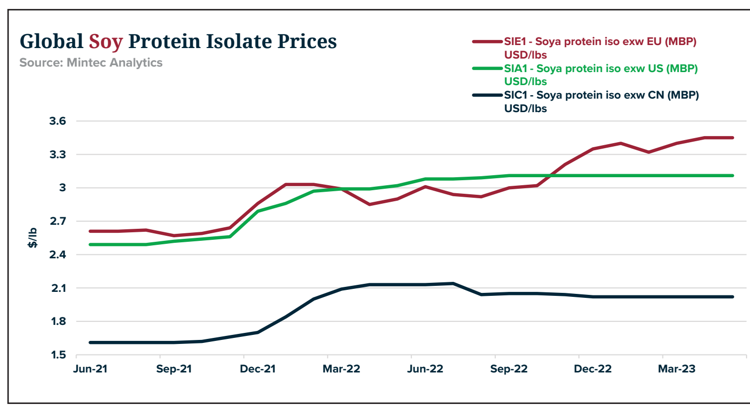
After the plant-based protein market witnessed unprecedented demand at the height of the pandemic, levels have since eased, and fell below expectations in some cases. The decline in consumer demand is primarily attributed to inflation and high living costs, as plant-based proteins tend to be more expensive than traditional meat options. Additionally, further processing these ingredients is energy intensive, and input costs remain elevated. As a result, surplus supply and the long shelf life of plant-based protein ingredients has caused producers to cut back on production and focus on cost minimization. Despite a decrease in production and available supply, most producers are keeping offers firm as the cost of logistics is uncertain.





Meanwhile, plant-based categories besides meat alternatives are witnessing growth. Some players appear to be moving away from mimicking meat and into beverages and plant-based dairy options like cheeses and creamers. Pea protein is not an ideal option in these categories where products need to be smooth, rather than gritty. Pea protein tends to be a thick ingredient and is now known to be a potential allergen concern, although mild. This could lead to an increase in soy protein demand, a well-established ingredient in the plant-based space.

In addition to shifting demand, Chinese ingredient prices have been putting downward pressure on the market globally. Soy and pea-based proteins are manufactured mainly in North America, Europe, and China with Western plant proteins often commanding a premium over proteins from China. The country recently ramped up production capacity, and some Chinese suppliers have been able to offer product of similar quality to North American and European product at cheaper levels. Some buyers are using competitive Chinese prices to negotiate deals, but suppliers in North America and Europe feel confident in their offers, albeit at lower values than recognized in recent months. Suppliers have said that China may not be able to sustain buyers' needs as demand grows, and it could be challenging to sort out product issues if items are not sourced regionally.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Overall, there appears to be resiliency in market demand despite easing levels. According to the Plant Based Foods Association, sales of plant-based foods at retail reached $8 billion in 2022 in the U.S., a 6.6% increase from the year prior. Also, nearly 50% of restaurants across the U.S. now feature plant-based options on the menu. While market players have noted that product innovation is on a slower track than a year ago, sources expect Q3 to be a reignition into the market for plant-based proteins as inflation cools and research and development expands. UB

SHELL EGG MARKET

Bird flu manages to evade layer farms

By **Karyn Rispoli**
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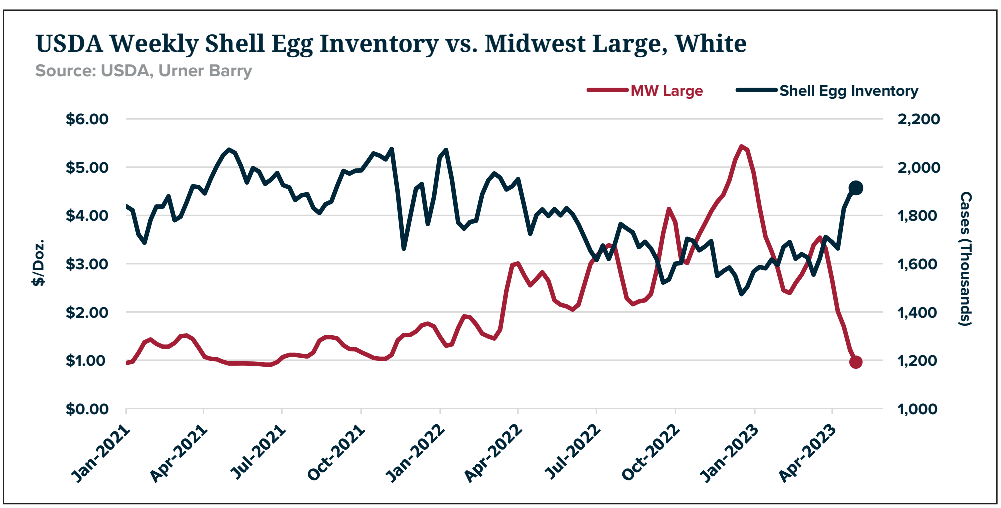
While the U.S. shell-egg market in 2022 was dominated by the overwhelming spread of highly pathogenic avian influenza (HPAI), this year has been marked—to the astonishment of most industry stakeholders—by its notable absence. Unlike previous variations of the bird flu, which typically emerge with the start of spring migration and die off with the arrival of summer heat, this strain continued to proliferate through year end, killing off 12.6 million egg-laying hens between September and December. That brought the total number of layers lost in 2022 to 43.3 million, making it the deadliest bird flu in history.



That also led many to believe that this year would be wrought with more of the same. Industry participants presumed it was a matter of "when," rather than "if," HPAI would strike again. And so, they prepared accordingly. With the acute supply shortages and record-high prices suffered around Thanksgiving and Christmas still top of mind, retailers took precautionary measures to ensure they would have enough supply to meet heightened Easter demand. They began pulling inventory earlier than usual, and in many instances, took on larger-than-normal positions, as well.

And retailers were not the only ones looking to safeguard against the threat of resurgence. Producers were doing their part by keeping birds alive for far longer than usual, stretching single-cycle flocks to as much as 120 weeks and putting molted flocks in for a second, and in a few instances, even a third round. Keeping birds housed not only prevented work crews—and in turn the potential for disease—from entering the barn, but it also kept outputs coming, even if at a greatly reduced rate.

In the end though, the efforts—however prudent—proved to be all for naught. Not only did Easter come and go without incident, but the calendar has since turned to May, and the bird flu has still managed to elude commercial layer operations since December.

Meanwhile, Easter demand this year was largely characterized as disappointing and has only gotten worse from there, leading to a market correction of historical proportions.

After peaking at an intra-year high of $3.54/dozen in the last week of March, Midwest Large, Urner Barry's benchmark shell egg quotation, tumbled 73.4% to just $0.94/dozen—breaching the dollar mark for the first time in nearly two years.

The same predicament that helped send Midwest large shooting to a record high $5.46/dozen in December is now contributing to its collapse: a lack of synergy between wholesale and retail markets. Even as the bird flu was spreading and wholesale prices were climbing, retailers throughout November and December were using eggs as a loss leader, fueling even greater demand rather than helping to suppress it. Now, the market is undergoing one of the sharpest declines in history and retailers, looking to recoup some of the profits they previously forfeited, have been slow to pass along those savings.

In fact, some grocers have actually been raising shelf prices, even as wholesale values plummet. Data from Circana (formerly Information Resources, Inc.) shows that the national average discounted price for fresh shell eggs in the week ending April 16 was $3.15/dozen—up 5.7% from an average of $2.98/dozen in the week prior. That has weighed even further on already sluggish demand, which typically wanes at this time of year as the weather warms and attention turns to more seasonal breakfast options, like fresh fruit or yogurt. Without the benefit of attractive price points to help stimulate interest, demand has slowed, and inventories have grown burdensome.

According to the USDA, shell egg stocks on hand in the week ending April 17, shot up 10% to 1.828 million cases, the biggest week-over-week gain registered since the start of the pandemic when the foodservice industry ground to a halt. And stockpiles have continued to mount since then, now perched at a 52-week high of 1.914 million cases—5.2% higher than the five-year average for the same period.

There may be some relief on the horizon, however. While grocers have been slow to pass down lower costs to consumers up until now, there are a slew of ads scheduled to break in the weeks ahead. And after three years of little-to-no featuring—not to mention the $5.00-plus price points experienced earlier in the year—sources anticipate the consumer response will be quite favorable. UB

Prices tumble as poor retail demand forces shell eggs into the breaker

By **Karyn Rispoli**
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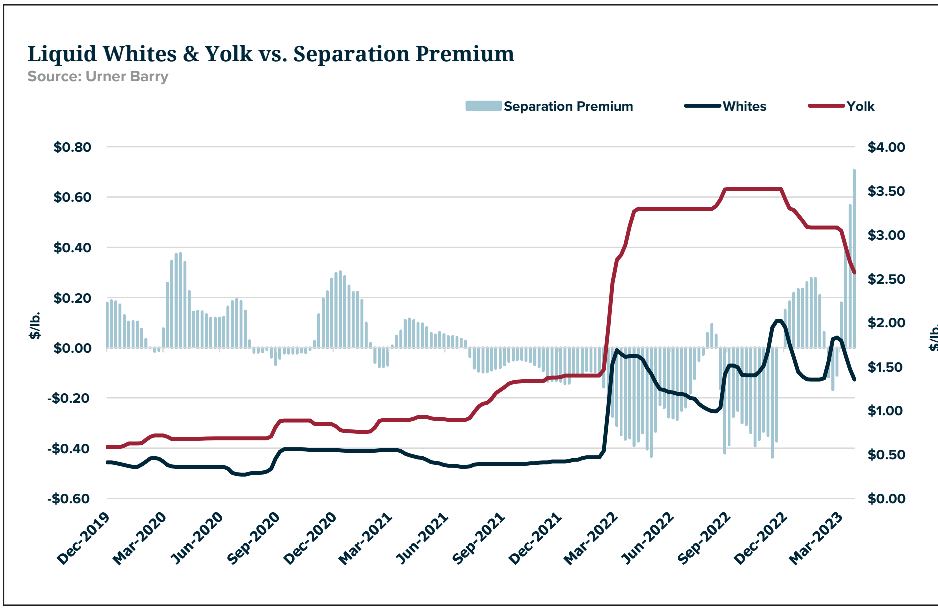

While demand for egg products in both food manufacturing and foodservice channels has been quite good this year, poor demand for shell eggs in the retail sector has left many producers long and struggling to find an outlet for their surplus following Easter—much of which has been forced into further processing channels. That has weighed heavily on both breaking stock and egg product values, most of which have sunk to 52-week lows.

Breakers, after being starved of shell eggs in December when the retail sector was soaking up what limited supply there was, are now at or near capacity as they work through the deluge of raw material that's been pushed in their direction. Data from the USDA shows that the volume of shell eggs broken in the week ending April 29 rose to a 52-week high of 1.569 million cases—6.3% higher than the five-year average for the same period, and up 23% and 24% from the volumes processed in the weeks leading up to Christmas and Thanksgiving, respectively.

While all three liquid categories—whole egg, yolk and whites—have dropped to year-long lows, declines for the former have been especially precipitous. Whole egg prices, which were perched at $2.41/lb. in the last week of March, have since plummeted an astounding 78% to just $0.52/lb. Part of that is simply a function of ease. For producers that operate in both the retail and egg-products space who've seen their grocery orders deteriorate, breaking through and selling off liquid whole egg is the simplest and fastest way to alleviate surplus.

But part of it is also due to a reluctance to separate. For the better part of the last two years, demand for liquid yolk has been extremely robust—owing mostly to the manufacturing of dressings, sauces and mayonnaise. Processors whose separation is driven primarily by whites were comfortable with keeping heavy separation schedules because they were almost invariably able to find a home for their excess yolk at supportive levels—if not at a premium.

Demand for whites has also picked up considerably this year in both retail and foodservice channels. That means processors that were previously buying excess yolk in the open market are now generating enough of their own to cover orders, putting a lid on spot market needs. In spite of some of the strongest separation premiums ever witnessed, most processors are not willing to own more yolk than they currently have offtake for. To that end, values here, along with whites, have held up comparatively well versus whole egg.

Yolk, though at a 52-week low, has dropped only 18.5% from the pre-Easter heights and 28.9% from the record-highs reached in December. While whites have seen a greater adjustment than yolk, declines here still pale in comparison to those of whole egg—down 47.5% from the last week of March and 52% from the all-time highs. At $0.96/lb., liquid white values are nearly double that of whole egg—a rather unorthodox circumstance to say the last. Over the past five years, liquid whole egg prices have averaged 27% higher than whites. And, at present, whites are priced 60% higher than whole egg.

Though liquid prices are down to varying degrees, they have finally sunk low enough to encourage processors to begin drying again. Since the bird flu began to spread in February of last year, dried processing volumes have plunged dramatically. USDA data shows that year-to-date production is down 48% from the 10-year average. Faced with some of the highest dried prices in history, most buyers have been operating hand-to-mouth—taking minimal quantities, as they wait in hopes of the market falling. But on the flip side, processors have been unwilling to produce expensive inventory without a contract in place. That's kept stocks exceedingly low and asking prices steady-to-firm.

However, as cheaper liquid costs begin to make their way through the system, dried prices started to grow somewhat negotiable. Dried yolk has decreased 18.3% since late March, while whole egg has dropped 19.6%. Once again, whites are holding up comparatively well—down only 9.3% during the same period. Not only do whites take substantially longer to manufacture than yellow product, but liquid demand, both domestically and from Canada, has left the industry with limited availability for drying.

"Since the bird flu began to spread in February of last year, dried processing volumes have plunged dramatically."

In spite of recent adjustments, dried values in the U.S. continue to far surpass those of the European market. Though the EU has grappled with the bird flu for even longer than it's been on U.S. shores, the market impact there has been vastly different, due to differences in farming practices. Economies of scale have led to "mega-farms" in the U.S., with many commercial operations housing millions of birds. When one falls prey to the bird flu—as we saw last year—the market implication can sometimes be catastrophic.

In Europe, farms are much smaller in size. Even though the EU has seen similar bird mortality to what we've experienced here in the U.S., it's been spread out over an extended period of time, ameliorating the impact to some degree. Dried values for all three categories in Europe, though some of the highest on record, are far shy of those seen in the U.S. Whole egg and yolk values lag the U.S. by 50.7% and 33.1%, respectively, while whites trail by 54.9%.

On both sides of the pond, the hope is that the worst of the bird flu is in the rearview mirror and that the market will soon return to some semblance of normalcy. Detections in the EU have slowed dramatically and, in the U.S., no new layer farms have tested positive since December. UB

Variables, considerations, and concerns

By **Dylan Hughes**
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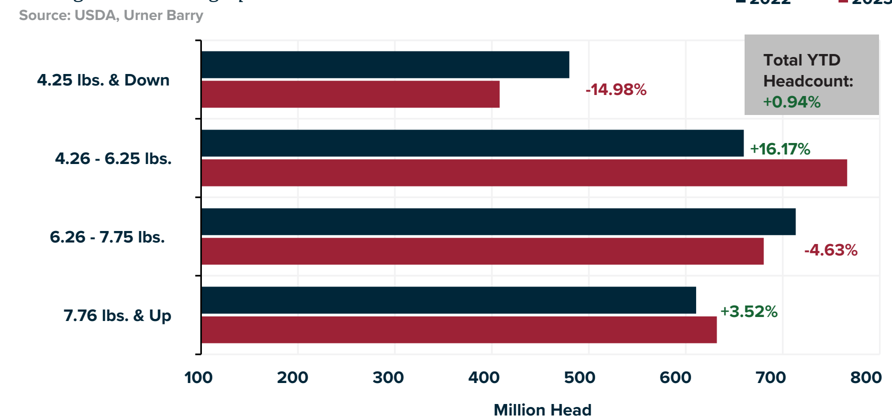
Over the past year, chicken market participants have experienced both extremes of the market cycle. From record and near-record spot valuation, to, in certain instances, some of the most impactful price corrections realized in recent history, the trade environment has certainly tested the wits of all who were involved.

As has been the case in recent years, the increased front-end costs associated with feed, labor, freight, and cold storage remain major variables which have governed production output, while at the same time, forcing processors to lean more heavily on pre-negotiated contractual trade rather than relying solely on the whims of street business. In addition to the ongoing complications in production, other unique factors such as disease, low hatchability, and wide variances in average live weight have thrown an "unknown" component into many players' forward-facing supply expectations. Amidst the headwinds, however, chicken production continues to post modest year-over-year advances in headcount and average live weight.

On the demand front, the overarching theme hinges heavily on the channel up for question. Retail movement has been consistent and, in the case of individual lines such as boneless breasts, year-to-date sales volume outpaces year-ago levels. While chicken's attractive costs relative to other proteins has undoubtably attracted value-oriented consumers, ad exposure itself leaves much to be desired in the minds of most marketers. Nowhere is this more evident than in the chicken wing segment where both retail and foodservice ad activity has been displaced with the likes of "boneless wings," chicken sandwiches, and even thigh meat. On the export front, outward movement remains quite admirable. Throughout 2022, cumulative broiler volume and value reached an all-time-high; rising 4.6% and 17% above 2021 respectively. Thus far, 2023 is following along a similar path with an early-year tally setting another all-time high in global trade volume.

HATCHERY

As alluded to above, there is a long list of factors which are playing a role on the current production landscape. While steep feed costs, limited labor, and disease are among some of the most commonly discussed topics of conversation, the impact of downward-trending pullet placement figures cannot be overlooked. On a year-to-date basis, the number of pullet chicks hatched stands about 4% below this time in 2022. Still, at just shy of 9 million head in March, pullet chicks hatched stand at the second highest level realized in recent history, just behind this time last year. At the risk of sounding overly obvious, this year-over-year advance in pullets suggests that broiler placements could experience a boost further down the road.



YTD Chicken Headcount By Weight Category
Through Week Ending April 15th
Source: USDA, Urner Barry

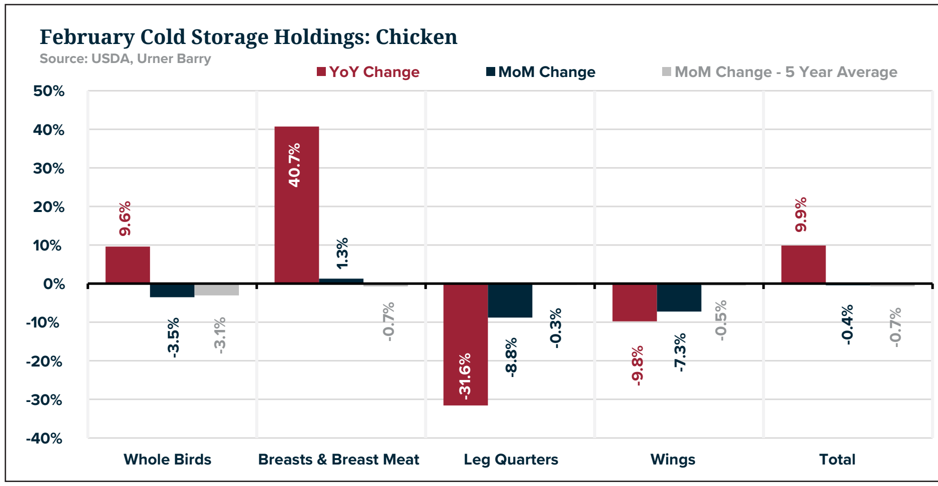
As it currently stands, however, cumulative broiler chick placements have been slow to make any significant strides above last year; posting a slight 0.33% advance when compared to a similar timeframe in 2022. At the root of the relatively limited upward movement is low hatchability, which averaged 79.25% during March and stands well below any historic expectations.

SLAUGHTER

In terms of year-to-date headcount, 2023's figures have, so far, outpaced that of 2022 by about 1%. At 2.49 million head, current production stands at the second highest level on record, trailing just 30 million head behind 2020. Through mid-April, average live weight is also up by about 1 point above last year's 6.34 lb. average. Although this uptick isn't particularly noteworthy in and of itself, there's more to the story than what initially meets the eye. Breaking down this year's cumulative production stats into size-specific weight categories, 2023's slaughter carries with it a very mixed undertone. As several processors transition away from the small bird platform in an effort to minimize front-end costs and perhaps better orient themselves with the size-specific call from foodservice and QSR buyers, the number of 4.25lb./down chickens crossing the line has declined by a significant 15% when compared with this time last year. Conversely, the "medium" segment (4.26-6.25lb.) realized a 16.2% increase in headcount. At 766.5 million head, this translates into an additional 106.7 million head crossing the line. The "large" category (6.26-7.75 lbs.) receded by a more modest 4.6%. While steep feed costs have undoubtedly caused chicken production to readjust, changing weather patterns, along with region-specific disease complications could be weighing down production figures within this segment. That brings us to the "jumbo" segment (7.76lb./up), which rose 3.5%.

EXPORTS

The past few years have been anything but a walk in the park for chicken exporters. Disease-related trade constraints, shipping container shortages, along with additional competition arising out of regions such as Brazil and Chile have given way to a choppy and arduous global trade landscape. With that being said, 2023 set out with a "bang" as Taiwan lifted its trade restriction on 12 U.S. states. Given the region's average monthly intake of about 46 million pounds of U.S. chicken, this gave way to a notable boost in overall export tonnage. In fact, according to the Foreign Agricultural Service, the first two months of 2023 brought with them all-time-high trade volume; rising 3.3% from this time last year. Conversely, cumulative trade value resides at $746.6 million, which represents a 3.7% year-over-year decrease and closely coincides with the notable price correction that many key lines experienced when compared to Q1 last year.



COLD STORAGE

With a 1% year-to-date increase in ready-to-cook production above 2022, there's currently more chicken making the rounds than ever before. While segments such as fast food continue to steadily expand their call for poultry, other channels such as further processing, foodservice, and retail have been subject to a more whimsical draw. This situation has left chicken processors leaning more heavily on public warehouses. As a result, total inventories grew seven consecutive months during 2022 and closed the year at the second highest level in history. Although the first two months of 2023 displayed slight month-over-month declines, they still brought with them a 12.4% and 9.9% year-over-year advance respectively. What isn't all that apparent in the figures, however, is the fact that freezer availability is constricting, while boxing and freezing costs are trending upward. This scenario has prompted those on the production front to consider all of their options before cracking open the freezer doors.

WOGs

A combination of limited supplies and steadily improving demand, particularly from within the retail and QSR sectors,

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gave way to a $0.50/lb. advance in WOG values during Q2 2022. Following a multi-month plateau at record-setting price points, seasonality ultimately took hold and resulted in a $0.60 price drop by the time that August rolled along. Although 2023 set out under a fairly subdued backdrop, the aforementioned slump in small-sized bird production eventually took hold. When paired with a retail and QSR call, and steep costs associated with freight and feed, WOGs gradually rose throughout February and March as buyers in need continued to up their bids on whatever offerings did hit the street.

BREAST MEAT

As a general statement, boneless breasts followed along a similar path as the WOG complex. After reaching an all-time-high of $3.65/lb. during May 2022, spot values trended lower for six consecutive months before bottoming out at $1.04/lb. in November. 2023 brought with it a flurry of foodservice, QSR, and retail demand which helped to absorb adequate availability and drove pricing slightly higher. Although bulk pack offerings remain adequate on the spot market, buyers seeking boxed offerings contend with well-accounted for supplies and slightly higher asked prices.

WINGS

Following the highs of 2021's market, the chicken wing complex has been struggling to gain "lift." In fact, 2022 brought with it very little support with spot values ultimately shedding a significant $1.77/lb. between the year's outset and the tail-end of December. Price-conscious buyers, packed freezers, and fully-adequate production were among some of the most notable headwinds at play. Although NFL playoff and Super Bowl demand eventually stimulated some modest improvement in value during January and February 2023, it was short-lived as the NCAA basketball tournament resulted in little to no change in market valuation. Those on the marketing side of the equation are quick to point out that retail and foodservice ad exposure was limited with boneless white meat displacing traditional wing offerings.

THIGH MEAT

Upon turning to the back half of the bird, thigh meat is perhaps one of the biggest stand-out items on the price sheet. Q2 of 2022 was a fruitful period for those on the selling side as a strong call from export for items like leg quarters limited raw materials and drove deboning costs to a record high. As supplies caught up, and automated deboning continued to grow in prevalence across the processing landscape, values trended lower toward the end of the year. As for the here and now, once again a robust export draw, when coupled with a consistent level of outreach from traditional retail and foodservice channels, has stimulated some additional upward price potential for thigh meat. UB

A rollercoaster of emotions and economics for the turkey industry

By **Matt Busardo**
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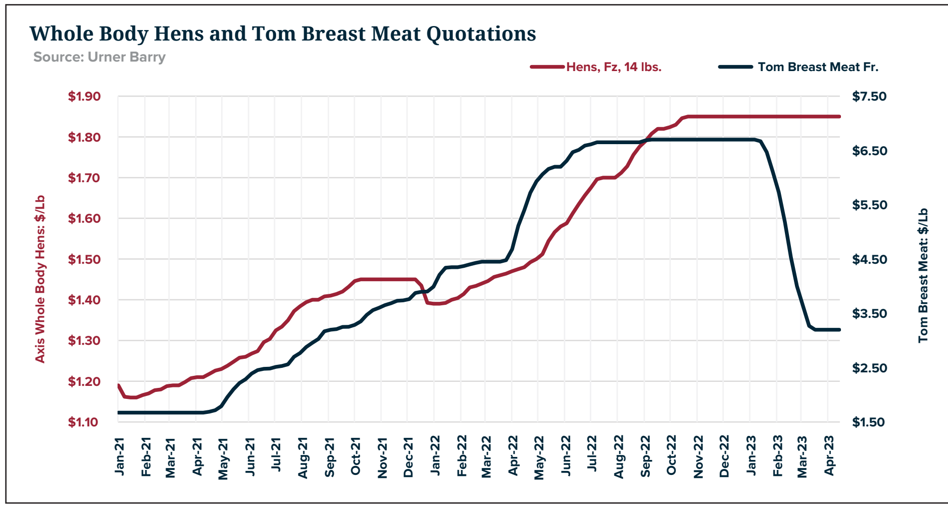

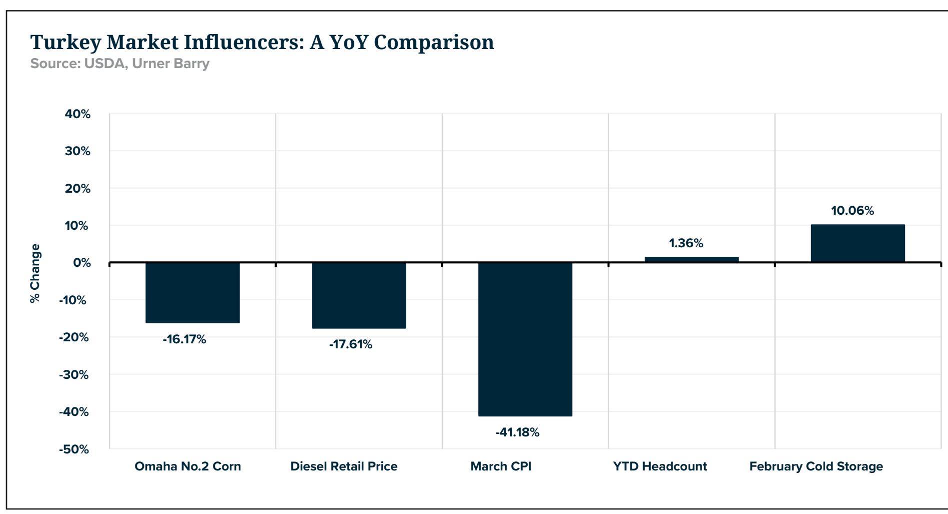

While adversity and challenges are nothing new for participants within the turkey industry, the past year or so has certainly brought with it a unique set of circumstances that cause many to rethink their strategies. We in the poultry reporting office have spoken ad nauseum about the current circumstances at play but the following goes a bit more in-depth as to all the current and previous factors and what that could mean for the future.

