

The Reporter outlook ...

Many markets reaching and surpassing their all-time peak



“Higher”—A single word that has been repeated to exhaustion among participants across protein markets for many months. Higher is also a word that forms the foundation for many of our market outlooks contained in this issue. From beef and pork to chicken, turkey, eggs, and seafood items, we have seen a mix of stable climbs to outright explosions in product and livestock values in the second half of 2013 and the first quarter of 2014. Cattle production issues and a widespread hog virus have left the cash-strapped consumer navigating meat cases with prices that

are just not feasible for some families. High beef prices don’t typically equate to increased egg or tilapia sales, but when beef, pork and poultry have exceeded a given family’s budget, cheap, alternative proteins can tend to prosper.

Through several of the articles in this issue we explore an evolving landscape where these interdependencies between protein markets merge with traditional independent factors like supply, demand and exports to send a broad spectrum

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Buffalo Wild Wings CEO:

Turkey and egg offerings are in the works

Urner Barry's Executive Conference posts highest attendance in years ...

During Urner Barry's 38th annual Executive Conference and Marketing Seminar, Buffalo Wild Wings CEO Sally Smith told one of the largest crowds in the event's recent history that turkey and egg menu options were under strong consideration at the “wildly” popular chicken wing establishment.

The statement was revealing for the wings-and-beer sports restaurant chain that just reported a 73 percent increase in first quarter earnings.



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Buffalo Wild Wings CEO Sally Smith

On the inside



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*The evolving landscape
of the protein markets.*



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addresses Urnner Barry
Executive Conference Attendees**

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Looking ahead, National Turkey Federation's 75th year sets increased demand for consumption

Contributed by the
National Turkey Federation

From the National Turkey Federation's beginnings in 1940, the principle stated objective was to increase consumption. The centerpiece of the signature holiday meal, turkey has developed as the year-round and 'round-the-clock product for breakfast sausages and turkey bacon, deli lunch and turkey dogs, ground turkey and grilled turkey tenderloin, savored sips of turkey soup, as well as snacks of turkey drumsticks and turkey wings. Over the past three decades, turkey has been on the move in the marketplace, but the challenge is to not just diversify the whole turkey into its delicious, lean, protein parts, but to increase domestic consumption beyond the 16 to 17 pounds per person where it has hovered.

NTF Chairman Gary Cooper laid down such a challenge at our 2014 convention: achieve 20 pounds per capita consumption of turkey by 2020. Gary built his challenge on the outcome of the 2012 NTF Strategic Planning Meeting, when the Federation leadership said they wanted NTF to move away from the umbrella-type marketing programs that had been tried before and to build a unified communications program to protect and promote the image of turkey and the turkey industry.



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The Turkey Demand Enhancement Team has generated a comprehensive list of challenges and opportunities with the goal of increasing turkey consumption beyond traditional boundaries such as being a deli lunch favorite.

Product promotion clearly was to be part of that program, but the specifics of where product promotion fit and what goals it should achieve were left to be determined by the membership.

Gary's family business, Cooper Farms, is still fresh from its 75th celebration, and his perspective on that retrospective brought him to his year as NTF chairman asking the right questions: What should NTF be doing to increase turkey demand? What should the growers and processors be doing individually? How can those efforts be merged seamlessly into NTF's

overall communications strategy? And, finally, how do you build a sustainable program that is as valuable during times of strong industry profitability as it is in times of industry distress?

Gary and the NTF staff assembled a Turkey Demand Enhancement Team. In late March and throughout May, the team has refined the approach from a comprehensive list of challenges and opportunities for increasing turkey consumption. An important key to Gary's goal is his readily-grasped need for measuring true turkey demand. A spike to 20 pounds per capita consumption may not be meaningful if it is not sustainable. The challenge is to keep demand steadily rising and seldom, if ever, falling. Determining real demand for turkey and determining how this includes overseas consumption of U.S. turkey is critical. Measuring with a unique demand metric helps better define progress.

To understand what our opportunities are, we identify why the general public's eating habits do not include turkey more often. What are the barriers to eating turkey regularly? Is it a lack of understanding how to prepare the protein at home, or turkey not being available in enough restaurants and other foodservice outlets? Is more product variety needed? Are we not taking full advantage of export opportunities? Do we have a greater opportunity with Millennials than we had with their parents?

As the federation of members benefitting from the sales of turkey domestically and worldwide, NTF provides a catalyst and resource. As Gary acknowledges, "20 by 20" is a catchy phrase, but it may not be the best measurement of ultimate success. In fact, fully identifying the challenges and accurately measuring demand could be the lasting legacy that exceeds any specific strategy or tactic from the goal of increasing demand. **UB**



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The American Egg Board continues taking back Easter

Contributed by By Joanne C. Ivy,
CAE President & CEO, American Egg Board

Building on the efforts of the last two years, the American Egg Board (AEB) is pleased to share an update of its marketing efforts surrounding THE egg holiday—Easter! AEB's Easter program generated more than 162 million media impressions

through its public relations efforts and 214 million through its print and online advertising. Results for in-store promotions and coupons are expected by AEB's July Board Meeting.

From hard-boiling to egg decorating to recipe ideas, we've given the season's cherished hallmark an update that's both

on-trend and accessible, encouraging consumers to purchase an extra dozen eggs this Easter—one for eating and one for hard-boiling and decorating. We have leveraged this strategy by creating and implementing a fully integrated marketing campaign through advertising, shopper marketing and traditional and social media.

While results are still rolling in, we are pleased to say that this year's Easter effort was our biggest yet, with more advertising, social media and PR, reaching more people via new and impactful partnerships. Highlights included:

- **Egg-dgy HGTV Designers:**

Enlisted HGTV design family, the Novogratz, to shake up the egg decorating conversation and provide consumers with funky, unique ways for families to design Easter eggs. Their designs have appeared in a variety of outlets, including *Pop Sugar* and *Celebrity Parents Magazine*. The design duo—along with five of their children—also demonstrated hard-boiling and decorating tips on *Fox & Friends* the day before Easter.

- **Integration with ABC's *The***

***Chew*:** Partnered with *The Chew* to develop an integrated promotion including an on-air segment and digital buy. The segment demonstrated how to

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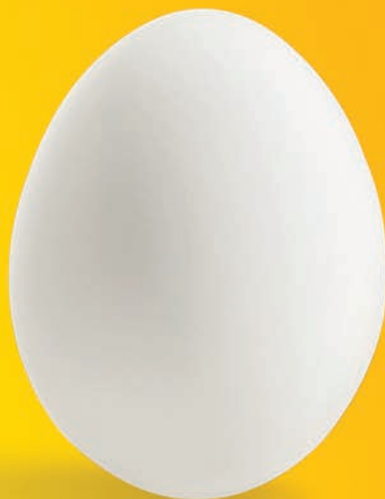
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Our slogan "We Deliver... More Than You'd Expect" signifies our "can do" attitude and approach. In turn, our growing customer list powers MOARK's sector-leading growth and status as a major marketer of fresh eggs in the U.S.



From hard-boiling to egg decorating to recipe ideas, AEB provided consumers with demonstrations and decorating tips.



