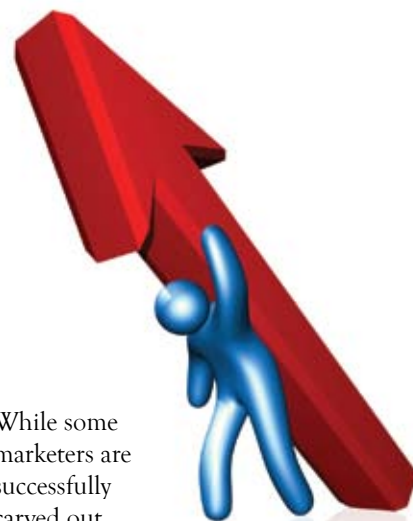


Cost of production – a very different scenario...

The food industry moves to adapt to advancing food costs



Increasing costs are having a major affect on our businesses and are getting a special focus in this issue of "Urner Barry's Reporter." Throughout the newsmagazine you will find articles that directly address the challenge of increasing costs, explain why it's happening, and how it's changing the industry. We've color-coded these articles with a blue header so that you can easily locate them throughout the publication.

a fairly narrow range. This year has been very different. Corn is a major input in poultry, red meat and egg production. Since the late 1990s corn normally traded in a range between \$1.50-\$3.50 per bushel. This year corn reached a high of over \$7.00 per bushel. The advance in corn has also affected soy, wheat and other crops. At the same time, most energy prices, including natural gas, electricity, diesel and gasoline have steadily increased. In Canada labor costs have increased at processing plants as the food industry there now competes with the growing oil industry for workers. Today, processors are contending with higher costs on virtually all fronts.

While some marketers are successfully carved out of niche and branded markets, much of the protein industry is still largely commodity-oriented, making them extremely efficient and competitive. Initially when suppliers were confronted with higher costs, they absorbed them, not wanting to lose customers or market share. As the advances in cost become more widespread and lasting, the costs are finding their way to the consumer and the

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For many years, the cost of production in the protein industry has fallen within

The Maine way of life...



Linda Bean with wharf manager Jeff Falla at her dock in Port Clyde.

L.L. Bean heir starts a new adventure: lobster buying

Linda L. Bean, granddaughter and an heir of the Freeport outdoor clothing company, does not sell outdoor apparel or equipment, but has embarked on a different type of adventure—commercial lobster buying.

In 2007, Bean purchased a lobster pound and wharf with two lobster buying stations in Port Clyde, Maine, and now owns the former Little Bay Lobster wharf and buying station in Carver's Harbor, on Vinalhaven

Island off Rockland, Maine. She also purchases lobsters from a "floating" Vinalhaven buying station, owned by Peter Jones who does business under the name Harborside Lobster Co. Both Port Clyde and Vinalhaven are located in mid-coastal Knox County which typically reports the largest landings of lobster of any county in Maine. Bean's combined purchases from the two locations are

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Center of the plate

The food industry moves to adapt to advancing food costs

The spiraling effects of increasing costs is challenging to many industries, and has now worked its way through production and distribution right down to the consumer. This issue of the Reporter takes a closer look at just how this has happened.



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L.L. Bean heir starts a new adventure: lobster buying

Lobster, sustainability and Maine, all important aspects to Linda Bean, who is working very hard to get the lobstering men and women of Maine the recognition they deserve.

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BAP certification to continue growth under new oversight committee

Contributed by
Global Aquaculture Alliance

Best Aquaculture Practices certification of aquaculture facilities is continuing to gain momentum around the world. As of July, over 80 shrimp farms and hatcheries in Asia, Central America and South America had been certified to BAP standards developed by the Global Aquaculture Alliance. Some 85 seafood processing plants from Ecuador to Thailand had also completed the certification process. BAP standards for channel catfish farms are now available, and standards for tilapia production are in the final stage of review.

Market forces are helping to spread the adoption of BAP certification. To increase food safety, environmental sustainability and social responsibility in their seafood supply chains, Wal-Mart Stores, Inc. and Darden Restaurants, Inc. have specified that their shrimp suppliers adhere to Best Aquaculture Practices standards. Other major seafood buyers and sellers are also increasingly endorsing BAP.

The BAP program hopes to make further gains through participation in a U.S. Food and Drug Administration pilot program to test third-party certification of shrimp farms. GAA planned to submit its Best Aquaculture Practices for evaluation in the pilot. Following a multiphase review, FDA could eventually grant expedited customs entry for seafood imports from certified facilities.

GAA Executive Director Wally Stevens said certifications such as Best Aquaculture Practices can complement federal regulation and increase the FDA's reach.

"Such partnerships are a great opportunity to highlight how effective public-private cooperation can be when it comes to food safety," he said.

QUANTITATIVE STANDARDS

"The BAP program benefits consumers, buyers and the diverse aquaculture supply chain by providing a uniform set of safeguards to assure that seafood is healthy and responsibly produced," GAA President George Chamberlain said.

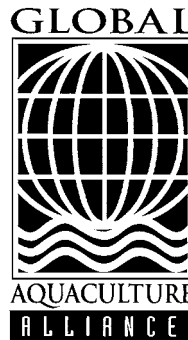
BAP certification is based on quantitative international standards developed by technical committees coordinated by the Global Aquaculture Alliance, a non-profit trade organization dedicated to advancing responsible aquaculture. The growing list of standards for shrimp and fish addresses environmental and social responsibility, animal welfare and food safety.

To establish compliance with the BAP standards, evaluators accredited by the Aquaculture Certification Council carry out physical site inspections, effluent sampling and extensive procedural and record reviews. ACC also manages an online traceability database that can trace individual lots from the processing plants to the farms and ponds where the animals were raised.

BALANCED OVERSIGHT

An important addition to the BAP program is a new Standards Oversight Committee that will oversee the further development of standards and assist in their implementation. The 12-person SOC is composed of a balance of stakeholders from industry, nongovernmental conservation and social justice organizations, and academic/regulatory groups. The first major committee meeting is scheduled for late October, just before GAA's GOAL 2008 conference in Qingdao, China.

The SOC will work with BAP Standards Coordinator Daniel Lee in examining



In expansion beyond its original focus on shrimp facilities, BAP certification now includes audits of channel catfish farms.

pending standards as well as earlier standards in the BAP process of continuous improvement. The committee will help set overarching goals for the certification program, as well as offer input on committee membership, standards development and other elements of BAP certification.

GAA's Stevens said the involvement of diverse stakeholders in the formation of the Standards Oversight Committee reflects the growing support for Best Aquaculture Practices.

"Input from many groups was sought and incorporated into the committee structure," Stevens said. "This effort should address any questions about the transparency of our process in setting standards that are both rigorous and attainable as we strive to advance the sustainability of aquaculture on a global basis." **UB**

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Good reasons to stay close to home...

Fresh and local benefit many

It appears that more and more Americans are discovering or rediscovering the benefits of fresh fruits, vegetables and proteins locally grown. People are moving away from the mass markets and beginning to focus on produce and proteins that are fresher and have a greater nutritional value. Staying local is good for the economy and it also helps the local farmers and businesses stay strong. Further, by purchasing local produce and proteins, people are helping to protect the open space needed for the farms and preserving their local environment not only for today but for the future as well.

The basic underlying idea is to find out what is grown in your area by locating farmers' markets and family farms in order for you to get the best products.

Also, there are farms that open up during the summer and early fall months that allow people to pick their own fruit and vegetables or pick up pasture-fed beef. A growing trend emerging

where people are having locally grown fruits and vegetables delivered to their doorstep on a weekly, monthly or seasonal basis. By simply doing a little research where you live, there is a multitude of resources exist that allow you to purchase locally grown products.

One major development in the farming industry is that many restaurants and supermarkets are moving towards using locally grown produce, protein and eggs. For example, Stone Hill Farms in New York provides products to its restaurant, Blue Hill Farms in Manhattan. They



©Stockphoto.com/Dieter Hawlan

also allow the public to access their farm, education center and other amenities to provide a memorable experience in learning about the locally grown fruits and vegetables in the area. Stone Hill prides itself in being well diversified and productive while at the same time partnering with the environment to create fresh produce year-round. Furthermore, Whole Foods Market is supporting locally produced proteins and other products. For example, they focus on pasture-fed beef which allows for the meat to retain its full flavor and the animals do not receive growth hormones, dewormers, pesticides, or antibiotics and are grass fed.

Mail order is another emerging development. By purchasing products in this manner you are able to have goods delivered to your doorstep daily, weekly, and monthly, or however you choose to receive them. The mail order process has often been referred to as a co-op because it can be considered a buying club or membership club. Some of the products that can be purchased and delivered are fruits, red meat and poultry, grocery and produce, seeds, dairy and eggs, flowers and many other products for the kitchen and home.

As the trend toward locally grown advances opportunities to develop a new understanding for the environment and community will continue to come to the forefront. For more information about purchasing local fruits, veggies and proteins visit www.localharvest.org and www.stonehillbarncenters.org. **US**

Prevention of *E.coli* for further beef processors

The numerous recalls and outbreaks related to *E.coli* O157:H7 has turned this past year into one of the most challenging and frustrating for processors of beef products. FSIS officials are constantly increasing their focus on plants producing non-intact beef products and have begun increased testing and inspection-related activities dealing with this pathogen.

Responding to this ongoing and renewed focus by both industry and FSIS, the North American Meat Processors Association (NAMP) is partnering with the American Meat Institute (AMI), the National Meat Association (NMA), and the American Association of Meat Processors (AAMP) to organize a special conference for beef further processors. The Beef Industry Food Safety Council (BIFSCo) is supporting the conference.

Scheduled to be held on Sept. 16-17 at the Four Points by Sheraton Hotel near



NORTH AMERICAN MEAT PROCESSORS ASSOCIATION

Chicago's O'Hare Airport, featured speakers include Dr. Dan Engeljohn, Deputy Assistant Administrator, FSIS Office of Policy, which is responsible for generating U.S. government regulations on *E. coli* O157:H7 control, and experts from the international HACCP Alliance and BIFSCo.

The conference will feature a technical session on microbiological testing on Tuesday, Sept. 16, from 1:30 pm – 5:30 pm CDT, focusing on what testing means, how to best collect and analyze samples, supplemental testing programs, and lotting. An evening reception with tabletop exhibits follows.

Wednesday's session features food safety systems and FSIS expectations, from 8 am to 3 pm CDT, and will focus on:

- FSIS checklist results and future plans
- surviving a FSIS Food Safety Assessment
- prerequisite programs and approved supplier programs
- interventions and supporting documentation
- in plant validation and verification
- HACCP plans and best practices

The conference is designed for processors who produce ground beef, mechanically tenderized steaks and other non-intact beef products. A block of rooms have been set aside at discounted rates. To find out more information please visit www.NAMP.com, www.meatami.com, www.nmaonline.org, www.aamp.com, or call NAMP toll-free at +1 800.368.3043 ext. 103. **UB**

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Confucius say:

Chinese food as American as apple pie

The allure and popularity of Chinese food that currently exists in the U.S. wasn't always so. In the second half of the 1800s, many Westerners would not even have thought of ordering anything from this ethnic group for fear they were eating dogs, cats and even rats! All that has changed dramatically as Chinese food is now one of America's most popular cuisines.

Interestingly enough, there are different opinions as to what the most popular food in the United States is—some say hamburgers, because Americans eat over 14 billion burgers per year, and others say hot dogs since it is estimated that we eat seven billion between Memorial Day and Labor Day alone. There is also pizza, an Italian favorite, and Mexican food is becoming

ever so popular.

It is actually quite easy to see why Chinese food could hold such a title. First of all, pork is the world's most widely eaten meat, and so many Chinese dishes contain pork. Of course there are many that are also seafood-based, and then there are all those wonderful vegetable dishes, lesser priced rice dishes and the versatile and spicy chicken fares. Yet, another theory exists.

"There are some 40,000 [Chinese] restaurants in the United States—more than the number of McDonald's, Burger Kings, and KFCs combined."

the first sentence of her book.

Additionally, she also compares Chinese food to the American-ness of apple pie. Lee says "Our benchmark for American-ness is apple pie. But ask yourself: How often do you eat apple pie? How often do you eat Chinese food?"

Lee suggests that perhaps we are most attracted to Chinese food because it includes variations of the original dishes from China as well as new creations from the United States. She continues to explain how it is easy to see how Chinese foods have conformed to American dishes. It is a very pervasive cuisine in the U.S. and has made its way into fast-food as well as upscale restaurants from Panda Express to Wolfgang Puck's Chinois.

In a new book entitled *The Fortune Cookie Chronicles*, by Jennifer Lee, the popularity of Chinese food can be easily seen when compared to the number of famous fast-food restaurants. "There are some 40,000 [Chinese] restaurants in the United States—more than the number of McDonald's, Burger Kings, and KFCs combined," reads

As a history and Asian-American studies associate professor at UC Irvine, Yong Chen said, "Chinese food is the most important American cuisine, if there is one. It shows how much culture has transformed and how immigrant cultures have been incorporated to an ever evolving American culture." **UB**

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Enhanced poultry and eggs may fight against cancer



Studying a substance with important anti-cancer properties called gossypol, researchers at Ohio State University's Comprehensive Cancer Center say they could be on their way to developing cancer-fighting chicken and eggs using a natural plant extract found in cotton plants. "We are trying to produce cancer-fighting chicken meat and eggs by feeding chickens gossypol-enriched cottonseed meal," said Dr. Young C. Lin lead researcher at Ohio State's Comprehensive Cancer Center.

Dr. Lin and his research team, Doctors Macdonald Wick and Michael Lilburn, learned that this natural pigment inhibits the proliferation, development and spread of drug-resistant cancer cell lines in the breast, ovary, cervix, uterus, adrenal, pancreas and colon. In fact, by putting gossypol directly onto human breast cancer tissue, the team recorded it to slow the rate of cancer growth by as much as 94%!

The team is continuing to study whether the same cancer protection exists when



chicken are fed a diet containing the gossypol-enriched cottonseed meal.

Prior to this research, gossypol was found to be toxic to humans when consumed directly. "The theory is that if humans were to consume gossypol-enriched chicken meat or eggs, they could reap the anti-cancer benefits," said Lin.

Dr. Lin says he believes the gossypol binds to protein in the chicken meat and in the yolks in the eggs, and after consumed in this manner, it is released by a human digestive enzyme, therefore resulting in the same cancer protection witnessed in the lab.

"Dr. Lin's research is exciting and shows promise to stop cancer growth," says Dr. Michael Caligiuri, director of Ohio State's Comprehensive Cancer Center. "The notion that we could enjoy our food and at the same time receive an agent or a drug that could prevent cancer is ideal."

"The notion that we could enjoy our food and at the same time receive an agent or a drug that could prevent cancer is ideal."

Lin's study would be the first to use gossypol as a food component to help battle cancer. To date, it has only been used in experimental systems in the lab. While researchers are cautious not to overstate the results, they can't help but see the possibilities.

"Tailor-made food components that possess anti-cancer and cancer chemopreventive effects in meat and eggs produced by hens fed with gossypol-enriched cottonseed meal will be a novel vision for improving value of agricultural commodities," says Lin. **UB**

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Eye on dining...

Culinary classics in Colorado Springs

by contributing reporter Jim Buffum

While Colorado Springs does not command the attention of the celebrity chefs that Las Vegas or New York City does, there are some truly great places to enjoy a great meal. In an area whose economy, as well as gastronomical delights, was driven by the tourist industry, a new age has arisen that satisfies both the locals and visitors who are looking for a meal to remember.

A visit to the area would not be complete without

"...the opportunity to enjoy a truly unique dining experience has grown over the years."

stopping by the famous Broadmoor. Whether you have a meal or just sit in the lobby to people watch, it is a must do. All of the restaurants are outstanding, exhibiting super service with memorable food. Another winner is the Cliff House, I categorize this one as "an oldie, but goodie" as it continues to be a leader in the industry; specializing in nouveau continental dishes that are all palate pleasers.