HPAI

Highly pathogenic avian influenza (HPAI) is a disease that most of you should be well versed in regarding its destructive capabilities. We would be remiss to not first begin with the most obvious contributor to the market today. Since its outset in February 2022, commercial flock losses for turkeys have come in at around 6 million head and counting. This, in conjunction with traditionally low production figures at the start, left the industry severely short moving through the rest of the year. By year-end, values on lines such as whole birds, institutional-sized breasts, and tom breast meat sat at all-time highs with little to suggest an end was in sight. Detections at the time of this publication have been limited, but a wary eye continues to exist as things can change at a moment's notice. One contributing factor to the relatively quiet spring has been the brutal winter weather much of the Midwestern portion of the country has experienced. This has caused migration patterns for wild birds to slow or reroute as their typical stopping points have still been frozen over. One thing to note though is that the warmer weather is beginning to spread, which will allow birds to continue north and potentially spread disease in an area that many commercial operations call home. This uncertainty has put much of the industry in somewhat of a holding pattern as forward-looking production hangs in the balance, in the face of traditionally high values and hesitant buying patterns.

WHOLE TURKEYS

Perhaps the segment of the business which has the most to "lose" so to speak, is whole-body toms and hens. Throughout last year, values continuously moved higher as supply was heavily outweighed by seasonal demand. Entering the new year, values sat at $1.85/lb. for 16 lb. frozen toms, which is a 29% increase compared to the peak in the previous year, and 42% more than the 5-year average. Historically speaking, after demand hits its climax late in the year as the holidays pass, values begin to recede as buyers and sellers look to reset the market and start anew. In years that supplies are tight, a typical reset is minimal, as sellers have little incentive to lower their ask prices. This is evidenced by the only $.04/lb. loss in value the previous year, against a 5-year average loss of over $.20/lb. But 2023 was different as consistent flock loss throughout the winter and a strong holiday pull left many processors with little to no inventory. This allowed sellers to maintain their current all-time high ask price of $1.85/lb. through

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the beginning of the year and into the spring. But that came to an abrupt end as May entered the fold with minimal HPAI flock detections and highly price-sensitive buying patterns. This environment created an irregularly distributed surplus of freezer stocks, leaving sellers no choice but to try and get out from underneath them. Heavy discounting ensued and as of the time of this publication, 16 lb. frozen toms have lost over 8% of their value with additional pressure in play. Hatchery figures continue to trend downward, which should help ease processors of exess into the fall.

BREAST MEAT

The standstill in values associated with whole birds had little effect on breast meat as demand dropped to nonexistent levels at the start of 2023. At $6.70/lb. players on the buy-side began to ignore offerings or source their product elsewhere, which created enormous pressure on sellers to part with offerings at severe discounts. Dwindling cold storage availability, in conjunction with rising costs once in the freezer, further constricted processors ability to avoid the dip in demand patterns as they were forced to move on from offerings no matter the price. From January to April, Urner Barry's fresh tom breast meat quote dropped by over 50%. While that percentage is certainly staggering, keep in mind that at $3.20/lb., that still represents an over 11% premium to the 3-year average. Marketers at this point have their eyes set on seasonal demand, which could potentially stop the bleeding and allow for a more consistent throughput of inventory.

IMPORTS/EXPORTS

More than likely the biggest contributing factor to breast meat falling from grace was the inability to export with any real consistency. Mexico has been and will continue to be the turkey industry's greatest ally when it comes to exports, but due to the elevated price, sellers were largely ignored for the majority of the year. This was because they were sourcing their needs through other exporting counties such as Brazil or Chile at values which represented a sharp decrease from anything U.S. processors could offer. HPAI has been a minimal factor for much of South America, which allows them to maintain production levels and keep their ask prices well below U.S. values. Without buyers in Mexico to lean on, offerings began to pile up without any immediate destination. While it's important to keep in mind that trade restrictions related to HPAI were also a contributing factor, the latest USDA export data was unquestionably telling. Total export tonnage was reported at a sharp 26% decrease year-over-year, and an astonishing, yet unsurprising 66% decrease from the 10-year average. Another important thing to note, Mexico wasn't the only one buying from outside its typical framework. U.S. players were also sourcing product from outside the U.S. as lack of availability and price forced their hand. Total imports were recorded at just under a 200% increase year-over-year with the bulk of that product coming from Chile, but also some moving in from Canada. This allowed any buyers in need to sidestep U.S. production and still get covered at a relative discount.

LOOKING FORWARD

With so many balls in the air currently, players within the industry have not been shy about making their assumptions and predictions as to where the market will go moving into the late spring and summer. HPAI and its potential impact will no doubt be the elephant in most board rooms as production and availability will swing depending on how much flock loss accrues between now and the end of the summer. All that participants can do now is keep their eyes on the sky and hope that traditional factors and expertise that so many have counted on for years will help to guide them through the uncertainty. UB

Price stability a rarity in today's protein landscape

By **Ryan Hojnowski**
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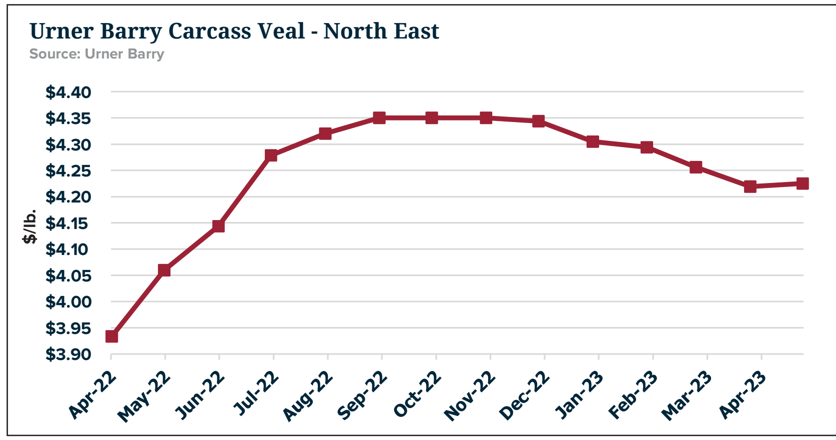

The veal market has experienced something over the previous year that many other proteins can't say—the market was generally steady! From Q2 2022 through Q2 2023, carcasses traded within a 10.83% range for the entire year, which is astonishing when compared to items like hog carcasses at 57% and steer carcasses at 26.6%.

Input costs have remained very elevated so far in 2023 as inflationary pressures continued to dominate the narrative within the protein. While costs have come off from their peak, little relief has been experienced by operations in the U.S. Amid this happening, overall production continued to decrease with a 2023 year-to-date production 17.9% below 2022, through the month of April. This indicates that as costs became difficult to bear, the industry cut back on production, which resulted in carcasses trading higher for each week in 2023 versus 2022, through the month of April. The trend of veal production declining has been witnessed since 1997, and that can be expected to continue this year with the data we have observed thus far.

With the significant decrease in production, you may ask—why hasn't pricing exploded? Well, the demand side of the equation is intriguing. Overall, veal demand has declined over the decades as interests in food has shifted in the U.S. Some boxed cuts, such as ribeyes and racks, have spent all of 2023 at 52-week highs. But many other items such as chucks, breasts, and hotel racks have been under pressure compared to 2022 levels. With all of this said, pricing for these cuts is relative to the respective year. When taking a long ranging view, the decrease in production has directly helped support the individual boxed cuts, giving a healthy layer of support at some level to the entire protein.

Looking further into 2023, total production has been on a downtrend, and that can be expected to continue based on the availability of live animals currently out there. Although demand will likely continue following typical seasonality effects, such as holiday interest, it is expected to remain on par with much of what we saw in 2022. The X factor for the rest of the year will be how the overall economy continues to change and what that will mean for input costs on the live animal side and consumer spending on premium items within the retail and foodservice sectors. UB

Dissecting the dynamics of domestic and imported trends

By **Ryan Hojnowski**
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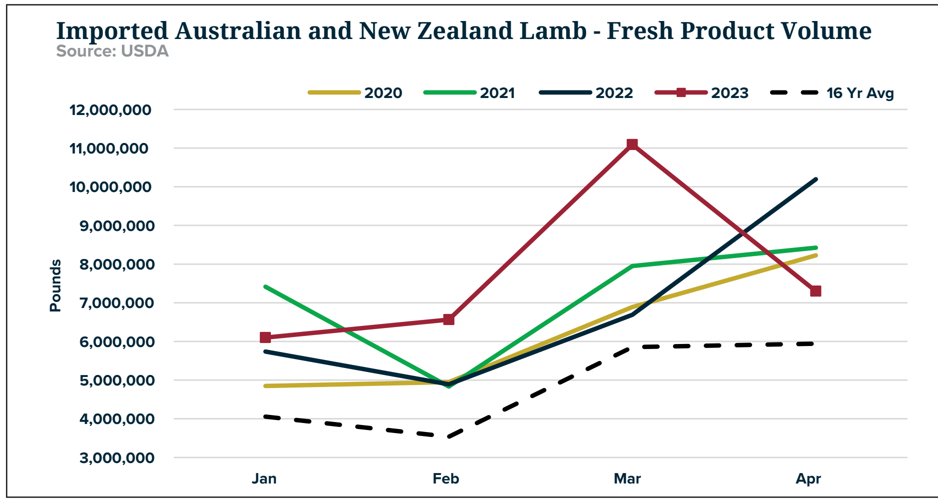


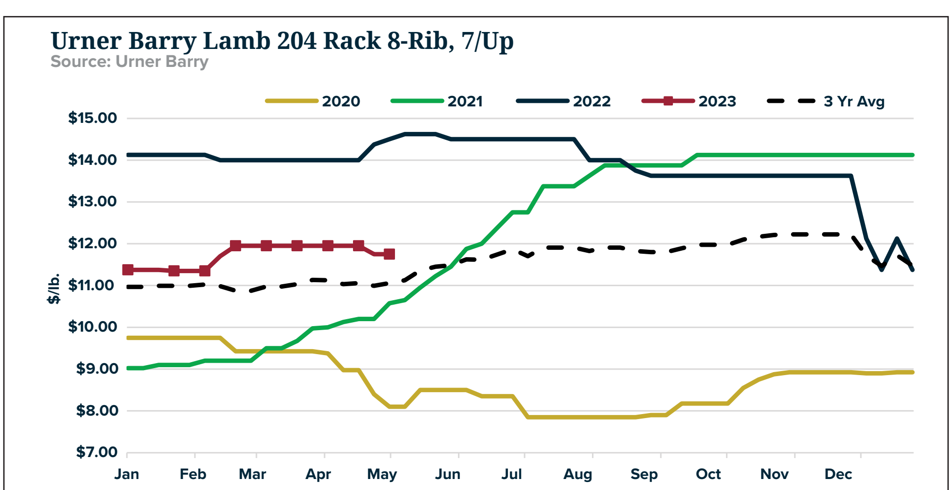
The post-pandemic world has presented a roller coaster ride for the domestic lamb market. Prices soared in 2021 due to a robust economy and a renewed interest in premium lamb products. However, since then, inflationary pressures have led to a reduction of interest in lamb and significant price declines nearly across the board. As we navigate this "new normal," the industry is left to ponder its future prospects.

Lamb consumption per capita has been on the decline since the 1960s as other proteins have taken center stage. The industry has generally adapted to this and reduced production, but now in 2023 we are witnessing increased year-to-date production for the first time since 2018 (as of mid-May). Furthermore, year-to-date volume for imported fresh lamb from Australia and New Zealand has reached an all-time high, up nearly 13%, while frozen lamb is just below its year-to-date all-time high. This has exerted pressure on domestic pricing through the first half of the year, with carcasses, shoulders, foreshanks, and legs all at 52-week lows. Market staples like racks have slightly outperformed the rest of the protein thanks to foodservice and retail interest providing some support. However, the extra supply from both fresh and frozen sources has limited any gains, even during the Valentine's Day and Easter holidays.

"Furthermore, year-to-date volume for imported fresh lamb from Australia and New Zealand has reached an all-time high, up nearly 13%, while frozen lamb is just below its year-to-date all-time high."

Meanwhile, imported lamb has presented an intriguing picture. Prices have fluctuated dramatically, with some items at all-time highs and others at all-time lows. Despite the overall decline in consumption, consumers continue to seek variety, leading to a surge in imports in 2023. Racks and boneless legs have benefited the most, commanding a premium over domestic items. For products like shoulders, interest has dwindled and with supplies being ample, the result has been prices being under significant pressure in 2023.

In conclusion, the current state of the lamb market reflects a complex interplay between various factors such as inflation, consumer preferences, and global supply. With the increased year-over-year production and elevated imported volume, a significant amount of lamb is looking for a home this year, and the industry will have to adapt to this new situation. UB



Inflation pressure continues to influence the UK beef market

By **Dineo Komane** | dkomane@urnerbarry.com

As we head into the grilling season, UK beef market participants are keeping an eye on inflation as it continues to have an impact on consumer spending decisions. While inflation slowed to 4.98% in the U.S. and 6.9% in the Euro zone in March, the UK continued to see a double-digit inflation figure for the seventh consecutive month. The year-on-year inflation was 10.1% in March, while official figures showed that food and drinks inflation reached 19.1%, the fastest annual increase in food and drinks prices since 1977.

Soaring energy costs, supply chain disruptions set off by the war in Ukraine, bad weather affecting harvest, as well as Brexit trade barriers, are some of the factors cited as contributors to the high costs of living. The fall in household disposable income continues to affect the consumer's willingness and ability to spend.

During the first quarter of the year, retail beef demand was dominated by mince-based products, a combination of seasonality and consumers exercising caution on their spending. Retail sources also indicated that more consumers are turning to supermarket private-label ranges to cope with the high living costs. As of mid-May, on a year-to-date basis, most mince items are trading over 2022 levels.

The cutbacks in consumer spending are also impacting restaurants, with some sources suggesting that many consumers are avoiding social plans that involve meals out. Those who do dine out are opting for cheaper meals, such as pizza and pasta. This could be part of the reason that we see wholesale trading values on some foodservice oriented items that are generally below year ago prices. An example would be chain-off fillets. In mid-May, average 2022 year-to-date prices were £23.00/kg. Average prices in 2023 for that same item are £18.25/kg. Looking at the relationship between mince and fillets, many participants say they have come to expect tighter price spreads between premium cuts and value items. This is because of consumers shifting away from higher-priced items into more economical alternatives.

"...processors continue to report challenging operating conditions amid increasing operation costs and tight cattle supply."

Looking at supply, processors continue to report challenging operating conditions amid increasing operation costs and tight cattle supply. Some users of UTM fillets and ribs have traded down to the OTM variety. On the other hand, topsides, silversides and knuckles were readily available heading into the warmer months.

In terms of wholesale beef prices, Urner Barry's UK beef cutout for UTM product posted values in the low £5.00/kg in early May. This was down from the £5.53 tops that traded in mid-march but well above the lows of £4.72 that traded in early January.

As we head into the warmer months and participants work to secure supplies for the typically high beef demand season, market optimism remains subdued. Beef traders are concerned that if beef becomes too expensive, consumers could switch to cheaper proteins. UB

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A look into the Mexican cutout

By **Jaime Almeida**
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Over the past three years, the Mexican domestic beef cutout has seen several price fluctuations, with the most notable occurring in response to the 2020 pandemic.

During that year uncertainty became a trend that would take the market approximately two years to regain some stability. Therefore, it wasn't until 2022 when the Mexican cutout finally exhibited more stable behavior. This was largely driven by a better balance between production levels and demand. Such activity could be observed during the first five months of the year, followed by a continued stable downward trend that persisted until the beginning of 2023.

Regarding the main beef primals, they each generally exhibited very similar performance, where trends consistent with seasonality translated into significant variations during the first six months of the year.

For example, the rib primal exhibited distinct fluctuations over the course of the year. Specifically, during the initial six months, it presented a noteworthy upsurge in value of roughly 4%. However, it subsequently underwent a decline, culminating the year in a reduction of 2.67% relative to its value during the first week of 2022.

On the other hand, the chuck primal experienced the greatest increase throughout the year, largely due to high demand in the domestic and export market. It is important to note that from this particular item, some of the most highly consumed cuts in Mexico are obtained, such as chuck rolls.

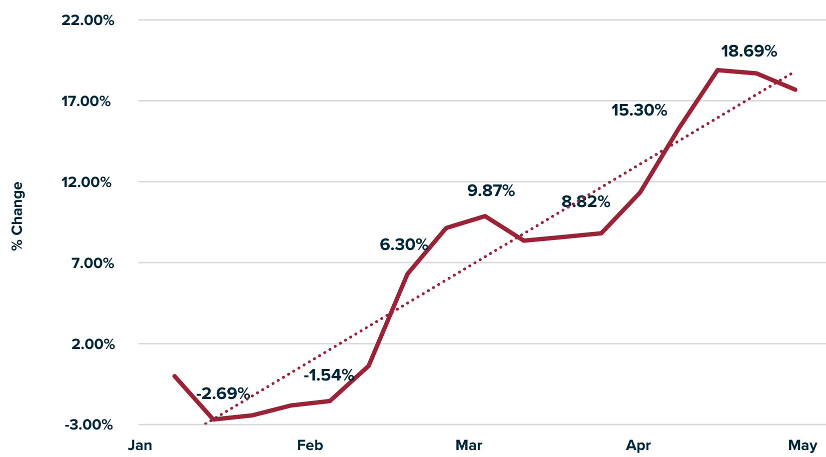
In contrast, the round showed mixed behavior throughout the year. Variations went from the price decreasing 4% since the beginning of the year, to closing it with an increase of 1% in December 2022.

The loin primal was in-line with seasonal expectations. It registered historically high prices during the spring months until demand went soft in Q3 and Q4, trading at even lower prices than at the end of 2022.

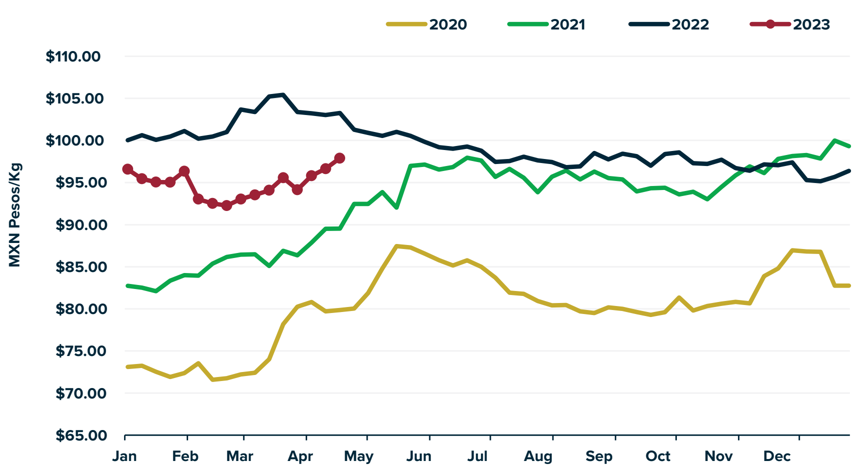
Lastly, brisket, plate, and flank primals showed firm prices during the year, with typical seasonal behavior and consistently high prices recorded.

It can be said that the Mexican cutout generally regained stability during 2022. However, this year's expectations for Q3 and Q4 remain uncertain. So far in 2023, stability and solid performance have characterized the cutout as compared to the previous year. Nevertheless, it is crucial to closely monitor fluctuations in production costs, exchange rates, and the material being traded within Mexico instead of being exported to the U.S. All of this could potentially have an impact on prices. UB

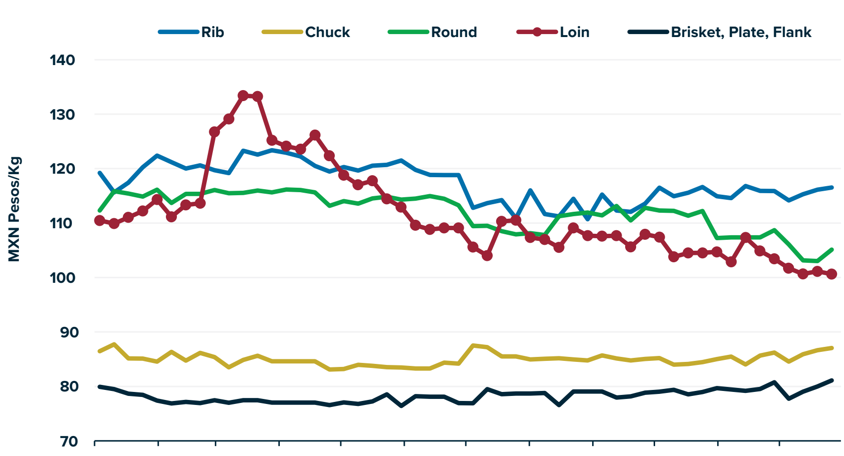
Mexican Cutout % Change vs. 01/01/2020
Source: Urner Barry



Mexican Total Cutout Average Value
Source: Urner Barry



Urner Barry 2022 Mexican Cutout Primal Value
Source: USDA, Urner Barry



From rationing to retention—A year in review

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

Compared to last year, average year-to-date trading levels of several benchmark imported beef items have moderated. As of late April, Urner Barry's Spot East Coast Blend Cow 90% boneless beef posted a year-to-date average of $2.50/lb. This is compared to $3.02/lb. for the same period in 2022. Brazilian 95% boneless beef has seen a year-to-date average of $2.59/lb. versus $2.97/lb. in 2022. Trends for Central American 95% boneless beef were similar, trading at $2.66/lb. versus last year at $3.07/lb.

FOR TWO YEARS, BRAZLIAN BEEF IMPORTS IMPACT TRADITIONAL TRADING PATTERNS

Late in 2021, the market was concerned that it would become short on supplies of frozen imported boneless beef. Australian imports had been extremely low, Asian buyers were at times competing fiercely with U.S. buyers for New Zealand beef. In 2021, newly introduced Brazilian beef imports helped moderate upswings in the market providing users an option that had been absent in the U.S. market for several years. But trade flows of Brazilian beef are impacted by a U.S. quota. Brazil ships fresh/frozen boneless to the U.S. under the "other country" category, which is fairly small compared to Brazil's ability to produce and export product. Anything that is shipped over that quota amount triggers a 26.4% duty. Traders speculated that Brazil would quickly fill the "other country" quota by the end of Q1 and Brazil would consequently limit shipments to the U.S., opting to sell into more competitively priced markets rather than pay the duty on out of quota meat. There was concern that the volume of frozen imported offerings from other source countries would be insufficient to meet U.S. demand. This contributed to a runup in frozen imported lean beef prices in January and February 2022. By March, prices were trending lower, and they would continue to do so throughout the year. The reality was that the volume of boneless beef imports for 2022 would be higher than 2021 levels and that the 2022 slaughter of U.S. domestic cows, a primary source of lean beef, would also be 5% over 2021 levels.

The amply supplied U.S. beef market weighed on prices in the second half of 2022. Consequently, the market started 2023 from a much lower price point. And ironically, January boneless beef cold storage levels in the mid-Atlantic states, a primary destination for imported boneless beef, would be 18% lower than year-ago levels. Some of this could be attributed to the thought that Brazilian boneless beef stocks were more widely dispersed throughout the country as freezers that normally store imported boneless beef had limited bonded space to store Brazilian arrivals late in 2022.

January 2023 pricing for lean imported beef was relatively flat. Like 2022, importers and users were absorbing significant quantities of Brazilian boneless beef into their supply chains—some of it to be used immediately, some of it to be stored and used later.

CONCERNS ON DOMETIC LEAN BEEF SUPPLIES CREATE BULLISH UNDERTONES IN Q1

By February 2023, imported lean beef prices started to rally. The focus was now on U.S. domestic supply. U.S. fed cattle and cow prices were surging as participants expected the industry to enter a phase of cattle retention following several years of drought induced liquidation. Cattlemen retaining cattle would mean less available to the open market in coming months. Some lean beef buyers were content to wait and see what volume of offerings might come out of New Zealand's seasonal uplift in cow slaughter, which historically peaks in May. Others put priority on securing supplies overseas to meet their needs and this led to an advance in imported beef prices. Urner Barry's quote for AU/NZ Spot Blend Cow 90s, a benchmark item for U.S. imported beef, started the month of February trading at $2.99/lb. and ended the month trading at $3.11/lb.

AUSSIE BEEF, CONSUMER DEMAND LIMIT PRICE ADVANCES

Helping to moderate prices somewhat were lower prices for Australian cattle. Just as the U.S. was moving into a retention phase, Australia was moving out of their cattle retention phase and more cattle were available to the market. In late March, Meat and Livestock Australia reported a 40% decline in price from the September 2022 peak of their Eastern Young Cattle Indicator. U.S. imports of Aussie beef were also steadily increasing.