AEB was also at the White House's South Lawn on April 21 to celebrate the annual Easter Egg Roll with an interactive, custom exhibit that celebrates an egg's journey from farm-to-table.



properly hard-boil eggs and featured all of the hosts decorating eggs using our HGTV designer tips. The digital buy included banner ads running on ABC.com along with promotion on *The Chew's* online properties.

24 hours. In-store signage also appeared in 7,800 stores. Last year, we saw a 4% lift last in stores with signage vs. stores.

• Paid Promotion on *Huffington Post*:

To highlight the Novogratz' decorating tips, we partnered with the *Huffington Post* to produce an Easter slideshow featuring their designs. In addition, Incredible Egg ads surround the article on the *Huffington Post* Food section, and the content was promoted on the *Huffington Post* homepage.

• **Social Media:** We joined conversation around the popular TV show, *Game of Thrones*, with our own "dragon eggs" that we shared on Twitter and Facebook. The content received the highest interaction of all-time on AEB's Twitter page. In addition, we executed a robust social activation that included Facebook coupons and giveaways, a Twitter #Foodiechat, Pinterest golden egg hunt, promoted content, Faberge #TheBigEggHuntNYC and more.

• Retail-Related Promotions:

For the second year in a row, AEB partnered with Keebler Crackers to offer 3 million on pack coupons for a Dozen Free Eggs with the Purchase of Two Boxes of Crackers. Last year's offer received a 7% redemption rate. In addition, AEB offered coupons for \$.55 off the Purchase of Two Dozen Eggs via Facebook. Nearly 50,000 of those coupons were downloaded in just over

• Virtual Farm Field

Trip: In addition to cooking and design tips, we leveraged the timeliness of the holiday to host a virtual farm trip to showcase the farm-to-table process with Discovery Education. This was the third year hosting the field trip, and we hit a record number of viewers with more than 200,000 students and teachers across the country tuning in to

learn more about egg production. This tour ranks number one in attendance of all Discovery Education field trips!

• White House Easter Egg

Roll: We also were on The White House's South Lawn on April 21 to celebrate the annual Easter Egg Roll with an interactive, custom exhibit that celebrates an egg's journey from farm-to-table. As always, AEB provided real eggs for the Egg Roll! The 37th Commemorative Egg was also presented to the First Lady and the President on behalf of America's Egg Farmers by AEB Chairman Paul Sauder and me.



The 37th Commemorative Egg was presented to the First Lady and the President on behalf of America's Egg Farmers.

Lastly, we have also seen a growing interest in the business story behind the increasing popularity of and demand for eggs. The *Associated Press* recently published a story exploring the growing trend of topping a variety of foods with eggs. *Bloomberg* also published a story that provided insight into the history behind egg demand and consumer prices. Both stories have been picked-up and syndicated by a number of top-tier and local outlets.

If you would like more information on AEB programs or recent results, please do not hesitate to contact me by phone, 847.296.7043, or by email, jivy@aeb.org. **UB**

Looming sustainability crisis

In light of recent studies done by the Intergovernmental Panel on Climate Change (IPCC), many people are beginning to worry about the state of food sustainability for the future. With huge booms in population expected between now and the year 2050, some people are raising the question: "Will we have enough?"

According to a report published last year by the United Nations, the world's population is projected to increase by nearly one billion people within the next 11 years, totaling approximately 8.1 billion people by the year 2025, and is expected to rise to an even greater 9.6 billion by 2050. With so many more mouths to feed, many are beginning to fear that projected increases in production may not be sufficient to meet the increasing demand.

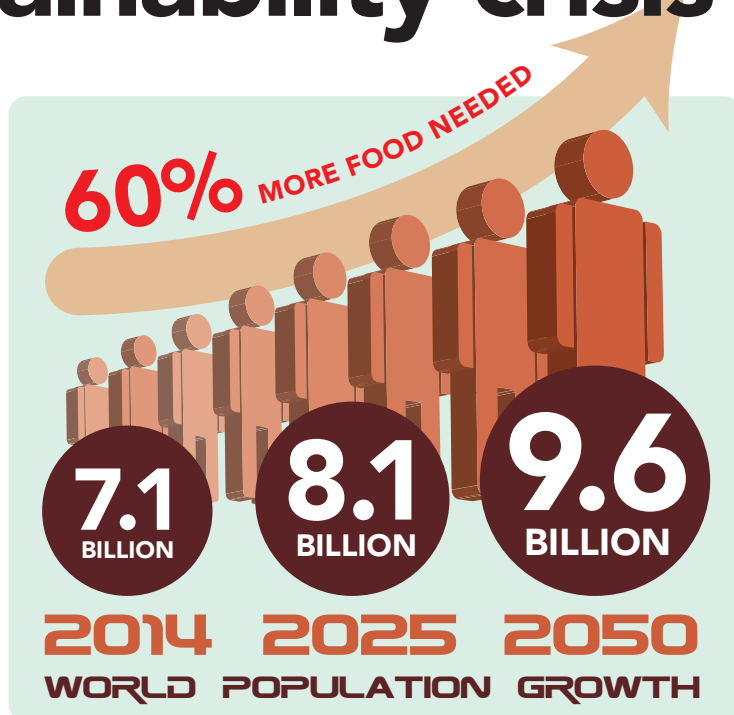
The IPCC's fifth assessment report states that in order to feed such a large population, approximately 60% more food will be needed, assuming current consumption and waste levels remain about the same. The report also states that even with "more than enough food" currently being produced, an estimated 870 million people went hungry in 2012 due to insufficient access to food and rising costs.

Due to recent developments in animal science and technology, companies like Elanco claim to have a solution. Elanco is a growing company that specializes in targeting and treating harmful diseases that arise in livestock and other animals, and works closely with livestock producers

to combat potentially life-threatening illnesses such as bovine respiratory disease in cattle. In a press release, the company's president Jeff Simmons stated that "we have... the technology that would enable us to meet consumer demand in 2050. But we need to give farmers the ability to access and utilize

this technology and ensure that proven innovation and farm practices which maintain health and productivity are available for use."

Not all advancements in animal production science have proven to be wholly beneficial, however. The IPCC's assessment report cites Irene Hoffman, an animal production and health expert with the FAO, who stated in a 2010 article published in the International Society for Animal Genetics' Journal that "with increasing milk yield in dairy cattle, growth rates and leanness in pigs or poultry, metabolic heat production has increased and the capacity to tolerate elevated temperatures has declined. In the



long term, single-trait selection for yields will therefore result in animals with lower heat tolerance." With Mother Nature as unpredictable as ever and with average temperatures expected to rise, a lower tolerance to heat could be fatal to a variety of livestock breeds across the board.