The Briarhurst Manor offers accommodations as well as fine dining for the weary traveler who is looking for that something extra. Old-world service, combined with an innovative menu and extensive wine list, makes this an



Chefs are ready for Sunday Brunch at the Broadmoor's Lake Terrace Dining Room.

experience that will long be remembered. One day our wine sommelier from the *Reporter* will have to do a tasting at the Briarhurst—his discerning tasting ability is second to none!

Colorado Springs' local chefs have developed quite a following, and the opportunity to enjoy a truly unique dining experience has grown over the years. Take a chance and venture out from your hotel and enjoy, enjoy, enjoy! **UB**



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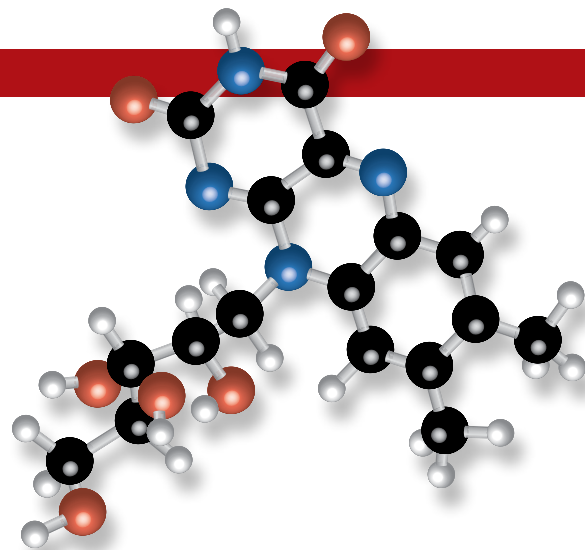
It is used to utilize the carbohydrates, fats and proteins in the foods we eat and is also necessary to properly use these nutrients for energy.

This water-soluble micronutrient must be consumed on a daily basis because it cannot be stored in the body. It is easily obtainable from eating a varied and balanced diet. Good sources of riboflavin include meat, poultry, eggs and fish. The richest sources include organ meats such as the liver, kidney and heart. Oily fish, eggs and dark leafy vegetables are also rich

"The richest sources include organ meats such as the liver, kidney and heart."

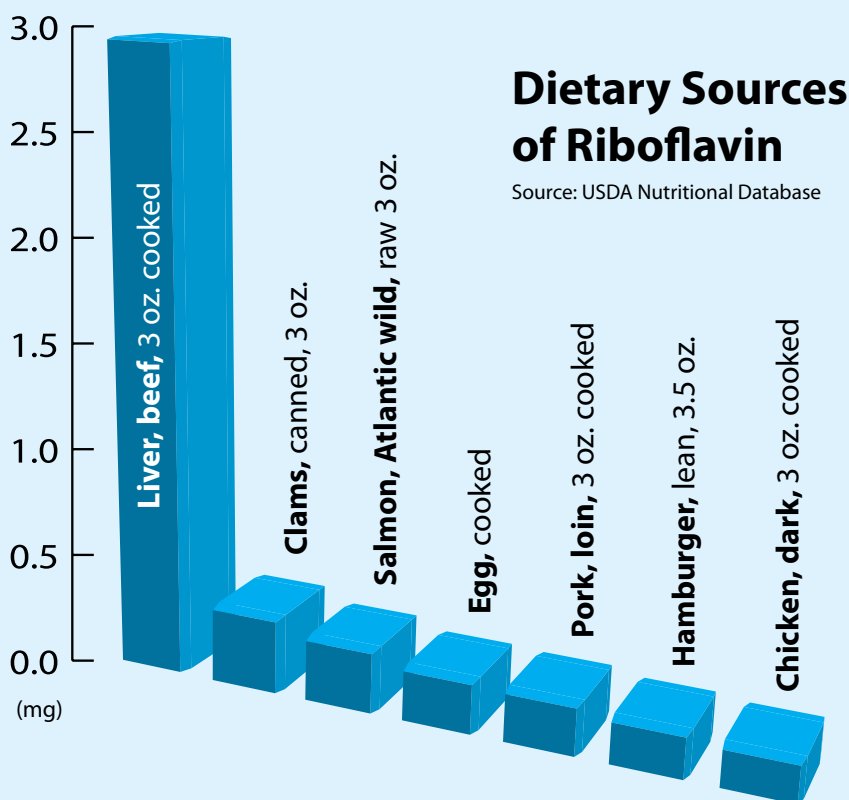
sources. Riboflavin found in whole foods is absorbed exceptionally well into the blood. Because ultraviolet light can destroy it, foods rich in riboflavin should not be stored in clear containers.

Riboflavin is essential for tissue respiration and plays a crucial role in certain metabolic reactions, particularly the conversion of carbohydrates into sugar, which is 'burned' to produce energy. It is important for body growth and red blood cell production. Riboflavin also facilitates oxygen use by the body tissues, eliminates dandruff and helps the uptake of iron and vitamin B6. Those suffering from carpal tunnel syndrome have benefitted from a treatment program that includes riboflavin. It also works as an antioxidant by scavenging damaging particles in the body known as free radicals that can damage cell membranes.



The Recommended Daily Allowance (RDA) for riboflavin varies according to weight, metabolic rate, growth and caloric intake. Yet, on average, 1.7 mg/day is recommended for an adult man and 1.3 mg/day for an adult woman.

Deficiency symptoms include cracks and sores at the corner of the mouth, sore tongue and/or sore throat, appearance of blood vessels in white part of eyes, burning and itching of the eyes and hypersensitivity to bright lights. **UB**



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Famous 99-cent special falls victim to economy

The famous shrimp cocktail from the Golden Gate Hotel is still a great value. Photo courtesy of Golden Gate Hotel & Casino.



the Golden Gate without the 99-cent special as it has been a main constituent of the 102-year-old casino since 1959. With over a ton of cold-water shrimp served each week, it certainly proved to be a crowd favorite that outlasted most of the city's 99-cent breakfasts.

"With over a ton of cold-water shrimp served each week, it certainly proved to be a crowd favorite..."

Co-owner Mark Brandenburg said the last time the price was hiked was in 1991 when it jumped from 50 cents to 99 cents after he combed the books and found the casino was losing approximately \$300,000 a year on shrimp cocktail!

What happens in Vegas stays in Vegas... not this time, it's happening all over—inflation. Only now even Las Vegas cannot withstand rising prices, and it is beginning to take a toll.

In the midst of high fuel prices, casino layoffs and airlines cutting flights, Las Vegas tourism has been experiencing a downturn. Because of this state of economic uncertainty, adjustments need to be made, many times unpleasant ones. One of the greatest deals on the strip has fallen victim to the economic woes, the famous 99-cent shrimp cocktail has broke the dollar mark.

For the first time in 17 years, the Golden Gate Hotel and Casino saw the need to increase the price of its signature shrimp cocktail dish from .99 to 1.99 as a result of rising bay shrimp prices. (Players' Club members can still pay the old price for the dish).

Vegas regulars say it's difficult to imagine

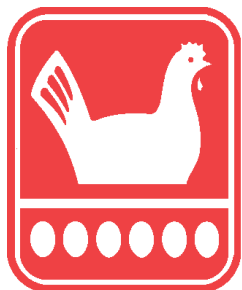
This time Brandenburg's decision was more difficult, he said. To soften the blow to consumers Brandenburg ordered bigger shrimp and staffers portioned out extra sauce.



Sadly, that's not the only menu item experiencing a price hike in Vegas. Casinos offering those famous buffets designed to lure customers are finding it difficult to maintain such specials. A \$6.95 steak dinner or a \$9.99 prime rib

is getting tougher to supply to those not coming in and spending their money on the floor. Some casinos are even forgoing hiking the price of specials arguing that doing so would no longer make the dish a special. Still some are discontinuing items altogether.

Yet, The Golden Gate's Brandenburg hopes the recent price jump will not lessen the mystique of his casino's shrimp cocktail. No matter what the cost, the casino still proudly displays signs to customers that remind them they are buying the "Best Tail in Town." **UB**



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INDONESIA: THE PACIFIC RING OF FIRE

Indonesia is a country in Southeast Asia that shares land borders with Papua New Guinea, East Timor and Malaysia. It serves as a barrier between the Indian and Pacific Oceans and is the 4th most populated country in the world. Located on the Pacific "Ring of Fire", Indonesia remains vulnerable to volcanic and tectonic disasters. The Main Island groups are the Great Sunda Island, the Lesser Sunda Islands, the Riau Archipelago and Papua.

Indonesia is wealthy in natural resources specifically crude oil and natural gas—a large source of export revenue. Producing plantation crops such as cocoa, coffee, palm oil, coconuts, sugarcane, tea, tobacco, cloves, sisal, spices, and the main crop rice, agriculture is responsible for roughly 13% of the GDP and employs over 40% of the



▲ Workers plant rice as a fertilizer plant looms in the distance.

labor force. The majority of the population is self-sufficient in terms of food because of the wide landholding base. Cattle are raised on some of the Lesser Sunda Islands and both the ocean and inland ponds are an abundant source of fish.

"Great timberlands are responsible for the majority of Indonesia's natural resource potential..."

Great timberlands are responsible for the majority of Indonesia's natural resource

potential, making it one of the wealthiest countries in the world. Giant trees are produced from the vast forests in the mountains. Indonesia is a major exporter of timber, accounting for nearly half of the world's tropical hardwood trade. As of late, Indonesia's timber exports have been suffering from rapid deforestation due to an expanding population and a growing industry causing concern among international environmental groups. The timber industry also suffers from illegal brush fires to clear land set during the dry season. These have caused significant health, navigation, and economic hazards in some years. **U**

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Indonesia / U.S. comparison



AREA	1,919,440 sq km	9,631,418 sq km
COASTLINE	54,716 km	19,924 km
POPULATION	237,512,355	295,734,134
LIFE EXPECTANCY	70.46 years	77.71 years
GDP	\$837.8 billion	\$11.75 trillion
GDP (per capita)	\$3,700	\$40,100
AGRICULTURE AS A %GDP	13.8%	0.9%
AGRICULTURAL PRODUCTS	rice, cassava, peanuts, cocoa, coffee poultry, beef	fruit, wheat, corn, grains, poultry, beef, vegetables
LABOR FORCE	109.9 million	147.4 million
UNEMPLOYMENT RATE	9.6%	5.5%
POPULATION LIVING BELOW POVERTY LINE	17.8%	12%
OIL PRODUCTION / CONSUMPTION	1.07/1.1 (million bbl/day)	7.8 / 19.65 (million bbl/day)

America's container crisis

It wasn't very long ago that America's seemingly insatiable appetite for imported goods guaranteed sufficient container availability; likewise vessel space for the U.S. food industry to export its goods to destinations in Eastern Europe, the Caribbean and

Asia, among others was also readily obtainable. All of that has changed for America's poultry and meat exporters.

"...shipping lines are shifting increasing numbers of containers to more profitable routes..."

Beginning last year, the availability of empty containers declined as U.S. imports diminished. At about the same time, U.S. agricultural exports soared in response to the diminishing value of the dollar. The growing middle class in Asia seemed to discover a liking for U.S. produced

goods including meat and poultry, which further diverted containers. Increased numbers of exporters were left searching for transportation, a situation some say will not be changing anytime soon.

According to Jim Sumner, President of both the USA Poultry and Egg Export Council (USAPEEC) and the International Poultry Council (IPC), one of the most pressing impediments to increasing U.S. agricultural exports is the shortage of containers and cold storage space. As exporters wait for the much sought after refrigerated containers, they are forced to divert product to cold storage, often for weeks or even months on end. He said that "shipping lines are shifting increasing numbers of containers to more profitable routes for manufactured goods in Asia and between Asia and Europe." In the most desperate cases, poultry and meat producers are paying for containers to be shipped



©iStockphoto.com/Claude Beaubien

back from overseas or from other ports in the U.S. that could be hundreds of miles away. Peter Friedman, executive director of the Agricultural Transportation Coalition, estimated that if more containers were available over the last six months, 20 to 30 percent more product could have been shipped by agricultural exporters.

This situation is particularly alarming to U.S. beef producers who recently got the green light to export U.S. beef to Korea. For five years, since the 2003 outbreak of "mad cow" disease, beef exporters have been waiting to ship their goods to what had been their third largest market. Now, beef destined for Korea and other export destinations is left sitting in refrigerated rails or warehouses. Kevin Smith, director of export services at the U.S. Meat Export Federation was quoted as saying "This will hurt us in new markets. We will lose markets like Korea when they get excited about our beef but exporters can't ship the product."

There's some speculation that the worst of the container shortage could be over for now. That said, there doesn't appear to be any lessening in the world's demand for U.S. agricultural goods and, at least for the short term, international buyers and sellers will continue to face this and other logistical challenges. **U**

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When chef meets shrimp...

Succulent shrimp from SeaPak and Chef Robin Miller



Robin Miller, she's energetic, enthusiastic, experienced, a nutritionist, television food show host, and an author, and now she's the spokeswoman for SeaPak Shrimp Company—the producer of the #1 selling brand of frozen, value-added shrimp in the U.S.

Beginning in October of 2007,

SeaPak Shrimp Co. and celebrity chef Robin Miller joined forces in a new advertising campaign to convey the company's message of "Making Great Shrimp Easy." Together this team has created numerous recipes showcasing SeaPak shrimp products.

"Shrimp has the unique ability to turn what could be a wonderful family meal into something elegant enough to serve your guests," said Miller. "SeaPak shrimp is great for easy entertaining."



As the host of Food Network's *Quick Fix Meals with Robin Miller*, a show which focuses on creating quick, inventive and great tasting meals in minutes, Miller is a perfect representative for SeaPak's "Making Great Shrimp Easy" campaign.

SeaPak will feature Miller in a series of dynamic cooking demonstration videos available for viewing on the company's consumer Web site, SeaPak.com, where her engaging personality and culinary authority showcase the great taste, versatility and many wonderful usage occasions to incorporate SeaPak Shrimp recipes on the menu.

Other areas Chef Miller stars include FoodNetwork's site where consumers can find advertisements featuring Miller and can then be directed to the SeaPak site for viewing. Additionally, advertising spots are running during FoodNetwork's shows, *Quick Fix Meals with Robin Miller*, *Emeril Live!*, *30 Minute Meals*, *Everyday Italian*, *Paula's Home Cooking*, and *Semi-Homemade Cooking with Sandra Lee*.

"Shrimp has the unique ability to turn what could be a wonderful family meal into something elegant enough to serve your guests."

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A variety of new recipes by Robin Miller are available for viewing along with numerous practical tips and innovative ideas for cooking wonderful meals—all which are designed to "Make Great Shrimp Easy." **UB**

Test your **seafood** knowledge

- What is the section on a lobster which is typically measured to ensure proper legal size for a lobster tail known as?
 - Carapace
 - Tail
 - Antenna
 - Pleura
- How many species of Wild Pacific Salmon are caught in the in U.S. and Canada?
 - Zero
 - 5
 - 25
 - 1
- Which country is both the number one producer and exporter of seafood in the world?
 - United States
 - Canada
 - China
 - Japan
- What percentage of shrimp is caught domestically?
 - 50%
 - More than 80%
 - Zero
 - Less than 10%
- Which shrimp represents more than half of all aquacultured shrimp after their explosive growth in Asia?
 - Black Tiger shrimp
 - Freshwater shrimp
 - White shrimp
 - Coldwater shrimp
- Early commercial activity of what species of shellfish included processing it into a powder that was marketed as an anti-inflammatory?
 - Green Mussels
 - Australian Lobster tails
 - Langostino
 - Snow Crab
- Which deep-sea fish, once known as the "slimehead," grows very slowly and doesn't reproduce until it is 20 years old?
 - Orange Roughy
 - Monkfish
 - Cod
 - Salmon
- What species is number 5 on the U.S. consumption list and is also believed to be the fish depicted in the Christian biblical story of the miracle of the loaves and the fish?
 - Flounder
 - Tilapia
 - Catfish
 - Cod
- 10-50% of U.S. Seafood production is produced in Alaska.
 - True
 - False

See answers on page 58

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Answers



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Costco offers scintillating seafood

Consumer reporter Pat Volchok gives a behind-the-scenes look at Costco products and services.