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Another factor believed to be limiting pricing strength in Q1 of 2023 was demand. The West Coast was going through an extended period of precipitation. Sellers of finished goods in the region reported movement to be off from year ago levels. There was some talk that consumer pricing was also impacting movement. Some fast-food outlets were reporting improved same store sales, but this was widely thought to be a function of higher menu prices, and this was occurring at the expense of volume. Even at retail, Q4 2022 to Q1 2023 saw the average regular price of ground chuck up 5% nationwide. But total sales of the item declined modestly.

> **"The amply supplied U.S. beef market weighed on prices in the second half of 2022."**

Finally, a significant rally in the price of U.S. fresh 50% beef trim in January, February, March and April occurred at a time when processors normally build finished goods inventory for warmer weather consumer demand. The resulting higher formulation costs had some processors reluctant to aggressively build inventory for anticipated spring and summer use and this is believed to have affected raw material demand.

BSE CASE HAS LITTLE IMPACT ON US TRADING

There have been several other notable events within the imported boneless beef markets in 2023. One was the discovery of a case of atypical bovine spongiform encephalopathy (BSE) in Brazil in late February. This caused the suspension of Brazilian beef exports to China, their largest customer. Bears in the market were concerned that meat would be diverted to other markets, including the U.S. But late March saw the resumption of Brazilian beef exports to China, and it had little impact on U.S. markets during that period.

Trading values for Central American product have been resilient. The volume of offers from the region has been somewhat short of expectations. As of early April, U.S. imports of Nicaraguan boneless beef was 11,589 MT versus 15,767 MT for the same period in 2022. U.S. imported beef traders are monitoring emerging beef trade between Nicaragua and China to see how this may impact trade flows in the future.

As the market moves forward, participants are closely monitoring U.S. cow slaughter, which has declined from last year at this time, but is not necessarily low in historical context. Asian beef demand is also a key point of focus as traders assess the larger economic situation and its impact on beef movement. Bullish traders remain confident that demand for imported boneless beef and the ground beef products it produces will be resilient in any economic environment due to its versatility and value. Bearish traders remain concerned that beef's premium position relative to other proteins could affect movement as consumers look for ways to stretch their dollar. UB

DOMESTIC BONELESS BEEF MARKET

Upward trend in Q1 2023 for domestic boneless beef

By **Bill Smith**
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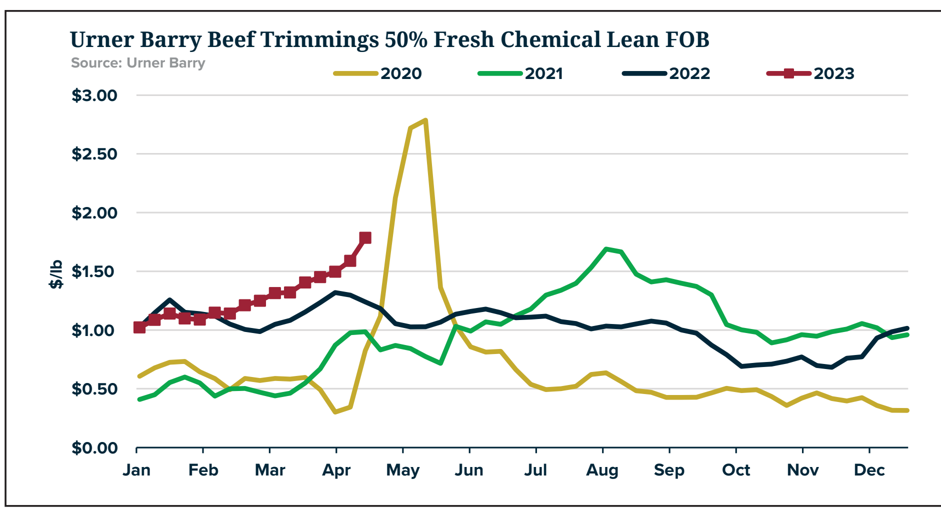
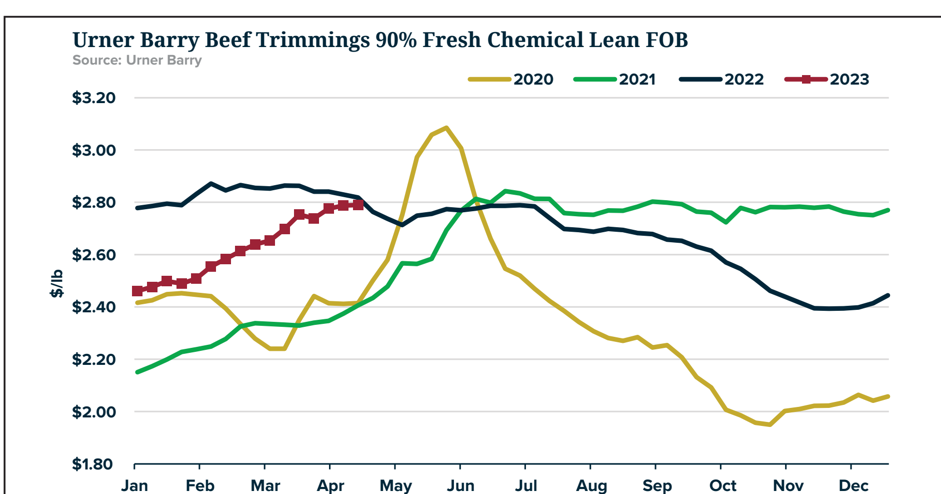
The first quarter of 2023 was generally firmer for the fresh 50s. In January, the monthly average price was $108.95/cwt, down by 4.63% compared to the previous year. February's monthly average price was slightly higher at $116.08/cwt, representing an increase of 8.29% year-over-year. March's monthly average price was $135.78/cwt, an increase of 23.65% relative to March 2022. As of mid-April, year-to-date cattle slaughter is down by 3.1% compared to the same period in the previous year. Moreover, cattle live weights decreased by 11 pounds, and beef production also decreased by 4.8% year-over-year. Currently, the April monthly average price stands at $159.81/cwt, reflecting an increase of 27% year-over-year. This supply-driven market remains challenging as both fresh and frozen materials are tighter than expected.

During the first quarter of 2023, fresh 90% lean boneless beef prices were offered at a discount compared to the same period in 2022. Monthly average prices for January, February, and March were down by 11%, 10%, and 5%, respectively, relative to the previous year. Federally inspected cow and bull numbers have decreased by approximately 3% year-to-date. Buying interest has been moderate to active in most regions. Additionally, import arrivals from Australia have risen by roughly 19% compared to the same period last year, while New Zealand's imports have increased by about 6% year-to-date.

As we progress through the second quarter of 2023, the fresh 90s market is still troubled with uncertainty. Drought conditions continue to be a persistent concern. Higher cow prices have been observed almost every week so far this year. However, demand for fresh 90s is expected to improve ahead of Memorial Day and the summer grilling season.
The fresh 50s market continues to trend higher. While lighter kills may support these markets throughout 2023, there is a potential risk that demand could shift to more affordable proteins if prices continue to climb. UB





Rib vs. loin: Who wins during inflationary times?

Todd Unger
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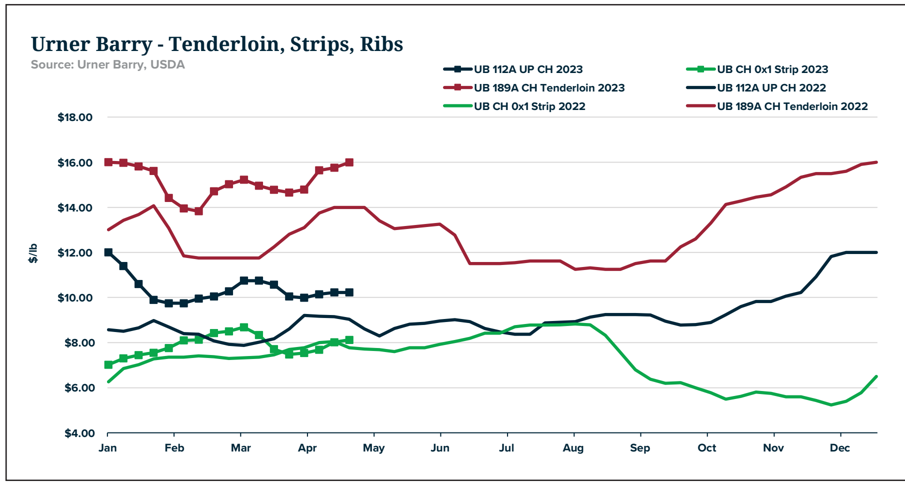

With the summer months rapidly approaching, one area of concern for the boxed beef market is consumer purchasing power after over a year of record inflation levels. The items in focus are ribs and a few items within the loin complex, like strips, short loins, and tenderloins. We would typically see prices soften following the holidays, but that trend was generally absent this year leading us to the question: Who wins the consumer during inflationary times?

While ribs have generally trended lower thus far, the retraction has been rather shallow and values held through the first quarter about 14% higher than the five-year average. As of the time of this writing, heavy ribeyes are down nearly 15% year-to-date. However, this is not too surprising given we entered the year at nearly $12.00/lb. and sat at record highs for the month of January through March. Values currently only take the back seat to the pandemic year of 2021.

Tenderloins have seen similar price action, sitting at all-time record levels since the start of the year through May. Starting 2023 at nearly $16.00/lb., tenderloins saw around a 13% retraction from January into mid-February before reversing higher.

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As of April 25, tenderloins have clawed back nearly 12% since mid-February. While some have attributed this to the lower slaughter numbers, there have been a few areas of the market to remain resilient thus far in 2023. And the most notable area is strong sales at foodservice.

Strips and short loins have seen quite the opposite price action so far this year. While values did surge during the month of December for strips, short loins took off a bit later into the new year. This was also predominantly a supply induced move higher as packers cut production to work towards positive margins. Strip loins 0x1 rallied nearly 24% from January until the start of March before correcting lower nearly 16%, giving back most of those gains. Short loins have moved almost 42% higher from January to May.

Looking back at retail features from last year for insight, features in May 2022 were typically advertised around $12.99/lb. for boneless ribs and bone-in. Export ribs were around $10.00/lb., while T-Bones, Porterhouses, and strip features were a bit lower between $7.99 and $9.99/lb. Boneless ribs are currently wholesaled at $10.25/lb., exports at $9.00/lb., and short loins at $7.75/lb. We are beginning to approach a point where it will be tough for retailers to feature beef at levels seen last year. Some are wondering if features for these items are a viable option given current prices. All in all, prices currently sit at some of the loftiest levels on record with what we'll call average to slightly lower demand.

The question mark in the current environment is consumer appetite for beef when competing proteins are at very favorable priced comparisons. The industry will see how loyal beef consumers are and how these prices will drive buying habits moving forward. UB

Pandemic implications weigh on boxed beef demand

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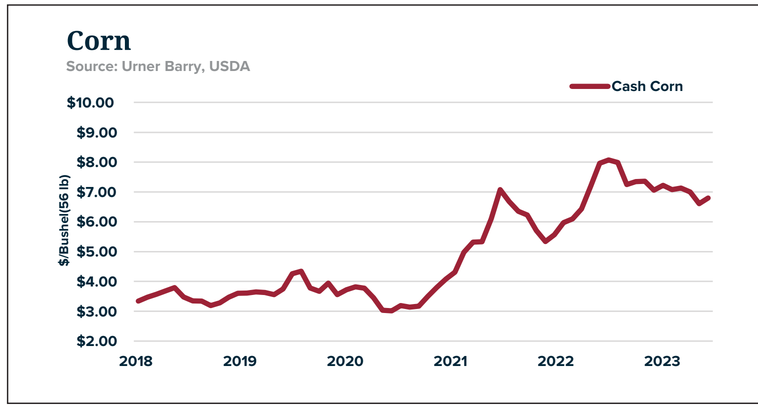
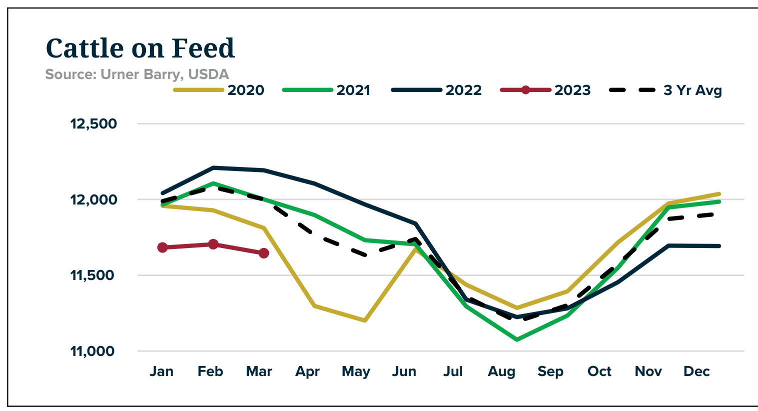
Almost three years ago the COVID-19 pandemic began and life as we knew it was altered. Markets around the globe continue to feel the ripple effects of the pandemic. While life has for the most part went back to our regularly scheduled programming, there are a few lingering effects causing issues within the boxed beef market. The level of inflation is almost front and center. While cooling, inflation remains historically high, and we are beginning to see the implications of this play out in the boxed beef market in the form of slower demand. Just as important, the U.S. cattle herd, which is currently in a contraction phase, is limiting the amount of cattle available for processing going forward. In turn, this has allowed live cattle to reach record high prices during a time when inflationary pressures are weighing on the consumer. Further compounding these issues is profitability within the supply chain. Packer margins have been compressed into negative territory once again with the rise in live costs, prompting production cuts.

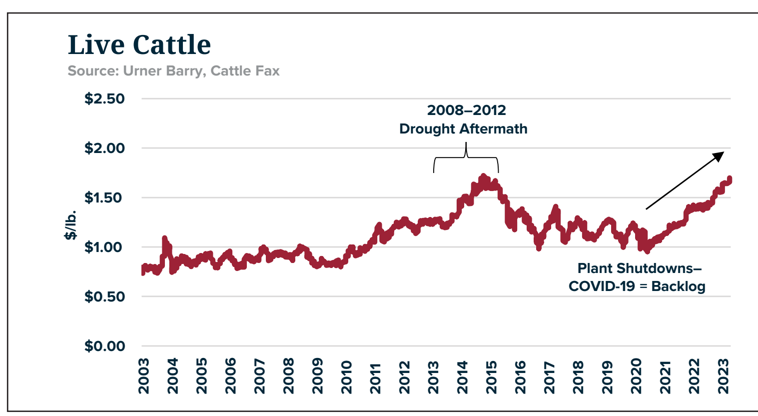
Much like last year's summer edition, weather will continue to have a large implication for what to expect supply wise moving forward. The drought situation in the United States has improved rather significantly from just a year ago. While there are some areas still under extreme to exceptional drought conditions in our major cattle regions, areas in Texas, New Mexico, Colorado, California, and the Dakotas have seen drastic improvements. More than half the country is no longer experiencing any type of drought conditions, which will be the largest factor when determining herd expansion.

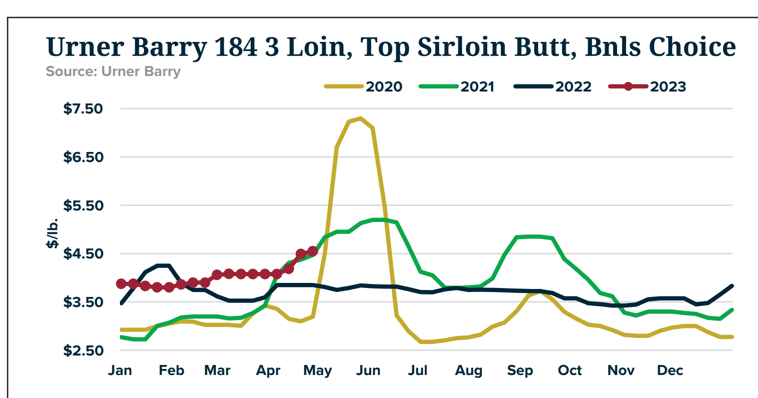
Corn prices so far this year have begun to trend lower from last year's record prices, but still remain historically elevated and well above the 5-year average by nearly 40%. Cattle weights have been rather mixed this year due to the wide range of weather conditions this past winter. Significant weight loss was seen in the northern regions due to multiple slates of winter storms creating muddy feedlot conditions, which are non-conducive for maintaining weight. Weights through April have averaged 1374 pounds, 11 pounds below the same time last year. This is about right in line with the three-year average.

April's USDA Cattle-On-Feed showed placements down slightly in March from year ago levels. This may be attributed to the lighter slaughter schedules taking place so far up to









this point. Cattle-On-Feed as of April 1 was 4.4% below year ago levels. This is a one-eighty from last year when cattle were heavy and feed lots were full.

So far in 2023 slaughter is running about 1.7% below last year. This is cemented now in market factors as supplies remain top of mind moving forward. With packer margins seeing large swings in volatility, incentive right now points towards lower slaughter numbers. Increased live cattle costs, slowing consumer demand, and strong inflation levels have all contributed to keeping production numbers in check.

The demand picture is more convoluted this time around with lower income earners feeling the pain of inflation while high income earners appear in better standing. The lower two quintile earners saw their incomes grow at the fastest pace over the last three years, but they seem to have gone through much of the excess savings accumulated. Trade downs within the beef category have been fairly evident with grinds and value cuts being more of a focus this year for consumers in those areas. Various areas within the value chain are looking for cost-saving measures. This can be highlighted by top butts which have seen solid interest given the value. For the higher wage earners, demand is still resilient. Foodservice is still strong with higher end restaurants reporting solid numbers. Higher priced items such as tenderloins and rib eyes have all stayed at seasonal highs with little pullback noted.

There is some cautiousness now in the boxed beef market from the buyer side given the economic fundamentals and substitution effect. But more pressing is the continued reports of declining cattle inventories and how that plays into price action. If there is constant demand, the industry only must look back to the aftermath of the 2008-2012 drought for the influence on beef prices. No matter what way demand goes, there seems to be a structural change already in place where prices have reset higher. UB

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2022 year in review

By **Russell Barton**
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Inflation remained a key topic for market discussions throughout 2022 given its significant impact on consumer purchasing power. While higher food prices strained household budgets and led to some changes in consumer preferences, the pork market experienced various other drivers that also influenced its performance. In this article, we'll delve into the critical factors that shaped the 2022 pork market, such as the turkey market, international trade dynamics, hog diseases, European production concerns, and California's Proposition 12.

Outside of general inflation, the spread of highly pathogenic avian influenza (HPAI) and its impact on not only poultry prices, but other markets as well, was one of the biggest stories of 2022. Turkey prices skyrocketed due to HPAI-induced head losses, with whole birds and parts reaching record highs. This development affected the pork market, as hams and turkey compete directly at retail and on the export front. A notable substitution effect emerged in favor of hams, particularly in export trade to Mexico. This, combined with Mexico's increased demand for pork to satisfy their own growing export business, particularly to Japan, resulted in Mexico importing a record amount of pork from the U.S. during 2022. Consequently, bone-in hams traded at their second-highest year-over-year levels throughout summer 2022 and remained elevated into the winter.

Exchange rates also played a crucial role in the pork market's performance. As investors sought safe havens amid economic uncertainty, the U.S. dollar appreciated in value significantly. This appreciation impacted countries like Japan and Korea, whose currencies saw notable weakness during the same period. For instance, the USD/JPY pair shifted from 109 Yen per Dollar in September 2021 to nearly 150 Yen per Dollar in October 2022. This change raised the cost of importing U.S. pork significantly, leading to 2022 representing the lowest annual sum of volume of pork sent to Japan in over 10 years. This soft export demand weighed on the values of U.S. boneless hams and loins, as well as several other items.

Hog diseases such as Porcine Reproductive and Respiratory Syndrome (PRRS) and Porcine Epidemic Diarrhea virus (PED-v) contributed to a thinner-than-expected herd in 2022. Coupled with high corn prices, these factors pushed hog prices near record highs during the summer and further strained the consumer wallet with elevated pork prices.

Moreover, the European pork production landscape was mired in uncertainty due to disease and the impact of the Russia-Ukraine war on energy and feed supplies. As a major pork production region, this was and continues to be a concern when projecting global pork availability.

Lastly, California's Proposition 12 continued to be a critical consideration for the pork industry. The U.S. Supreme Court heard opposing arguments by the National Pork Producers Council (NPPC) and American Farm Bureau Federation (AFBF) on October 11, 2022. The industry was once again left in limbo until May 11, 2023, when the Supreme Court ultimately ruled to uphold the California law. Industry groups have responded with discontent, as Prop 12's space and certification requirements would necessitate substantial infrastructure investments, potentially disrupt herd capacity, and upend pork price dynamics. While the multi-year uncertainty around whether Prop 12 would go into effect has now been resolved, this means the industry will now enter a new phase of unknowns during the transition and growing pains during the process are likely.

In conclusion, the 2022 pork market was shaped by various forces beyond inflation, including the turkey market, international trade dynamics, hog diseases, European production uncertainties, and California's Proposition 12. These factors underscore the need for market participants to maintain a comprehensive understanding of the industry's intricate landscape and continuously monitor developments to navigate future challenges and opportunities effectively. UB

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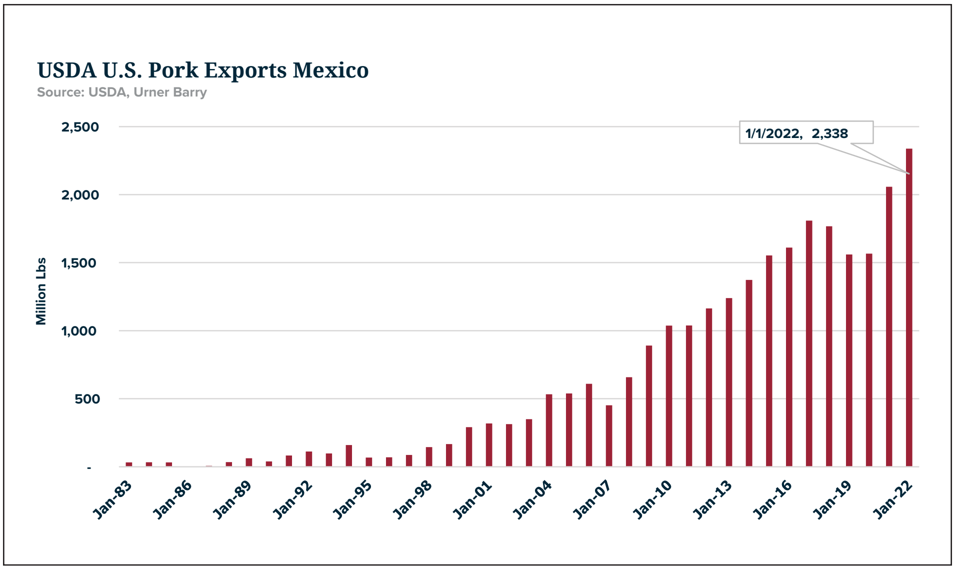
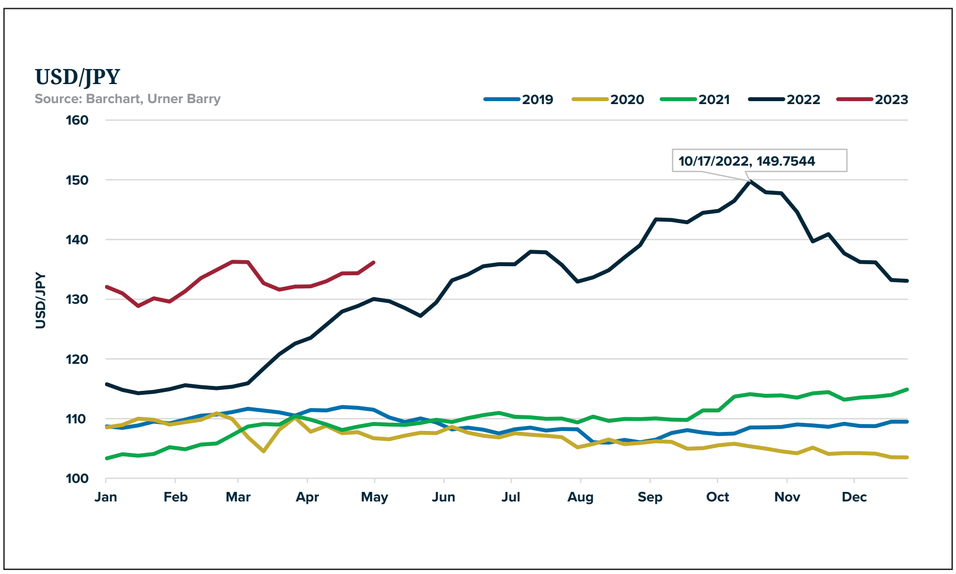
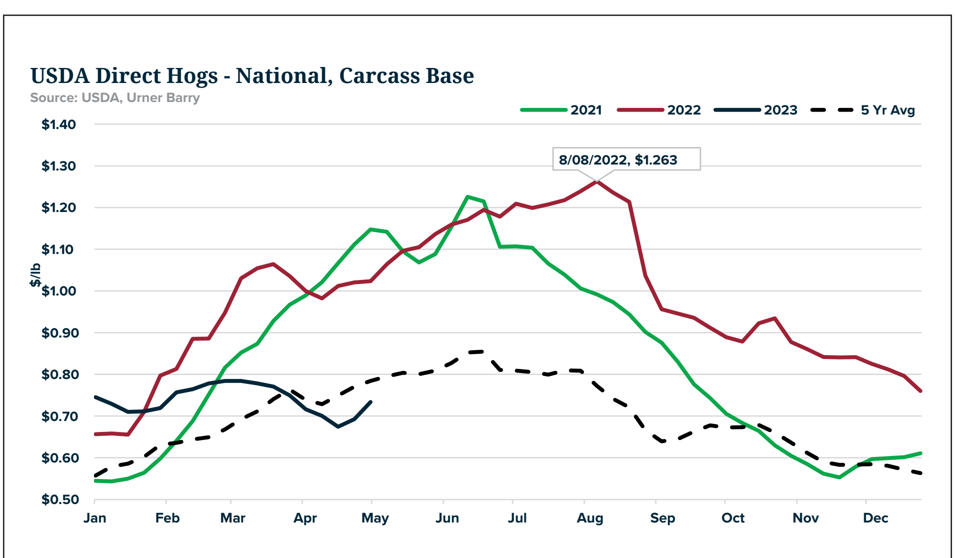

USDA U.S. Pork Exports Mexico
Source: USDA, Urner Barry
Million Lbs
2,500
2,000
1,500
1,000
500
-
1/1/2022, 2,338
Jan-83
Jan-86
Jan-89
Jan-92
Jan-95
Jan-98
Jan-01
Jan-04
Jan-07
Jan-10
Jan-13
Jan-16
Jan-19
Jan-22

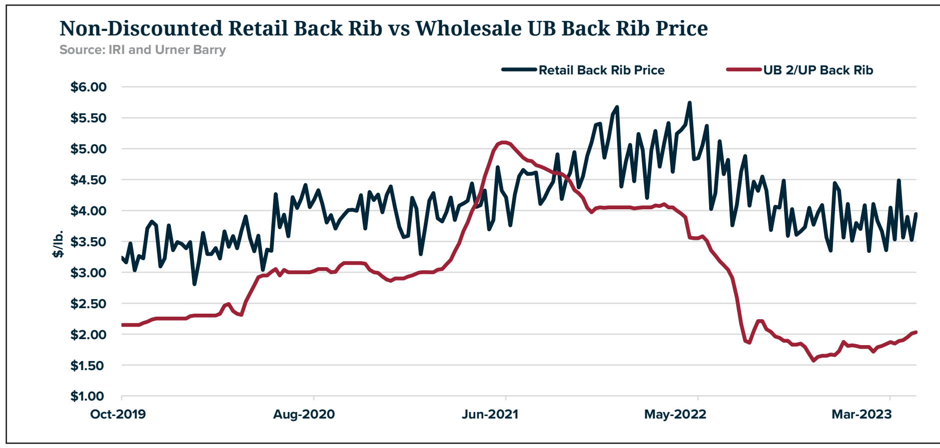

USD/JPY
Source: Barchart, Urner Barry
2019
2020
2021
2022
2023
USD/JPY
160
150
140
130
120
110
100
10/17/2022, 149.7544
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec


USDA Direct Hogs - National, Carcass Base
Source: USDA, Urner Barry
2021
2022
2023
5 Yr Avg
$/lb
$1.40
$1.30
$1.20
$1.10
$1.00
$0.90
$0.80
$0.70
$0.60
$0.50
8/08/2022, $1.263
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

Riding the rollercoaster: Tracing the market swings of pork's premium cut

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

The back rib market has been through a whirlwind over the previous three years that the category had not experienced before. From all-time highs to all-time lows in the matter of 17 months, whipsawing consumer interest, and substantial freezer stocks, back ribs experienced it all. Now as we move into summer 2023 there is one thing on pork market participants minds: What will the summer bring about?