The IPCC is also reporting that crops may be in danger as well. Due to rising maximum daytime temperatures and unusually hot nights, negative effects have been observed in crops like rice. High temperatures prove to have negative effects on the quality of these crops, and can sometimes even be lethal. As a

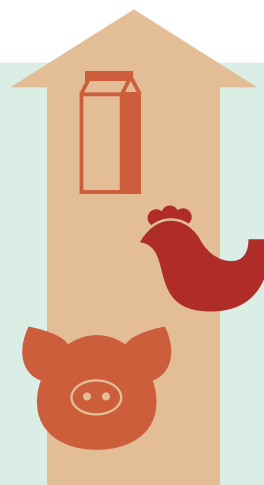
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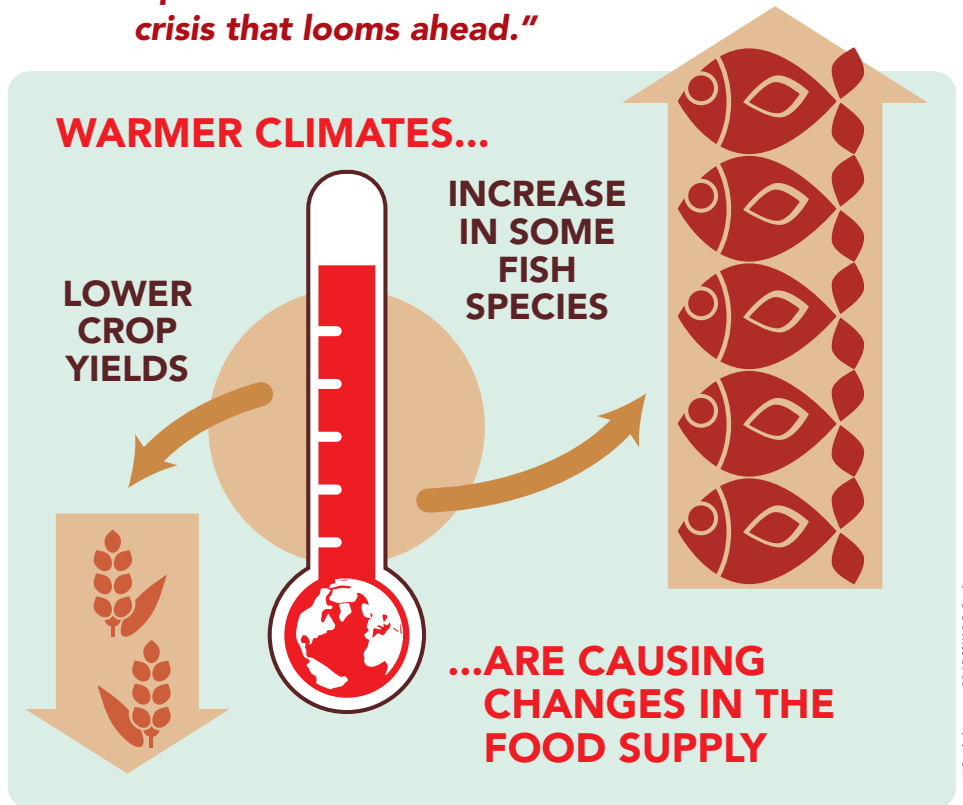
result, crop production tends to go down as the climate warms up.

The IPCC's findings weren't all bad, however. The report states that due to warming climates in the northern regions, an increasing abundance of some species of fish is already being observed. With fisheries already contributing quite a bit to food security, and with fish consumption and production already on the rise, the seafood industry could be part of a solution for the crisis that looms ahead.

Although the future remains unclear, provided that the center of the plate protein industries take steps now to ensure a sustainable future, we just may be able to avoid a global crisis. Thanks to developments in the seafood industry and technological advancements by companies in the animal health science field, the tools are available to ensure a sustainable tomorrow by taking action today. **UB**

Article contributed by **Evan Burdette**
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"... the seafood industry could be part of a solution for the crisis that looms ahead."



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Lobster moult and quality study helping industry decide when to hold lobsters

Contributed by **Patty King**, General Manager,
Fishermen and Scientists Research Society

Segregating lobsters for long term holding by placing them in tubes, also sometimes referred to as “lobster condos,” is a common practice in the lobster industry. A major benefit of segregated individual holding is a substantial reduction of stress on the animal and hence reduced mortality. Lobsters are territorial, hiding from their fellow lobsters on the ocean bottom. Segregated individual holding best replicates this natural condition on land. It also eliminates the concern of cannibalization.

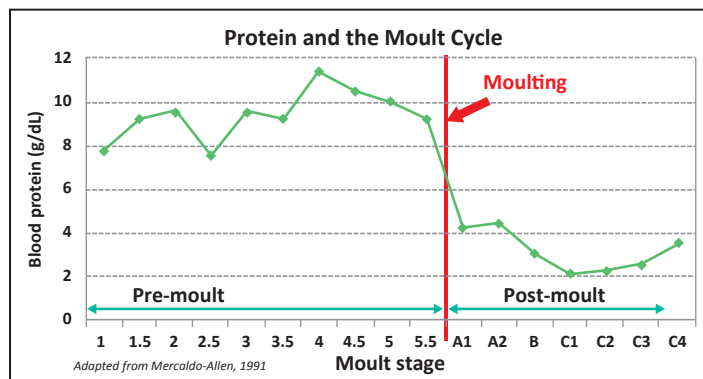
Segregated long term holding is not, however, without its risks. A range of factors, including where a lobster is in its moult cycle, need to be considered when deciding if a lobster will survive being held.

When a lobster commits itself to moult, it is focusing its energy into removing the calcium from its shell and storing this inside. This process consumes a vast amount of the lobster’s vigor. It is also at this time that the lobster is becoming dehydrated in order to release itself from the old shell. These factors leave the lobster very vulnerable. If a lobster in this state encounters unfavorable conditions it may not have the resources to adapt. Factors such as temperature changes, salinity fluctuations, cramped conditions, which is the case with tubing, etc., cause increased stress on the lobster’s system and could result in death.

To determine where a lobster is in its moult cycle we can look at moult stage and blood protein levels. The moult stage of a lobster is determined by clipping the tip of a swimmeret and examining it under a microscope. The blood protein level is determined by



Left: The blood protein level is determined by using a syringe and needle to collect blood which is then examined with a refractometer to measure the protein levels. Right: The moult stage is determined by clipping the tip of a swimmeret and examining it under a microscope.



using a syringe and needle to collect lobster blood which can then be examined with a refractometer to measure the protein levels. Research has determined that there is a relationship between protein and moult stage.

“It is not just where in the moult cycle the lobsters find themselves which is critical to the determination,” states Stewart Lamont, the Managing Director of Tangier Lobster Company Limited in Nova Scotia. Lamont explains, “We look for shell quality, time since harvest, protein range and so forth which are all critical factors to the analysis and decision making.”

The Atlantic Lobster Moulting and Quality Project (ALMQ), a collaborative project led by Nova Scotia based Fishermen and Scientists Research Society (FSRS), is providing vital information to the industry to help them make critical decisions. The project provides on-going monitoring of moult stage, blood protein levels, and shell hardness both in-season and out-of-season. Industry then uses these results to make more informed decision on whether or not to hold their lobsters. Lamont commented that, “Your organization’s data set is a wonderful first step in analyzing the state of the resource. We then have to take port by port hands on analysis to take it that next step.”

In 2013 another buyer indicated he avoided a potential loss of 60,000 lbs thanks to this project. The FSRS sampling showed that 20% of the lobsters he was planning to hold had already committed to the moult; they would not have survived. By having this data he was able to avoid potential significant mortality by deciding not to put those lobsters in long term holding.