Reprinted courtesy of
"The Costco Connection"

Scallops are scintillating seafood. Found in sandy bays and seabeds around the world, they propel themselves through the water by clicking their shells together like castanets. An overactive adductor muscle is responsible for this action, and this whitish, round tenderloin is deemed by connoisseurs and chefs to be the most delicious, highly prized part of a scallop.

These dream puffs have only one gram of fat per four ounces and are sweet, tender

and rich in protein, niacin, vitamin B12, iron, potassium and phosphorus. Their delicate flavor makes them enjoyable even for many non-seafood lovers.

Few foods are as convenient to prepare. Scallops thaw and cook fast. You can sear them in a hot skillet, broil, grill, stir-fry, saute or bread them.

Fished throughout the year, scallops are either wild-caught or farmed. Like shrimp, scallops are sorted and priced according to size—the smaller the number per pound, the larger the scallop adductor meat and typically the higher the price. The U.S. wild North Atlantic scallop fishery—where Costco harvests Kirkland Signature™ scallops—typically yields sizes in the 40-scallops-per-

pound to 7-scallops-per-pound range.

Costco's Kirkland Signature brand offers two of the largest sizes. Gorgeous U-10s (10 or fewer scallops per pound) are available occasionally in cooler cases and nearly every Friday and Saturday at Seafood Road Shows. The U-8-12s (8 to 12 scallops per pound) can be found in the freezer seafood section.

No matter the size or warehouse department, all Costco Kirkland Signature scallops are managed as one program, guaranteeing the same exacting quality specifications and standards for all.

DISGUIISING THE SCALLOPS— AND SHUCKING THE CONSUMER

One would think the process pretty straightforward—harvest, shuck, rinse, freeze and package. However, most processors also shuck consumers by treating these delicate ocean morsels with sodium tripolyphosphate (STP) as a way to artificially plump up size, weight and pricing.

What is STP and why is it used? It is a chemical food preservative that is mixed with water to slow bacterial growth and add moisture beyond natural levels. It also washes away questionable odors and gases, bleaches graying scallops to pure white and adds enough false moisture after a three-day soak to turn U-12 scallops into U-10s. When STP enhanced scallops are cooked, they no longer have their naturally sweet taste and shrink by up to 25 percent.

STP is not allowed in the Kirkland Signature canned tuna or shrimp programs, and I wanted to confirm the same holds true for Costco's raw, frozen scallops. So I called on Costco's seafood team of Bill Mardon and Ken Kimble.

Bill reports, "When we began to dig into this industry, we were not happy with what we found. We discovered it is essentially an industry standard to treat scallops sold at retail with STP, and we knew we needed to eliminate that to give our members the highest-quality scallops."



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Kirkland Signature Scallops® are not treated with STP, ensuring that members are receiving the highest-quality scallops available.

Costco's only recourse was to create a frill-time government-inspected U.S. Grade A scallop program. This is why a United States Department of Commerce (USDC) inspection stamp is now on every bag of Kirkland Signature scallops.

Ken adds, "We don't stop with the government seal. Costco's own labs also test regularly [see "Getting Soaked"]. To my knowledge no other large retailer offers an all-natural scallop with such a highly inspected top-grade program. In fact, Costco now sells the largest percentage of truly dry [no water added], USDC Grade A wild scallops in the world."

COSTCO'S SCALLOP PROCESS IS GRADE A

The first step in bringing delicious scallops

to the warehouse is to partner with reputable, environmentally conscious companies. This is why Atlantic Capes Fisheries—recipient of the "FINesse" Award for responsible fisheries from the National Fisheries Institute—Mar-Lees Seafood and American Seafoods Group are on board. All three are USDA, USDC, FDA and HACCP (Hazard Analysis and Critical Control Point) certified scallop processors.

Costco's scallops are not bought at auction. They are hauled up from the ocean floor onto small seven-member-crew boats, then quickly shucked, rinsed and bagged by hand and stored on ice until arrival at the port of New Bedford, Massachusetts.

Kirkland Signature processing plants are at the dock, so there's no worrisome travel time or additional handling. A USDC inspector is present full-time during the entire process, from unloading to final packing. The inspector must first determine if the scallops from the boat will meet the Grade A quality standards for freshness, odor, size, moisture, texture and color. Those that pass are cleaned again to remove sand, further checked by the official for quality, sprayed with an ice-water mist to prevent dehydration, individually quick-frozen and packaged. No sitting or soaking time is allowed.

Bill notes, "We don't drive to a price but to a program ... a Grade A program." Lucky for us, Costco frozen raw scallops are also reasonably priced. At the time of this writing, Road Show U-10s are \$10.49 per pound, a 5-pound bag is \$9.99 per pound and 30-pound cases can be purchased for \$9.48 per pound or less.

Costco scallops are partially thawed for the U-10 Road Shows, so eat these beauties within a day or so as they are best if not refrozen. U-8-12 freezer scallops, in a 2-pound resealable bag for \$19.99 (\$9.99 per pound), are good for about three months if kept frozen properly.

Cast your net this summer around Costco's U.S. Grade A Kirkland Signature raw sea scallops. Your friends and family will applaud your savory catch. **UB**

"We don't stop with the government seal. Costco's own labs also test regularly."

GETTING SOAKED

It's hard to believe reputable retailers continue to sell scallops treated with sodium tripolyphosphate (STP). To prove this point, Costco seafood buyers Bill Mardon and Ken Kimble purchased frozen samples around the country and shipped them to Costco's quality assurance lab in Seattle.

Costco's corporate quality assurance lab manager, Robin Forgey, analyzed the moisture content of each while I watched. She reminded me, "The natural moisture level of the vast majority of all North Atlantic sea scallops is 80.5 percent or less. The higher the percentage of moisture, the greater the likelihood that something in the processing methods, such as STP, allowed the scallops to absorb more water. STP is supposed to be listed if used."

Only two brands, one of which was Costco's, did not register above-normal levels of moisture, even though none of the brands reported STP use.

The results speak volumes.—PV

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Wild salmon: all or nothing and some in-between

The 2008 wild salmon fishery has seen many ups and downs. It got off to an extremely shaky start with the announcement of closures in California and most of Oregon. Then, approximately one month before

the salmon season was to begin, news was released that zero commercial salmon fishing would be permitted from Cape Falcon (in northern Oregon) south to the Mexican border.

Secretary of Commerce Carlos M. Gutierrez declared a “fishery failure” for the West Coast Salmon Fishery on May 1, 2008. Moving quickly to call the closures a fishery disaster enables Congress to appropriate money for the losses. NOAA estimated an approximate loss of \$22 million in commercial ex-vessel revenues—a 90% decline from the 5-year average. NOAA also projected a \$60 million loss in personal income impacts associated with the commercial processing and commercial and recreational trip expenditures from

“One of the biggest trends we’re fighting is the perception that there’s no salmon available on the west coast runs...”

the loss of the commercial and recreational harvest. The states of California, Oregon, and Washington set the wheels in motion to obtain federal aid in the amounts of \$208, \$45, and \$36 million respectively, marking the second time in three years that a major salmon collapse sparked federal aid for the area.

Within the Farm Bill, the Pacific Coast salmon fishing industry was approved for \$170 million in disaster relief aid. The Bush Administration, however, was attempting to take back \$70 million of the appropriated monies. At the time of this writing, that issue was still in debate among West Coast lawmakers.

With the dismal news on the West Coast, many were looking to the beginning of the Alaskan salmon season to be the light at the end of the tunnel, however, wild salmon marketers’ woes continued with disappointing runs in both the Copper and Yukon Rivers. The Copper River Salmon fishery is one of the most popular runs during the wild salmon season.

With constant negative press about poor salmon runs; many people began questioning Alaska and its fisheries management. Ray Riutta, director of

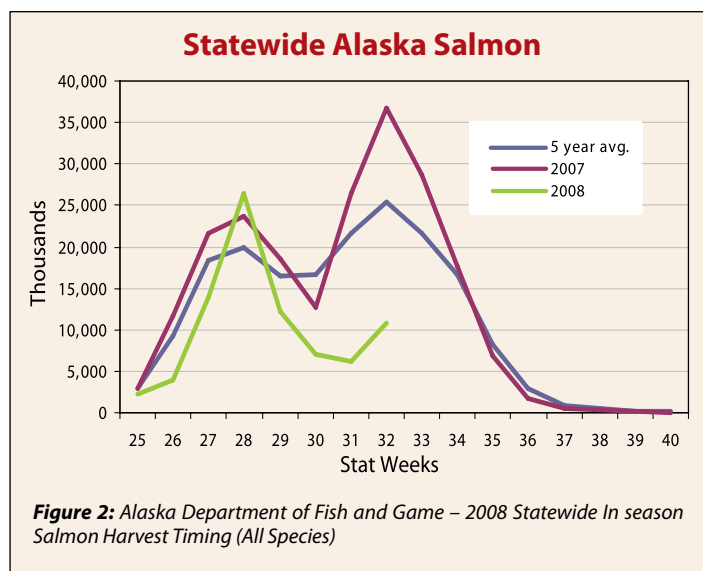
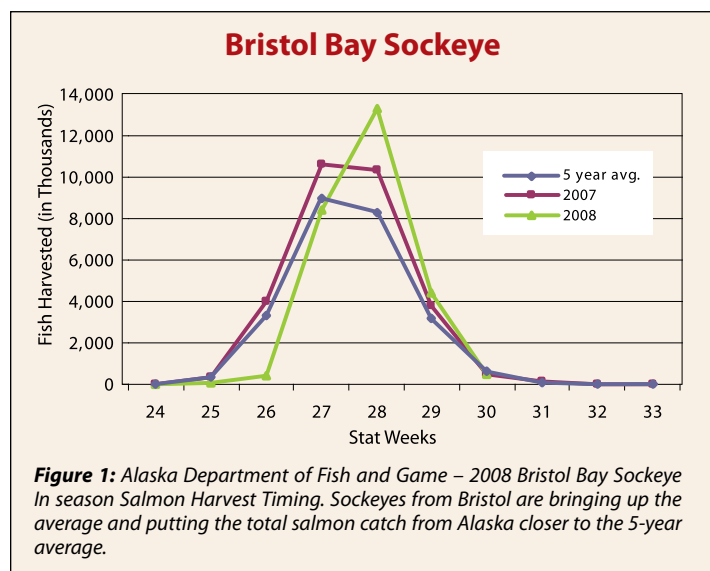
the Alaska Seafood Marketing Institute, discusses the situation with Laine Welch on Fish Radio:

“One of the biggest trends we’re fighting is the perception that there’s no salmon available on the West Coast runs and headlines also about disappointing salmon returns to the Copper and Yukon Rivers. You continue to see articles that will pick on one of another run in Alaska that might be lower than others or having some difficulty and that’s immediately being extrapolated as all salmon are in trouble”

HERE COME THE SOCKEYES...

Much of the talk during the month of June discussed the missing king salmon; however, the beginning of the Bristol Bay sockeye fishery gave harvesters something to cheer about. This year’s Bristol Bay salmon run is turning out to be one of the strongest runs in years. It has elevated the Bristol Bay sockeye timing chart over the 5-year average, raised state totals and lifted the spirits of many in the state of Alaska.

Other reports from different river systems have also cited strong sockeye runs





©iStockphoto.com/Aleksandar Milosevic

salmon harvest for the state of Alaska.

One big question remains in the 2008 wild salmon season. Where did all of the fish go? There are several theories that scientists, journalists, and marketers are throwing around. The first is global warming which results in the warming waters breaking down the barrier that colder water has against parasites. Some say more and more salmon are becoming victims of disease. Another theory is "La Niña," el Niño's colder cousin with blame placed on the cooling waters contribution to late runs of salmon. Lastly, there is an increasing by-catch of salmon from pollock trawlers. In recent years, pollock trawlers have intercepted more and more salmon. By-catches are up and king salmon hit a record this year of 122,000 fish, up from the previous 5-year average of 57,333.

including the Columbia River and Cook Inlet areas. As for the other salmon species, cohos and pinks are just beginning their runs. Pinks are expected to be less than last year due to their two year life cycle, as they have on and off years. For example,

in 2005 555,200 pounds were landed, in 2006 they totaled 269,613 pounds, and in 2007 figures equaled 504,832 pounds. Pink salmon are considered the bellwether species in the wild salmon harvest as their swings from year-to-year impact the total

The fact of the matter remains, no one knows why the runs are early, late, better, or worse. More study and research is needed and it is more than likely a combination of factors. **UB**

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Muscle profiling research reveals hidden value

Consumers, producers, product development experts as well as retailers and restaurateurs know the importance beef tenderness plays in customer satisfaction as consumers have long been willing to pay high prices for meat that is guaranteed tender. Exciting new muscle profiling evidence supplied by over 10 years of Checkoff-funded research indicates there is value to be found in some otherwise overlooked under-valued cuts.

Thanks to The Beef Checkoff, attention is now focused on the potential use of under-utilized muscles for value-added products. One cut in particular, the Flat Iron Steak, has enjoyed the most significant success of them all.

In 2006, more than 92 million pounds of

Flat Iron Steaks were sold in the U.S.—an indication that this item exhibits an insurmountable amount of value. Results from muscle profiling research have also led to other successes at the foodservice and retail levels. For example, in 2007, 47 million pounds of Petite Tender and 37 million pounds of Ranch Steak were sold, compared to 29 million pounds of Porterhouse and 59 million pounds of T-bone! The keys to success for these cuts have been their

“The keys to success for these cuts have been their inherent tenderness and the steps taken during cutting to remove all connective tissue.”

inherent tenderness and the steps taken during cutting to remove all connective tissue.

No doubt, hundreds of different muscles exist in a beef carcass, all of which have different properties. Through additional funding from The Beef Checkoff, data has been compiled to create a definitive ranking of 39 different beef muscles from the beef chuck and round, as well as sensory panel evaluations of tenderness, flavor and juiciness in an effort to more fully realize their value.

How did they do it? One of the most common objective methods used to quantify the degree of meat tenderness is called Warner-Bratzler shear force analysis. This device records the amount of force



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required to shear a core of cooked meat. Over the years the most commonly used core size has become ½ inch. Of the top ten muscles ranked in a recent Checkoff-funded fact sheet, the *infraspinatus* (#2 Flat iron), *serratus ventralis* (#4 Denver steak), and *teres major* (#7 Petite Tender) were all classified with the lowest reported Warner Bratler shear force values (below 3.9kg) and were classified as most tender—and these cuts did not even exist 10 years ago!

But that's not all. A trained sensory panel was also on hand to help come to an agreement on the tenderness rankings. As it is such a multidimensional and complex trait, at least five features were evaluated by the panel. These included: softness to tongue and cheek, softness to tooth pressure, ease of fragmentation, mealiness of muscle fibers and tenderness of connective tissue.

Muscle profiling also aided in the development of postmortem aging guidelines as it was combined with additional research to create a guideline for



Grilled flat iron steaks with pistachio-mushroom rice.

aging 17 different Upper 2/3 Choice and Select muscles allowing for more consistent tenderness results every time.

Visit www.beefresearch.org to view the

Checkoff-funded *Industry Guide for Beef Aging* or <http://bovine.unl.edu> to view the muscle profiling Web sites as well as other pertinent results from this Checkoff-funded work. **UB**

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Greenpeace retail campaign likely a bust

Adapted from a Seafoodnews.com editorial
comment by John Sackton which
originally appeared on June 17, 2008



Initially there was some industry trepidation about the fact that Greenpeace would rank supermarkets by how they performed in terms of sustainability criteria, however, in the actual report no supermarket gets a passing grade.