If you have read *Urner Barry's Reporter* anytime in the past few years or follow the news and analysis pieces on COMTELL, you will know that we have chronicled the pork rib situation extensively. In case you haven't, the following will give you a good history of the situation.

When COVID hit the mainstream in spring 2020 the pork industry experienced significant disruptions. As consumers flew in droves to retail outlets, back ribs were purchased at a frantic pace. This largely depleted both the fresh and frozen stock available, and thus pushed prices upward to roughly the $300/cwt range during summer 2020. With a robust economy and consumer spending on the up and up, back ribs remained in favor, regardless of seasonal trends into early 2021. Due to the happenings over the previous year, the industry as a whole did not have the opportunity to replenish frozen stock for the upcoming summer 2021 (peak demand period). Because of this we saw back ribs skyrocket to all-time highs of $510/cwt in late June as supplies were tight. Coming out of summer 2021 and entering 2022, prices remained elevated, at or above $410/cwt on a consistent basis from November 2021 through March 2022, which is well above where pricing had ever been historically during winter months. What many failed to realize was that the frozen stock was replenished quickly from August 2021 through April 2022. Couple this with the beginning of a downturn in the economy and premium items like back ribs experienced a shock. Dull demand throughout the major pork holidays like Memorial Day and Fourth of July ensued. Couple that with ample supplies and we witnessed significant pressure on the market, which resulted in a 61% drop in wholesale pricing from April to November. This led to an all-time low price of $157/cwt.

So, based on that history, where are we now? Not a whole lot has changed through the first five months of 2023. Back ribs have seen a modest increase of 9.3% so far this year. To put that in perspective, each and every week through mid-May in 2023 has been a weekly all-time low average price for back ribs. The frozen stock remains abundant but has reduced some as interest has increased modestly.

From a retail perspective, prices have not adjusted as quickly as wholesale has. Circana data suggests that while back rib wholesale pricing has come down considerably, retail prices have not followed. While this has given a larger perceived margin at retail, it must be noted that transportation, packaging, and other supply chain costs have become expensive as well due to inflationary pressures. Consumer interest has been generally lackluster at roughly the $4.00/lb level, suggesting that features would be necessary this summer to drive more interest. So far in spring 2023 we have seen some increased demand, but it has not been all that notable.

As we head into summer 2023, ribs as a whole have a cloud of uncertainty around them. While interest has increased for the pork staple, additional supplies throughout the industry continue to weigh on the category as production is up versus year ago figures. The key factor that everyone will be keeping their eyes on are retail features and sales figures around the summer holidays. With the experience of the past three years now behind us, we can assume with good accuracy that participants won't be shocked at any happenings in the pork rib market regardless of what occurs this summer. UB

Sizzling shifts: Navigating the volatile bacon and belly markets in a post-pandemic world

By **Mason Augustino**
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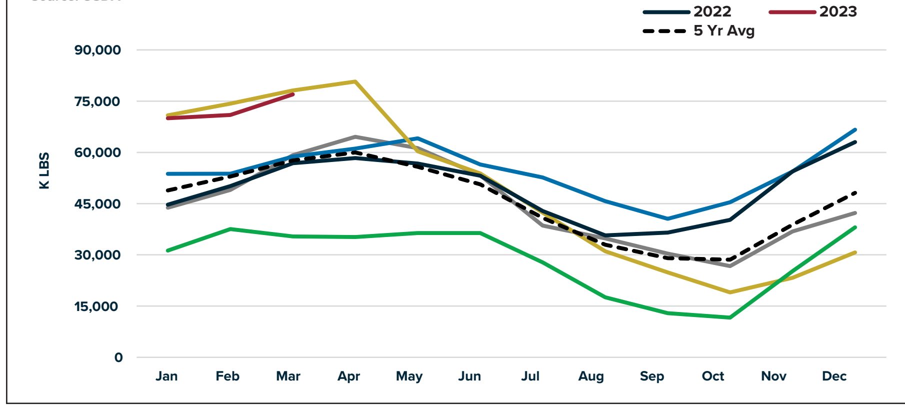
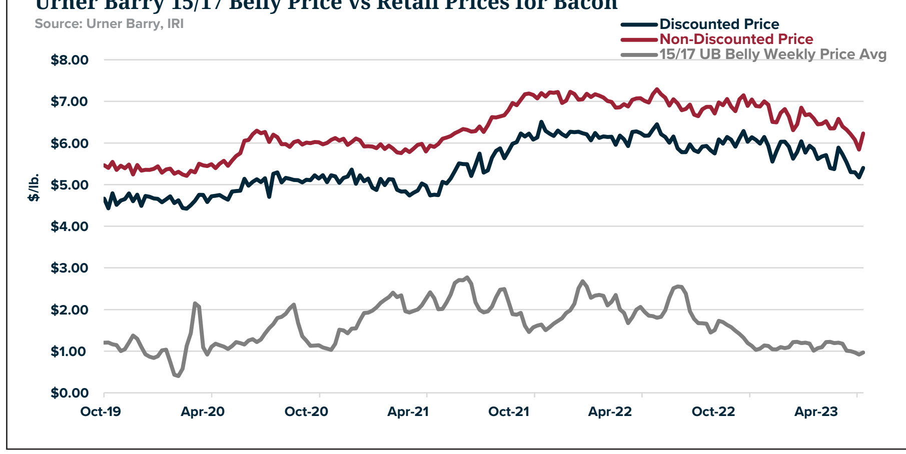
Over the past three years, the bacon and belly markets have experienced significant fluctuations influenced by various factors, such as labor disruptions, cold storage supply dynamics, retail pricing, and consumer sentiment. These price movements have had a significant impact on the industry, causing ripple effects throughout the supply chain.

The COVID-19 pandemic initially triggered labor disruptions, which forced packers to tap into their cold storage supplies of bellies earlier than anticipated, resulting in a surge in demand and a decrease in frozen supply. This led to both bacon and belly prices skyrocketing in 2021. However, by April 2022 belly cold storage supplies had been replenished, and labor issues were mostly resolved, leading to a steady decline in belly prices.

As of the end of March 2023, the total frozen pork belly supply in the nation's freezers was 76.979 million pounds, up almost 35% compared to the previous year and 33% higher than the preceding five-year average. The increased supply of frozen pork belly has led to lower wholesale prices, which have been further pushed down by the elevated weights of hogs, creating downward pressure on the market for bellies.



USDA Stocks in Cold Storage: Frozen Bellies
Source: USDA



Urner Barry 15/17 Belly Price vs Retail Prices for Bacon
Source: Urner Barry, IRI

Despite the fall in belly prices, retail bacon values have seen only a minimal corresponding reduction. Discounted rates averaged \$5.40/lb and non-discounted rates averaged \$6.23/lb, according to total U.S. food Circana data for the week ending April 16, 2023. This is compared to the all-time highs hit in November 2021 when discounted prices were \$6.30/lb and non-discounted rates were \$7.23/lb. The elevated levels, combined with an overall inflationary economy, have made consumers hesitant about purchasing bacon over other items, leading to sluggish sales and an accumulation of unsold bellies.

As a result of this surplus, wholesale belly prices have been forced even lower, with the average wholesale price for an Urner Barry 15/17 skinless belly dropping consistently in 2023, reaching lows of under \$1.00/lb, down from \$2.80/lb in August 2021. So, from the highs of 2021, bellies have dropped over 64%, while bacon has only adjusted lower by roughly 14% for discounted pricing and about 13% for non-discounted pricing. It is expected that this downward pressure on wholesale prices, combined with ample inventory levels, will eventually lead to a decrease in retail bacon prices, reinvigorating consumer demand for the product.

The impact of the economic environment on the typical level of increased seasonal demand for bacon as the weather warms is yet to be seen. But it could dictate the performance of the belly market for the rest of the year.

Overall, the story of belly and bacon prices during and after the pandemic highlights the complexity of the industry and the importance of understanding and responding to changes in the market. The fluctuations in bacon and belly prices are influenced by a range of factors, and their impact on the industry will continue to be felt throughout the supply chain. UB

U.S. shrimp imports move lower for first time since 2013

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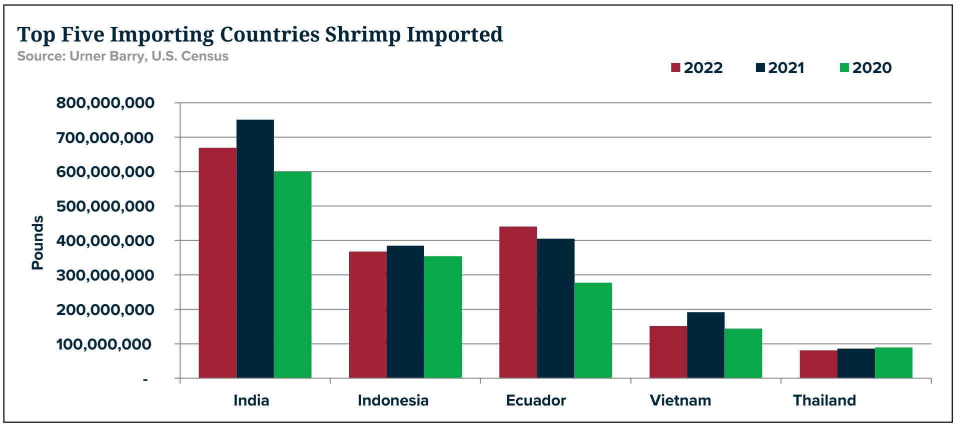
It was almost a tale of two different years in terms of U.S. shrimp imports in 2022. The consensus was that the U.S. was going to build on years of momentum and continue to set records in terms of imports. And the first six months of the year did not disappoint in that vein. In fact, all months were higher, except for May 2022, which was the first year-over-year decline since September 2021. At the end of June, U.S. shrimp imports were 9.2% above the same period in 2021. But then the headwinds of stifled demand, overburdened in-country supplies, increased cost of capital, and limited storage capacity and higher freezer costs, tipped the scales the other way. The final six months registered outsized double-digit losses compared to the year prior. At the calendar close, shrimp imports finished 6.2% lower at 1.847 billion pounds.

Most of our major trade partners ended the year below the prior except for Ecuador and Mexico. The Asian countries had some lingering structural issues that added to the importer headwinds. But the Latin country continued to push increased trade to the United States in a very concentrated effort to try and move into number one. Despite China returning to the market, it appeared that Ecuador is balancing both regions in somewhat of a contradiction to years past and cemented itself as the clear number two.

The leading shrimp importing countries were India, Ecuador, Indonesia, Vietnam, and Thailand, with Mexico, Argentina, China, Peru, and Canada rounding out the top 10.



THE TOP SHRIMP SUPPLIERS

India: Not only did imports fall nearly 11%, but they also fell under 700 million pounds to 669 million pounds. This was still the second highest number on record from India, and up over 7% from 2019. There were less shell-on (-29.5%) and peeled (-14.5%), but again more cooked (+38.0%) shipped. Retail buying was supportive of cooked all-year; only December was lower year-over-year.

Ecuador: The Latin country continued to set records with 440.509 million pounds shipped to the United States in 2022; an 8.7% gain. This is on top of a 46.1% gain the prior year and 51.7% in 2020. In a decade, imports are 145% higher. Ecuador is the dominant supplier of shell-on shrimp to the United States, accounting for 43.5% of all shell-on imports. In addition to an 8.5% increase in shell-on, peeled (+6.9%) and breaded (+45.6%) volumes also increased.

Indonesia: While Indonesia remained at number three, it did so with not much of a challenge like last year with Ecuador. Like India, it was still the second-best year on record at 368.068 million pounds only easing from the peak in 2021. There were less shell-on (-11.9%) and peeled (-9.3%), but more cooked (+2.9%) and breaded (+17.5%).

Vietnam and Thailand: Following trend, both Asian countries shipped less in 2022 than the previous year. Vietnam (-20.9%) and Thailand (-5.6%) were lower.

THE PRODUCT MIX

There were less shell-on and peeled sent to the United States in 2022, but more cooked and breaded. Buyers are still seeking convenience, and it showed in the data. Retail buyers, and foodservice operators looking to reduce labor, are attracted to value-added products.

Shell-On: Shell-on (-8.1%) imports reversed lower, with Ecuador (+8.5%) the only major country above the previous year. All sizes were on trend except for 21-25 and 61-70 counts, which gained.

Peeled: Imports of peeled shrimp, the single largest category, fell over 100 million pounds, or 11.2% to nearly 816 million pounds. It was the same story, with broad-based declines, apart from Ecuador (+6.9%). Replacement pricing (import $/lb.) continued higher to $4.15 per pound. Additional cost structures throughout the supply chain led overseas producers to raise pricing.

Cooked: Cooked (warm water) imports edged slightly (+3.9%) higher, following a similar pattern in 2021. These increases have been fueled by active buying for retail. Replacement pricing (import $/lb.) moved higher to $5.01 per pound. There was competition for cooked shrimp given the retail need for meeting consumer needs.

Breaded: Imports of breaded shrimp were double-digit higher, coming in 14.1% above year earlier levels. China (-30.9%) was again the only country to ship less as they continue to reserve more shrimp for domestic consumption. But Indonesia (+17.5%), Thailand (+5.0%), Vietnam (+26.0%), and Ecuador (+45.6%) all shipped more to satisfy the demand for more value-added shrimp.

THE SHRIMP MARKET

Farmed White: Supplies in-country were classified as burdensome for most of 2022, a circumstance that was clearly evident in the downward pricing trend in-place for much of the year. The market was in almost constant decline for the entirety of the year, accelerating after Q1 then again into the end of the year.

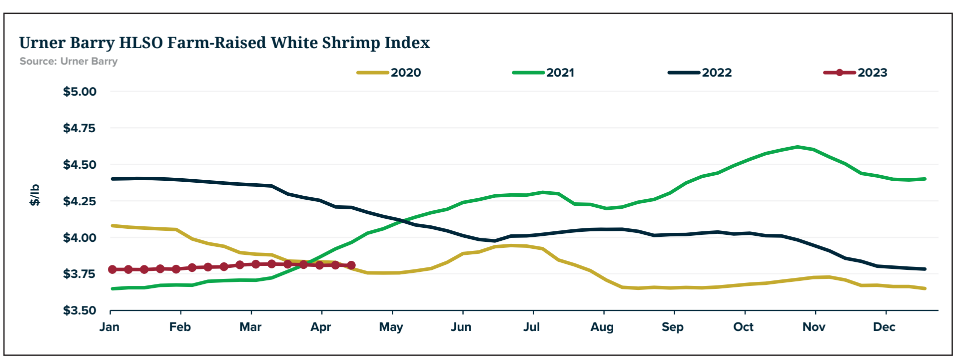
Farmed Black Tiger: The index fell nearly 16% in 2022, pressured by a bit more availability and lower-priced white shrimp alternatives. Where buyers could find value, and the application allowed, they opted to switch species.

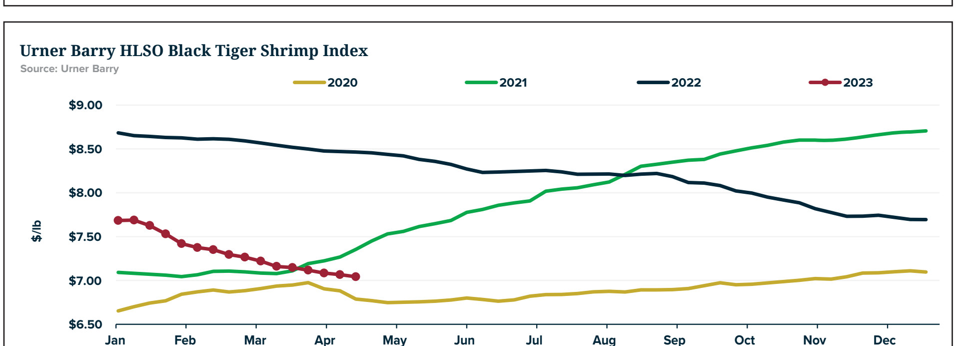
THE SHRIMP OUTLOOK

The trend of lower year-over-year imports from the second half of 2022 spilled over into early 2023; declines in the first two months of the year were 12.3% and 20% in January and February respectively. So far, year-to-date imports are 15.8% below the first two months of last year. The lower trade volumes are from nearly all major trade partners, except for Ecuador. Imports of all product forms are lower as well.

Prices on white shrimp have remained in a generally sideways channel, with support for Latin origin more prevalent when Asian buyers are active. More recently, we have noticed more importer-to-importer trade as certain sizes and types are harder to find in-country given the steady decline in imports. Inventories are being worked through, and ambitions voiced signal further declines given elevated holding costs.

The black tiger shrimp market maintains a generally weak tone given ambitions to expand production and the presence of lower-priced white alternatives where they exist. UB





Analyzing shifts in squid and octopus

By **Joshua Bickert**
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The U.S. market for cephalopods, specifically squid and octopus, is currently undergoing significant changes. Various factors such as tariffs, the COVID-19 pandemic, and geopolitical issues are contributing to fluctuations in species, origins, and pricing for these products.

SQUID: POPULARITY, SUPPLY AND PRICING

Squid's popularity in the United States is evident as it has been consistently growing over the years. Prior to the COVID-19 pandemic, squid supply saw stable year-over-year increases. However, this trend was interrupted in 2019 due to increased tariffs on Chinese products. The pandemic exacerbated the situation as squid is primarily consumed in foodservice settings, and lockdowns severely impacted the industry. Additionally, logistical woes, such as difficulties in obtaining labor for cleaning and processing, as well as shipping issues, further strained the supply chain. As a result, squid imports still have not yet returned to pre-pandemic levels in 2022.

Pre-pandemic, squid pricing remained relatively stable, with a range between approximately $2.50-$3.50 per pound between 2013 and 2020. However, pricing skyrocketed to an all-time high of around $6.80 in 2021. This surge in pricing, specifically for Loligo from both China and Taiwan, prompted many importers to explore alternative origins and species such as Todarodes, Illex, and Arrow squid.

Market share by origin from 2018 to 2022 reveals significant shifts within the squid market. Chinese imports decreased by 60%, while imports from India increased by 60% and Argentina by 332%. The future development of these trends will be influenced by various factors, including but not limited to China's recent lifting of its zero COVID policies and ongoing geopolitical tensions.

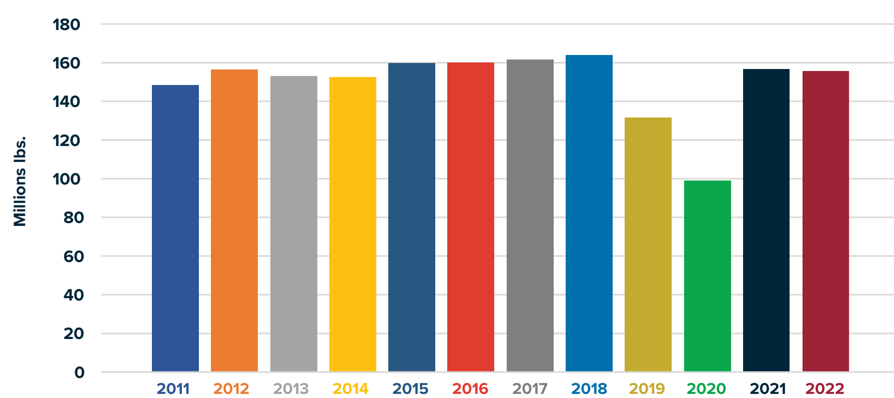
OCTOPUS: CHANGING PREFERENCES AND PRICING TRENDS

The octopus market has seen some notable changes as well recently. The leading importers of octopus into the United States are Indonesia, the Philippines, and Spain. Recent pricing trends indicate a shift in consumer preference from Indonesian and Philippine octopus to Spanish product. As of this writing Spanish 6-8 octopus is $6.88 per pound, a 7.8% increase compared to the same period last year. Conversely, Indonesian product is priced at $5.05 per pound (a decrease of 4.7%), and Philippine octopus is priced at $2.60 per pound (a 20% decrease).

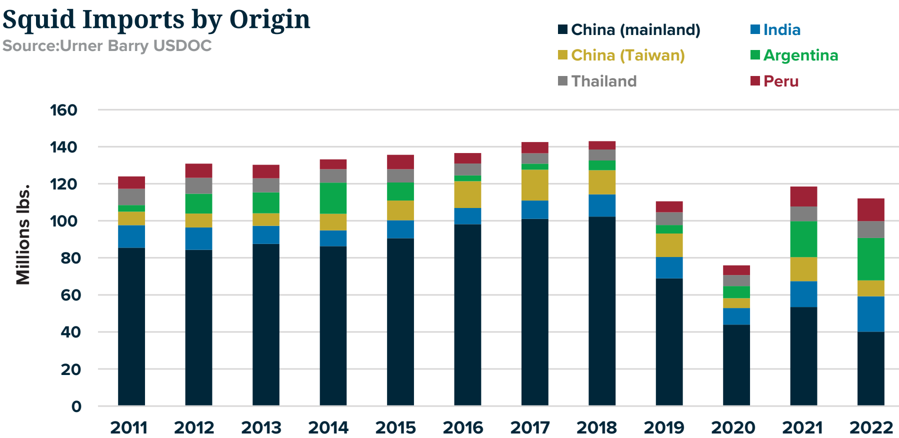
The percentage change for imports for 2023 year-to-date (through February) reveals a decline across all major origins, with an overall decrease of about 40-50%. This change could be contributed to a variety of varying factors, including global economic conditions, shifting consumer preferences, and ongoing market adjustments in response to the pandemic and other challenges.

It is certainly made apparent that the U.S. cephalopod market is experiencing a period of flux, with significant shifts in species, origins, and pricing. Stakeholders should closely monitor these trends and their potential implications for the industry. UB

Squid Imports by Year
Source:US Census, Urner Barry, USDOC



Squid Imports by Origin
Source:Urner Barry USDOC

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How low can the quota go?

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 36 to the Atlantic Sea Scallop FMP, which contains catch specifications for the 2023 and 2024 (default) fishing years, has been approved by the National Marine Fisheries Service (NMFS) for implementation with the council supporting allocation for full-time scallop fishermen both days-at-sea and access area trips. Days at sea are positioned to remain at 24, while access area trips have decreased from three to two, with those trips being into Area II. The access area possession limit will be set at 12,000 pounds per trip, where vessels will be allocated a total of 24,000 pounds.

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These allocations are projected to result in landings of about 25 million pounds of scallops in fishing year 2023. To compare, 34 million pounds were projected in 2022, 40 million pounds for fishing year 2021, and 62.5 million pounds projected just four years ago in 2019. This retreat in quota allocations is due to diminishing harvestable biomass, as well as not enough recruitment in recent years.

SCALLOP TRADE

Historically, China is 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 fell drastically, allowing Canada (2019) and Peru (2020) to take on the title. While 2021 saw China regaining the top supplier position, volumes from the country were historically lower than average, leading to Japan taking on the title of leading supplier of scallops to the U.S. in 2022. Japan accounts for 32.5% of the 55 million pounds of scallops imported into the U.S. in 2022, followed by China with 21.9% and Canada with 16.3%. When comparing 2022 volume to the previous 5-year total average of 43 million pounds, 2022 registers 28% above average.