Results from the monitoring program in Lobster Fishing Areas (LFAs) 33 and 34 are shared with all stakeholders via the project website at www.lobstermoult.ca. The FSRS also prepares an annual report predicting what we can expect to see when the fall season opens. The report and data which are available on the website have proven to be a very valuable resource for buyers to plan operations for the coming season. More information about the FSRS is available at www.fsrs.ns.ca. **UB**

California proposition 2 - by the numbers

When thinking about the future of the egg industry, the impact of the upcoming Proposition 2 legislation in California cannot be overlooked. The motion, passed on November 4th of 2008 by a 63.5 percent vote, will require that shell eggs destined for the state's carton market be produced by compliant facilities both in and out of its borders January 1, 2015.

A portion of the requirements, as they stand, will force producers to increase the cage size for their hens to a minimum of 116 sq. inches per bird, reducing the state's already deficit layer numbers. Based on census data, the population of California is upwards of 38 million people. Using a 170.5 domestic in-shell per capita consumption rate, since egg products are excluded in the legislation, Californians consume more than 6.5 billion eggs annually. When removing 10 percent for specialty eggs, which likely come from compliant production sources, and factoring a 78 percent rate of lay, birds needed to supply the state are estimated at 20.5 million layers.

According to USDA statistics, as of February 1, 2014, California table egg layer population totaled 16.4 million. The legislation is expected to reduce the California flock by 40 percent according to industry experts. That would mean as of the 1st of the year, layer numbers in the state would be reduced to roughly 9.9 million birds. Based on these figures the projected shortfall would approach 11 million layers to service the state's consumption.

As with any potential shortage situation, coupled with heightened input costs, prices for eggs in California are expected to rise. To what price and for how long is anyone's guess, but the impact could be significant. A similar situation occurred in Europe just a few years ago, when EU countries transitioned from traditional type housing to enriched colony cages and other types of cage free production. Prices skyrocketed shortly after rules were implemented and retailers began demanding compliant eggs. High prices were only temporary however, as producers quickly began to comply,

**"...projected shortfall
would approach
11 million layers..."**



motivated by market conditions. Flock sizes promptly rebounded and outputs have actually exceeded demand more recently. As a matter of fact, 2013 and year to date 2014 average breaking stock prices are down 11 percent and 6 percent respectively from the five year average.

The other question is what will happen to the areas outside of California? Based solely on the conservative assumptions mentioned above, the production of more than four million birds will lose a home if California closes its borders to noncompliant eggs. That could mean oversupplied conditions east of the Rockies, and potentially more eggs moving into breaking channels. That latter could be a blessing in disguise given the unusually high cost of breaking eggs and tight finished stocks which have sent dried egg white prices over \$13.00 per pound. Not to mention consumption growth in the products sector has grown 2 eggs to 1 egg when compared to shell egg consumption in the states in the last year.

The data suggests shortages if the California rules are implemented as stated in 2015 and a potential oversupply situation outside of the state. Industry experts estimate that there are roughly 12-20 million birds in, or going into, compliant facilities outside of California for January 1st of 2015, but a good deal of the production from these birds is already committed contractually to others.

The consumption figure is also a conservative estimate. Some suggest that the population figures are light given populations of illegal immigrants in California which may not be covered

by census figures, while others point out that the ethnic nature of many California citizens would prompt higher egg consumption rates than the national averages used for this article. If either or both are true, the assumed effects above may be understated.

It seems more a matter of when than if this legislation will take effect from where we sit today, though several net long-producing states are challenging the pending implementation in the courts. Barring any setbacks, the resulting market impact could have strong implications for both the shell egg and egg products arenas. As we have seen in Europe though, the situation will likely be short lived as producers adjust output to longs and shorts, especially at convertible facilities. Unexpected events like weather and exports could also have great impacts one way or another, but we seem to have a decent perspective from statistical analysis and European precedence. **UB**

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The fight to raise the federal minimum wage

When President Obama stepped up the microphones to talk about the country and outline his agenda for the year ahead in the 2013 State of the Union Address, one of his main initiatives was to raise the minimum wage. He called for this to happen immediately.

Shortly thereafter on March 5, 2013, Senator Tom Harkin (D-IA), Chair of the Senate Health, Education, Labor, and Pensions Committee and House Representative George Miller (D-CA), the top Democrat on the House Workforce Committee, introduced a bill called the Fair Minimum Wage Act of 2013. The bill proposed to raise the federal minimum wage to \$10.10 per hour over two years and three months in three steps of 95

***"Even with the tax relief we put in place, a family with two kids that earns the minimum wage still lives below the poverty line. That's wrong."
— President Obama***

cents each. It would also "index," or adjust minimum wage annually with the cost of inflation. The final element would continue to raise the minimum wage of tipped workers until it reached 70% of the full minimum wage, or \$7.07—from the current rate of \$2.13 per hour, a number that hasn't increased in over 20 years.

Jobs created after the Great Recession have been dominated by low-wage ones. And while there is no arguing that more money in the pockets of low-waged workers will certainly help them out, there has been pushback from industries that would be the most affected, saying a wage hike could hurt them at a time when they are barely getting by.

Proponents of the bill say raising the wage will assist almost 28 million workers, many of them adults and half of whom are women. The latter will even help with a more recent initiative of facilitating to bridge the gap between gender pay equity. They also say that this will increase consumer spending, which accounts for nearly 70 percent of U.S. economic activity, which in turn increases economic activity.

Those opposed have their reasons for fighting this bill as well. Many business owners believe they are struggling to recover from the recession as well, and mandatory wage increases will put further pressure on them. One of the largest organizations against this bill is the National Restaurant Association, which says restaurants employ 13.5 million people, or ten percent of the total U.S. workforce. They also note the majority members are small business owners coping with higher food and health costs and say a wage increase could force higher prices, limit hiring and lower worker hours. They point to the last time minimum wage was increased in 2007, where NRA research indicated 58 percent of operators raised prices and 41 percent reduced employee hours.

The minimum wage fight is being taken up not only on the federal level but at the state level as well. No matter what side you are on, it seems like this is going to be contentious with emotions flying on both sides of the aisle. **UB**

Article contributed by Gary Morrison
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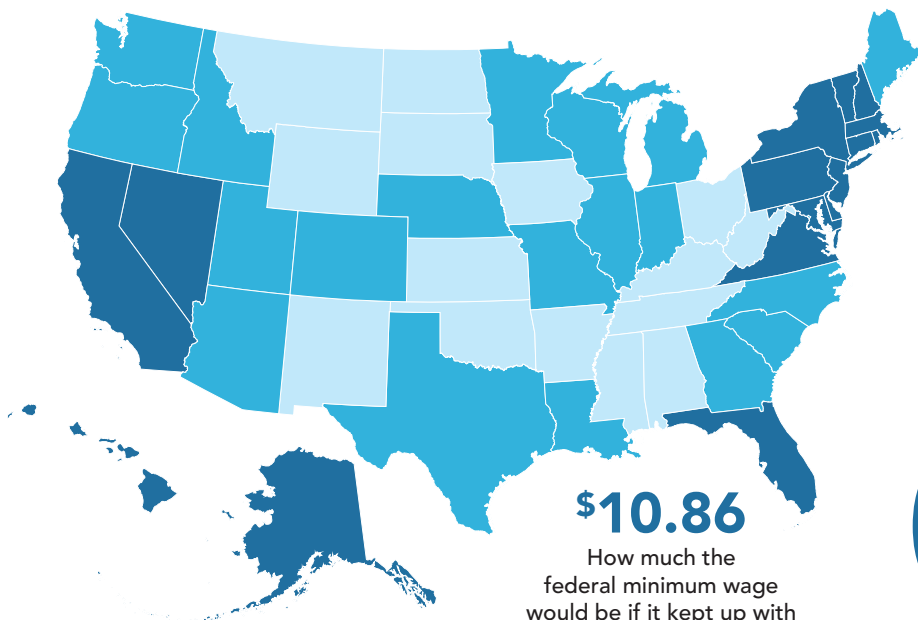
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Imbalance remains in U.S. cattle