Comparisons are a lot less effective if you cannot point consumers to any supermarket that serves as a model. So in Greenpeace rankings, not even Whole Foods gets above a 40% grade on a scale of 100.

If all supermarkets are failing there is little incentive for consumers to choose among failing supermarkets.

Greenpeace also shows a complete lack of knowledge of the retail industry. For example, they say "The price of food is no longer the overriding factor for many customers." Tell that to any supermarket buyer, and watch their reaction.

In fact, supermarket consumers are extremely price sensitive. Greenpeace is trying to make the point that since some

people will pay a premium for organic or local food, all consumers should pay a premium for sustainably-sourced seafood.

What consumers do pay more for is a collection of attributes that add value—such as the marketing story: Alaska Wild or Icelandic Char.

Here the value comes from the fact that the customer is linking the product with attributes they want and trust. Greenpeace is not a credible source of that trust in the way that a seafood producer or marketing organization is.

The heart of the Greenpeace campaign is a red list of seafood products to avoid. The reason this campaign will not succeed is that the targets are too broad.

The Greenpeace red list contains 22 species, including all warmwater shrimp, virtually all tuna, Atlantic cod, salmon and halibut, Alaska pollock, red snapper, grouper, redfish and a number of others.

Since shrimp and salmon and tuna

probably make up more than 75% of most supermarket retail fish sales, the concept of bludgeoning supermarkets to give up these products through consumer pressure simply does not work.

The goal of marketing more sustainable fish is not something the industry should shy away from. Greenpeace could have a more productive campaign by taking note of the growth of the local food movements, and the increasingly prevalent trend in both white table cloth restaurants and high end retailers to identify the origin and provenance of what they sell.

By highlighting the positive efforts of individual fishermen, vessels, or operators in particular, fisheries they create a model more companies and vessels want to emulate.

In the U.S., at least, it is unlikely that the Greenpeace campaign will have a significant impact. **UB**



Tuna, one of the "red list" species, makes up a large portion of seafood sales in retail markets.

"If all supermarkets are failing, there is little incentive for consumers to choose among failing supermarkets."



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Dinner and dessert all in one

In the midst of a health-conscious society the traditional hamburger and hot dog have been pushed aside to make room for turkey burgers and hot dogs as well as veggie burgers. Yet, traditional grilling fare still has its loyal fans, and some of them have taken the good old-fashioned burger and dog to an entirely new level.

One such creation all started in a suburban bar down in Decatur, GA called Mulligan's. Legend has it that one day the cook ran out of buns, and decided to use two doughnuts instead. The creator of what has been called the "World's Unhealthiest Burger," Chandler Goff, named the concoction after R&B legend, Luther Vandros, who had come into the bar that day and especially enjoyed this artery clogging "meal." The Luther burger is a one-pound burger (sometimes deep fried) with melted cheese, strips of bacon, and grilled onions smack in the middle of



two Krispy Kreme® glazed doughnuts. It is over 1,000 calories and contains about 45 grams of fat.

This heart attack on a plate has inspired bigger and even greasier creations. Yes, it does get worse. Another favorite offering

is the "hamdog," a hot dog wrapped in a beef patty that's deep fried with chili, cheese and onions, and served on a hoagie bun topped with a fried egg and fries.

What better place to market these all-American favorites than at a baseball stadium. That's right, these bizarre fusions of meat have become available at the Gateway Grizzlies, Illinois' Frontier League baseball team. At concession stands there fans can order "Baseball's Best Burger," a deep fried burger with sharp cheddar cheese and two slices of bacon, served in between two fried Krispy Kreme doughnuts.

"We have had the opportunity to bring in a new concession item for the past two seasons and each of them have been very successful..."

"We have had the opportunity to bring in a new concession item for the past two seasons and each of them have been very successful," said Grizzlies' general manager Tony Funderburg. He told ESPN.com that he got the idea after reading about Mulligan's in Atlanta.

The "burger" is also responsible for increasing attendance at games and is the most popular item at the ballpark, not to mention that it plays a critical role in supporting the club's finances.

Other offerings at the park include "Baseball's Best Hotdog," a hotdog topped with two strips of bacon, sautéed onions, sauerkraut, and cheddar cheese, as well as the "Swiss Brat," a bratwurst with a slice of Swiss cheese in the middle, topped with sauerkraut.

Locals who might not be interested in minor league baseball but who want to experiment with these creations will have to buy a ticket as these favorites will only be sold inside the stadium gates. **UB**

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In 1846, German immigrant, Fred Beeler began raising pigs on an Iowan farm. Beeler cared greatly for his animals, and it showed! His pigs became highly sought after by consumers for word spread that Beeler's pigs were of superior taste. Five generations later, those beliefs are still guiding Beeler Pork as the company launches their new proprietary method of farming named Heluka™.

Over 160 years later Beeler's humane concept is still the primary focus of the company's main product. Beeler Pork feels that it is because of the farm's compassionate and revolutionary system of farming that their pigs exhibit a superb taste.

Their newest farming system, Heluka, which literally means 'full of sun,' does not confine the pigs, but allows them to go outside and bask in the sunshine.

"Consumers are taking a much more active role in understanding how their food is being produced. They understand that poor animal welfare can pose a serious threat to the food they eat," explained Julie Beeler, vice president of sales for Beeler Pork.

"Consumers are taking a much more active role in understanding how their food is being produced."

Highlights of the Heluka farming system include:

- No gestation or farrowing crates.
- Fattening phase conducted in Heluka houses.
- Raised without antibiotics or added hormones. In fact, no artificial ingredients are used at all.

"Since 1846 our family mission has been to provide consumers with superb tasting pork products, free of chemicals, and to treat our animals with compassion," stated Tim Beeler, President of Beeler Pork. "I am proud to say, that 161 years later, our great-great Grandpa Fred's values are still fueling the success and growth of Beeler Pork." **UB**

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Species 101: basa and swai

Basa, *Pangasius bocourti*, and swai (also known as “tra” locally) *Pangasius hypophthalmus*, are farmed, scaleless, freshwater fish predominately from Vietnam. Part of the catfish family, yet, not allowed to be labelled as such by the FDA, swai and basa have gained tremendous popularity in the U.S. during the past few years. The specie are also heavily consumed in Vietnam and all over Southeast Asia.

“...swai and basa have gained tremendous popularity in the U.S. during the past few years.”

Swai and basa are primarily farmed in the Mekong River delta in Vietnam, both in ponds and cages in the open water. Fry and fingerlings from commercial hatcheries

are placed in ponds and/or cages for a growout period of about eight months. They are harvested when they are about two to three pounds and afterwards shipped live to processing plants where they are mostly filleted.

Both basa and swai are hearty fish. Basa is preferred throughout their native region and is considered the “better” fish with a thicker fillet and whiter meat. Swai has a higher survival rate and better feed conversion. Basa is typically a higher-priced fish than swai. Most imports reported into the U.S. today are swai. Other markets include Australia and the European Union, where imports have soared in the



past two years.

In 2002, U.S. catfish farmers filed an anti-dumping petition with the U.S. Department of Commerce which resulted the following year in antidumping duties being imposed. Yet, imports in 2006 increased 160% when compared to the previous year. In 2007, growth in imports curbed allegedly as a result from food safety issues for product coming from China. The increase in imports only reached 9.9% yet it remains a popular low-priced fish fillet. **U**



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The trade-offs of trade

Trade liberalization has increased dramatically within the past three decades. Barriers have disappeared and countries have formed alliances and trade blocks to establish rules; arguably in the most efficient and fair manner.

In this context, the opinion of free trade and fair trade is widely divided due to zero-sum games that offer benefits for some at

the expense of others. Yet, international institutions have been created to regulate and monitor market practices all around the globe in an attempt to alleviate or diminish the trade-offs that follow trade liberalization. Nonetheless, these haven't been too successful at enforcing fair trade resolutions. In the end, it's the country's trade regulatory body which will determine tariffs, quotas, and safeguards.

To understand why countries engage in trading, we must first comprehend the term comparative advantage. By definition, countries should specialize in the production of goods and services they can produce most efficiently. Take NAFTA, for example, and assume there are no trade barriers—including subsidies. Assuming that Canada and the U.S. can produce meat products more efficiently than Mexico, but cannot manufacture textiles in the same manner, the logic of comparative advantage would lead us to the following: consumers in Mexico would be able to purchase meat products from the U.S., while Canada and the U.S. would be able to buy clothing products from Mexico. This scenario seems rather efficient as the market itself brings goods to Canadian, American, and Mexican consumers.

Yet, this nice state of affairs does not come without a negative trade-off. Left remaining are the meat-producing industry of Mexico and the textile industries of Canada and the U.S. These sectors will likely be hurt given their disadvantages against their new

competitors, as they will suffer to survive as trade barriers are removed. Workers whose skills are specialized in their area will likely become obsolete and therefore unemployed within a short period of time. At times, these workers will have to start from zero and gain completely new skills. Further effects of unemployment could also include social negative impacts such as depression and alcoholism, among other things that would discourage a worker from seeking a job and becoming economically active in society.

Some economists affirm that whenever there is a change in economic policies, there will be initial times of hardships, especially when trade liberalization takes place. If we re-examine the NAFTA example we can see there were plenty of bad consequences for the three parties involved, however, we cannot turn away from the benefits that market liberalization also brings. Foreign direct investment, for example, has soared and entrepreneurship has made markets more competitive. Take China and the Asian tigers as an example. GDP per capita has grown tremendously in this very open market region of the world as these economies thrive through growing economic times. Another example has been El Salvador. This small country in Latin America was among the poorest countries in the Western hemisphere in the 1980s and today it enjoys one of the best economic performances as well as 40% poverty alleviation through free trade economic policies.

Under the thinking of Milton Friedman, many economists believe that trade barriers should be entirely eliminated so that we can let markets work through the “magic of the price system.” Others believe in strict rules that would protect a nation's industry, regardless of its efficiency. Finally, there are those who believe in free trade, but are aware of the need of international institutions that would monitor and assess the fairness of international competition. One cannot be all for free trade or against it. China did not open its market entirely in one day. Rather, it did so step by step and as needed. Poland and Russia—then the ex U.S.S.R.—experienced what was

called “shock therapy,” in which markets were completely liberalized virtually overnight. Now, Russia is setting reforms to correct the hardships and the trade-offs that free trade—and internal corruption—brought during the 90s, but is still relying on market forces and free markets.

Countries have taken different routes towards free trade because of the comparative advantages of their industries. Many of the benefits of free trade are being experienced by countries and industries that have thrived all around the globe. Some of the trade-offs are still persistent too. Whether a person stands for free trade or not, it is imperative to analyze each case individually; by sector, by factor endowments, region, etc. Free trade intends for benefits to outweigh the trade-offs that will undoubtedly occur in a transition period. The next time someone asks you for your opinion on free trade, your best answer would be “it all depends.” **UB**

“...many economists believe that trade barriers should be entirely eliminated so that we can let markets work.”



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By air, land or sea, transport issues challenge the food industry

Rising costs of ingredients, soaring fuel prices, and the falling value of the U.S. dollar have been wreaking havoc on the food industry. Even with U.S. food exports catapulting higher, transport issues have given rise to a whole new set of problems confronting the food industry, many of which have presented serious logistical challenges and added costs that at times seem insurmountable.

ESCALATING OIL PRICES AFFECT LAND AND SEA TRANSPORT

Due to rising fuel prices, transport costs are being impacted at an unprecedented rate. This is so much the case that the cost of getting product from point "A" to point "B" has become one of the largest, if not the largest, barrier to enhancing domestic

and international trade. According to Jeff Rubin, chief economist of CIBC World Markets, the explosion in global transport costs has effectively offset all the trade liberalization efforts of the last three decades. It also suggests that there could be a major slow down in world trade and a fundamental realignment in trade patterns.

Because of the explosion in agricultural trade, spurred on in part by a growing middle-class in Asia and points beyond, changes in transportation methods have led to increased sensitivity to energy prices. One of the most significant changes in export trade has been a trend towards containerization.

From a time standpoint, container ships can be unloaded much more quickly and efficiently than break cargos, allowing the ship to spend more time at sea. This has resulted in more importance being placed on the speed of the ship. Faster ships require more fuel which adds costs. The latest figures suggest that over the last 15 years, fuel consumption has doubled per unit of freight.

In a world where many experts expect oil prices to stay well into the triple digits, trade routes in general could be changed forever. In CIBC's May Economics and Strategy Report, Rubin states that "globalization is reversible" because transportation costs are going to force buyers to seek supply sources closer to home. He writes "...and while trade liberalization and technology may have flattened the world, rising transport prices will once again make it rounder." For instance, in an article published by the Montreal Gazette regarding today's oil prices, every 10% increase in trip distance translates into a 4.5% increase in transport costs. The report goes on to state that, including inland costs, shipping a standard 40-foot container from Shanghai to the U.S. eastern seaboard now costs \$8,000. In 2000, when oil prices were \$20 per barrel, it cost only

\$3,000 to ship the same container.

The same is true of land transport. Bob Powell, of Skyline Express, an intermodal trucking company, comments that fuel prices have doubled since last year. Not only are fuel prices an issue but anything using petroleum is costing companies like Skyline Express more money which ultimately gets passed on to the consumer. Belts, tires, and oil are just a few of the items being affected by soaring petroleum prices. For the agriculture industry, where margins are much less than for manufactured goods, this is a big problem. Additionally, the industry's reliance on owner operators to transport goods puts them in a more precarious position than other manufacturers. A lot of truckers are simply parking their trucks because of their inability to turn a profit which has resulted in reduced capacity and higher freight rates for an industry that is already struggling to get by. According to the IBM Institute for Business Values, 2008 GMA Logistics Survey, freight costs per mile continue to increase. In 2005, freight costs per mile averaged \$1.69. By the end of March this year, freight costs climbed to \$1.92, up 14% from just a few years ago. "If it isn't petroleum based, it's corn based," states Powell and that hits the food and transport industries especially hard.



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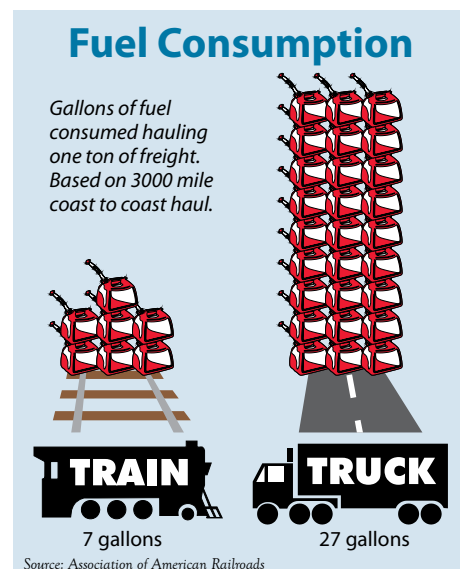
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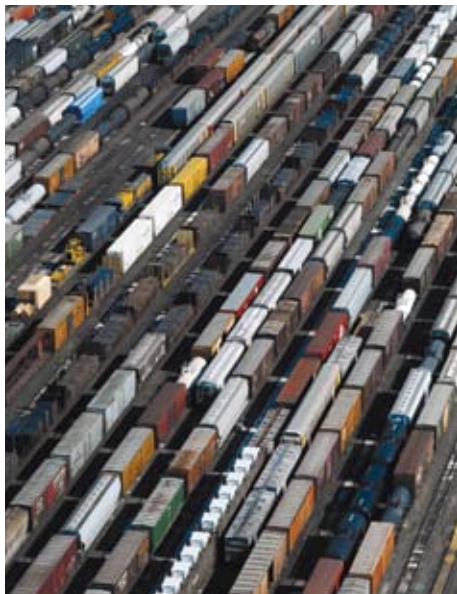
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High fuel prices and a shift in trade routes have made it increasingly difficult for the agriculture industry to export their products using ocean going vessels. Rail yards, like the one pictured below, have benefitted by being a cheaper alternative to shipping refrigerated containers over land by truck to the nation's ports.