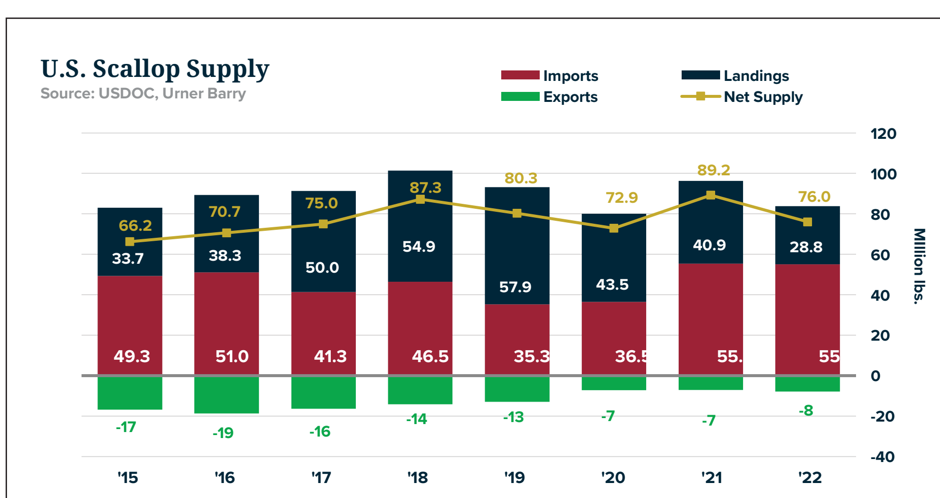
Export activity records 7.8 million pounds for 2022, marking the first-time exports saw a rebound since 2015. Canada remains our largest export destination despite volumes retreating, accounting for roughly 25.2% of the 2022 exports. The Netherlands and France are the second and third major export destinations with 21.2% and 21.1%, respectively.

In looking at year-end totals, the U.S. is currently seeing fewer imports, fewer landings, and an increase in exports compared to 2021. Our net supply calculation suggests an annual total of 76.0 million pounds in 2022 compared to 89.2 million in 2021; a 14.8% fall.

THE MARKETS

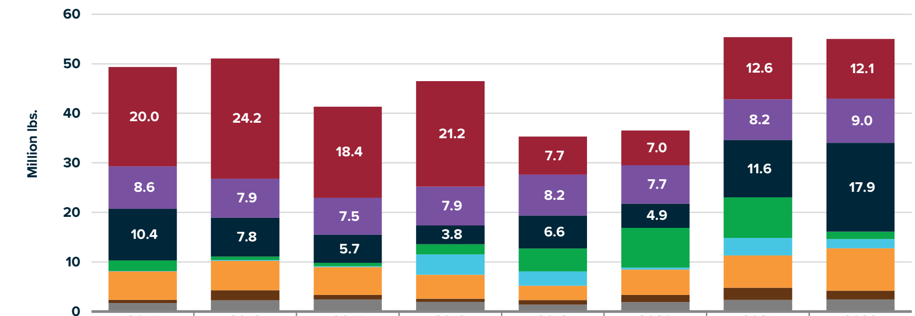
The market for U.S. origin Atlantic sea scallops saw somewhat of a return to seasonal trends throughout 2022 where discounts were noted throughout the summer months, firming back up on the back half of the year.

Supply on larger sized scallops, U10s most notably, were barely adequate throughout the entirety of the 2022 season. However, demand tempered throughout the year with pushback at the retail level noted in Q4 after the holiday season. At that time,



Yearly Scallop Imports by Country

Source: USDOC, Urner Barry



	2015	2016	2017	2018	2019	2020	2021	2022
China	20.0	24.2	18.4	21.2	7.7	7.0	12.6	12.1
Canada	8.6	7.9	7.5	7.9	8.2	7.7	8.2	9.0
Japan	10.4	7.8	5.7	3.8	6.6	4.9	11.6	17.9
Peru	2.1	0.7	0.7	2.0	4.6	8.0	8.2	1.5
Mexico	0.1	0.2	0.2	4.2	2.9	0.4	3.5	1.9
Argentina	5.7	5.9	5.6	4.8	2.9	5.1	6.6	8.5
Philippines	0.7	2.0	0.9	0.6	0.9	1.5	2.4	1.8
Other	1.7	2.3	2.4	1.9	1.4	1.9	2.3	2.4

"In looking at year-end totals, the U.S. is currently seeing fewer imports, fewer landings, and an increase in exports compared to 2021."

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 imported product.

The average price paid for an all-natural domestic U10 count sized scallop in 2022 was $29.67/lb., while 10/20 count sized scallops averaged $19.68/lb. Looking ahead with the 2023 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. With the new year comes the start of a new Canadian season, where quota remains stable for 2023, reporting 11MM offshore, 3MM inshore.

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 2022 was $18.96/lb., $3.47 higher than the 2021 average.

Premiums remain steady on imported China bay scallops. While freight costs have retreated, supply on smaller sized scallops ran barely adequate in addition to increased consumption within the producing country supporting the steady premiums.

OUTLOOK

The 2023 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 and 2022 seasons. 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

Challenges abound in Canadian snow crab market

By **Janice Schreiber**
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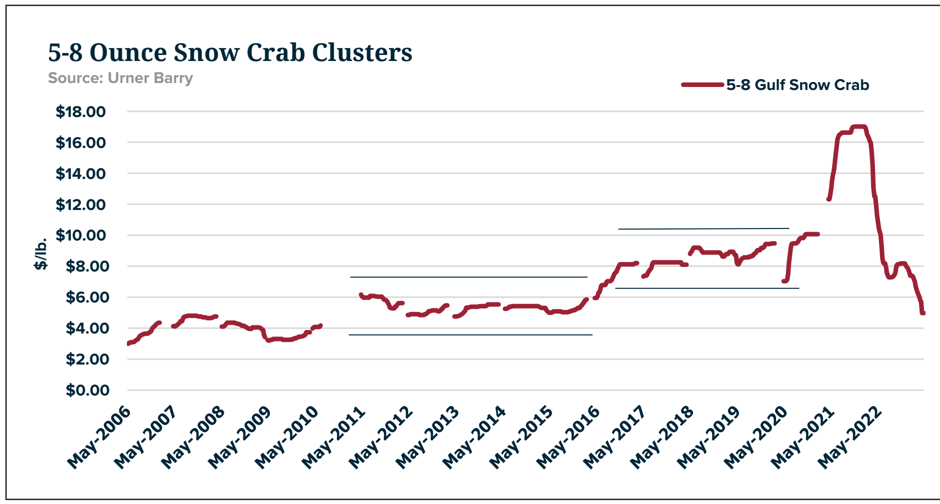

This year the snow crab market has probably been one of the most talked about in the entire industry. It is a wild fishery that is truly acting wild this year.

However, even though the snow crab market has been plagued with controversy and drama during the 2023 open in Canada, the largest snow crab resource in the world this spring, the backdrop of how we got to this point is several years old.

2021 ended with many in both foodservice and retail heavy on snow crab from multiple origins without the entirety of the market fully understanding the extent of the situation. 2020 and part of 2021 had been banner years for snow crab sales with product flying off the shelves at retail. Buyers were struggling to keep up with the insatiable demand and being instructed to not run out.

Those buying patterns overflowed into 2021 with market participants disconnected from a weakening demand situation. Federal supplementary funding from the pandemic had dried up and inflationary pressures were beginning to build. In turn, snow crab sales slowed. Features or discounted pricing at retail were reduced, and inventories began to build.

Spring 2022 saw the Canadian snow crab season begin with a market that was falling. But market participants believed the bottom was close. Again, the market did not guess correctly, and snow crab pricing continued to fall throughout the spring and into the summer months of 2022. Inventories continued to build and space at the cold storage level was at capacity to the point that facilities began turning product away. Furthermore, the Canadian snow crab quota was 33% higher than the 2021 season.

In addition to navigating heavier snow crab inventories, the war in Ukraine broke out in 2022. Russia in 2021 had comprised 30% of the U.S. market share of snow crab. This further muddied the market situation with Russian snow crab having even further discounting from the previously laid out weakening market.

Into September the snow crab market seemed to bounce off the bottom and started to adjust higher before things plateaued again. As 2022 ended though, the market again began to weaken as market participants continued to work through snow crab inventories from the previous seasons. Many market participants cited a desire to have inventories as lean as possible heading into the 2023 Canadian season.

As mentioned previously, given the challenges, the 2023 season has started with the snow crab market weak. Supplies from previous seasons in the first four months of the year easily outstripped demand and the market has been met with economic headwinds such as growing inflationary pressures, higher carrying costs and tight capital.

Continued on page 46


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

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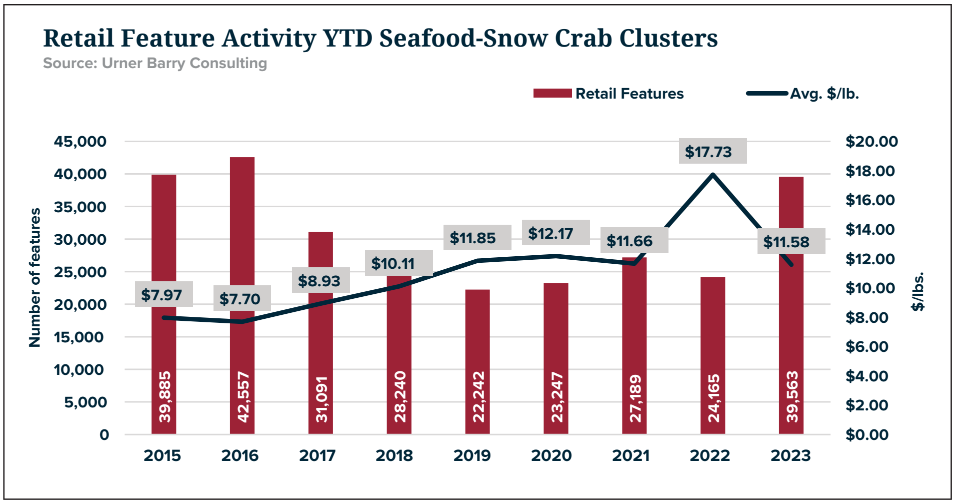


In addition, the Canadian snow crab quota across all provinces is at a record high; 8% over 2022 which again was 33% higher than 2021. If the full quota is caught, that total is around 104,000 tons of snow crab. As of late May, just over 90% of the Gulf quota has been caught. Newfoundland was delayed for six weeks due to an ongoing dispute over price between the fishermen and the processors. They've only caught about 8% of their quota at the time of publication.

Snow crab pricing, as of this writing, begins the season at levels the market has not seen since about 2015. Historically speaking, the market typically trades from about $5.00 to $9.00 on 5-8-ounce clusters. But again, 2020, 2021 and half of 2022 trended much higher from previous market norms.

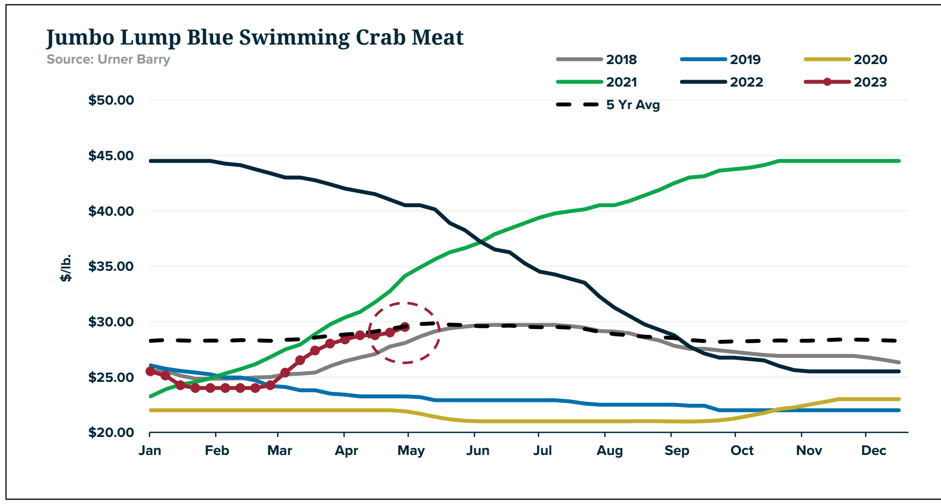
And to throw yet another wrench into the complicated landscape that makes up snow crab, the Alaskan Bering Sea snow crab fishery is canceled for the first time in recent memory. The 2021/2022 season quota was 5.6 million pounds, which was down 88% from the 2020/2021 season of 45 million pounds. To place it all in perspective, in 2022 the U.S. saw 96.9 million pounds cross the border from Canada, which was down 30.8% from 2021.

There are many challenges and hurdles yet to cross regarding snow crab this year. Market participants report a moderate to active demand from both the foodservice and retail perspective. Some participants are in a "wait-and-see" period while others are buying modestly and still others more actively. Heading into the summer months, many anticipate retail features or buying opportunities to grow. As of this writing, snow crab features through the end of April are 63% higher than the same time last year and average retail price is down 35%.

In closing, the snow crab market will continue to be an area to watch closely over the next several months. UB

Blue swimming crab meat pushes higher ahead of summer peak demand

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

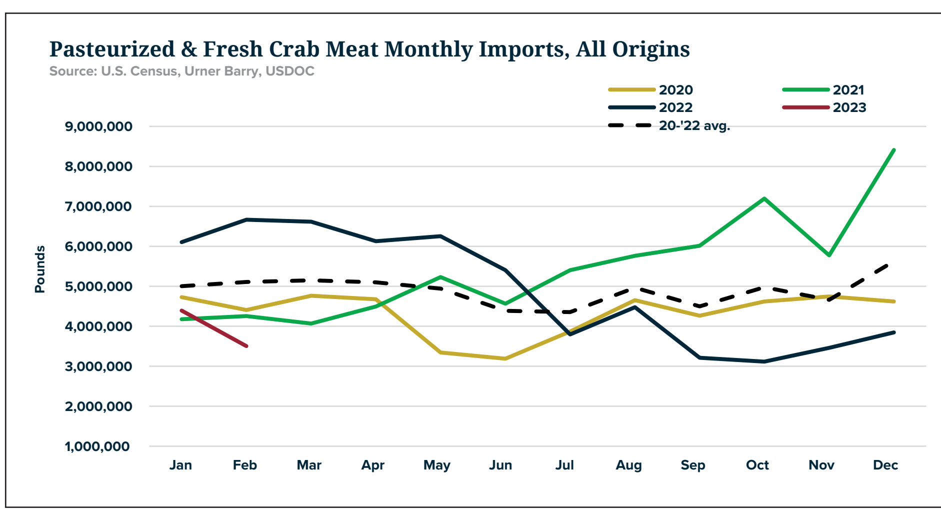


After 13 months of just about continuous downward price movement, the blue swimming crab meat market started moving higher at the end of February and continues to adjust higher across all sizes in the blue swimming crab meat complex.

Previously sitting at 52-week lows at the beginning of 2023, higher raw material costs in producing countries in Asia, most notably Indonesia, began to place upward pricing pressure on the blue swimming crab meat market. A combination of lower imports, higher raw material costs, slower catches in Asia, and smaller crabs, are all cited as reasons for the upward pricing pressure.

"After over a year of downward pricing pressure, inventories are now barely adequate, especially on the larger grades."

Looking at imports, the second half of 2022 and the first two months of 2023 saw crab meat imported volumes fall well below the 3-year average. Much of this was due to an inventory imbalance stemming from pandemic pressures. Demand and usage for crab meat had greatly been reduced due to the soaring prices in 2021. At the time, supply could not catch up with an insatiable demand and hence sent pricing skyrocketing. Import lead times ballooned from four to six weeks from Asia into the U.S. In some cases it was even nine weeks due to port traffic, labor, and lack of available containers. Fast-forward to 2022, demand slowed, and overseas orders reduced. By July 2022 the U.S. market started to see the imports drop drastically.



Now with nine months of imports below the 3-year average, inventory levels have begun to reach a point that importers not only need to replace, but also need to start to be more aggressive in purchasing. Coupled with having to purchase more heavily, importers are challenged with the catches in Asia, which are reported to be slower and the crab size to be small. After over a year of downward pricing pressure, inventories are now barely adequate—especially on the larger grades. There is also a lower percentage of colossal and jumbo lump hitting the market. In addition, Ramadan also caused a slowdown in production in the Muslim country of Indonesia, which holds a 43% market share.

Market participants report that usage has improved and crab meat does look to be returning to menus. We will watch the market closely as we head into the historically busy time of the year in the summer in the Mid-Atlantic. As of this writing, it's shaping up to be a situation similar to previous years. UB

Farmed salmon market sees slowdown during Lent; 2022 banner year for sockeyes

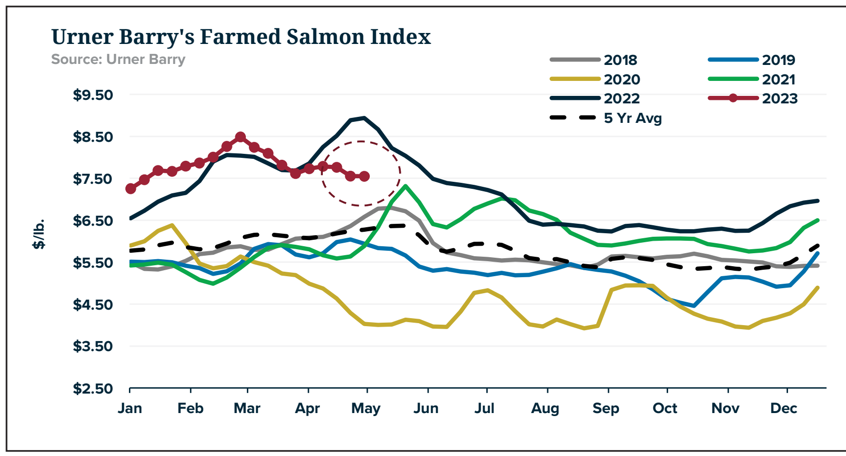
By **Janice Schreiber** I janice@urnerbarry.com
Joshua Bickert I jbickert@urnerbarry.com

The farmed salmon complex over 2023 thus far has experienced a market landscape that was out of character for the first half of the year. Many of the seasonal norms that typically play out during the first six months were hard to predict.

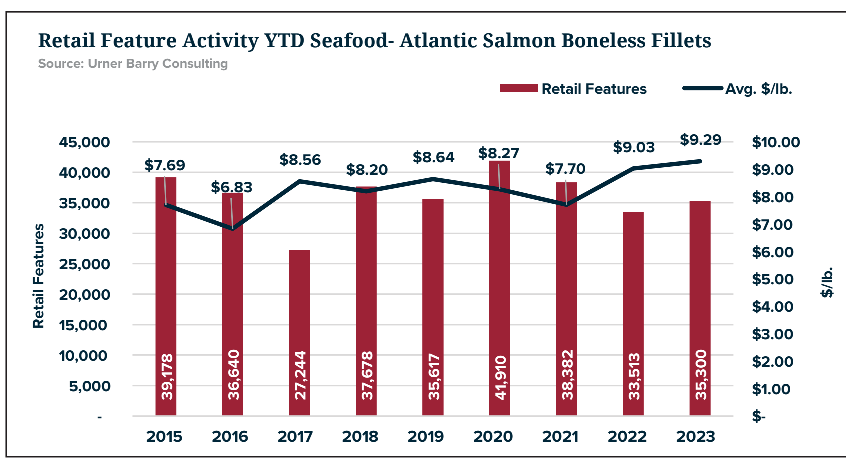
Looking at the farmed salmon index, we notice that up until the second half of March of this year, 2023 was trending much higher than 2022 and well above the 5-year average. Historically, January can still be a strong month coming off of the holiday season with healthy eating habits front and center in the media. Lent also usually begins in February with Ash Wednesday, which again is a higher demand event for the salmon and seafood industry. In addition, the U.S. market also saw little to no West Coast Canadian whole fish. From the second week in January to about the middle of March, quotations for most sizes were removed due to lack of trade and supplies being nil. With less availability of farmed salmon overall in the U.S. marketplace, this created a full steady to firming undertone for the first two months of the year. However, as stated in the open, beginning about mid-March or so, the farmed salmon complex started to act outside of the norm. Coupled with West Coast whole fish coming back online, the overall marketplace saw a demand mid-Lent that was quiet, and we started to see the salmon index drop. The index had a few hiccups along the way, but overall, since the index's high at the end of February 2023, the salmon index has dropped 11%. Again, this is with some of the most important high demand events of the year, Ash Wednesday and Holy Week leading up to Easter. As of this writing, Mother's Day is quickly approaching, historically another event that is revered as high demand for salmon. However, demand has been rated as moderate to fair by most. Without the momentum of Lent and Mother's Day, market participants look to be cautious and a tad nervous heading into the summer doldrums.

WHOLE FISH

Canada is the biggest story in the U.S. market with the West Coast volumes off for almost three months. And now with volumes from that area back in the market, it looks as though those suppliers are trying to regain market share through more aggressive pricing. The landscape of the whole fish market does appear to be changing though in 2023, backing a shift we have been tracking for several years as Canada's market share dips to 30% from 53% the same time last year. This will most likely change as volumes off the West Coast pick up. However, the whole fish import situation has been one that has been shifting and changing for the past several years. Chile, Norway, the Faroe Islands, and now Scotland, have seen year-over-year growth and have been slowly stealing market share away from Canada.



Urner Barry's Farmed Salmon Index
Source: Urner Barry



Retail Feature Activity YTD Seafood- Atlantic Salmon Boneless Fillets
Source: Urner Barry Consulting

FRESH FILLETS

All of the inputs into the farmed salmon index can be attributed to the drop, but most notably is the fresh Chilean fillet market. Looking more closely, we can see that outside of Holy Week, where the market did tick up slightly, the fresh Chilean salmon market has been barely steady to weak since the beginning of March. Pricing on 3-4-pound fresh Chilean fillets are down 13.4% as of this writing. Looking at imports, through February Chile is up 14.7% year-to-date. They hold a 74% market share.

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RETAIL AND FOODSERVICE

Farmed salmon continues to be touted as a superstar for both retail and foodservice. It is a staple not only on menus but also in the seafood retail case. Demand for salmon continues to look somewhat inelastic as average retail prices tick higher. Promotional activity, even with wholesale pricing above 2022 for portions of the year, has continued to be higher than 2022 with retail features for fresh farmed salmon fillets up 8.2% as of this writing. Average retail price is up as well, up 2% from the same time period last year.

WILD

The wild salmon complex has a few storylines ahead of the new season this year, the first of which is the impact of the record-breaking sockeye run out of Bristol Bay in 2022 and its impact on the market. Last year's total of 72.8 million sockeye, most of which were out of Bristol Bay, was 40% higher than the 5-year average of 52.6 million. We saw prices for fresh sockeye remain mostly steady throughout the season last year, with excess volumes reportedly going into freezing. What we're seeing in advance of the 2023 fresh season is the excess carryover of that frozen sockeye still filling up valuable cold storage space and a need to move through the 2022 product. Steady pricing was reported through most of the winter months on frozen. However, with the fresh season and a strong sockeye forecast coming from Alaska Department of Fish and Game, pricing has started to move lower to incentivize additional sales.

Another big storyline ahead of the wild season is the chinook or king salmon fishery, or more accurately for some regions, lack thereof. California has closed its troll king salmon fishery for the year along with some of neighboring Oregon. Many attribute the lack of fish and closure to both warmer water temperatures as well as drought in the river systems, which can kill both juvenile fish as well as eggs. With California closed and king forecasts in Alaska down, the supply as well as the price for kings will be something many market participants will have an eye on.

Overall, the Alaska Department of Fish and Game are predicting a 16% increase in wild salmon commercial catch in 2023, with the biggest increase being pinks at an additional 53 million fish forecasted over 2022. Either way, with Copper River underway, once again signaling the start of another season, one thing is certain, 2023 will be another exciting year for wild salmon with its own storylines sure to keep everyone involved on their toes. UB

TILAPIA & PANGASIUS MARKETS

A return to normal?

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

Tilapia and pangasius, both widely recognized as value finfish, have incurred pricing well above historical trends due to a multitude of factors imposed on the markets. However, throughout much of 2022, pricing began to shift back towards "normal."

Historically, tilapia import volume largely outweighs that of pangasius. But as new disruptors enter the market, trend reversals are reported more often, potentially setting course for a new normal to emerge.

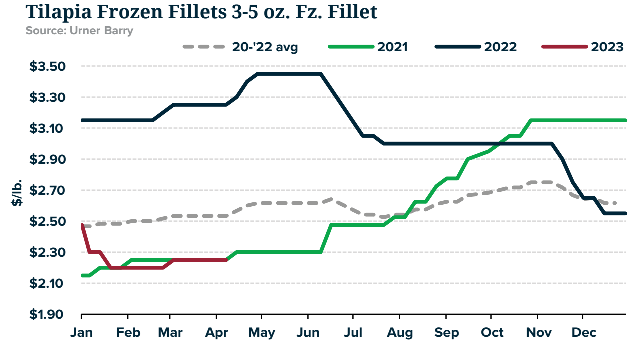
PANGASIUS

Beginning in the second quarter of 2022, the pangasius market saw steady discounts in response to tempered demand from the premiums driven by freight costs throughout 2021. Initially hitting a record high price of $3.65 per pound in January 2022 and remaining elevated into the first week of April 2022, 3-5-ounce frozen pangasius fillets increased 14% from the previous record high set in November 2018, a market reaction from the regulation shift from the FDA to the USDA. At the start of the second quarter of 2023, the market is averaging $2.35 per pound, a 36% retreat from the same 2022 timeframe.

Import volumes in 2022 are reporting 284.1 million pounds. This is the highest total since the 2016 record year brought in just over 4 million pounds more at 288.4 million pounds. Monthly import volume has exceeded the previous 3-year monthly average every month in 2022. The highest grossing month, June, boasted 196.4% above average, bringing in just over 34 million pounds.

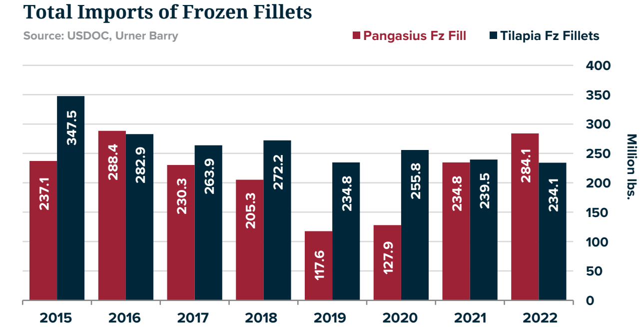
Tilapia Frozen Fillets 3-5 oz. Fz. Fillet

Source: Urner Barry



Total Imports of Frozen Fillets

Source: USDOC, Urner Barry



Market participants have reported decent inventory levels not only within the U.S., but in the producing country, Vietnam, as well. Because of the fully adequate supply situation, raw materials are expected to tighten up beginning in the second quarter of 2023 until supply and demand trends come more into balance.