Although short-term relief is seen for U.S. cattle processors from larger numbers of feeder cattle having entered the nation's feedyards in recent months, disparity remains between the slaughtering capacity and supplies for the longer term.

Processing capacity has exceeded supplies for several years, and packers have taken steps to bring the two closer in line by closing a few plants or converting some from slaughtering facilities to fabrication or further processing only. The most recent closure was the Cargill Meat Solutions facility in Plainview, Texas in early February of 2013. National Beef plans to close its Brawley, California facility on May 23 after delaying the shutdown announced

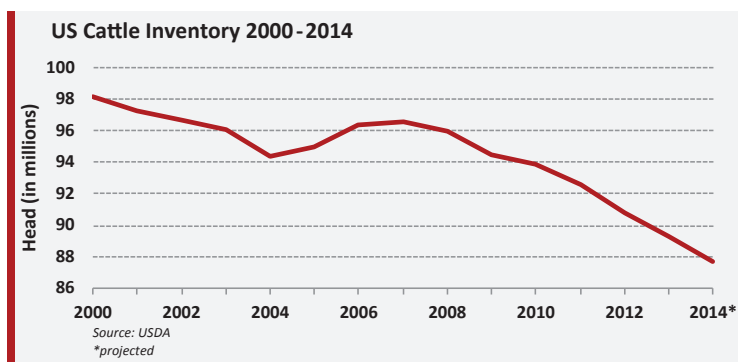
earlier in the year. The severe drought in California contributed to the company's decision to close the plant. Three smaller plants also have been closed in the latest year or so, further whittling the daily slaughter capacity.

The latest Top 30 Beef Packer list compiled by Steve Kay, publisher of Cattle Buyers Weekly, showed a daily capacity

of slightly over 127,500 head. Weekday slaughters through mid April have averaged about 113,200 head, putting Monday through Friday capacity utilization at about 88.8%. However, when adding in weekends, light Saturday's slaughters have put full week capacity utilization nearer 75%. Some analysts look for further reduction in processing capacity

before the herd can be expanded and pull slaughter-ready cattle supplies up, which may take until 2016.

Several packers have been operating their plants just four days a week in an effort to bring cattle supplies and processing schedules into balance, but doing so can also be costly. Processing fewer animals on



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processing capacity and supplies

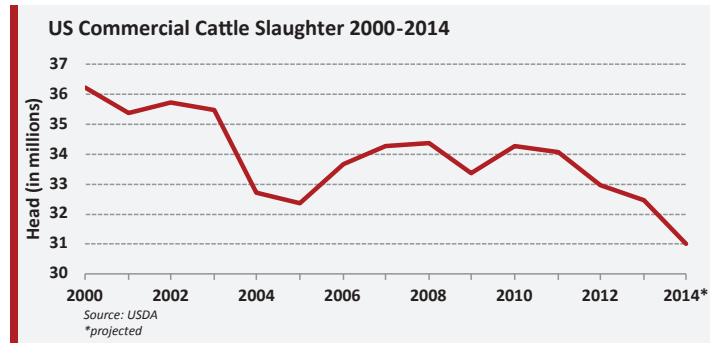
a weekly basis raises per-head costs. Meanwhile, limited supplies typically result in stiffer competition for the cattle that are available, boosting prices. Cattle prices hit all-time highs in March and are on pace to set a new high for the annual average.

High cattle prices, a decline of 25% to 30% in corn prices from year-ago levels and lower hay prices have contributed to profitable cattle feeding margins, which have helped prop up near-term supplies of animals in the feedyards. But, there are only so many young cattle available over a year's time, and pulling more of them into the feedlots early means fewer will be left for later, analysts said.

The government's latest monthly cattle-on-feed report, released May 16, showed the number of cattle in the nation's feedyard at 1% below the previous year and extended the period of below prior year on-feed figures to 21 consecutive months. The U.S. cattle herd as of Jan. 1 was the smallest since 1951, and as farmers and ranchers attempt to rebuild their herds following devastating droughts in the Southwest and Midwest in recent years, fewer heifers will be available to enter the feedyards for fattening and slaughter.

"Packers have already cut Saturday and reduced Friday slaughters—and their financial condition is mostly good—so they could limp through the seasonal increase in slaughter this summer, but after that it's problematic again," said Jim Robb, director of the Livestock Marketing Information Center in Denver, Colo. "Closing a plant is a long-term strategic decision for a company. Feedlot placements have been pulled up compared to 2013's, mostly because of profitability returning for cattle feeders, but the overall supply of available animals has not increased year-over-year," he said.

The decision to idle a plant must be associated with the trend in cattle slaughter and outlook for supplies ahead, said Bob



Brown, private analyst in Edmond, Okla. One wonders how long the industry can hold out with steer and heifer slaughter down sharply. So far in 2014, slaughter has been down 7.4% from the five-year average and since the beginning of 2013, it has been 5.2% below the five-year average, he said.

Imports of young cattle from Canada so far in 2014 are up nearly 20% from a year

ago, offsetting a small decline in numbers from Mexico. On a combined basis, nearly 42,000 more head, or about 6%, have entered the U.S. through mid April compared with a year ago. High prices for feeder cattle have encouraged producers in Canada to send more young animals to the U.S. rather than to feedyards in their own country, but the herds are smaller there as well, Robb said.

There is still a reasonably good chance that at least one more plant either in the U.S. or Canada could be closed later this year or into 2015. "I suspect the likelihood will increase after July," Robb said.

Article contributed by **Curt Thacker**
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Export and product demand send prices to new highs

By Brian Moscogiuri
Brianm@urnerbarry.com

The shell egg and egg products markets have had a banner year. Urner Barry's benchmark Midwest large quotation reached record levels multiple times in the last year, even setting the all-time mark dating back to UB's inception in 1858. Breaking egg and egg product values also reached new highs as the battle for breakfast in the quick service restaurant (QSR) sector came to a head.

Exports played a tremendous role in both categories throughout. Mexico remained an active buyer of U.S. shell eggs and egg products, battling the lingering effects of avian influenza in their layer flock.