“...‘globalization is reversible’ because transportation costs are going to force buyers to seek supply sources closer to home.”

RAIL TRANSPORT GAINING FAVOR

Goods that have a high value to freight ratio carry implicitly small transport costs, while goods with low value to freight ratios typically carry significant moving costs. This, along with advancing energy costs and growing environmental concerns, is why agricultural suppliers, whose products typically carry low value to freight ratios, are increasingly looking to rail transport to ship their goods. As an example, railroads move enough wheat to provide every man, woman and child a fresh loaf of bread six days a week. Additionally, on a typical day in the U.S., railroads account for more

than 40% of all freight transportation—and that’s more than trucks, boats, barges or planes.

According to the American Association of Railroads (AAR), in 2007 farm products ranked number three in volume behind coal and chemicals in the type of freight carried. Agricultural goods ranked fourth in overall revenue. For the food industry, shipping by rail is rate efficient and meets the needs of an increasingly green transportation movement that is keeping a very close eye on the methods agricultural and manufactured goods are being shipped.

A study of 50 major U.S. metro areas by transportation consultant Wendell Cox found that the diversion of 25% of truck freight to rail would lead, by 2025, to:

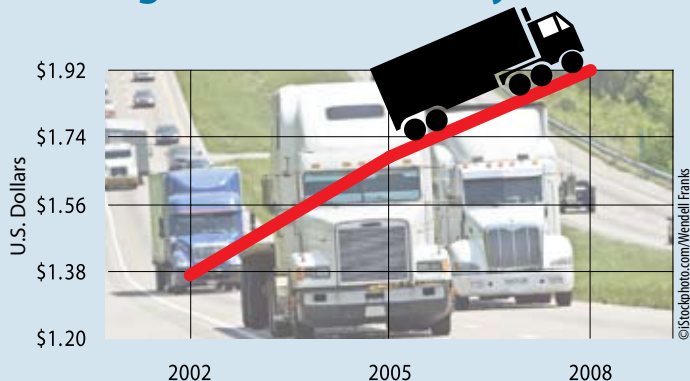
- 2.8 billion fewer traveler-hours wasted in congested traffic
- A savings of 16 billion gallons of fuel
- Nearly 800,000 fewer tons of air pollution.

In 2007, major freight railroads in the United States moved a ton of freight an average of 436 miles on each gallon of fuel. This represents a 3.1% improvement over 2006 and an astonishing 85.5% improvement since 1980. “That’s the equivalent of moving a ton of freight all the way from Baltimore to Boston on just a single gallon of diesel fuel,” said AAR President and CEO Edward R. Hamberger.

According to Hamberger, moving more freight by rail does more than just reduce fuel consumption and pollution, it also reduces highway congestion. “A single intermodal train can take 280 trucks off the highways. And because the average size of a truck is equal to almost four automobiles, that’s the same amount of space that 1,100 automobiles would occupy.”

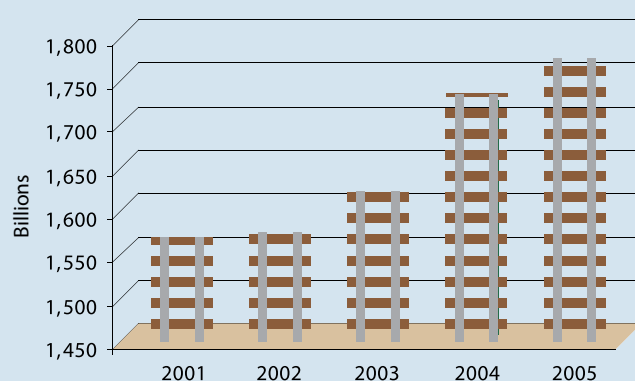
Whether by truck, railcar or vessel, logistical challenges for the U.S. agricultural industry have never been greater. Rapidly rising fuel prices and increasingly congested roadways and ports are sure to provide buyer and seller alike with obstacles to hurdle in order to safely and efficiently transport U.S. agricultural goods to a world demand that is showing no signs of slowing. **UB**

Freight Cost Per Mile By Truck



Source: IBM Institute for Business Value, 2008 Logistics Survey

U.S. Railroad Ton-Miles



Source: January '08 Report Association of American Railroads

Growing trade, international consumption creating greater need for cold storage space

For those involved in the day to day business of food production and distribution who are already facing pressing

daily buy, sell and logistical challenges, another increasingly concerning issue has surfaced quietly, but just as alarmingly.

Oddly enough, these days it's not just about the purchase and the sale, but where to store the product once the handshake has been made.

According to the International Association of Refrigerated Warehouse's (IARW) Global Cold Storage Capacity Report, public refrigerated warehouse (PRW) storage capacity is increasing around the world. This growth suggests a worldwide trend toward increasing cold storage capacity driven by a greater reliance on the

cold chain to meet growing trade and consumption rates of perishable products.

In the United States, the USDA shows that the PRW industry continues to dominate the overall cold storage industry. According to USDA, public general warehouse capacity totaled 2.50 billion gross cubic feet (71 million cubic meters) in 2007, accounting for 75% of the general cold storage in the U.S. States that experienced the most significant gains in capacity were Illinois (35%), Arkansas (32%) and Delaware (26%). "The cold storage industry is continuing to grow rapidly around the world," notes IARW President and CEO Bill Hudson. "Additionally, we are seeing more and more companies choose to rely on the expertise of the third party logistics industry to meet their storage and distribution needs."



Aerial view of a temperature-controlled facility in Cincinnati, Ohio. Modern refrigerated warehouses are equipped with everything from convertible spaces to advanced warehouse management systems. Photo courtesy of the Tippmann Group.



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Jamie Doherty

With a growing industry, why then is storage space at such a premium? According to the Global Cold Chain Alliance, perishable foods are the largest and fastest growing sector of agricultural trade and the most profitable on a per kilo basis. Simply put, perishable foods need refrigeration, and storage space is at a premium. This is especially true as can be seen with growth in “consumer-oriented” food, advancing worldwide disposable income and a trend towards supermarkets rather than more traditional “wet markets” in many parts of the world. According to the National Grocers Association, retailers will increase frozen food space up to 25% of their square footage by 2010.

“...retailers will increase frozen food space up to 25% of their square footage by 2010.”

That’s not all. Exports of U.S. agricultural goods, especially in the protein sector,

have reached historical highs. For the first five months of 2008, poultry meat exports set an all-time record in both volume and value, according to Foreign Agricultural Service trade data. Combined export volume of chicken and turkey products for January through May was 1,537,947 metric tons; up 27% from the same period in 2007. Combined value reached \$1.506 billion; 40% greater than in 2007.

These record export volumes have also helped the U.S. to regain its status as the world’s leading exporter of poultry. What this means for the storage business, however, is that more cubic feet of cold storage space than ever is required to satisfy domestic and international demand for U.S. agricultural goods. Jim Sumner, President of the USA Poultry and Egg Export Council stated that one of the most pressing impediments to increasing U.S. agricultural exports is the shortage of containers and cold storage space. As exporters wait for the much sought after refrigerated containers, they are forced to divert product to cold storage, often

for weeks or even months on end. He said that “shipping lines are shifting increasing numbers of containers to more profitable routes for manufactured goods in Asia and between Asia and Europe.” That leaves fewer containers available to exporters and a greater need for storage space. In fact, the growth in the locations of storage space tells this story nicely. Mr. Hudson of the IARW says that the top five areas of growth in storage are at ports, distribution centers, China, India and Eastern Europe.

Despite rapid growth, space is still often at a premium. Industry consultant and warehouse operations expert Benjamin Milk believes the rates being paid for cold storage have actually declined. Although not officially tracked, he says that unlike other input costs, as a general trend rates have come down rather than advance. The warehouses have been able to handle the lower rates through efficiencies and by offering additional paid for services such as transloading, repacking, labeling, and shrink wrapping. **UB**

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Largest rate increases in decades

With global oil prices reaching historic highs, other forms of energy quickly follow with price increases. In fact, many utilities are initiating their largest rate increases in decades. Coal and natural gas, which fuel approximately 70% of the nation's power plants, have doubled in cost over the past year. As many businesses are already struggling over the cost of gasoline and grain, further escalating commodity costs will continue to place added stress on many companies'

bottom line and leave them searching for alternative energy sources that may be of better value; but does one exist?



According to the U.S. Energy Information Administration, crude oil prices increased from \$122 per barrel on June 4, 2008 to \$145 per barrel

on July 3, 2008. Because of global supply uncertainties and significant demand in China, the Middle East and Latin America, oil markets are expected to be further pressured. A projected average of \$127 per barrel is expected for the balance of 2008 and \$133 per barrel in 2009.

Global demand of liquid fuels, especially from China, the Middle East and Latin America is projected to grow by 900,000 barrels per day in 2008 and by an additional 1.4 million in 2009. The U.S., however, from an increase in ethanol use, expects to experience a decline in liquid fuel consumption by approximately 400,000 barrels per day in 2008, and to remain as such through 2009.



Because of high energy prices, U.S. natural gas production is soaring. According to government data production is up 8%

this year. The natural gas spot price averaged \$7.17 per thousand cubic feet in 2007 and is expected to average \$11.86 in 2008 and \$11.62 in 2009. Total natural



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gas consumption is predicted to experience continued increases with a 2.1 % increase in 2008 and 1.1 percent increase in 2009. The increases are largely expected to come from the usage of electricity generation sector—3.2 percent, and the industrial sector, with an anticipated growth rate of 1.6 percent in 2008 and 0.6 percent in 2009. A new report from CIBC World Markets estimates electricity and natural gas prices will surge as North American utilities shift from coal fired generation to cleaner burning natural gas generation.



Electricity rates throughout the nation have also been rapidly increasing, and these costs are often the first to be passed onto consumers.

Average U.S. residential electricity prices are forecasted to increase by 5.2 percent in 2008 and 9.8 percent in 2009. Consumption of electricity is expected to grow by 1.4 percent in 2009. The most expensive states in which to purchase electricity, according to the Department of Energy, are Hawaii, Massachusetts, New York, Connecticut, Rhode Island, New Hampshire and Alaska.



Coal consumption growth is expected to grow only slightly in 2009, a mere 0.4 percent as projected increases from other

generation sources (nuclear, natural gas, hydroelectric and wind) in 2009 are expected to dampen the electric-power-

sector coal consumption growth. Yet coal is an energy form that we will continue to see more use from. The coal deposits here in the U.S. are the richest in the world, and all of choice grade. Because of this, and because severe supply constraints in other parts of the world such as Australia and South Africa have impeded the growing demand from China and India, U.S. coal is in great demand.



Other forms of energy are also widely used. Water is currently the leading renewable energy source used by electric utilities to

generate electric power. Hydroelectric plants operate where suitable waterways are available. Generating electricity using water has several advantages. The major advantage is that water is a source of cheap power. In addition, because there is no fuel combustion, there is little air pollution in comparison with fossil fuel plants and limited thermal pollution compared with nuclear plants. Like other energy sources, the use of water for generation has limitations, including environmental impacts caused by damming rivers and streams, which affects the habitats of the local plant, fish, and animal life.



Wind is another source of energy that is experiencing a "lift" in usage. The American Wind Energy Association (AWEA) says U.S. wind farms now generate more

electricity than any other nation in the world and are on track to expand by over 45% this year. Total U.S. installed wind power capacity now stands at 19,549 megawatts, with more construction slated for completion either by the end of this year or the beginning of next. Although wind-based electricity generating capacity has increased over the last 40 years, it still remains a small fraction of total electric capacity. The AWEA reports a strong

increase in domestic investment in wind turbine and wind turbine component manufacturing facilities over the past year and a half. At least 41 facilities have been announced, opened, or expanded over that period of time.

The oldest source of renewable energy known to humans, and one that is becoming more familiar in our news, is biomass energy—that which comes from plant material and animal waste.

In the United States this supplies almost 15 times as much energy as wind and solar combined. A wide variety of biomass energy resources exist—wood, waste and alcohol fuels. In general, there are two approaches when using biomass from

“The most expensive states in which to purchase electricity ... are Hawaii, Massachusetts, New York, Connecticut, Rhode Island, New Hampshire and Alaska.”

plants: growing plants specifically for energy use and using the residues from plants that are used for other things. Of particular note is the United States’ use of its corn crops to produce alcohol fuel, or ethanol for its use as an oxygenate in gasoline. Many analysts argue that biomass is a net energy loser—that is, it takes more energy to produce fuels from biomass than the fuels themselves.



The final form of energy we will examine is solar energy. Solar energy is the cleanest and most abundant renewable energy source available.

Today’s technology allows the U.S. to capture solar power in more than one way; photovoltaics, heating and cooling systems, concentrating solar power and lighting. The biggest challenge facing the U.S. solar market is scaling up production and distribution enough in order to drive the price down so it is on par with traditional fossil fuel sources. According to Solarbuzz.com, the U.S.

market experienced a 57% growth in solar energy demand in 2007. As far as costs go, booming demand has increased the price for solar panels. A residential solar energy system typically costs about \$8-10 per watt. Where government incentive programs exist, together with lower prices secured through volume purchases, installed costs as low as \$3-4 watt can be achieved. Without incentive programs, solar energy costs range between 22-40 cents per kilowatt hour.

It is very clear that increasing energy costs are front and center on many minds, both the consumer and the business sector. As they continue to pose a serious challenge to the industry, companies are forced to pass these costs onto the consumer, who is already suffering from the same increases. For those companies that choose to absorb the increases, they can do so only for a limited time before it impacts their bottom line and forces cutbacks on planned investments. Perhaps it is time for an alternative source. **LB**

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Ethanol debate

By Keith Shoemaker
President and CEO, Butterball, LLC

In recent months, the ethanol debate has heated up. Now, more and more environmental, retail, consumer and food industry organizations are stressing the extensive and real effects of the United States' food-to-fuel policy on the nation's economy, consumers and the environment.



BUTTERBALL, LLC

Specifically, organizations are emphasizing that current U.S. food-to-fuel policies are driving up corn prices and thereby affecting consumer prices, land use and prospects for future price inflation. The result is that various groups are calling on Congress to revisit the current U.S. biofuels policy.

Some, on the other side of the debate, are arguing that supporters of revisiting current policies see ethanol as the only culprit of rising food prices. In a recent press release issued by the Food before Fuel Coalition, Ken Cook, co-founder and president of the Environmental Working Group, disagreed and said, "I don't know of any organization that believes ethanol is the sole cause of rising food prices, but it is very clearly a leading cause and the one cause that we can control."

For Butterball, LLC and other poultry producers nationwide, rising corn prices have been a damaging blow because corn is the primary ingredient in poultry feed. At Butterball, LLC we have seen our feed costs increase dramatically by more than half.

Joel Brandenberger, president of the National Turkey Federation recently participated in a Food before Fuel Coalition call where he shared that industry wide, feed costs for poultry have increased more than 85% in the past two years, resulting in more than a half billion dollar impact on the poultry industry. He credited the phenomenon to current ethanol policies. Brandenberger continued

by saying, "The proof is in the figures. You can go to a supermarket in some areas and find that turkey breast product that a year ago cost \$5.50 now costs \$7. This is having a real impact on working families who are trying to make a food budget."

The negative results are that many companies are being forced to reduce staff, increase prices, halt plans for future growth and, in some cases, move production overseas. It's a viscous cycle that impacts companies and consumers.