Because of the supply situation here in the U.S., along with tempered demand for the species, buyers are being extra conservative ahead of the historical peak demand season for the seafood industry.

TILAPIA

Throughout 2021, the struggles across the supply chain, due in part by labor shortages, logistical issues, and increasing freight and feed costs, allowed wholesale prices to rise to new record highs. Meanwhile, demand remained active on both the retail and fast casual dining fronts. That bullish tone continued into the first half of 2022. However, the second and third quarter was marked by a gradual recession of wholesale prices.

Contributing to the discounts within the tilapia market includes ocean freight relaxing, the USD gaining strength against the RMB, as well as reports of China eager for orders after strict COVID regulations had been imposed for most of the year.

As of May 2023, frozen tilapia fillets from China are averaging $2.30 per pound, reporting a 35% decrease from just one year ago. Demand trends range from moderate down to fair as consumers are more conservative with their spending habits due to general inflationary trends.

2022 import volume retreated by 5.4 million pounds from the previous year, a 2.2% retreat, recording 234.1 million pounds for the year. Compared to the previous 5-year average of 253.2 million pounds, 2022 falls 7.6% below average.

OUTLOOK

The frozen tilapia and pangasius markets have experienced a tumultuous period, with prices soaring well above historical trends due to numerous factors. However, 2022 saw prices gradually shifting back towards normalcy, reflecting adaptations to the market disruptions. While tilapia import volumes have historically been higher than pangasius, the emergence of new market disruptors has led to more frequent trend reversals, hinting at a potential new normal. As we move forward in 2023, it will be essential for market participants to closely monitor supply and demand dynamics, as well as the impact of external factors such as freight costs, currency fluctuations, and consumer behavior. By staying vigilant and adaptive, stakeholders can better navigate the challenges and opportunities in the frozen tilapia and pangasius markets. UB

Mahi, tuna markets react to record imports amid a slowdown

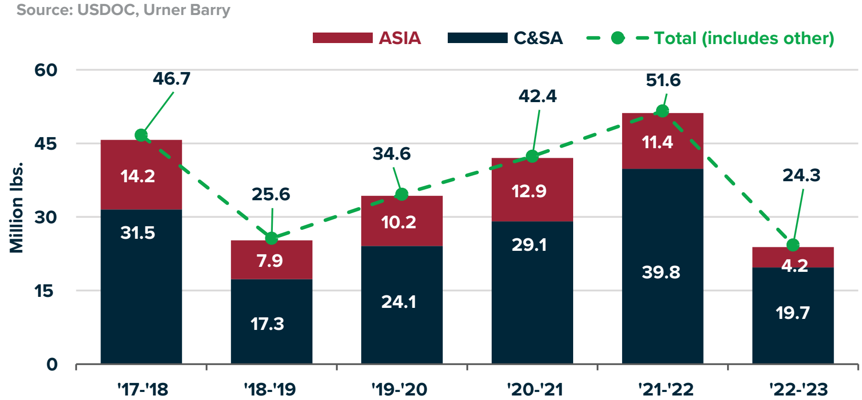
By **Liz Cuozzo**
lcuozzo@urnerbarry.com

The underlying problems that the seafood industry encountered during COVID began to dissipate in 2022. Supply chain disruptions, exorbitant freight costs and inventory shortages began to normalize in the second half of the year. However, as one set of market interruptions dissolved, another set materialized. Inflationary pressures with talk of a recession loomed near. The increasing cost of doing business, rising storage costs and a slowdown in foodservice sales weighed on the market.

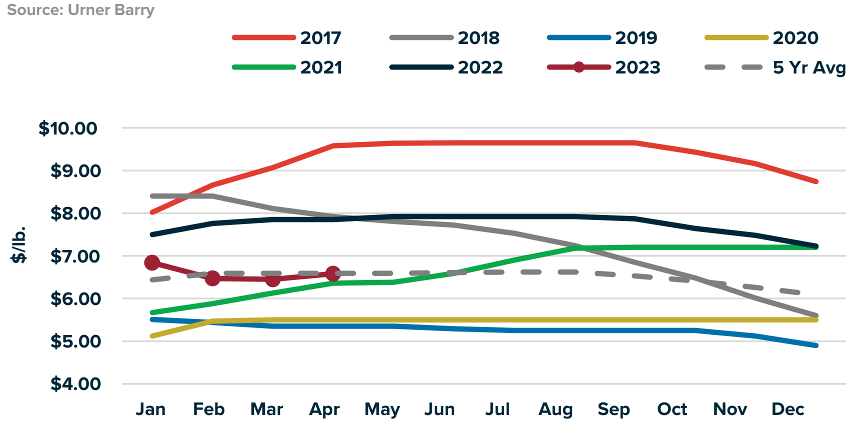
MAHI IMPORTS

Frozen mahi imports from all countries for the 2021-2022 season registered a record 51.6 million pounds; 10% more than the previous import record in the 2017-2018 season. For the better part of 2022, market prices held firm as buyers were looking to rebuild inventory positions. However, a noticeable slowdown in sales occurred in Q3-Q4 2022, just as fishing efforts in C&SA for the 2022-2023 season got underway. Importers were faced with residual inventories, economic headwinds, and soft sales as new season orders needed to be placed. Year-to-date total imports from all countries for the current season (October 2022-February 2023) stand at 18 million pounds; 19.92% less compared to the 2021-2022 season. C&SA shipped 13.9 million pounds year-to-date, 16.27% less year-over-year. Early reports of lack of production in Peru was a concern as larger sized fish was being landed, as well as the social unrest that impacted travel, labor, and processing capabilities. Year-to-date imports from Peru (October 2022-February 2023) stand at 3.2 million pounds; the lowest import volume for the first five months of the season since the 2005-2006 season. Ecuadorian imports for the same period stand at 6 million pounds; off 9.77% compared to last season, yet outpacing their 5-year average by 33.33%. It is believed that fishing in Peru and Ecuador ended earlier than normal as boats switched to fish squid and swordfish, respectively. Year-to-date per season Asian imports stand at 3.7 million pounds, off 31.48% year-over-year. Market participants report limited offers originating from Asian countries.

Total Frozen Mahi Imports per Season Volume (Oct-Sept) (Including fillets, portions)
Source: USDOC, Urner Barry



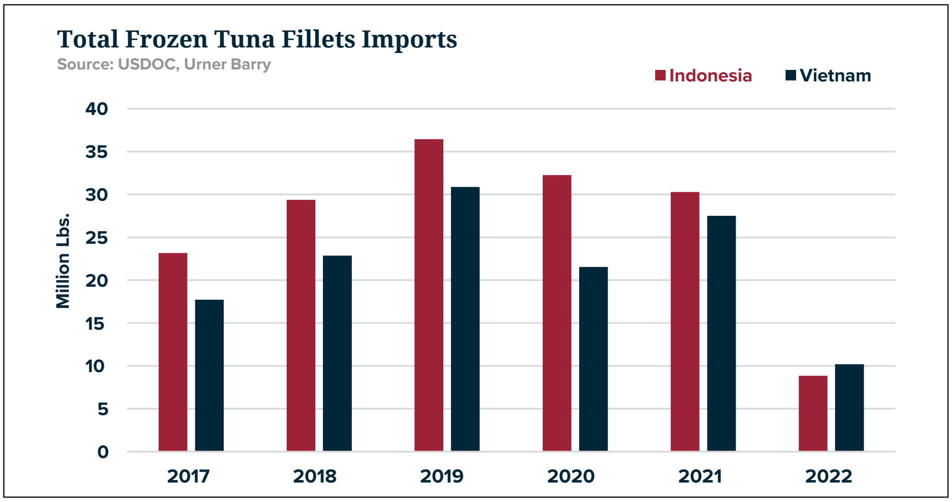
Mahi Frozen Portions 6 oz. C&SA (IVP)
Source: Urner Barry

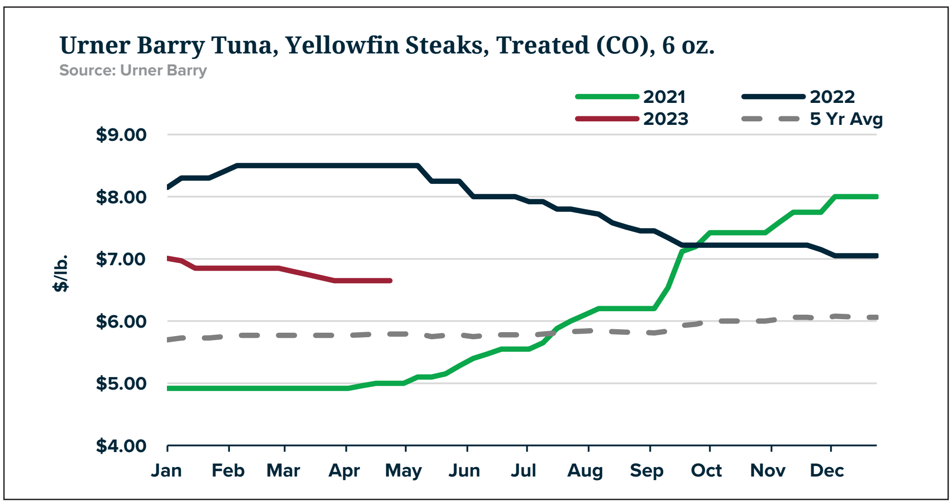


> **"The increasing cost of doing business, rising storage costs and a slowdown in foodservice sales weighed on the market."**

MAHI PRICING

As mentioned above, importers were faced with flush inventories just as the new fishing season in C&SA began amid increasing U.S. inflationary pressures. Adjusting inventory levels prior to new season lower priced product arrival in 2023 is typical; however, there was some hesitancy to place orders as recessionary fears continued to grow. Packed freezers with high priced inventory weighed on the market as storage costs soared. Mahi prices adjusted lower throughout the second half of 2022 and continued into Q1 of 2023. Frozen 6 oz. mahi portion prices are currently trading in line with their 5-year average of $6.59, yet have corrected 27.5% year-over-year.



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TUNA IMPORTS

Frozen tuna imports from all countries skyrocketed in 2022. A record 105.49 million pounds were reported for 2022; a 30.23% increase year-over-year and a 17.21% increase over the last record year in 2019, which recorded 90 million pounds. Breaking down the market share, Vietnam was the top producer for the first time, shipping 43 million pounds; a 57.2% increase year-over-year, while imports from Indonesia increased 15% year-over-year. Despite record imports in 2022, import $/lbs. in both Vietnam and Indonesia peaked in the summer of 2022 at $6.41 and $7.05 respectively, well above their 5-year averages. However, as importers have been hesitant to place new orders in an uncertain market, the current import $/lbs. for both countries stand at $5.34. Year-to-date (January-February) 2023 total imports are 36% lower than this time last year; Vietnam is off 53.1% while Indonesia is off 20.4%.

TUNA PRICING

As demand in the second half of 2022 slowed, the goal for many product holders was to reduce expensive inventory. Volume discounts and below market sales of questionable quality were reported. Again, rising storage costs weighed on importers who were unable to turn inventory. Distributors cut orders to keep limited inventory on hand, anticipating lower prices in the future. Importers, still sitting on abundant inventories, were hesitant to place new orders because they were unsure of what the market conditions would look like in a few months. Market prices for both frozen tuna loins (5-8lbs.) and steaks (6 oz.) have corrected more than 20% from their peak recorded in 2022, however they are still trading 12.62% and 13.54% higher than their 5-year averages.

OUTLOOK

As market variables continue to stabilize, a return to normal buying habits should emerge and speculative buying may be limited. Market participants will be focusing on the economy and the impact it may have on summer demand and inventory levels. UB

Demand for live lobster slowed in 2022 – Will we see further declines in 2023?

By **Liz Cuozzo**
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According to the Maine Department of Marine Resources, the Maine lobster fishery in 2022 hauled in just under 98 million pounds of lobster worth $389 million dollars; 11% less year-over-year in terms of catch and 47.4% less dollar-wise. A noticeable shift in consumer behavior materialized in the second half of 2022 as inflationary pressures mounted. The lobster complex, like many other seafood items, corrected from their lofty 2022 price levels as economic uncertainty permeated the market. As consumers pulled back, inventory levels became stagnant, and prices retreated.

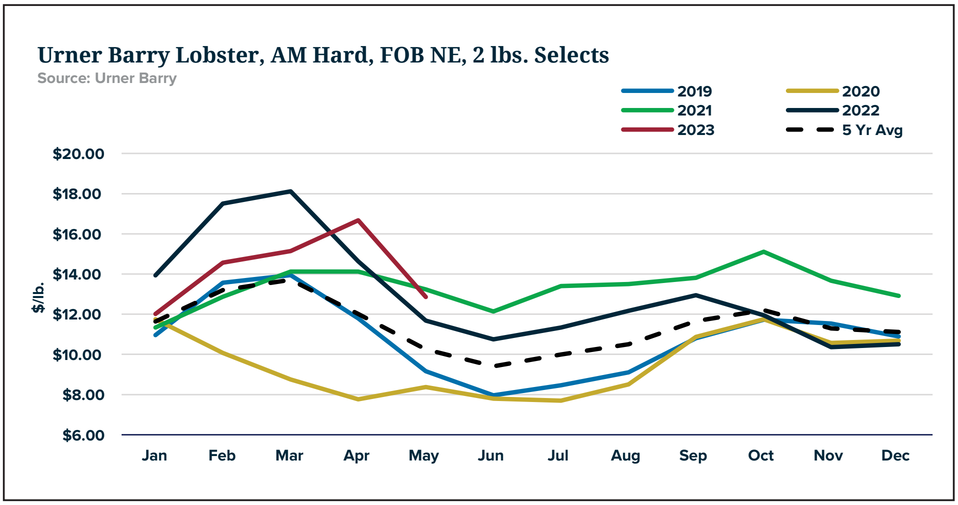
The curtailed demand for lobster products in 2022 is reflected in the annual import numbers. In 2022 Canada shipped 98.25 million pounds of lobster products into the U.S.; 16.8% less compared to 2021. The majority of the shortfall was in-shell, including tails and cooked; off 31.4% and meat off 35.1% year-over-year. U.S. imports of live lobster from Canada recorded 50.17 million pounds; a 5% increase year-over-year. However they are trailing their 5-year average by 5.07%.

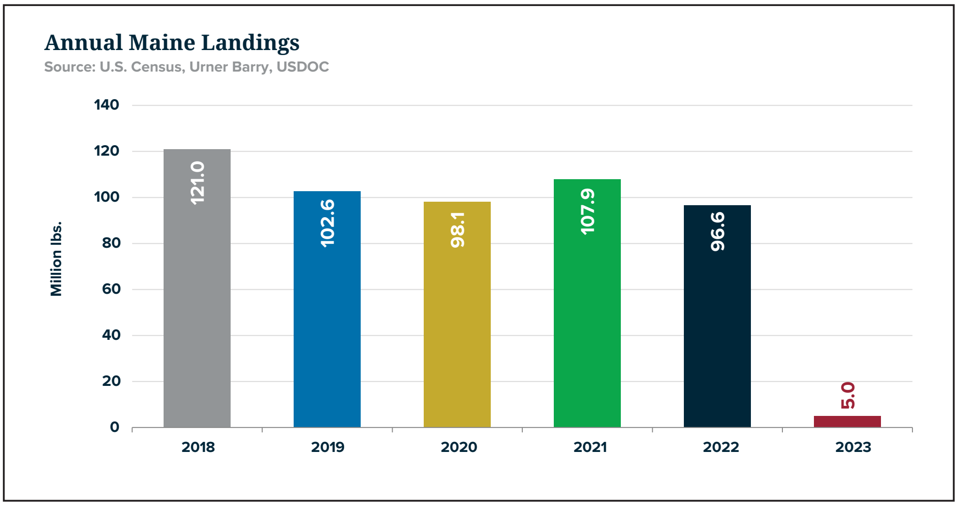
Live lobster exports in 2022 were down 26.4% compared to 2021. The U.S. shipped 38.16 million pounds of live lobster to Canada in 2022; 30.1% less year-over-year and 27.9% less than its 5-year average. 2022 live lobster exports to Canada represented the lowest yearly export volume since 2019.

Live lobster exports to China in 2022 stand at 10.7 million pounds; 22.9% less year-over-year and 27.02% less than the 5-year average of 14.7 million pounds. China for a vast majority of 2022 was still contending with COVID restrictions, while airfreight logistics continued to be a challenge.

Live market prices moved largely in seasonal form for the first half of 2022, but at substantially higher premiums compared to 2021 and their 5-year average levels. The fall and winter fisheries struggled with weather, limited days at sea and catch levels. Product availability remained tight heading into the Chinese New Year and Valentine's Day. Similar to last year, the rapid rise in replacement costs and subsequent selling prices made it difficult to feature live lobster for retail promotions for the Valentine holiday. Given the rapid increase in replacement costs, and the subsequent rise in market prices, market participants were hesitant to re-load as volume orders were curtailed. Demand levels fell short on both the foodservice and retail side as consumers navigated uncertain economic challenges. The average market price for NE hard shell selects in Q1 2022 was $16.15, 41.5% higher than its 5-year Q1 average of $11.67.

Prior to the start of the Canadian spring season, market unease set in as consumers became weary of the historically high sustained price levels. Aware of the discouraging Canadian snow crab season, participants feared the same outcome for the lobster market. Limited buying interest for processed crab left the market depressed, freezers full, and processors strapped for cash. As the spring lobster season progressed, demand for live product, frozen meat and tails faltered.





Trying to get ahead of the falling market and generate sales, prices across the complex retreated. Hard shell live lobster prices corrected from their lofty Q1 2022 levels and began trading within their 5-year average range for chicks, quarters, and halves, while selects continue to demand a premium.

As the Canadian season ended and the Maine season started in earnest, the same underlying conditions remained. Inflationary pressures mounted in the form of rising fuel, food costs and interest rates, giving pause to many buyers last spring/summer. Unlike last season, when demand for lobster products was insatiable and moving through the supply channel at record speed, processors remained on the sidelines. Live demand was lackluster, and deals were being made to offload robust inventories to free up capital and freezer space. Add to these mounting concerns is the sizeable supply of high-priced tubbed product stored in Canada.

This underlying market malaise continued into 2023. Yet limited fishing and light landings this winter, combined with the short-lived spurt of demand for Chinese New Year, resulted in market prices firming in January. The U.S. shipped 2.4 million pounds to China in January, 76.3% more product than January 2022. Chinese demand faltered once the holiday was over, with lower priced inventory competing for the limited market share. Market participants report that although COVID restrictions have been lifted, the repercussions of the shutdowns are being felt as the Chinese economy readjusts.

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 rapidly as more supply enters the market. Buyer interest from the live market and the processing side is lackluster. In a falling market, participants are hesitant to take a position. Keeping an eye on the economic landscape and the pulse of buyers will be paramount as we move into the Maine fishing season in June. UB

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Cautious buying and a wait-and-see attitude for groundfish

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

POLLOCK

The 2023 Bering Sea Alaska pollock fishery is poised for a rebound, with the North Pacific Fishery Management Council granting an increase in this year's total allowable catch to a robust 1.3 million metric tons. This comes as a welcome change following consecutive years of dwindling quotas, compounded by 2022's sanctions on Russian pollock imports into the United States that pushed the cost of value finish to unprecedented premiums.

The industry is now optimistically awaiting the growth in harvest volumes and the subsequent easing of supply pressures brought about by this positive supply outlook for the 2023 season.

At the time of writing, twice frozen 4-6-ounce fillets are averaging $2.27 per pound, marking a 27% reduction from the same period last year. However, this figure remains 33% higher than the corresponding period in 2021, just prior to the emergence of the premiums that have since dominated the pollock market.

Looking to the future, pollock's diverse presence in retail and foodservice sectors, schools, and institutions, suggests that demand will continue to be strong. With Russian products sidelined, the spotlight and upward pressure are increasingly falling on U.S. products.

COD

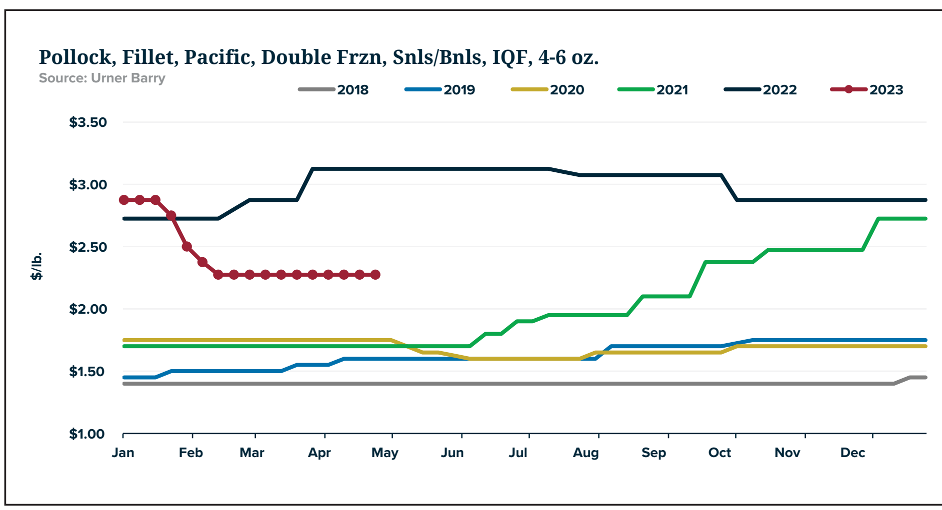
In the opening days of 2023 the cod market demonstrated notable fluctuations. The inflow of twice frozen fillets from China surged by a whopping 60% year-over-year in December 2022. This upward trend persisted into the early months of 2023, witnessing staggering increments of 115% and 98% in January and February, respectively.

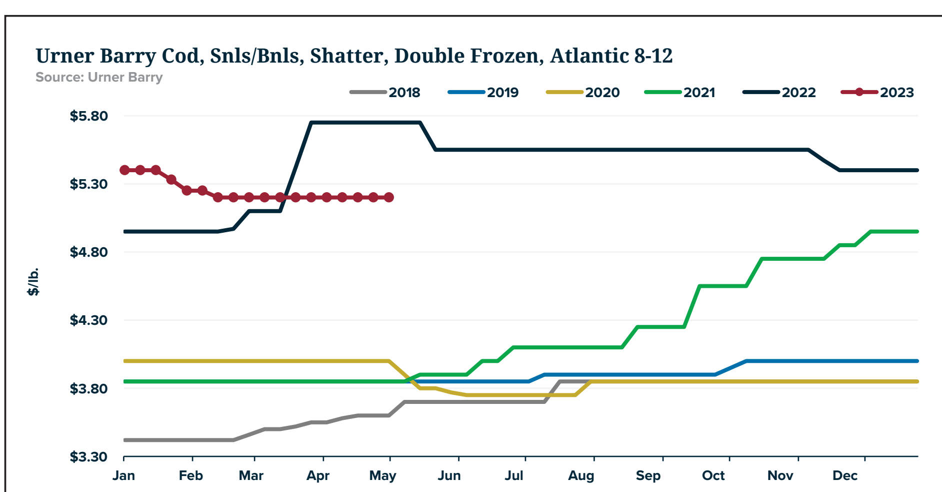
Consequently, this influx led to a softening in pricing towards the tail end of 2022 and into the new year. From the close of November, prices have slipped by 6.3% as of the time of this analysis.

As the prognosis for 2023 is somewhat uncertain, a substantial number of market players anticipate a tightening of supply as the year advances. The Total Allowable Catch (TAC) for Atlantic cod is roughly 20% lower in the Barents Sea and has dipped by 6% in Iceland.

While this could potentially exert upward pressure on prices, a combination of tepid demand and cautious purchasing behavior may introduce an element of instability to the market. Simultaneously, the TAC for Pacific cod has seen a reduction of about 7% in the Bering Sea.

Currently, the groundfish complex exhibits a tone that teeters between barely steady and weak, with the majority of market evaluations hitting 52-week lows. UB





Immigrant workers are revving up the trucking industry

The U.S. economy has been rocky over the last year or so and many believe a recession is imminent, likely starting in mid-2023. Inflation is still a major factor, but many proponents expect only a couple more rate hikes over the coming months, which will cease by the end of the year. Trucking is one industry that can't falter as it's a critical component of the supply chain.

According to the American Trucking Associations, there are approximately 3.3 million professional truck drivers on the road moving more than 10.2 billion tons of freight annually, or nearly 73% of total domestic tonnage shipped in the U.S.

Despite an increase in wages for drivers, there is still a need for more people to haul loads. Many experts believe that the trucking industry is still light upwards of 80,000 drivers, but immigrant drivers have played a vital role in trying to lessen the shortfall.

In fact, the number of foreign-born truck drivers in the U.S. has more than doubled since 2000, as U.S.-born drivers retire and the demand to move freight remains.

Immigrants have become a critical part of the trucking industry's labor force, particularly in states with a high proportion of foreign-born residents, such as Texas and California. They currently make up nearly 19% of the 1.2 million long-haul truck drivers working in the U.S., according to the Bureau of Labor Statistics. California has the highest percentage of immigrant truck drivers, with nearly 47% of all truckers being foreign-born.

According to the Bureau of Labor Statistics, the racial breakdown of truck drivers in the U.S. in 2022 was as follows: Caucasian 73.2%, Hispanic/Latino 21.8%, Black/African American 19.7%, and Asian 4.3%. It's important to note here that estimates from the Labor of Bureau Statistics for race groups "do not sum to totals because data are not shown for all races." In addition, the Bureau notes that "persons whose ethnicity is identified as Hispanic or Latino may be of any race."

Gerard Coyle, Managing Partner of Meridian Consulting, believes that immigrants can be an even stronger resource for truck driving positions with the help of more effective company placements.

"If companies really want to do something, they need to help them get qualified," Coyle said. "In tractor-trailer drivers, they need a commercial driver license (CDL-A); they need to apply and obtain a Commercial Learner's Permit; pass a written test (in English); pass the driving skills test; and if they do not have verifiable tractor-trailer driving experience, they would have to get CDL training with a registered provider."