Astute buyers south of the border monitored U.S. market conditions closely, purchasing shell eggs

during periods of decline. Following the post-Easter adjustment in May of 2013, Mexican exports hit record levels, with U.S. producers shipping more than five hundred loads of shell eggs across the border. These shipments helped vault Midwest large prices from under \$1.00 per dozen to \$1.40 in the month. According to USDA ERS figures, Mexico acquired more than 102 million dozen from the States in 2013, 171% more than in 2012.

The markets followed seasonal trends through the remainder of the summer averaging \$1.175 a dozen from June to

September. Producers had their sights set on a strong holiday season by mid October and began raising asking prices ahead of the holiday push. Little did they know that by the time the calendar hit the week of Thanksgiving, prices would reach record levels of \$1.69 per dozen and stay there for nearly a full month into mid December.

Typical holiday retail needs obviously played a role, but that was only part of the equation. Exports again were involved, though Mexico wasn't the main participant. Motivated by similar market drivers to those in the States, Canadian buyers purchased more than six hundred loads of shell eggs during November and December. Unlike the price sensitive nature of buyers south of the border, those to the north helped to raise the market's ceiling, with purchases subsidized by the government. Weather, holidays, and QSR promotion motivated Canadian buyers, similar to those in the States (*chart 1*).

Offerings from further processors were also limited during the holiday season when they typically would have taken advantage of these high market conditions. Breakers had fallen behind earlier in the year and had little opportunity to catch up given strong demand for liquid, especially whites. McDonald's had successfully launched their Egg White Delight sandwich in April, and their competitors quickly began to follow suit.

Strong demand in this arena prompted steady gains in the liquid white complex from the beginning of the year, with our standard liquid quotations reaching \$0.93 a pound by mid November. Contractual liquid obligations and high prices limited further processor's ability to establish normal finished inventories. Year end dried inventory totals were reported by the USDA just over 14 million pounds, down more than five million pounds from the five year average. Not only were totals down significantly, but upwards of

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61 percent were made up of yolk, which was subsequently available due to heavy separation trends for whites. Whole egg and whites only accounted for 19.7 percent and 19.0 percent of total stocks respectively.

Shell eggs and whites saw some pull back through the end of December, but these buying opportunities were short lived.

Much of the country east of the Rockies was hit with persistent winter cold and snow early in 2014. Temperatures fell to unprecedented levels, and records were broken in many major cities across the country. Businesses, schools, and roads were closed, and there were mass flight cancellations. All together, more than 200 million people were affected in an area ranging from the Rocky Mountains to the Atlantic Ocean, extending south to Texas and up into Canada. The situation hindered retail and restaurant sales, but forced panic shopping and ushered consumers toward a warm breakfast.

Midwest large prices surged 42 percent from post-holiday lulls through mid February, matching November's record of \$1.69 per dozen. Further processors saw breaking egg prices advance through the period as well and had almost no chance to replenish inventories as demand for liquid remained better than expected, particularly in the white category where prices hit records of \$1.16 per pound. Not only were they not able to catch up, but inventories continued to be depleted. Asking prices on dried whites surged and buyers competed for any available spot deliveries. Dried albumen prices soared to new highs as well with sporadic trading taking place upward of \$15 a pound (*chart 2*).

Flocks returned ahead of Easter and the market declined to \$1.41 per dozen. The situation did not last, however, as breakers continued to pursue shell eggs through the period and temperatures remained below average. The Easter rally began in early March, earlier than many had expected given the late April holiday. Instead of selling into the advancing cartoned market like they typically would, processors were forced to maintain full break schedules.

Continued on page 18

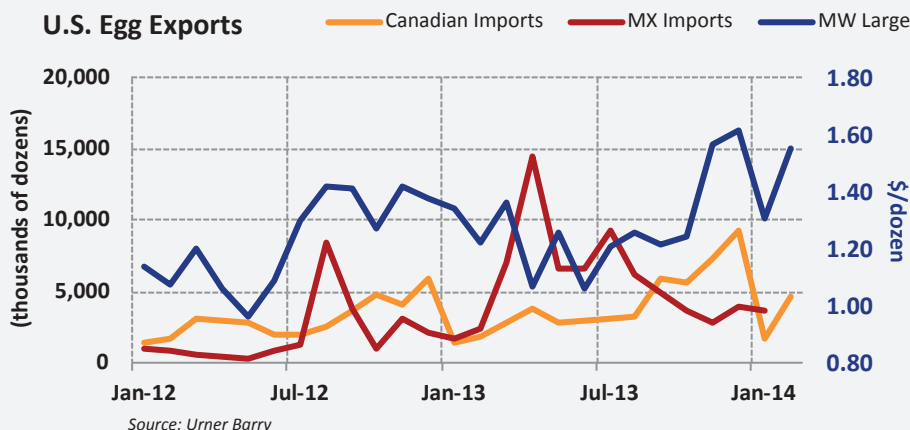


Chart 1

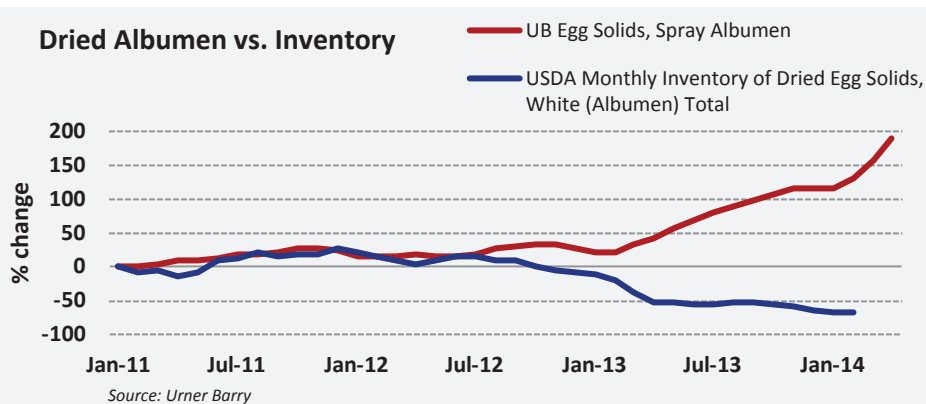


Chart 2



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Shell egg and egg products outlook ...

Continued from page 17

Canada also returned to the market. Retail buyers began to jockey for their pre-Easter positions and QSR's highlighted breakfast in the wake of high red meat prices. Cold weather persisted and the "perfect storm" of market conditions was underway.

UB's Midwest large quotations shattered the all time record of \$1.69, racing to \$1.80 per dozen by March 28th (see chart 3). These levels stifled retail features, elevating sale prices and forcing ads off schedules all together. Movement for the holiday was average at best, but sales were done at levels well above expectations. By the week of Easter prices quickly began to fall, bottoming at \$1.27 per dozen, before processors began to take a more active position for breaking eggs and graded supplies.