In the presence of such challenges, Butterball, LLC, remains committed to developing production practices that ensure we remain the leading low-cost, high-quality producer. As part of our



"...rising corn prices have been a damaging blow because corn is the primary ingredient in poultry feed."

Keith Shoemaker, President and CEO, Butterball, LLC

response, we have proactively streamlined our production models and created focuses for each complex based on regional demand. As with any challenge within the industry, Butterball, LLC will continue to develop and implement procedures that ensure we remain the turkey expert. **UB**

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Addressing costs in the supply chain for beef



Costs, from fuel to food, are increasing. As consumers, rising prices impact what goes on the table. As professionals, the margins that drive our business, specifically in food service and retail, can be squeezed significantly impacting financial performance. The question is, what can be done to minimize the impact? Let's look at beef as an example.

"As costs have increased, beef producers have learned to improve efficiencies..."

Today, the cost to produce an 810 pound beef carcass is about \$1,326.¹ Feed accounts for 65% of the total cost.² As grain prices have increased so have the costs associated with the production of our beef. Most of the grain is fed during the

final 160 days of the feeding period. Just the cost in these last 160 days over the past five years has increased \$160 per animal.

As costs have increased, beef producers have learned to improve efficiencies through genetics, good management practices and use of animal health technology. Without animal health technologies, the cost of the same 810 pound beef carcass would be \$365.65 more per animal/carcass³ today, increasing today's price to approximately \$1,692 according to an economic study by John Lawrence at Iowa State University.

The basis of these cost savings comes from helping the beef animal to be more productive. Eliminating parasites, keeping animals healthy by treating and preventing diseases, and using products that assist the natural growth process to more efficiently

convert feed into weight not only produce cost savings, but also meet fundamental needs for our supply chain and our consumers.

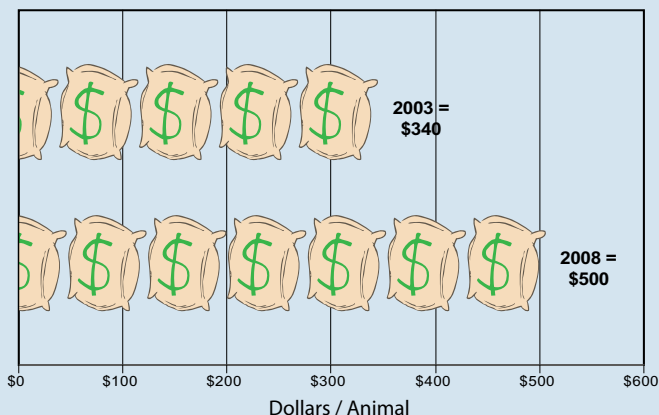
Managing costs today can make the difference for the future of many of our businesses throughout the supply chain. In this case, as we continue to meet the challenges of providing safe, affordable and wholesome beef, it is good to know that we do have methods that can help us not only manage costs, but help meet the growing concerns around animal welfare, food safety, environmental impact and adequate beef supplies at the best prices possible.**UB**

1) USDA market prices, South Dakota State University breakeven calculator.

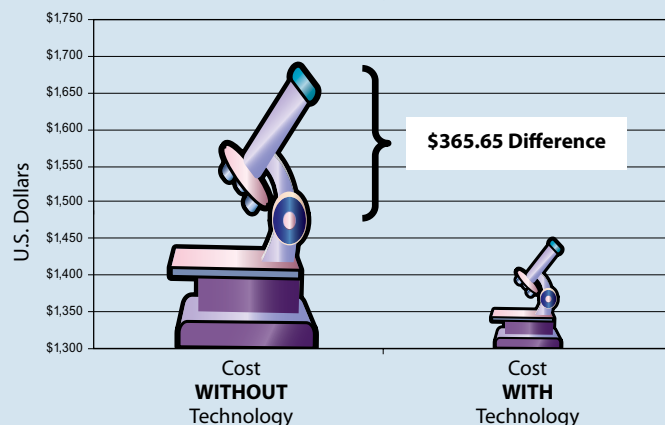
2) <http://www.extension.iastate.edu/agdm/livestock/xls/b1-21beefcowcalfp15.xls>

3) <http://www.econ.iastate.edu/faculty/lawrence/>, Economic Analysis of Pharmaceutical Technologies in Modern Beef Production

Final 160 Day Feeding Cost Per Animal



Impact of Technology on Beef Costs



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It began as a small family business in the city of Celaya, Guanajuato.

Fundada en 1976, Empacadora Celaya es una de las principales productoras de carne delicatessen en México.

Inició como un pequeño negocio familiar en la ciudad de Celaya, Guanajuato.

To keep up with increasing consumer demand, Empacadora Celaya is currently expanding its processing plants to double production.



One of the company's most successful brands, offers a complete line of high-quality ham and deli meats at very competitive prices.

It is marketed under the slogan: "Capistrano: Freshness and Nutrition", which clearly demonstrates the commitment to the company's mission statement: "Our goal is to proudly satisfy each and every customer order while satisfying the nutritional needs of society."

Additionally, Empacadora Celaya offers a full line of products from a host of their family brands, all with the same excellent quality.



Al día de hoy, Empacadora Celaya ha experimentado tal crecimiento que su planta procesadora se está expandiendo, con la intención de duplicar sus niveles de producción.

Capistrano una de las marcas más exitosas de la compañía, ofrece una línea completa de jamones y carnes frías delicatessen a precios muy competitivos.

Promocionada bajo el slogan "Capistrano es fresca y nutrición", demostrando su compromiso con la misión de la empresa:

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Boat cost analysis for tuna or swordfish



The fishing vessel Daytona, owned by Greg Abrams Seafood, and Captained by Mike Cardin, is typical of the boats experiencing economic challenges in the industry today.

in his business. Mr. Rush has 26 years experience in the seafood business and has been with Jensen Tuna for the past seven years as the Vice President of Sales & Marketing. He supplied the *Reporter* with an overview of the costs of fishing for tuna and swordfish.

This is an analysis of a typical boat that fishes in the Gulf of Mexico for 7 to 14 days with the average trip lasting approximately 12 days. The fishing method used is longline and the monofilament line is the actual lines that are used to catch and reel in the fish. The

In these times of economic uncertainty, the pinch is not only felt by consumers, it is hitting producers as well. Profit margins are squeezed when operating costs increase at a faster rate than market prices. *Urner Barry's Reporter* recently interviewed Phil Rush with Jensen Tuna to discuss the rising costs

The cost to leave the dock

Diesel fuel @ \$4.30 per gallon, 1,500-5,000

gallons depending on the size of the vessel

Fuel costs = \$6,450 - \$21,500

100 blocks of ice @ \$9.00 per block = \$900

100 boxes of squid bait @ \$30.00 per box = \$3,000

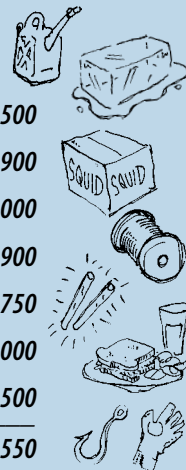
2 cases of monofilament line @ \$450 per case = \$900

5 cases of light sticks @ \$550 per case = \$2,750

Food for a crew of 5 or 6 people = \$1,000

Miscellaneous gear, hooks, leaders, etc. = \$500

TOTAL \$15,000 - \$30,550



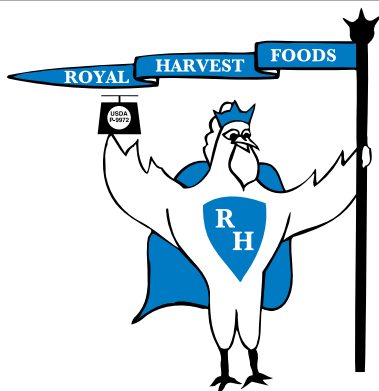
light sticks are used to attract swordfish at night. They glow in the dark and swordfish tend to swim toward the surface if they see light.

The information indicates that it costs approximately \$15,500 to \$30,550 to leave the dock with the average cost estimated at \$23,000 per trip. These expenses do not include maintenance or payment to a crew of 4-5 members or the captain.

If 100 fish are caught weighing an average of 60 pounds each and are sold by the boat for an average of \$5.00 per pound, the total amount that would be paid to the boat would be \$30,000. The boat owner, who in many cases is also the captain, along with the crew splits the profits after expenses. In our example, the boat owner and crew would have approximately \$7,000 to share. An average 12 day trip would yield a profit of \$1,166 per person given their shares of the profit were equal. In some cases, boats return with less than 100 fish and their expenses exceed their profit. According to Mr. Rush, market prices have not been able to accelerate as fast as the fishing expenditure rates have.

When the *Reporter* asked Mr. Rush what he saw for the future he replied,

"We have a sustainable fishery. Whether or not the fishermen are sustainable remains to be seen. We don't know how much longer this fishery can sustain itself." **UB**



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Pressure behind fertilizer costs

As farmers collect the best prices for grains such as corn, winter wheat and soybean, robbing them of their profits is the high costs associated with fuel and fertilizer. According to the USDA, average prices paid by U.S. farmers for the major fertilizer nutrients reached their highest level on record in June 2008—268% higher than January 2000 levels. Supply and demand factors that influence fertilizer prices are the increase in global demand, the U.S. ethanol boom, increased transportation costs, the weak U.S. dollar and high natural gas prices in the United States. Collectively, these factors result in an increase in fertilizer's price tag, and they are costing farmers plenty.

"Globally, fertilizer demand is expected to rise 14 percent by 2012..."

Globally, fertilizer demand is expected to rise 14 percent by 2012 as developing countries such as China, India and Brazil continue to see an increase in consumer incomes. As these countries emerge, the dietary habits of the people change as do their food preferences, which, in turn elicits a greater demand for agricultural goods and the need for more nutrients to replenish the soil.

A further driver of this commodity is the United States' increase in ethanol production. While all grains require fertilizer, application rates differ among crops. Corn, wheat, soybeans and cotton account for 70 percent of total nutrient use, corn alone accounts for 43 percent.

Pressuring the fertilizer market, as well as a host of others, are fuel costs. Fuel costs directly correlate to a number of other factors as they are necessary means of transport. Ocean freight rates, rail shipping rates, barge rates and truck rates are all impacted by high fuel costs and one or more means may be required to move

fertilizer products.

The falling rate of the U.S. dollar places even further additional pressure on the cost of fertilizer as it increases the cost of goods imported. According to The Fertilizer Institute, the U.S. imports over half of its nitrogen supply and over 90 percent of its potash supply. Since most fertilizer materials are priced in U.S. dollars, foreign producers raise the price to offset the fall in the value of the dollar.

The building block of all nitrogen fertilizers is ammonia, and the feedstock for producing ammonia is natural gas. High natural gas prices caused ammonia production costs to rise significantly

since 2000. This increase resulted in the closure of 26 U.S. ammonia plants and a 42 percent reduction in ammonia production—forcing the U.S. to rely on nitrogen imports.

As there are so many driving factors determining fertilizer prices, farmers obviously must struggle to make a profit. On the good side, price increases across the board also mean an increase in profits from resulting crops. As long as yields are normal, adverse weather conditions do not cause havoc and insects are not problematic, farmers may still pocket a return. **UB**



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Sanimax's biodiesel facility in DeForest, Wisconsin. Photo courtesy of Sanimax.

by Bill Hurley,
President, Hurley Brokerage

When I broke into the fats trading business in 1979 bleachable fancy tallow was traded almost the entire year in a range of 18–26 cents per pound Chicago Basis. You could move a rail car from Sioux Falls, SD, to Chicago for about 1 ¼ cents per pound in freight charges. So at 20 cents per pound delivered to the end user in Chicago the seller netted 18 ¾ cents. The market traded lower over the next five years but traded back to 25 ½ by June of 1984. Being a “seasoned” trader of five years experience at the time I confidently told customers, “We’ve seen this before.” By June of 1986 tallow had fallen to 8 ¾ cents per pound when McDonald’s pulled edible tallow from their French fries recipe. So when we entered the recession of 2000–2001 brought on by the collapse of dot.com and tallow got down to around nine cents I once again uttered with confidence, “We’ve seen this before.”

I assure you I haven’t uttered that same phrase over the past 2–3 years. At the same time that government subsidies and mandates for ethanol and biofuels drove skeptics into the same camp as evangelists for alternative fuels, China and India

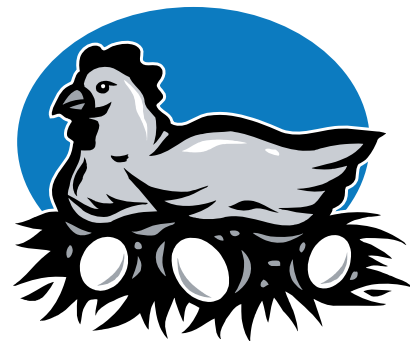
went on an unprecedented buying spree of all fats and oils. Concurrent with the resulting spike in value for fats and oils the railroads (over a period of years) increased their tariff rates, took away most mileage credits, and introduced fuel surcharges. So that net for the seller in Sioux Falls is more like 46 cents (because of increased demand) and if they chose to ship it to Chicago in a rail car it would cost the end user about 48–48 ½ cents (because of increased freight charges).

Adding even more confusion to our industry, the biofuels’ desire for softer fats has inverted the relationships between tallow and grease. Oleo chemical manufacturers have for the most part always desired harder fats made from beef by-products rendering (bleachable fancy tallow). The feed industry was the larger consumer of softer fats from hog by-products rendering (choice white grease)

“Concurrent with the resulting spike in value for fats and oils the railroads... increased their tariff rates, took away most mileage credits, and introduced fuel surcharges.”

and recycled restaurant oils (yellow grease). So for 28 ½ of the almost 30 years I’ve spent trading fats, tallow commanded a premium to grease. The biofuels industry, for the most part, desires softer fats. Because of the tremendous premium vegetable oils command over fats and because of the aforementioned Indian/Chinese demand at this time, the biofuels industry has driven the price of better grades of grease to a premium over tallow because “at least it’s cheaper than veg.”

We have added about 40% additional demand to the Chicago Basis market for tallow and maybe as much as 60% additional demand for choice white grease in the Midwest with the new biofuels industry needs. I said in a speech at the American Fats and Oils meeting in October 2007 that the only thing that would stop the price rise of animal fats once the biofuels demand kicked in would be raising the fats price level to a point where vegetable oils worked better for margin and yield. We may yet get to that point. *We’ve never seen this before.* **UB**



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Cover story

Continued from page 1

business is starting to adapt to the higher cost levels.

As escalating costs result in higher prices, customers purchase less product (this is especially true if demand is elastic which means that buyers will find substitutes). Some processors adjust their production to comply with the demand curve only to find that they have less finished product to spread their fixed expenses across.

As the industry contends with these overcapacity issues, packing and processing plants have been shuttered. Other companies are more fortunate to have opportunities in both traditional and emerging export markets or to find some point of differentiation that separates their product from the normal demand curve.

Higher costs are also affecting the form and marketing mix of what we eat as people start to trade down on the things they eat. Higher quality beef cuts, like

ribeyes and strip loins are in less demand. Conversely prices for things like low-cost roasts and hamburgers are getting more play at the supermarket. Even at the lower end of the price spectrum there has been downgrading, premium ground beef items like 93% lean ground sirloin are now displaced by 73% ground beef.

A society that at one time focused on huge portion sizes now sees a potential reversal in the trend as companies work to maintain a certain price point. Fast-food companies toy with smaller sandwich sizes. Packaging at retail is also changing. Net weights are shrinking on items like cereal, ice cream, cheese and other items. The trend favors those that sell by the piece, but is concerning to packers and processors that sell by the pound.