Coyle also pointed out that there are a couple of government programs (H-2B and EB-3) which issue visas for foreign people and can aid in labor additions. The H-2B visa process is a temporary type, which can allow an employer to bring drivers within two to three months, while the EB-3 process is a permanent solution, but can take anywhere from 12 to 24 months.

It's a safe bet to believe that the trucking industry will continue to benefit from the ongoing addition of new drivers as the shortage of labor continues. UB

Article contributed by **Matt Morrow**
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Cash cattle prices surge to new highs on tight supplies

Three...two...one...blastoff! The cash cattle market skyrocketed to record highs early in the second quarter of 2023 as packers competed for a tightening supply of market-ready animals. While a temporary price retreat is possible this summer, bullish fundamentals surrounding the cattle market could provide support to cash prices for several years to come.

During the week ending April 19, 2023, USDA's five area direct live steer price topped $180 per cwt, surpassing the previous record high of about $171 per cwt in 2014. That year, the nation's cattle inventory totaled 87.7 million as of January 31—the lowest level for that date since 1951. This was the result of severe drought across the nation's major cattle-producing regions in 2011 and 2012.

The market today is again influenced by persistent drought along with elevated feed costs, which have prompted several consecutive years of herd liquidation. The number of cattle on feed, as well as placements, have posted year-over-year declines for seven straight months as of April 1.

The latest USDA cattle-on-feed report showed 11.612 million head in the nation's feedyards as of April 1, down 4.4% from last year. Placements of young cattle into the feedyards in March were reported at 1.992 million head, down 0.6% from a year ago.

Compounding the thinning supply of cattle is sharply lower year-over-year weights due to adverse feeding and pen conditions following this year's winter storms. As of the latest data, dressed steer weights were reported at 892 pounds, down 6 pounds from the week prior and 20 pounds below last year.

Lighter animals are contributing to reduced year-to-date beef production, which is down by 4.8% so far this year through April 22. To maintain profitable processing margins, packers have restrained their weekly slaughter levels, resulting in a 3.1% year-to-date decline in cattle slaughter.

Cattle futures on the Chicago Mercantile Exchange reflected these bullish fundamentals towards the tail end of the second quarter, having etched out new contract highs consecutively in response to the sharp advance in cash cattle prices.

Heading into the late spring and summer, traders are monitoring several factors that will influence the direction of the cash cattle market. Beef demand typically peaks in May and June and corresponds with what are usually the largest slaughter levels of the year.

While supplies typically undergo a seasonal increase around that time of year, supplies will still be at multi-year lows. For now, the June live cattle contract is anticipating a seasonal decline to around $164 per cwt while August is priced at about $163 per cwt. If accurate, these prices would still be nearly 15% above year-ago levels.

Over in boxed beef, Urner Barry's Choice and Select cutout values climbed to seasonal all-time highs in late February and continue to maintain seasonal highs as of late April, with Urner Barry's Choice value approaching $300 per cwt.

Consumer demand thus far remains resilient in the face of high prices, with total retail beef sales consistently outranking all other proteins in 2023 so far, according to data from COMTELL, along with Circana (formerly Information Resources, Inc. (IRI) and NPD).

With the pork cutout sitting at multi-year lows, retailers may begin to feature pork more frequently this summer, potentially shifting some sales away from beef. Meanwhile, the looming threat of a resurgence in bird flu infections is contributing to uncertainty for those in the poultry and egg industries.

On the export front, beef exports for the first two months of the year were down 9% from last year's large volume, while export value dipped 24% to $1.46 billion, according to data released by USDA and compiled by the U.S. Meat Export Federation. It is possible that the United States may increasingly import more beef from other counties due to fewer supplies stateside.

Some sources look for herd rebuilding to be delayed until late 2024 or even beyond, depending in part on weather and pasture conditions. Until then, cash cattle prices are likely to see additional advances in the long run as packers compete for even fewer supplies ahead. UB

Article contributed by **Courtney Shum**
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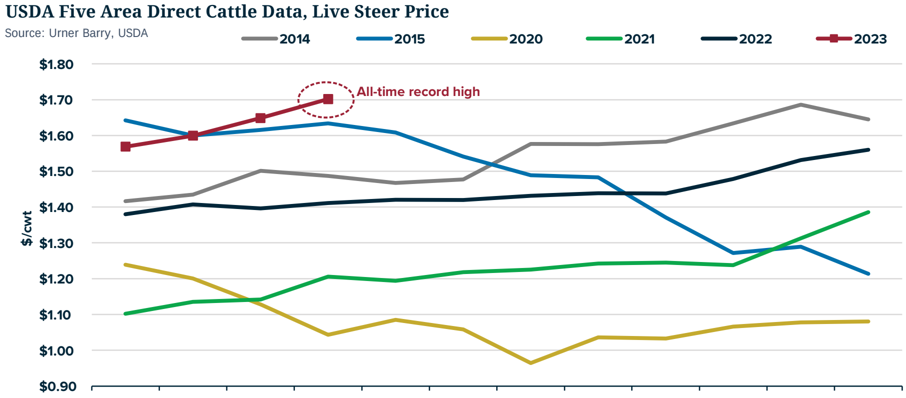
USDA Five Area Direct Cattle Data, Live Steer Price

Source: Urner Barry, USDA



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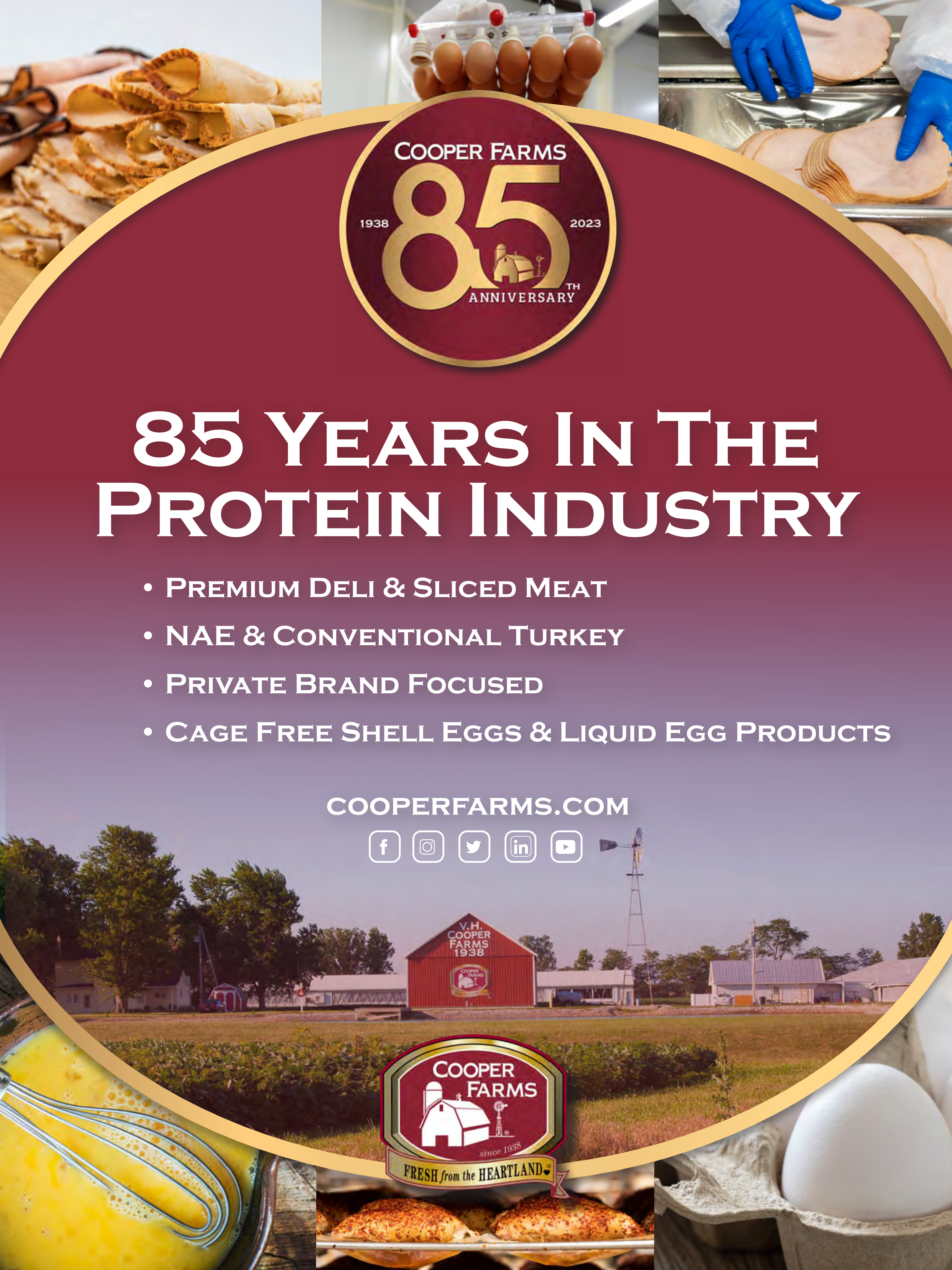
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An overseas overview of HPAI

Article contributed by Tony Goodger, **Association of Independent Meat Suppliers**

A few weeks ago I was fortunate enough to attend the Urner Barry "Global Impact of HPAI" webinar.

I thoroughly recommend these webinars as they bring together voices from across the globe for shared learning and urge all readers of *Urner Barry's Reporter* to sign up for them.

Since October 1, 2022 there have been 178 confirmed cases of highly pathogenic avian influenza (HPAI) in the UK. This followed 285 cases in the year October 2021 to October 2022.

It is also important to note that farming is a devolved issue with the Governments in England, Wales, Scotland, and Northern Ireland each providing their own guidance. As such, the UK did not have a consistent approach to tackling HPAI.

Since October 2022, England (150 cases), Wales (26 cases) and Northern Ireland (1 case) have all imposed housing orders to prevent birds from going outside wherever they were being farmed. Meanwhile in Scotland (21 cases) no similar instruction was given.

The larger poultry processing businesses, along with trade associations such as AIMS, have regularly met with Government Ministers and the Chief Veterinary Officers (CVO) to discuss the outbreak and measures that need to be taken to combat it.

First up has been a focus on improving site biosecurity.

The CVOs have continued to stress that however much poultry farms believe that they have done in this area there is more they can do. Ensuring that wild birds don't contaminate bedding or manage to access barns via sometimes often tiny holes, as well as improved staff training, have all been featured in their guidance.

There is also the added complication of non-avian wildlife spread, particularly via foxes who have a knack of finding any break in site defenses to gain access and satisfy their hunger.

Next was the implementation and then lifting of surveillance and protection zones. This has been severely impacted by the shortage of vets here.

Since COVID and Brexit many vets have returned to their home countries and the UK Government's points-based immigration scheme, which was introduced in February 2022, has unintentionally produced a barrier to re-entry due to the level of competence for speaking, reading, and writing English being set too high.

As a result, AI infected farms were quickly closed, but the supervised cleaning, disinfecting and subsequent re-opening of sites has been delayed.

The consequence of this has reduced supply of British chicken to the market, thus driving up prices for consumers as well as opening opportunities for imports for fresh, frozen, and cooked.

"The larger poultry processing businesses... have regularly met with Government Ministers and the Chief Veterinary Officers (CVO) to discuss the outbreak..."

And this brings us to the question of vaccination and trade.

I read with interest that the U.S. Department of Agriculture's (USDA) Agricultural Research Service are taking the first step in a lengthy process toward the possible use of vaccines to protect poultry from the lethal virus.

They are not alone. In the EU the French are running trials on ducks whilst the Dutch and the Italians are undertaking similar work on laying hens and turkeys. Of course, any roll out of routine vaccination will require an almost global buy in and whilst Brazil dominates the export market without vaccinating their birds it is less likely that we'll see it adopted in the short term.

For the EU, vaccination creates a dilemma because, as a trading bloc who enjoy considerable poultry exports to markets in the UK, the U.S. and Saudi Arabia, for example, they currently refuse to buy from countries practicing vaccination for fear of importing the virus into their territory.

Finally, there is Ukraine. Prior to the war it is reported that President Zelensky introduced an agricultural policy which centered on increasing pig and poultry production using the country's vast grain supplies and to then target overseas markets to generate economic wealth.

With the war has come challenges on grain exports, thus making the cost of production for pigs and birds considerably lower than their exporting rivals.

I am in little doubt given the severity of the current HPAI outbreak that Ukrainian birds will have contracted the disease.

According to data published in May 2021, the last reported outbreak of HPAI (subtype H5N8) on a commercial farm was registered on February 3, 2021. Whilst the European Food Safety Authority's Avian influenza overview December 2022 – March 2023 fails to record any outbreaks there.

The last few years of outbreaks of HPAI has established it as the most challenging of diseases with implications for producers, exporters and importers that spread well beyond the outbreaks on domestic farms. I am of the view that given the affordability and popularity of chicken across the world, that there now needs to be a consensus from all nations as to how to live with, manage and control the disease. UB

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Georgia Ports Authority plays the perfect host for NPFDA

Article contributed by Carol H. Lanham, **National Protein & Food Distributors Association**

Who can forget the visuals associated with the supply-chain gridlock which developed on the West Coast of the U.S. as labor shortages stemming from COVID—and most recently labor contract discussions —hog-tied global trade and trade routes at many of the busiest ports in the world? Hundreds of vessels were "stranded," waiting for berth space to load or unload their goods. Meanwhile, consumer product prices surged, and shortages were rampant. The importance of the world's ports to local and global economies is undisputed. They are the gateway to the global supply chain and provide the crucial connection between land and sea, and between producing and consuming regions.

Urner Barry's Russ Whitman and Matt Busardo were among more than 50 protein industry leaders who were fortunate enough to have a rare opportunity to tour the single largest and fastest-growing container terminal in America—Garden City Terminal at the Port of Savannah. The tour was part of the National Protein and Food Distributors Association's Spring Exchange, an annual meeting that includes a behind the scenes look at an industry related facility, networking opportunities, and round table discussions.

For some background, the Georgia Ports Authority (GPA) is the third busiest container gateway in the United States after Los Angeles, California, and Newark, New Jersey. It is the number one gateway for the export of agricultural products, including poultry. The Port of Savannah, home to the largest single-terminal container facility of its kind in North America, is comprised of two modern, deepwater terminals: Garden City Terminal and Ocean Terminal. Garden City Terminal is the fourth busiest container handling facility in the United States, encompassing more than 1,200 acres and moving millions of tons of containerized cargo annually. Ocean Terminal is Savannah's dedicated breakbulk and roll-on/roll-off facility, covering more than 200 acres and providing 1.4 million square feet of covered storage. Convenience is key, and with Interstates 95 and 516 less than 10 miles away, there is no other port on the U.S. East Coast that offers such direct interstate connections. Not only are interstates easily accessible, but so is rail access, with on-dock rail access available at four of its five berths. During 2022, the Port of Savannah cargo volumes hit 5.9 million TEUs, benefiting during 2021 and 2002 from an

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eastward shift in port activity due to the west coast bottlenecks. A TEU (Twenty-foot Equivalent Unit) is the standard size of a shipping container at 20ft long, 8ft wide, and 8ft tall.

With a channel width of 500 feet and two turning basins—King's Island (1500' x 1600') and Marsh Island (900' x 1000') —access is relatively unencumbered. A recent dredge to the channel brought its depth from 42 feet to 47 feet, allowing the largest ships in the world to find berth. As of February 9, 2023, GPA is home to a quartet of the largest cranes on the East Coast. But perhaps the greatest asset of the Port of Savannah is space. "What sets Savannah apart is the room to grow," said Bill Barrs, Manager of Market Research and 18-year GPA veteran. Other U.S. coastal ports do not have the luxury of future expansion like Savannah does. Additionally, having U.S. Customs onsite to expedite inspections for both imports and exports is another benefit.

The importance of this port cannot be understated in terms of its crucial role in global trade and because of that, it requires a high level of security detail. According to Barrs, the Georgia Ports Authority Police Department (GPAPD) is the primary law enforcement agency responsible for providing public safety and security on all properties owned and operated by the GPA. The department is composed of certified peace officers, security personnel and civilian administrative staff members who work as one to deliver high levels of professional services, including providing the private NPFDA tour with a guided police escort.

To help maintain their leadership position, in late March the GPA agreed to spend $170 million on 55 hybrid-engine rubber-tired gantry cranes to outfit the Port of Savannah's Ocean Terminal as it is redeveloped into an all-container facility.

"This significant investment in new equipment will help prepare the Port of Savannah to handle more ships and cargo while maintaining the world-class service our customers have come to expect," said GPA Executive Director Griff Lynch in a press release. "These new machines will expand our capabilities, operate at lower cost and leave a smaller carbon footprint than conventional diesel cranes." The hybrid machines will reduce fuel consumption by an estimated 47%. Per year, that is a reduction of 8,800 gallons of diesel per crane, or nearly 500,000 gallons annually across the Ocean Terminal fleet.

Poised for continued growth necessitated by the ever-expanding footprint of global commerce, heavy investment in modern machinery and the ability to expand will lend the GPA and the Port of Savannah efficiencies and capabilities enjoyed by only a select few ports throughout the world. It will also position the GPA to assume a larger role in the ultra-critical global flow of goods for years to come. UB

Egg and poultry industry flocks to the Urner Barry Executive Conference

Leaders in the egg and poultry industry made the annual trek out to Las Vegas for Urner Barry's historic Executive Conference, a leadership summit with insight into market news and all the hottest topics in the protein market. This year was the first Executive Conference under the leadership of Urner Barry's new parent company Mintec. With commodities across all different sectors, this relationship will bring on new intelligence and insight for our subscribers. This was the message emphasized by Mintec CEO Spencer Wicks as he introduced himself to the audience of Urner Barry attendees.

The conference kicked off with a keynote presentation given by former President of Trader Joe's Doug Rauch. Rauch talked about the importance of creating cultures of innovation. He presented shocking facts on top companies of the past and how their lack of innovation lead to their demise, while organizations that promoted innovation within their colleagues stood the test of time. It was a crucial message for these leaders in the sector to hear.

"If you aren't innovating, you're dying. When we think of innovating, we think of iPhones and such, but there is innovation in food," said Rauch directly after his keynote. "Food today is so much different from 30 years ago. Innovation continues and is accelerating, so whether you are in tech or food, if you aren't innovating, you're getting passed by."

One of the reasons for the Executive Conference's success is due to the longtime attendees who have continued to support it year after year. That is why every year

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Day one of the conference concluded with a great round of golf at Rio Secco Golf Course and dinner at the Mercato Della Pescheria. The next morning brought in something new to the Executive Conference. Adenah Bayoh, an inspirational U.S. immigrant from Civil War-torn Liberia and now entrepreneur in real estate and restaurants, spoke in collaboration with the Women in Food and Agriculture Initiative. She told her story on being given the right seat at the table, proclaiming that 50% of her success is due to the generosity and guidance of her colleagues.

"The impact I see in this room is tremendous... My advice to those in the room would be to hire and empower," Bayoh said. "Oftentimes we hire women and don't give them mentors and the space to really have an impact. So it's important we hire and give them resources the need to succeed."

Other speakers at the conference consisted of knowledgeable professionals from organizations such as Cracker Barrel, Shake Shack, Microsoft, the World Health Organization, the World Wildlife Fund and more.

The next event for the Urner Barry team will be the Global Protein Summit live from the Intercontinental in Chicago, Illinois, from October 9–11. The Urner Barry Executive Conference will make its return to the Palazzo at the Venetian next year on April 14–16 and tickets are available now. UB

New talent in the industry honored...

Inaugural Rising Star Award presented to two of the industry's best

This year at the Executive Conference, Urner Barry recognized some of the newest professionals in the sector. Presented alongside the Poultry and Egg Persons of the Year, the Rising Star Award was given to the man and woman who has grown quickly in the industry, taking an initiative in learning about the sector they work in while professionally honing their skills, offering innovative ideas and showcasing hard work.

The winners were announced by Russ Whitman, Senior Vice President at Urner Barry and longtime host of the Executive Conference, and Glen Bouchard, Vice President of Corporate Protein, Poultry, of the award's sponsor, Farm Credit.

2023 RISING STAR WINNERS:

JUSTIN MARR
Protein Buyer, West Liberty Foods

Justin got his start in the industry as a security guard at Quantum Foods, just after West Liberty Foods had purchased the facility. Later he was given the opportunity to join the Customer Service Team and then from there he was offered a Buyer position. Justin is now in charge of all protein purchasing. He met his future wife at West Liberty and they welcomed their first child last summer. He is a great father figure to the new baby as well as a step-father for his wife's first child. Josh Garrett, who nominated him, said that "Justin is incredibly skilled at understanding markets and creating analytics tools to strategically put West Liberty Foods in the right spot to ensure successful end of the year numbers."

EMILY SOUDERS
Sales Manager, Farbest Foods

After graduating Oakland City University with a biology degree, Emily worked as a plant supervisor at the Huntingburg, Indiana facility at Farbest. It was evident that she had the personality for sales so she began as an entry level sales associate and has risen through the ranks to become a sales manager. She is a wife to Willy Souders and they have three children. Ryan Downes, who nominated her, said, "Emily has proven to be not only a leader within our organization, but to our entire industry. She is extremely devoted to her family, and balances her duties at Farbest and her family elegantly. UB

Articles contributed by **Chris Fastiggi** | cfastiggi@urnerbarry.com

A look at David Chang's fried chicken concept...

from SECRET MENU ITEM *to the* Big Leagues

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Fuku, a fried chicken sandwich concept, began its journey as a secret menu item at world-renowned chef David Chang's restaurant Momofuku.

What is now known as 'The O.G. Sando,' garnered a cult following among Momofuku patrons. Chang wondered if the sandwich could be the core of a concept on its own.

Turn the page to 2023 and the sandwich is showcased at Yankee Stadium, the U.S. Open and Formula 1's Miami Grand Prix, just to name a few.

Fuku's standalone story as a fast casual eatery began in 2015 at the opening of its first store in the east village of New York City. The spot became an instant hit with lines outside the door within the first couple of months.

"Then, Madison Square Garden came knocking," Fuku CEO Claudia Lezcano told Urner Barry's Reporter.

The company was able to propel early success into key partnerships with stadiums and arenas in New York City and beyond. And the lines that built up back in 2015 haven't dispersed.

In late March, a group of Fuku team members were on hand to celebrate its recent partnership with the New York Yankees and Legends Hospitality. In need of some extra manpower before the stand was swamped with thousands of hungry baseball fans, Fuku's team swapped baseball caps for hair nets and jumped into action to help prep.

Currently, Fuku has a pair of storefronts at Hudson Yards and Rockefeller Center in the City and options for consumers through six other kitchens in Ohio, Texas and California. Plus you can add in stands at over 10 of the top arenas and stadiums across the country.

Fuku's menu revolves around its chicken sando, which is described as the core of the brand. Lezcano believes Fuku can stand out from the rest of the chicken sandwich options thanks to its Asian-inspired menu, sweet heat taste profile and unique sauce options.

Chicken sandwiches are as popular as ever. Lezcano mentioned that 2.5 billion sandwiches were consumed by Americans in 2021.

Lezcano, who spent time as an executive with Church's Chicken before joining Fuku said, "At the time that I started with Church's, there were eight chicken sandwiches in the market. By the time I left, there were 18."

"Asian fusion is emerging with fried chicken sandwiches, and we will keep bringing that to the table," Lezcano said.

Photos courtesy of Fuku

Aside from its chicken sandwiches, Fuku's menu features chicken nuggets and chicken fingers that can be paired with their waffle fries with sweet jalapeno seasoning.

As the company charges forward, Fuku is eyeing more locations. Lezcano noted that the company will work to build out its footprint with corporate locations in the five key markets of New York, Boston, Los Angeles, Las Vegas and Miami over the next three-to-five years.

"Fuku can stand out from the rest of the chicken sandwich options thanks to its Asian-inspired menu, sweet heat taste profile and unique sauce options."

Lezcano noted that its presence in arenas and stadiums will continue to be an important part of the company's future. Alongside its partnership with the Yankees, it landed as an option at the T-Mobile Arena in Las Vegas this year.

"The positive brand association is something that really carries a halo for us," Lezcano said. "It doesn't get better than pairing a wonderful sporting event and moment than with a delicious meal." UB

Article contributed by **Ryan Doyle**
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Word Search Answers from page 60

B	F	L	O	C	V	D	O	O	W	K	A	O	I	D	R
I	U	E	Q	D	E	L	T	F	L	O	C	K	N	G	G
P	S	S	U	E	R	S	F	R	E	N	T	I	C	I	S
T	L	U	A	N	T	L	H	Y	G	H	F	N	U	N	U
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U	E	I	N	T	I	S	R	A	F	A	R	M	S	T	A
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D	I	V	E	R	S	I	F	I	E	D	L	G	I	N	L
B	U	S	T	N	E	S	A	S	S	E	N	I	S	U	B
E	H	P	R	O	C	E	S	S	I	N	G	L	T	T	B
H	S	G	O	H	E	A	R	T	L	A	N	D	S	Y	Y

No stone unturned...

A path forward in battling HPAI

Article contributed by **The National Turkey Federation**

The highly pathogenic avian influenza (HPAI) outbreak, now in its second year, has claimed more than 10 million turkeys and continues to harm the turkey industry and its markets. A path forward, however arduous, exists.

USDA has said repeatedly that biosecurity enhancements since the 2015 outbreak have significantly reduced the incidence of lateral (farm-to-farm) transmission. This is extremely encouraging, but the biosecurity gains have been offset by two troubling factors: the high viral loads in the wild bird population and this strain's increased resistance to heat.

In 2015, the outbreak ended by late June because—like other strains of flu—HPAI began to wither in warm weather. After a lull in late spring and early summer 2022, the virus detections in commercial flocks rose again, even in places experiencing blistering temperatures, and viral loads in wild birds did not drop significantly.

Production will not fully return to normal until an effective strategy is in place to end the existing outbreak, and three factors are critical:

- USDA and industry must find a way to mitigate the interaction of wild birds and commercial poultry premises, with specific emphasis on predictive modeling of migratory patterns.
- Industry and USDA must determine whether there is an effective program for partially depopulating certain types of commercial premises where HPAI is detected (as opposed to depopulating all houses on a farm).
- USDA, industry and our trading partners must agree on a limited vaccination strategy that does not disrupt international trade.