Exports have clearly played a more prominent role in the last few years. Whether referring to EU imports during their transition from conventional cages, shipments to the south during Mexico's

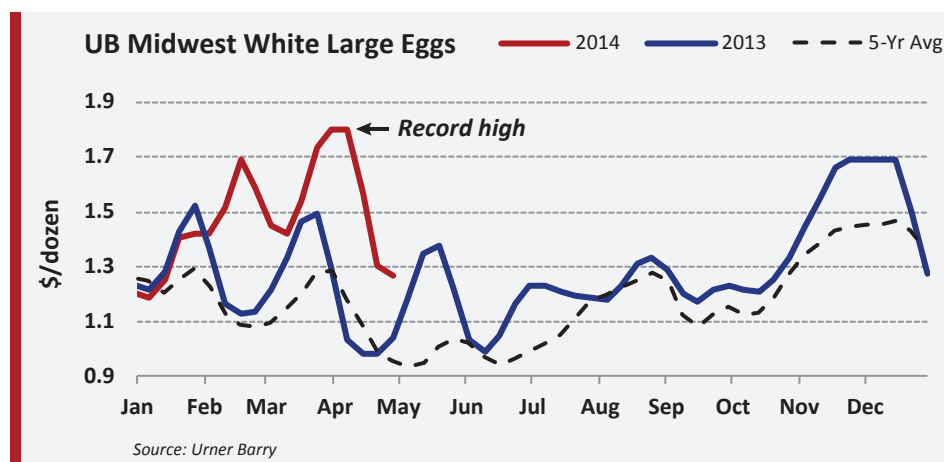


Chart 3

bought with AI, demand from Canada to service unexpected demand, or day to day dealings with Japan and the Far East, shell eggs are moving out of the U.S. marketplace. In fact, 2013 total exports absorbed production from more than three million more layers when compared to 2012. Shell egg producers and traders are making exports part of their 52 week a year business, a trend we are likely to see continue going forward.

Trends in the QSR sector also need to be monitored as we move into the back half of the year. Many competing proteins have hit highs of their own over the last year, and menu makers have taken note. U.S. breakfast business at fast-food chains has morphed into a more than \$50 billion dollar a year monster and eggs are at the forefront, given the fact that they are still considered a healthy and affordable protein option.

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Speaking of health trends, as of March, dried inventories have yet to see relief. Dried albumen stocks have fallen to a record low, below the two million pound mark, what most would consider only operating inventories. Buyers continue to pay upward of \$12 a pound for egg white powder, unable to find a viable “clean” replacer with egg white properties. Some U.S. customers have even begun to explore importing whites from Europe, as spreads between the two countries have exceeded \$5.00 a pound (chart 4).

Industry experts expect flock size to grow to more than 300 million layers by the end of the year, but we can only venture to guess the outcome of California’s Prop Two on the marketplace. The last year was truly a perfect storm of demand, both literally and figuratively. Cold weather, exports, competing protein costs, and processing needs sent shockwaves through the markets. Eggs have vaulted to the forefront of a growing breakfast sector as fast food companies compete for business, in the wake of

UB Dried Albumen Quotations: US vs. EU

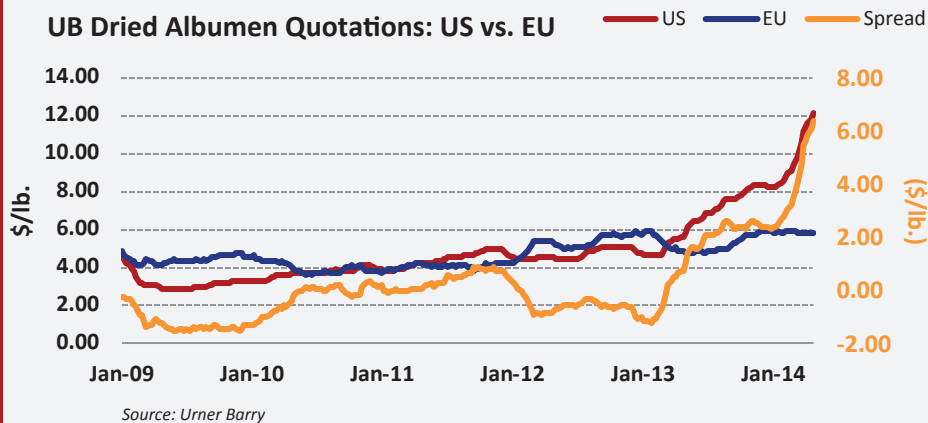


Chart 4

unprecedented red meat prices. Records were set across the shell egg and egg products arena and there seems to be a solid demand foundation in the QSR

channel and export arenas given current perspective. Whether the other factors mentioned above will remain, one can only wait and see. **UB**

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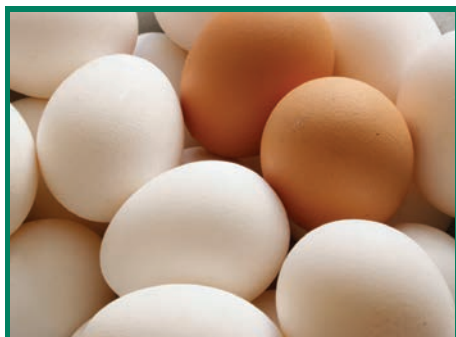
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Severe winter stresses supply

By Terence Wells
Twells@urnerbarry.com

The focus of the Chicken Outlook in *Urnner Barry's Reporter* last year was the "industry's consistent efforts to restrain production" and how it helped keep chicken prices in check. This theme has spilled over into 2014 and is a frequent topic of conversation. In May of this year, during the Poultry Reporters' Roundtable discussion at Urner Barry's Executive Conference, the subject matter once again focused on production restraint. This time however, the supply shortages that fueled this most recent market movement weren't by design.

Industry players and meteorologists alike have referenced this past winter as one of the harshest on record. For months, processors faced frigid temperatures, ice and snow storms. It even snowed this past January during the International Production & Processing Expo, where industry players began coining the phrase, "I survived IPPE 2014." Every facet of the industry was impacted. Trucks could neither get to the farm to pick up the birds nor off haul them at the plant. Employee shortages were rampant. Machinery was freezing or fuel gelling. In the field bird performance from reproduction to feed conversion suffered. Consumers were unable to get to the local markets and demand opportunities were missed. Needless to say, weather and its related issues have played and continue to play a significant role in this year's market performance.

Severe winter weather did not negatively influence the hatch figures at the outset; that would occur in early 2014 during the most frigid temperatures. During the third and fourth quarters of 2013 sets were consistently above their year ago levels; some weeks by as much as five to six percent. During the first few months of 2014 this spread became less extensive however, sets were still being recorded above their year ago levels. It wasn't until recently that sets totals began to exceed with some regularity 200 million eggs per week, which has become a sort of



first and second quarter benchmark to gauge future slaughter direction. Even with higher eggs sets though, an increase in slaughter is not guaranteed down the road. Chick placements have not advanced to the degree sets may have suggested. This can be attributed to a number of reasons including severe winter weather which has impacted bird performance, outbreaks of the more traditional bird illnesses, and an aging breeder flock. Since the avian influenza outbreak in Mexico last year, the lack of hatching eggs and breeders has forced domestic processors to rely heavily on their aging flocks, and because the majority of breeders are beyond their prime, egg performance has suffered and resulted in inconsistent placement figures.

"...weather and its related issues have played and continue to play a significant role in this year's market performance."

The YTD head slaughter is about even with where it's been in recent years, right around 150 million head per week. What may surprise some observers is that average live weights haven't increased this year like they have in the past. Again, this can be attributed to the very same influences that the weather-related issues, illnesses, and aging breeder flock has had on overall production.