As you page through this newsmagazine pay special attention to the stories with the blue stripe at the top of the page as they will help identify, explain and quantify some of the cost challenges that we've experienced recently. **UB**

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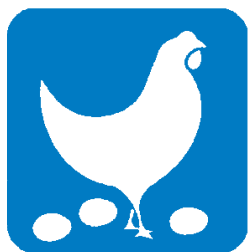
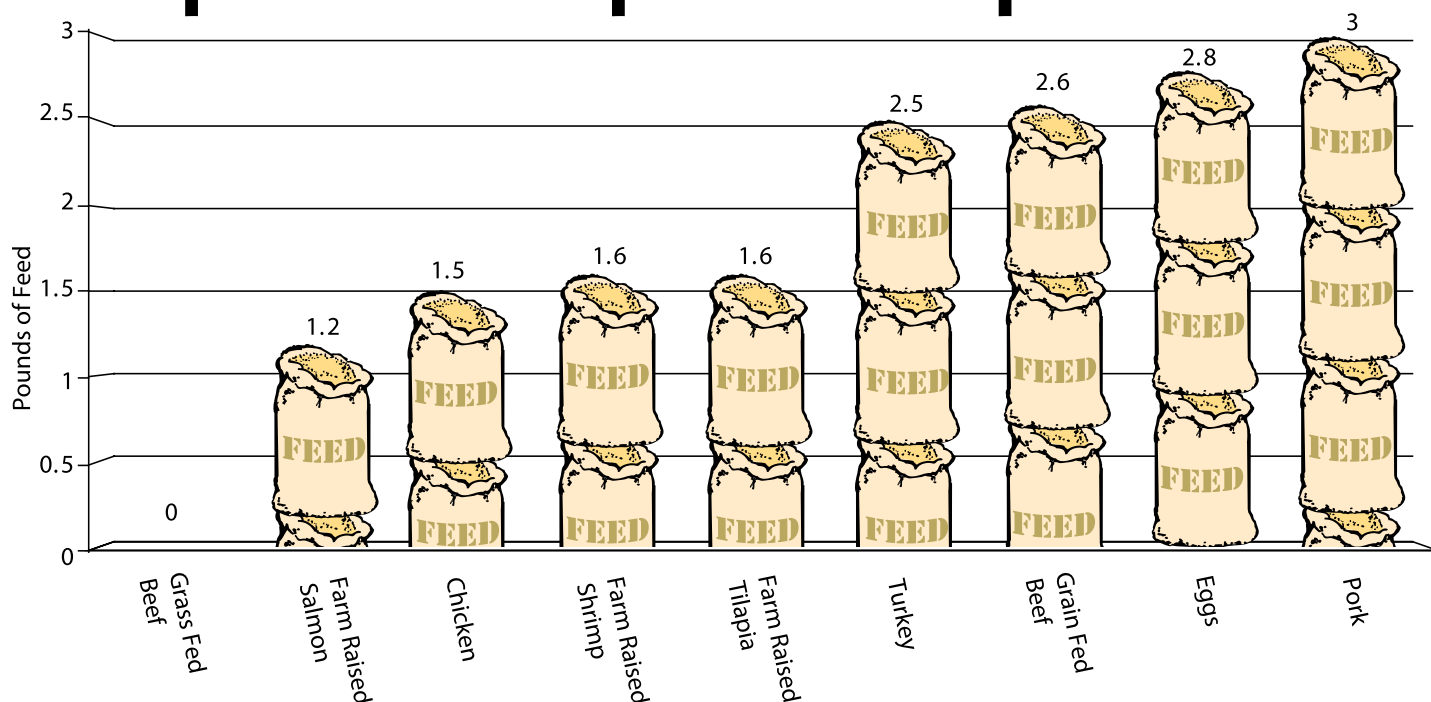
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Small seeds, big potential

The global race to produce alternative fuels that are both economical and environmentally renewable continues to be a key issue in politics here in the U.S. as well as around the world. Biofuels have become a fast growing industry, and although they do provide a number of benefits they have created their own set of complications. Now, a debate exists over the effect these alternative fuels seem to have on the price of food. The trade off of food for fuel has had a significant impact on corn prices, which have risen dramatically since 2005, not to mention

a trickle down affect on almost all of the proteins. As a result; many countries around the world, including this one, have started to research or are already using alternatives. One such alternative is a plant called Jatropha.

Jatropha is indigenous to most of Central America and has become well established in many other tropical and subtropical areas due to its adaptability. The hardy Jatropha plant is resilient to droughts and pests and produces large amounts of seeds; these seeds contain a large amount,



up to 40%, of oil. When the seeds are crushed and processed an oil is extracted; this resulting oil can be used uncut in a standard diesel engine. The residue can also be processed into a biomass fuel that can be used

to power electricity plants. Unlike other biofuels, Jatropha has the ability to be grown

on arid lands that are typically not suited for commercial farming, thus limiting any compromise for food production crops and eliminating the food for fuel trade-off.

“Biofuels have become a fast growing industry in the U.S...they have created their own set of complications.”

So why are we not planting fields of Jatropha right now; well there are drawbacks to consider. For starters, Jatropha contains multiple compounds that are considered highly toxic to both animals and humans, limiting the proximity to populations and livestock with which it can be grown. Complications in production have led many to determine that its productivity is variable, and the long-term impact of its large-scale use on the land and environment are still unknown.

Is Jatropha the miracle answer that everyone has been looking for? Most likely not, at least not on its own. More realistically this plant could be one of a number of alternative, renewable fuels that together can help the world as a whole reduce its dependence on petroleum based energies. **UB**

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From the recipe box...

Savory cephalopod makes a super salad

Octopus is an oft overlooked item in the United States. A staple of Mediterranean and Japanese diets, in the U.S., it is largely limited to ethnic and regional markets like Hawaii. Octopus can be tough and is best tenderized by boiling in water prior to preparation. The entire cooking process can last several hours in order to ensure tenderness. Raw, it is purplish in color, but cooked, the purple skin conceals a fairly translucent white meat. The flesh is very firm and somewhat chewy, though tender and possesses a mild, almost sweet flavor. All parts of the octopus can be consumed and is either eaten raw or prepared boiled, fried, grilled or stewed.



OCTOPUS SALAD

INGREDIENTS:

- 4-6 lb. octopus
- 4-5 celery stalks sliced
- 5 lemons
- 1 jar kalamata olives sliced
- 3 garlic cloves minced
- ½ large red onion chopped
- 2 Tbsp. seasoned salt
- ¼ cup olive oil
- Fresh parsley
- Salt and pepper

Preparation: In a medium-to-large stock pot, add 8 cups of water, juice of three lemons, two tablespoons of seasoned salt, and octopus. Bring to a boil. Simmer until tender, about 1 to 1 ½ hours. Test with a fork or sharp knife. Remove octopus, and when cool, slice into ½ inch rings.

In a separate bowl, combine celery, olives, garlic, onion, and octopus. Add dressing (recipe below), salt & pepper (as needed), stir and top with fresh parsley.

Dressing: Combine juice of 2 lemons, oil, and salt & pepper.

BUYING TIPS:

Pulpo, as it is commonly called, is mostly sold head on and normally cleaned before distribution, this means viscera, eyes and beaks are removed. The ink sac is used in many recipes and may be left with the animal. The skin is edible and therefore remains. Octopus is typically frozen in blocks and graded 1-2, 2-4, 4-6 and 6-8 pounds. Octopus smaller than one pound may be packaged for retail sale. Octopus meat products are also available. Raw, it is purplish in color and should smell of the ocean. **UB**

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Buyers' guide to purchasing seafood

In an effort to help seafood buyers determine fraudulent products, the National Fisheries Institute is trying to promote economic integrity within the seafood industry. Three areas of concentration are transshipment of products, mislabeling of products or species substitution and mislabeling of weights or counts of products.

Transshipment of products occurs when a product from one country is sent to another country and then shipped to the U.S. The reason that importers might do this is to avoid tax or tariffs that are owed to the U.S. or import embargoes or restrictions. The U.S. requires that all seafood products of foreign origin be labeled with the proper country of origin. When foreign exporters transship their products through third countries, these products may enter the U.S. with an incorrect country of origin, an unlawful practice. Buyers need to be aware of this



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because this illegal product can be seized by the government.

Short-weighting is simply getting less than what you pay for, which can be costly for

buyers. Those who deliberately short-weight products may also offer discounts to give them an edge over their competition. This can make it challenging for those who are legitimate sellers to compete and sell their



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product for true market value. A pound or even a few ounces less than what a buyer pays for could become very costly.

Another practice by dishonest importers is the deliberate tampering with actual weight or net weight of seafood by adding extra water/glazing or breading during processing. It is a customary practice for processors to use a light glaze which protects the product from dehydration or freezer burn. However, many packers add extra product to the box to compensate for the added weight. A buyer should only be required to pay for the actual weight of the seafood product. To avoid being duped in this manner, buyers should weigh products when they are thawed and compare that to the frozen weight in order to help determine the percentage of water. With breaded products, the FDA requires

“A buyer should only be required to pay for the actual weight of the seafood product.”

that breaded shrimp contain at least 50% shrimp.

Sodium tripolyphosphate (STP) is an accepted practice which helps seafood retain its water. However, when misused it can cause an increase in the weight and therefore affect the actual value. For example, when shrimp or scallops are bumped up to a higher weight, their price per pound can be higher. The FDA has set percent-moisture guidelines and labeling requirements for treated scallops, however, no standards exist for shrimp.

The U.S. does have standards for the grading of fresh and frozen shrimp. Grade “A” shrimp is examined for good flavor and odor, uniformity of size and weight, and the absence of defects which include dehydration, black spots, and damaged or broken unusable materials.

Another serious issue is falsifying labels of the actual species. Proper labeling is critical. Buyers should only accept seafood products that are labeled with names

recognized by the FDA. A list of these names can be found the FDA’s Web site www.cfsan.fda.gov/~frf/seaintro.html.

The Food and Drug Administration (FDA) is responsible for regulating proper labeling of interstate commerce, however, the responsibility for food product’s safety, wholesomeness, identity, and economic integrity lies with the processor or importer. They need to comply with regulations that are set by the Federal Food, Drug and Cosmetic Act (FFDCA) and the Fair Packaging and Labeling Act (FPLA). These rules are explained in *A Practical Guide to the Regulation of Seafood in the United States*.

In other instances, importers or processors have been known to replace a species of higher value with that of lesser value. In some cases the species may be very similar looking, particularly if they have been filleted or further processed. Urner Barry’s *The Commercial Guide to Fish and Shellfish* is a useful reference for proper species identification. **UB**



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Target marketing turkey consumers through new interactive outlets

*Contributed by the
National Turkey Federation*

In order to reach their goal of increasing turkey consumption, the National Turkey Federation (NTF) is targeting two new audiences—the young and the culinarians—through two different interactive mediums.

To reach a younger audience, NTF chose to create excitement on Facebook, a social networking Web site that has generated a significant buzz around interactive online communities. Home to more than 69 million users worldwide, the site allows members to upload photos, get

the latest news from friends, and join sub-networks across a variety of groups.

NTF created a customizable talking turkey “voki” cartoon, which users are able to post on their personal pages.

NTF targeted this cyber community by using the cartoon to inform users that June is Turkey Lovers’ Month®, as well as encourage them to visit www.eatturkey.com to learn more about turkey and turkey products.



The turkey delivers a humorous, customizable message. It wears a t-shirt that says “Shake Your Tail Feather” and includes the www.eatturkey.com URL. The turkey voki also says, in faux British accent, “Do I make you hungry? Happy Turkey Month!”

The voki platform allows users to send the talking turkey to friends, or post it on a social network profile area or a blog.

“Our goal was to get Facebook users thinking and talking turkey, by placing the talking turkey on their profile page,” said Sherrie Rosenblatt, NTF’s vice president of marketing and communications. “We believe this hip, relevant message resonated with the target audience and inspired them to pass the turkey voki along to their friends.”

“Our goal was to get Facebook users thinking and talking turkey, by placing the talking turkey on their profile page...”

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During the month of June, more than one million users downloaded, passed along or visited the voki. On average, users spent 16 minutes playing with the voki and interacting with the NTF brand. The application attracted more than 35,000 unique visitors per day. Media coverage added to its success with 84 articles written about the innovative promotion, reaching a readership of nearly 56.3 million. Additionally, a news release posted on a third-party Web site garnered more than 82,000 headline impressions and 3,064 full-page reads. The animated turkey even loomed large over Manhattan's Times Square on the *Reuters News Board* four times during the second week of June.

Visitors to the NTF Web site can still see the turkey voki and send it to a friend by visiting www.eatturkey.com/consumer.html.

To target culinarians, NTF partnered with a well-known presence in the cooking world, America's Test Kitchen (ATK). On the ATK Web site, www.AmericasTestKitchen.com, NTF placed

a 15-second video featuring tantalizing turkey plate shots to entice viewers to visit www.eatturkey.com. During the months of June, July, August and November, NTF will present their message to online visitors within the TV OnDemand section of ATK's Web site. Along with the video, a banner ad appears throughout the segments to drive traffic to www.eatturkey.com. Through this underwriting partnership, NTF is reaching out to ATK's loyal audience of cooking enthusiasts.

In June, the NTF video was viewed nearly 29,500 times and more than 200 Web users clicked on the NTF banner

ad. In addition, Americastestkitchen.com was the 16th top referring site to www.eatturkey.com.

Through these new online mediums, NTF has found success in targeting two very different audiences. Each uniquely positions www.eatturkey.com as the authority on turkey recipes, information on turkey products and preparation tips. **UB**



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New York food traditions uncovered

Years ago, culinary enthusiast, Dan Estridge, had a passion for food. As a child growing up in New York, he would sample some of the finest deli meats he had ever tasted all over New York City's neighborhoods, from

Brooklyn to the Bronx. Estridge says he was exposed to some of the greatest food traditions of the earliest 20th century. Then, as the years went on, he moved to Massachusetts where it became obvious that the old-style deli food he that loved as a child was hard to find.

"You can find a lot of products in the marketplace claiming to be original New York Deli, but today, sadly, it's more in name than in substance," said Estridge.

So at 50 years old, Estridge, the "culinary archeologist," realized his interest in creating the best in food was something he wanted to explore more deeply. He set out on a journey, and after many years of searching, digging and sifting through New York Deli rubble, he

finally unearthed the "Deli Scrolls" and founded Manhattan Deli-Arts™, a tribute to the culinary heritage of the original New York Delis.

Manhattan Deli-Arts, located in Westford, MA, is dedicated to the protection and preservation of great, endangered food traditions—especially those associated with the melting pot of early 20th century. His first treasure to debut was "The Great Lost Pastrami." Separating it from other pastrami is the method of preparation—gently cured, and marinated with an original blend of 16 whole-grain spices, hand-rubbed with a unique all-natural pre-smoke rub and then smoked with real hardwood as it slow cooks to perfection.

All of the Manhattan Deli Arts products have been well-received by the marketplace. Other available products from Manhattan Deli Arts include: "The Great Lost Corned Beef," "The Historically Essential Pastrami Hash," and "The Historically Essential Corned Beef Hash." Product lines are available for retail and foodservice distribution at leading Boston area specialty stores. **UB**

"You can find a lot of products in the marketplace claiming to be original New York Deli, but today, sadly, it's more in name than in substance."



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The challenge of trimming costs

Discretionary income, or should we say the lack of discretionary income, has forced many consumers to change how

and what they feed themselves and their families. Mainly attributed to rising food and energy costs, as of June 2008, U.S.

consumer prices surged five percent when compared to year ago figures, the largest jump since 1991. The family cook is now challenged with preparing creative meals using cost effective purchasing, and “staycation” becomes a popular buzz word associated with families cancelling vacation plans as they look to curb optional spending.

Belt-tightening consumers have reacted to unbridled inflation by eating out less often. If you were a frequent customer at casual dining restaurants, you may find yourself now pulling into fast-casual or QSR (Quick

Service Restaurants) establishments.