Controlling wild bird migration is challenging, but we must leave no stone unturned in limiting interaction; for example, there are sonic and water-based options that provide non-lethal deterrence to wild birds. This can be especially critical when farms are located near areas designated as Waterfowl Production Areas (WPAs) and in some wetlands. This will take a coordinated effort by USDA, other federal agencies and state environmental and natural resources departments, but it should be achievable. We are encouraged by increased outreach from USDA Wildlife Services for wild-bird mitigation consultations regarding individual farms.

Partial depopulation already has been used successfully in limited instances where there is a clear separation between grow out houses on a farm. There is reason to believe USDA can utilize that strategy in more cases and in a way the poultry and egg industries' international customers will accept.

Which brings us to vaccination, by far the most controversial strategy.

Current bilateral trade agreements are built on a prejudice against vaccination that no longer is scientifically valid. Any HPAI vaccination traditionally has been considered an admission that the disease is endemic and, thus, a reason for trading partners to ban importation of poultry and eggs from regions or entire nations that vaccinate. Additionally, it once was extremely difficult to determine whether a vaccinated bird had tested positive because it was vaccinated or because it was vaccinated and infected.

NTF fully understands how these now-invalid assumptions color our current trade agreements and has said repeatedly that it will not support any vaccination program that decimates the United States' ability to export products. Every other major poultry and egg association, as well as USDA itself, agrees on this point.

However, we cannot afford to ignore the vaccination question the way we did after the 2015 outbreak subsided. Science and diplomacy can help us forge a viable path forward for vaccination in certain circumstances. Today, we can produce vaccines that allow for a differentiation between infected and vaccinated animals, known as a DIVA strategy. Importers no longer need fear the accidental importation of meat from an infected bird. Also, limited vaccination designed specifically to stamp out an active HPAI outbreak should not be treated the same as open-ended vaccination to "control" HPAI. USDA already has surveyed trading partners, and there is clear room to negotiate new trade agreements built around limited vaccination coupled with a provably effective DIVA strategy.

Several animal health companies are working to develop such an effective vaccine to combat the current strain. Some nations, especially in Europe, already are testing these vaccines in commercial trials. NTF appreciates that Agriculture Secretary Tom Vilsack and his team are committed to ensuring the U.S. keeps pace with other nations and that USDA is preparing to test as well.

Given the unanimous agreement between industry and USDA that there should be no vaccination crippling to trade, it baffles NTF that some continue to generate fearmongering statements about vaccination. These misguided statements threaten to put the U.S. further and further behind other nations in battling HPAI.

The U.S. has the greatest poultry industry in the world. Only needless fear can rob us of this preeminence. UB

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Don't leave money on the table!

How COMTELL can make an impact on your business

Urner Barry's COMTELL service is the premier market intelligence platform, providing a 360-degree view of market coverage across all major center-of-the-plate proteins. COMTELL features benchmark market prices, in-depth market analysis, and powerful portfolio and comparison tools that allow users to make confident business decisions. COMTELL has thousands of subscribers that span the entirety of the supply chain, from producers to foodservice and retail operators and everyone in between. Ultimately, COMTELL serves to save time and money, mitigate risk, and reduce uncertainty. Here are just a few features that COMTELL offers to boost confidence and maximize potential.

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Housing over 25,000 active quotations and unique datapoints, COMTELL offers subscribers first access to unbiased benchmark quotations and historical data for red meat, poultry, eggs, seafood, and plant proteins.

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COMTELL subscribers have access to production, slaughter, cold storage, and import/export data which is all vital information that justifies the state of the markets. Having knowledge of what supply looks like makes it easier to uncover business opportunities and make informed decisions.

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Through one-of-a-kind perspective from Urner Barry's news team and market reporters, coupled with pertinent content from top media sources from around the globe, COMTELL customers can easily keep a pulse on current market trends, drivers, and developing conditions. Our international network of correspondents and market analysts produce exclusive content daily, and subscribers have access to our searchable library of stories, commentary, and analysis.

COMPREHENSIVE TOOLS

Built-in tools like My Items, Data Builder, Quote and Report Alerts allow COMTELL subscribers to cut through the vast amount of data and design customizable groupings of information specific to their needs.

WHAT'S NEW ON COMTELL?

Urner Barry is taking the initiative to provide more transparency in the seafood market and has initiated coverage on several new items!

- Arctic Char within the salmon complex
- Saku and Poke cubes within the frozen fillet complex
- European Sea Bass within the fresh whole fish complex
- Russian pollock with the European whitefish complex

At the outset, this data will be published twice a week, on Tuesday and Thursday, for Arctic Char, Saku and Poke cubes, and European Sea Bass. Russian pollock will be published once a week on Thursdays. COMTELL subscribers can find a link to the Notice of Additions to Seafood Market Coverage in any seafood tone & commentary story or finfish pricing page on COMTELL.

"In addition to being the only source of market reporting specific to the Certified Angus Beef brand, COMTELL is a one stop shop for just about every relevant metric on cattle markets, inventories, grade performance, and ultimately the boxed beef market, as well as complimentary markets such as grains, energy, and currencies. In addition to the data itself, the graphing and export tools simplify things for quick visual references between current and historical benchmarks or downloading data for additional analysis." — *COMTELL subscriber*

Also new to COMTELL is the addition of No Antibiotics Ever (NAE) chicken market coverage, initiated in January. This report is published on Tuesdays and Thursdays on a separate table alongside the daily conventional market report.

To hear more about what is new on COMTELL and how it can make an impact on your business, you can listen to Urner Barry's Market Digest podcast episode "Innovating data aggregation for the protein industry" on COMTELL or wherever you listen to podcasts. As always, Urner Barry welcomes any feedback and suggestions on how to provide the most value to our customers and improve our customer's experience on COMTELL and all our services. UB

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

"I have had a COMTELL on my desk since 1985. Nearly 40 years! Every buy and sell decision we make is informed by my use of COMTELL. It is invaluable." — *COMTELL subscriber*

EU pork market ...

INFLATION HITS EU PORK

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Market sentiment for EU pork was reported bullish throughout the month of April. Prices increased markedly during the first 15 weeks of the year. For reference, the Mintec Benchmark Prices (MBP) for Pig Deadweight Grade S EXW Europe was assessed at €2.41/kg on April 11, up €0.42/kg from the first assessment in 2023. The average price for Q1 2023 was reported at €2.13/kg, up 39.2% year on year.

The primary driver behind the upward trend in EU pork prices has been the tight supply of pigs. And EU pork production is expected to decline in 2023 (-0.7%) compared to the previous year, according to the European Commission. This would be the third consecutive year since 2020 in which production has declined and in January 2023, 1.9 million mt of carcass weight was produced, 4.6% below January 2022 production. With the tight availability of live pigs, slaughterhouses are struggling to remain profitable as many need to run as close to 100% capacity as possible. Even though high pork prices have resulted in elevated farmgate pig prices, which increased margins, willingness to expand the pig herd again is low as there is still uncertainty over how long profitable margins will remain and how animal breeding is impacted by potential new animal welfare legislation.

Further sluggish pork demand was reported during the first quarter. Demand for pork is seasonally weaker throughout the first quarter of the year. Several market sources across the EU reported that this year's first-quarter demand followed the expected trend. However, the ongoing cost-of-living crisis continues to influence meat consumption. While some consumers switched their source of animal protein from more expensive sources, such as beef and lamb, to pork, most consumers continued to source their favorable protein category, but switched to cheaper cuts. Besides the inflationary impact on pork consumption, the increasing trend of vegetarian and vegan diets has impacted consumer behavior across the EU.

Production cost remains a key watch-out factor for the European industry through the first quarter of the year. Feed grains, which are a significant component of livestock production costs have declined through the first three months driven by increased supply. The MBP for Wheat Milling 11% DDP Rouen FR reached €242/mt on 12th April 2023, down 18.8% from the first assessment 2023. Likewise, the European corn price moved down 15.6%, to €247.75/mt on April 12, 2023, compared to the beginning of the year. Competitive Black Sea supplies continue to limit international prices as the grain corridor continues during the first quarter. However, during early April, uncertainty surrounding the grain corridor increased again. Week 15 market information indicated that Russia had stopped the grain corridor deal as no ships were inspected on April 11. Market participants stated that there was a violation of the grain corridor rules because the names of the vessels were given by the Ukrainian side but were not inspected by their Russian counterparts. Thus, this created a short panic mode in the market as a violation of the grain corridor rules could mean termination of the grain corridor deal and thus drive the prices of grain higher. In addition, Russia repeated threats to suspend the deal if the requirements to lift sanctions that are hampering its payments system are not lifted. UB

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Turbulent times for the U.S. hog market

These are turbulent times for U.S. hog producers, with many in the industry facing huge losses in equity due to a lower cash hog market and a sluggish pork cutout.

Market-ready hog supply availability is relatively similar to last year and continues to be impacted by disease pressure, namely in the form of porcine reproductive respiratory syndrome (PRRS).

However, the main variable impacting the hog market this year is pork demand—particularly on the domestic front—which has been lackluster both at retail and foodservice so far this year.

Early in the second quarter, Urner Barry's pork carcass cutout value was roughly 27% below year ago levels. Softer wholesale values have pressured the cash hog market lower by about 9% year-to-date (YTD) as of this writing, based on USDA's national weighted average quotes.

Despite being competitively priced overall against other proteins, data from Circana (formerly Information Resources, Inc. and NPD), indicates that retail pork sales have mostly lagged that of chicken, beef, and seafood in 2023 so far.

Some analysts attribute the slowdown in pork demand to a pandemic-induced shift in consumer protein preference. Others note that retailers have yet to significantly lower prices of pork items, including bacon, despite a steep decline in wholesale prices.

This has contributed to a widening margin captured by retailers and a smaller share of the retail pork value by farmers. According to research from USDA, the farmers' share of the retail pork value was 19.2% during the first quarter of 2023, down from 23.4% in Q1 2022. Meanwhile, the wholesale-retail spread was estimated at 67.7%, up from 57.5% during the same period last year.

Moreover, inflationary pressures remain at play. The Consumer Price Index (CPI) rose 5% from a year ago in March, the slowest annual increase since May 2021, but still above the Fed's target rate of 2%.

Based on the latest data from COMTELL's overhauled retail dashboard, total pork sales volume ranked fifth within the protein complex at $77.8 million. This was less than half of beef's total sales volume.

Typically, the cash hog market moves higher during the spring and summer months due to increased demand for grilling cuts, including chops and ribs.

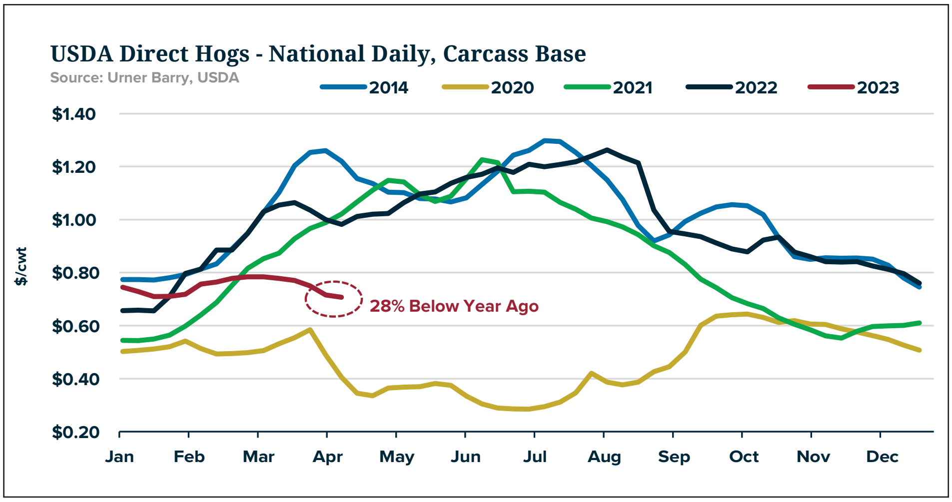
This summer, industry participants are less optimistic that a seasonal bump in pork consumption will materialize.

Some producers may be forced to exit the business if cash prices do not improve substantially. Estimates from Iowa State University suggest that farrow-to-finish hog operations were losing about $31 per head as of March 2023. While feed costs have declined on the year so far, they remain well above historical norms.

Moreover, relocated hogs are entering the United States from Canada, adding to an already adequate supply in the states. Olymel has shuttered two of its pork processing plants located in Blainville and Laval as part of its reorganization plan that began in 2021.

Hog futures on the Chicago Mercantile Exchange have reflected these bearish fundamentals, having been in a steep downtrend for much of the year so far. The summer contracts dropped from around $109 per cwt at the start of the year to about $85.00 to $89.00 per cwt by late April.

With demand being insufficient to absorb the number of available supplies, YTD hog slaughter is trending higher than a year ago. As of this publication, YTD hog



slaughter is up 1.6% and pork production is 0.9% higher. In contrast, year-to-date cattle slaughter is down 2.9% and beef production is 4.6% lower.

Some livestock dealers and market managers suspect that weekly hog slaughter levels could outplace year-ago levels for the balance of the year, although pockets of tight supplies are possible during the summer due to ongoing hog disease pressure.

Pork packers are facing negative returns as well. Based on Urner Barry's calculations, margins for vertically integrated operations have been bleeding red since the third quarter of 2022. In April, HyLife Foods notified state officials that the company is likely to permanently close its plant in Windom, Minnesota, due to various challenges, including operational losses and inflationary pressures.

The global pork situation remains closely watched as China, along with other countries, including Korea, grapple with persistent African swine fever infections. Meanwhile, production in the European Union is on the decline and could boost demand for U.S. pork on the world stage.

Exports are one bright spot for the cash hog market, with U.S. pork exports achieving double-digit increases over last year in both volume and value in February, according to data released by USDA and compiled by the U.S. Meat Export Federation.

This included a strong performance for pork variety meat exports, which surged by 40% in February and were valued at $111.8 million—up 25% and the eighth highest on record.

An improvement in domestic pork demand, combined with continued strong global demand, is needed to help lift the cash hog market out of muddy waters. UB

Article contributed by **Courtney Shum**
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Mintec launches U.S. Pork Price Forecast to bring greater visibility to food procurement professionals

Mintec, the leading provider of price data and analytics for the global food and beverage industry, has launched a U.S. Pork Price Forecast and associated hedging advice.

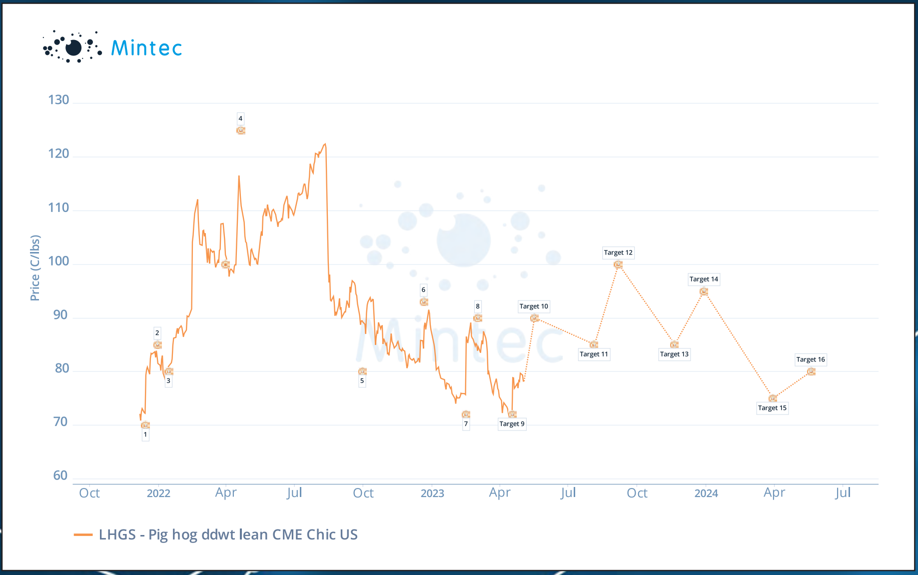
The new U.S. Pork Price Forecast is based on the pig hog deadweight lean CME Chicago US and is designed to help buyers and sellers of pork products to gain greater control over their supply chain and pricing strategies.

Providing price forecasts with actual price targets and clear turning points, combined with hedging advice, empowers users to negotiate more effectively with suppliers, optimize their inventory levels, and mitigate the impact of price volatility on their businesses.

Commenting on the launch, Mintec CEO Spencer Wicks said: "We are excited to launch a U.S. Pork Price Forecast to help our customers in North America and across the globe to understand future price trends better so they can optimize their buying strategy and increase the profitability of their business. With this new price forecast, we continue building on our reputation for providing accurate and reliable data, helping our customers make better-informed decisions and manage their businesses more effectively."

U.S. pork prices are the latest addition to Mintec's suite of price indices, which includes other key commodities such as butter, rapeseed oil, wheat, corn, coffee, sugar, cocoa, orange juice, SMP, soybean and base, and ferrous metals.

To inquire about the Pork Price Forecast, please visit **www.mintecglobal.com**. UB



Feed additives insights...

Tight supply on vitamin B3 triggered by pyridine shortage

Article contributed by Lydia Ma, Senior Analyst Feedinfo

Chinese vitamin B3 export prices have sharply increased by 38% over the past two weeks due to a shortage of raw materials, which has led to most Chinese vitamin B3 manufacturers stopping their production.

FOB China export prices rose from $4.50-4.70/kg on 13 April to $6.20-6.50/kg on 27 April. Now, producers are reluctant to sell, while manufacturers, traders, and end-users have reported extremely low stock levels.

China, India, and Switzerland are the only countries with vitamin B3 capacity. The shortage of raw materials in China started at the beginning of 2023. A lack of paraquat led to a shortage of pyridine, a key raw material for vitamin B3. Demand for paraquat has declined due to rising demand for glyphosate, an alternative herbicide to paraquat.

Due to raw material supply uncertainty, a large vitamin B3 producer stopped offering prices for several months and was hesitant to sign long-term contracts. The producer suggested in early March that this situation would probably last until September.

A US trader said in early April that all the suppliers it had been talking to had lined up their orders until June, which meant August delivery into the US at the earliest.

Meanwhile, the Chinese domestic market was described as "more active" than the export market.

Chinese domestic prices increased from CNY 35.00-40.00/kg to CNY 50.00-52.00/kg over the past two weeks. However, very few deals were concluded above CNY 50.00/kg as there was insufficient material to trade.

Earlier in April, a source mentioned that producers could consistently sell material against a backdrop of rising prices due to the lack of supply. The source noted that deals had been concluded at CNY 32.00/kg, CNY 35.00/kg, CNY 38.00/kg, CNY 40.00/kg, and CNY 42.00/kg in recent months but noted that contracts previously signed at CNY 25.00/kg were still being executed.

An international producer started offering prices at CNY 52.00/kg (equivalent to $6.70/kg) with limited volume in China's domestic market on 20 April.

Some producers were "not executing" previously signed low-priced contracts and were prioritising domestic contracts priced above CNY 40.00/kg (equivalent to $5.17/kg), according to sources. Some producers were said to have orders booked as far out as October.

On 20 April, an international trader said it was offering at $5.50/kg FOB China, adding that deals had not yet been concluded at that level because Indian producers were still offering at $4.50/kg FOB India.

During the last week of April, a Chinese producer indicated prices at $6.20-6.50/kg, adding that producers had no stocks and all factories had stopped production. It suggested that producers might restart production in May and added that although prices were increasing rapidly, producers were not gaining any profit margin.

NORTH AMERICA

In North America, prices increased from $4.40-4.46/kg to $4.75-5.00/kg in the past month.

A North American trader said, "B3 is going nuts, nothing [available] below $5.50/kg in China, the market is heating up fast."

A buyer said that recovery prices from China are at or above $6.00/kg. The source said there was still a lot of stock in the pipeline in the US, with material being sold at highly discounted prices to the higher FOB China prices, but it was no longer possible to buy in the $4.00s/per kg range.

A significant portion of Q2 requirements are already covered in North America.

A US trader expected vitamin B3 prices to remain firm for the rest of the year.

EUROPE

DDP NW Europe prices increased from €4.10-4.50/kg to €4.30-4.50/kg in the past month.

A European producer said that enquiries and demand for vitamin B3 had increased recently, adding that suppliers were unwilling to commit to supplying forward. It suggested that prices could reach $8.00/kg FOB China.

The source said that niacin was at a price level without any profit margin, which was why some Indian manufacturers were producing less and had closed their factories.

"Now €4.50/kg and above is being offered. There is quite some material on the water on the way to Europe. So some customers are okay for material, but others might be getting nervous. We need to put a premium in case of risks from China," said the producer. UB

This story first appeared in our sister-publication, Feedinfo, on May 3, 2023. Visit www.feedinfo.com for more.

ADVERTISER INDEX

SCOTTISH LANGOUSTINE LOOKING TO MAKE HEADWAY IN U.S.

Langoustines, anyone?

Seafood Scotland, the country's national trade and marketing body for the domestic seafood industry is spreading the good word about wild-caught Scottish langoustines.

The species hit more than a few roadblocks in recent years. But between Brexit-related red tape and the COVID-19 pandemic, the langoustine industry has proven to be resilient.

"Brexit had a massive effect on [Scotland's] ability to export into Europe and added a lot more barriers," Matthew Hurst, Seafood Scotland's head of trade marketing for the Americas, told *Urner Barry's Reporter* magazine. "Then with COVID hitting, it took away pretty much all of the white tablecloth side of things."

"The companies that have survived have adapted and are prosperous again, with just a lot more paperwork," Hurst added.

In hopes of sustaining the industry during a tough time, Hurst was brought onto the Seafood Scotland team to help manage the Scottish Nephrops project. Hurst explained that the project was designed to focus on the recovery and improvement of the langoustine industry in Scotland.

The working group focused on the project is pushing through several different workstreams, including the creation of new markets for the species. Some of those new markets include places further afield in Europe, the U.S. and the Middle East and Asia.

Between cooking demos and representatives from companies producing frozen at sea, frozen and live products, the seafood world was exposed to Scottish langoustines if they stopped by the Scottish seafood booths at Seafood Expo North America and Seafood Expo Global.

Photos courtesy of Seafood from Scotland

"The main focus of the role is trying to create a more equitable and profitable supply chain for the langoustine industry in Scotland," Hurst explained.

Langoustines are an interesting species and one that many Americans may not be too familiar with. Seafood Scotland explained that the species is similar to king prawns but are in closer relation to lobsters.

Typically, langoustines are destined for restaurants as an appetizer or as part of a larger seafood platter. However, Hurst did mention several partners who have created value-added products for the retail sector.

Hurst discussed the simple preparation process for langoustines. It can be as easy as two minutes in boiling water, then removing and tail and cracking it and it's ready to eat.

"If we can drive demand from chefs, then we can drive demand from the end consumer as well," Hurst noted. "[Consumers] are going to eat at restaurants and are going to want to try it on the menu and hopefully want to bring it home to try themselves as well."

"I think there are a lot of European chefs [in the U.S.] that want to work with them but can't obtain them at the moment and are using alternatives," Hurst explained. "I think these products make a statement on a menu." UB

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

Scottish Langoustine Tacos

Recipe and photo provided by Seafood from Scotland

INGREDIENTS:

Langoustine

- 24 Langoustine
- 300 ml. vegetable oil

Flour Tortillas

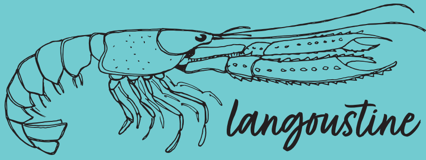
- 100 g. sourdough starter
- 25 ml. olive oil
- 75 ml. water
- 200 g. all-purpose flour
- 1 tsp. salt
- 1 tsp. baking powder

Basil Aioli

- 100 g. basil
- 250 ml. vegetable oil
- 3 egg yolks
- 1 tsp. Dijon mustard
- 1 tbsp. white wine vinegar
- clove confit garlic

Pickle Liquor

- 375 ml. white wine vinegar
- 125 ml. apple cider vinegar
- 200 ml. water
- 250 g. granulated sugar
- 1 star anise
- 2 cloves
- ½ cinnamon stick
- 5 g. fennel seeds
- 1 orange, segmented
- 2 little gem lettuce, shredded
- 8 radishes, thinly sliced



RECIPE STEPS:

Prepping the Langoustine
Place langoustines in the freezer for 30 minutes. Pierce each langoustines between the eyes with a knife. In a pot of boiling salted water, blanch the langoustines for 10 seconds and plunge into ice water. Separate the heads from the tails. Remove the shell and intestinal tract from the tails and thread them on the metal skewers.

Shellfish oil
To make a shellfish oil, roast the langoustine heads and claws in the oven, place them in a saucepan and cover with vegetable oil. Allow to infuse on a low heat for 1 hour. Turn off the heat and allow to cool. Strain through muslin.

Make the flour tortillas
In a bowl combine all the ingredients for the flour tortillas to form a dough. Knead for 5 minutes until smooth and elastic. Place into an oiled bowl, cover and rest for 1 hour. Weigh 12g pieces of dough and flatten in a tortilla press. Place on a hot skillet for 1 minute on either side. Keep warm.

Make the pickle liquor
For the pickle liquor, place all ingredients in a saucepan. Bring to the boil and simmer for 5 minutes. Cover and leave to cool then combine 100ml of pickle liquor with 100ml cold water. Add the sliced red onion. Allow to infuse for 10 minutes before straining the onions.

Make the basil aioli
Blanch the basil in boiling water and refresh in ice water. Squeeze out any excess water. De-hydrate for 60 mins at 113°F. Blend the basil with vegetable oil on high power. Strain through muslin into a jug. Blend the egg yolks, Dijon mustard, white wine vinegar, confit garlic. Slowly pour in the basil oil until emulsified. Place into a piping bag.

Grill the skewers
Place the langoustine skewers on a barbecue, brushing each one with langoustine oil and turning regularly. Once cooked, rest and remove from the skewers.

Serve Tacos
To serve the tacos, spread basil aioli on the flour tortillas. Arrange the lettuce, pickled red onion, radishes, orange segments. Place the langoustine on top.

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