White table cloth establishments, which are normally insulated from downturns in spending, have seen drops in revenue. Gourmet style angus burgers have made their way onto the lunch ‘special’ menus at traditional upscale steak house restaurants, with chefs seeing the need to modify their offerings to attract business. Perceived as a value, “all you can eat” style family dining restaurants have seen a slight resurgence in sales and meal counts during this period of slumping economy.

The consumer is not only “trading down” with their dining out preferences, but also now opting to buy lesser quality and generic products instead of the more costly national brands at the retail supermarket. They’re also buying more items on sale, as well as using more coupons. Varied and non-traditional merchandising methods of beef, pork, and poultry to optimize profits are occurring.

Retail supermarkets have increased their features of lower cost fresh poultry items such as split chicken breasts and leg quarters, due to the shift in spending by the consumer. Rather than grilling a tasty T-bone or porterhouse steak, the barbecue aficionado is spending more time cooking lower cost items such as the time-honored hamburger, hot dog, sausage or bratwurst. Less expensive steak cuts such as the boneless sirloin or chuck steak have also seen improved demand at the retail counter.

During times of economic stress, family food expenditures may be the first area where choices have to be made. “Trading down” to cheaper alternatives will occur initially as families seek to restrain spending, but as adjustments are made to other areas of the family budget, a return to typical trends of eating usually returns. **UB**



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Richard Gutting, lawyer and seafood regulation expert, will be sharing his research and expertise with Foreign Trade Data customers

“Rather than grilling a tasty t-bone or porterhouse steak, the barbecue aficionado is spending more time cooking lower cost items...”

Research shows: ethics matter more than sustainability



Adapted from a Seafoodnews.com editorial comment by John Sackton which originally appeared on May 12, 2008



New research on how consumers reward sustainability and ethical behavior has some very interesting implications for the seafood industry.

The *Wall Street Journal* set out to determine whether consumers will pay a premium for products produced in a sustainable, environmentally responsible manner. The premise that consumers will reward this behavior underlies the entire sustainable seafood movement from the Marine Stewardship Council to the Monterey Bay Aquarium and many others.

The research shows some surprising results which strongly support the seafood industry's approach to sustainability, rather than the all or nothing approach of many NGOs. More importantly, research also shows that while consumers will reward sustainability, they will punish unethical behavior even more.

FIRST, THE POSITIVE NEWS FOR THE SEAFOOD INDUSTRY.

The *Wall Street Journal* set up several social science experiments to estimate how much

of a premium, if any, consumers would pay for products that were produced sustainably using coffee and T-shirts as their test products.

A group of random adult coffee drinkers were given information regarding a brand not sold in the U.S. After reading about the company and its coffee, they relayed the price they were willing to pay on an 11-point scale, from \$5 to \$15. The results showed the mean price for those who understood the coffee was sustainably produced was 17% higher than a control group who had no information. For those who were told negative things about the brand, in terms of ethics, the mean price was 29% lower than the control.

The *Journal* then designed a follow-up test. A group of subjects were recruited to purchase T-shirts, made with 100% organic, 50% organic, and 25% organic cotton, or with no organic cotton.

Researchers concluded that the premium consumers were willing to pay for a sustainable product was a matter of degree,

not a simple yes or no. For the seafood industry, these results suggest a real benefit exists in the industry's approach of moving towards sustainability across a wide range of seafood products. It means that as the number of seafood products responsibly harvested grows, the industry as a whole can reap the benefits of being sustainable in the consumers mind.

THE OTHER PART OF THIS EXPERIMENT PROVIDES A CLEAR WARNING SIGN FOR SEAFOOD.

Although the industry has made great strides on increasing the amount of sustainably sourced seafood, both wild and farmed, the integrity of many seafood products has been slipping.

While the National Fisheries Institute began a campaign against illegal activities such as short weights, mis-labeling and illegal product substitution, such practices continue to be rampant in our industry. Some of the NFI members who have committed to 100% net weight have lost substantial business to less scrupulous operators.

The *Wall Street Journal* test shows that when unethical behavior is publicized and known to consumers, they react very negatively and the value they are willing to pay for products in these circumstances drops drastically.

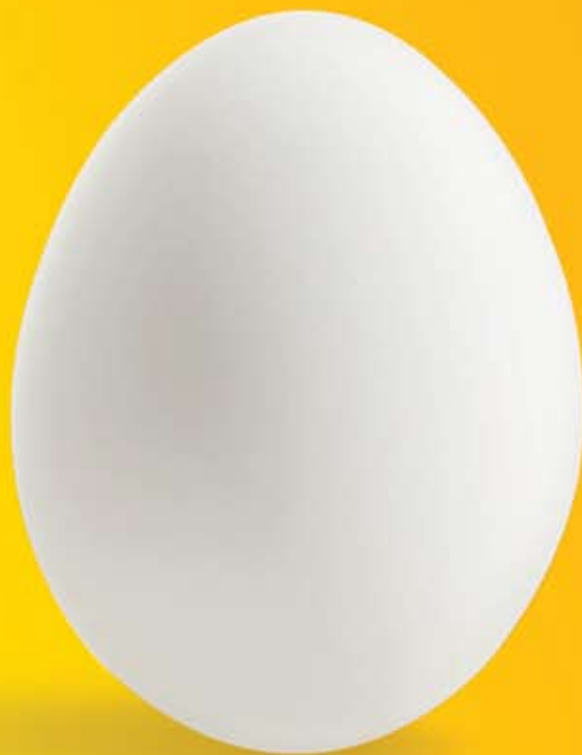
Seafood is, by and large, riding a wave of popularity, and the effort of the NGOs to promote sustainable fishing and the industry's response have increased this popularity, not hurt it. The study by *The Wall Street Journal* has a timely warning: the same consumers that have driven the growth in seafood popularity could turn on the industry in a heartbeat if they felt widespread unethical practices were rampant.

Today, can we honestly tell them they are not?**UB**



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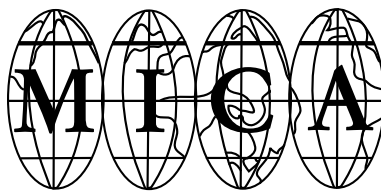
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Q and A with... **Laurie Bryant**

Laurie Bryant has spent his entire life in the meat industry. Born on a sheep and cattle seed stock farm just north of Wellington, New Zealand, Laurie got his degree in Agriculture Science with a Major in Economics and Marketing from Massey University in New Zealand. His career has taken him with the New Zealand Ministry of Agriculture, the New Zealand Meat Boards (now called Meat and Wool New Zealand) and more recently Laurie is the Executive Director of the Meat Importers Council of America (MICA), a group that exists to foster the trade, commerce and interests of importers and exporters of meat.



“...barriers associated with animal health and food safety restrictions are pressing issues fueled by misinformation and political agendas rather than facts.”



URNER BARRY'S REPORTER: What's the most pressing issue today that you see in the meat industry?

LAURIE BRYANT: With everything that is happening in the industry today it is difficult to identify just one issue as the most pressing. Domestically the dramatic escalation in livestock feed costs has to be the most pressing issue. The real impact of this has still to be seen but it will undoubtedly impact future production of all meats with implications for further declines in capacity utilization and more industry restructuring.

Internationally the distortions to trade resulting from barriers associated with animal health and food safety restrictions are pressing issues fueled by misinformation and political agendas rather than facts.

UBR: The weak U.S. dollar and increased buying power from countries such as Russia has severely constricted the flow of meat from other countries to the U.S. How do you see the U.S. competing for beef supply in the world market going forward?

LB: The U.S. market will continue to struggle to attract beef imports for a number of reasons, of which the dollar is only one. But I do see some positive signs

that should contribute to some recovery in imports going forward.

The re-entry of U.S. beef into Korea will undoubtedly displace some Australian and New Zealand product from that market and some will come here.

Another problem has been the displacement of Brazilian product from Europe and, to a lesser extent, Russia because of concerns over foot and mouth disease and the effectiveness of their traceability system. I would expect the deficiencies in the system to be addressed so that product can be sourced from an increasing numbers of farms over the coming months. The result may be some recovery in U.S. imports from Uruguay, which are discouraged by a small tariff rate quota and a 26.4% duty on over quota product, but probably not until 2009.

Imported beef prices have been at record levels and it is simply a question of whether there will be a price adjustment in the European and Russian markets when Brazil's access improves while at the same time U.S. imported beef prices hold firm at these higher levels, compensating for the weak U.S. dollar. If that scenario proves to

be correct then supplies will improve.

UBR: Recently the U.S. government required Australia and New Zealand and Uruguay to get *E. coli* certification on the beef they send to the U.S.—was this warranted?

LB: *E. coli* O157:H7 is a serious food safety issue in the U.S. and it occurs in all countries, albeit at varying levels of incidence. As a result *E. coli* testing programs have been undertaken in supplying countries for many years. While there have recently been changes in the

methodology employed for testing, consistent with changes in testing methodology employed by the domestic industry in the U.S., the recent introduction of point of entry testing by FSIS

has been the change that has created the greatest concern. This development has meant that processors in supplying countries are having to do much more than the U.S. domestic industry to ensure that there is no major recall in the unlikely event of a positive point of entry test.

UBR: The media was focused on the safety of the food that we import—how safe is the meat that we get from Australia/New Zealand, Uruguay and other countries?

LB: Meat imports from the limited number of countries that are approved to export to the U.S. are safe.

The media issue has arisen as a result of issues surrounding foods that are under the oversight of FDA not those for which USDA has responsibility.

Prior to being able to export meat and poultry to the U.S. FSIS will undertake an in depth review of the inspection systems operated by the competent authorities in the supplying country to determine whether it is “equivalent” to the inspection system in the U.S. If a country's inspection system is equivalent to the U.S.'s only then can individual

plants be certified to be able to export meat to the U.S., provided those plants meet all the standards required for the U.S. market.

FSIS employs two methods to ensure that the required standards are maintained in supplying countries. First they undertake regular audit of the supplying country's inspection system, including visits to plants approved to export to the U.S., to ensure standards are maintained. The second check is the random point of entry inspection of meat including residue testing and now testing for *E. coli* as well.

As a result imported meat is subject to more inspection than domestic because of the re-inspection that occurs in the US after it has already been inspected prior to export.

UBR: Brazil is a major producer of red meat and has the capacity to send us frozen manufacturing beef among other items. When do you think we might start seeing non-cooked product in the U.S.?

LB: This is one of those questions that is impossible to answer as the decision on access to the U.S. for fresh or frozen meat rests with USDA and the U.S. Administration which has been very slow in approving access for countries with a history of foot and mouth disease. A case in point is access for the Patagonian region of Argentina which is internationally recognized as free of foot and mouth disease without vaccination. The comment period for a proposed rule that would allow imports from this region closed in early March 2007. The final rule has still not been published 16 months later.

UBR: Country of origin labeling starts on September 30. How will this affect the business?

LB: In my view the main impact is likely

“Meat imports from the limited number of countries that are approved to export to the US are safe.”

to be an increase in the cost that will be incurred between the cow calf operator, who is the only one that can attest that a calf is born in the U.S., and the ultimate consumer. I do not see the consumer paying any more for their meat, as that is determined by supply and demand and I don't believe demand will be affected. That leaves the cow calf operator with the bill for this program as everyone else in the system operates on a margin and will pass back any increase in costs they incur.

As far as imports are concerned, there will probably be some impact on Canadian live cattle more so than on retail meat cuts. Identification of imported meat is simple because the country of origin is right there on the box. Consequently the impact on processors and retailers will be limited to any labeling complications that arise with record keeping much less difficult than for domestic meat and imported live cattle. The need for the packer to segregate live cattle by county of origin will be an additional complication. **UB**



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Simplified navigation



L.L. Bean heir

Continued from page 1

expected to exceed 2.2 million pounds this year—10% of the anticipated Knox County Supply.

John Petersdorf, Port Clyde Lobster vice president and general manager, acknowledges that starting up a new lobster business right now is a bit of a challenge given rising fuel and bait costs, however, says that Bean is energetic, and “She’s really promoting the product and trying to keep the lobster in Maine [to be processed].”

He adds, “Sustainability is very important to her. It’s going to be important in the

marketplace. Large restaurant chains and companies are saying we are not going to carry your product unless it is sustainably harvested.”

This issue is so important to her that recently, Bean’s family company took a leadership position, along with North Atlantic Lobster Company, to help raise \$250,000 to achieve independent certification and eco label recognition of the sustainability of Maine’s natural resource of wild-caught lobster. Both Bean and Hank Rimkewicz of North Atlantic Lobster



in Danvers serve on the Fund for the Advancement of Sustainable Maine Lobster that is raising the grassroots money for the certification of what they observe are current sustainable practices of Maine lobster fishermen. Application is being made to the Marine Stewardship Council (MSC), based in London, England for the certification.

Established in 1997, the MSC offers fisheries that are certified as “sustainable” with use of the MSC blue ecolabel that assures consumers that the fishing grounds for their purchases are not overfished or harvested in a way that harms the ocean environment. The label is receiving more and more demand by the consuming public, most especially by the “greening” of American grocery marketing leaders. Currently the MSC is the lead organization promoting sustainably harvested seafood.

In February, Bean was appointed by Governor John Baldacci of Maine to sit on the private sector group’s working team for Maine lobster.

“Lobstering is a way of life in Maine and MSC certification is an important element needed for the future of our industry. I want our lobstering men and women to get the national recognition they deserve. With the MSC certification, their catches will be in high demand and well positioned for global markets,” added Bean.

Bean is also a licensed wharf buyer of wild Maine shrimp currently packaged under the label Port Clyde Wild Maine Shrimp and available both frozen and fresh.¹⁸

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Answers to the quiz on page 17:

1. A. Carapace
2. B. 5
3. C. China
4. D. Less than 10%
5. C. White Shrimp
6. A. Green Mussels
7. A. Orange Roughy
8. B. Tilapia
9. A. True

Escargot:

“edible snails” offer delightful flavor, texture, health benefits

As one of the most popular and traditional dishes in French cuisine, escargot have been used for thousands of years for human

consumption. Many Americans are unfamiliar with this mollusk; however, in other parts of the world, finding it on the menu is just as common as is finding muscles or clams.

“Often found in fine French or Mediterranean restaurants in the United States, escargot is said to have a quite ‘delightful flavor and texture.’”

them to empty their entrails.

An excellent addition to one’s diet, snails are full of calcium, protein, iron, zinc, potassium, selenium and magnesium. They are also known to be high in health-benefitting essential fatty acids such as linoleic acids. A study on a species in Brazil estimated that 75% of the fat in snail is unsaturated fatty acids, the good kind.

As of 2007, France still led the world in snail consumption at approximately 20,000 tons per year. It is surprising to learn that most of the product served in France actually comes from Russia, Poland, Greece, Turkey and Indonesia. Many are, however,

Escargot is simply a term for “edible snails.” Formally, it is the name for a preparation of snails that can be served with a variety of sauces. Often found in fine French or Mediterranean restaurants in the United States, escargot are said to have a quite “delightful flavor and texture.”

Snails for escargot are most commonly prepared either boiled or steamed. They are usually served on a special plate with six cavities to hold the snail, within its shell, in place. The dish has a rim to prevent the unique dipping sauce from spilling. Proper etiquette calls for snail tongs and a slender two-pronged snail fork. Diners use the tongs to hold the snail shell while they extract the meat and use the fork to pull out the contents from the shell and dip it into a savory sauce.

Snails used in escargot can be collected from the wild or farmed. No matter what variety, after harvesting, they must go through a period of fasting for approximately one week to cleanse the intestines. When not properly emptied, the dishes are said to turn bitter. During the fasting period, the snails are washed every other day with running water to stimulate

MENU MAKEOVER



processed in France and therefore get the French label attached.

“When we tell British tourists that Burgundy snails, even with a ‘Made in France’ stamp on them, in fact come from Eastern Europe, they are shocked and disappointed,” said Mr. Bonis, France’s first and only certified organic snail farmer. **U**

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