Thus far, YTD cold storage holdings through March 31st have experienced moderate declines for some of the more prominent items like wings, breasts and breast meat, and leg quarters. Wings are the most obvious at 26 percent, or 20 million pounds, below their year ago levels. For 2014 though, there aren't any major fast food chains building their inventories for upcoming promotions, which helps explain the disparity as does the blending of "boneless wings" into the equation. Total holdings are down six percent or about 40 million pounds.

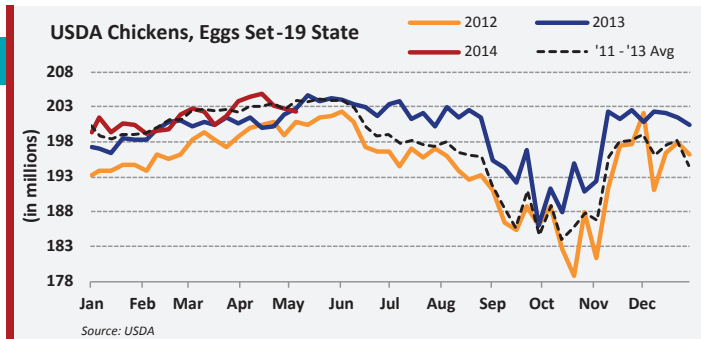
A noteworthy topic that's been covered thoroughly for months is the influence of the competing protein complex. Supply shortages for both pork (PEDv) and beef have resulted in record or near record high prices, which has forced retail and foodservice outlets to feature chicken more prominently. This additional attention has driven market values higher for a number of chicken items.

After reaching \$2.00/lb. a year ago, boneless/skinless breast meat values declined steadily during the second half of 2013. Price points didn't waver much during the offseason and then, in early spring 2014, insufficient supplies presented sellers with an opportunity to hold available offerings in confidence. With little if any recourse available, buyers were forced to dig a little deeper in their pockets and the market responded. Similarly, the value of chunk and trim meat also experienced significant bumps in price. As of early May, boneless/skinless breast meat was valued at \$1.87/lb.

It's been a "crazy" year so far for line run breast tenders. Increased demand combined with tightened supplies at most points of sale have forced market values to surge. The historical high for tenders was \$2.55/lb. in March of 1989. As of this May, tenders were valued at \$2.28/lb. after going on a \$0.80 run over a span of two months. The question on most players' minds at this point is, "will high prices cure high prices?"

Urnner Barry's quotations for WOGs were fairly seasonal for most of 2013. In early 2014, after facing a harsh winter, bird performance and weight-related issues left sellers with inconsistent production figures and a tightened supply. After a minor decline in values, demand picked up from the fast food sector and traded WOG prices soared to match their all-time high of \$1.10/lb. As of mid May, WOGs were trading within that same ball park.

Wing values have not come anywhere close to their 2013 all-time high of \$2.01/lb. Since last year's Annual



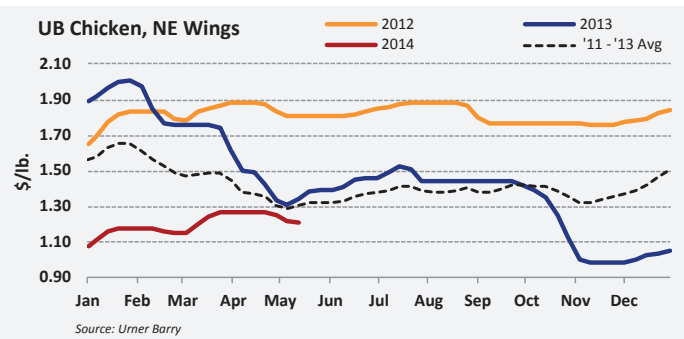
Eggs Set have been trending higher in recent months, but because they're being laid by an aging breeder flock, there's no guarantee this will translate into increased slaughter down the road.

Market Outlook, QSRs and other wing-related establishments have shifted their marketing strategies to promote more profitable menu items such as "boneless wings". This, relatively speaking, kept wing prices grounded through the winter months and as of early May spot sales were being reported regularly at values close to \$1.00/lb. Urner Barry's chicken index reflects this year on year departure in market status nicely.

Regarding dark meat, these quotations remained relatively flat for the bulk of the year. There were however, a few exceptions. Leg and thigh meat values surged in early

2014 as demand readily exceeded available supplies. The bone-in lines performed fair at best as inflation, currency exchange rates and a stronger U.S. dollar left a lot to be desired from the export arena. Looking ahead, industry players are becoming increasingly confident about where this market may be heading. As the summer months hit, consumers will more than likely face the age-old question, "what's my best value?" and the bone-in "back half of the bird" appears to be just that.

Looking ahead, if this year's increase in production is as moderate as the USDA projects it will be, 1.8% (2014) versus 2.8%



Wings have not performed anywhere near as well as they did in 2012 and early 2013; reason why? QSRs and wing-related establishments are making a concerted effort to market more profitable items like "boneless wings" instead of the traditional bone-in product.

(2013), then market values could perform similarly to the way they did last year. The present state of the chicken market is being influenced by a number of significant issues; which largely favor chicken producers rather than buyers. An aging breeder flock, relatively flat hatch, fewer cold storage holdings, and the high costs of competing proteins have already had their impacts felt and market values, in turn, have responded. For the balance of 2014 then, one might draw the conclusion that if demand remains seasonal and continues to benefit from desirable price positioning, then market values will only have one direction to head and that's up. **UB**

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Tight supplies and strong demand are

By Russell W. Whitman
Rwhitman@urnerbarry.com

The 2014 market year has been anything but mundane. Record and near record level quotations for many of the most actively negotiated lines have proved troublesome to buyers not accustomed to such lopsided conditions. Processors who were coming out of a costly 2012-2013 market have been experiencing costs well below year prior values while enjoying prices well above them.

Looking ahead with the purpose of charting a reasonably accurate course for the balance of 2014 requires a cursory glance at the course undertaken to arrive at currently stout conditions. Unlike present indications, demand for breast meat last year only began to advance at the end of quarter two. During the period it gained more visibility and trade sentiment responded positively. But the quarter



closed without event, leading many to wonder just when it would find needed support. Whole birds

reflected similarly with flat conditions. A \$.02/lb. increase in value was established during that period leaving whole birds at \$1.03 or \$.08/lb. shy of 2012. During this time offerings of whole birds from resellers, some of which were associated with age, were complicating matters. This led some buyers to conclude that lower market values were in the works. While this never materialized, neither did higher quotations or any major change in the market weather by the quarter's end. Inquiry for parts remained good overall and drums enjoyed steady pull and higher values. Thigh meat movement was hindered by traditional seasonable pressure but perhaps even more so by lower ham prices resulting from the ban of U.S. pork into China. Despite sentiment being short of seasonable, the hatch report figures showed egg sets running almost eight percent below year prior, virtually guaranteeing that slaughter cutback were coming.

Third quarter 2013 proved to be a divergent three months. This period was represented by less than average whole bird performance, a flat parts scenario which turned 180 degrees by September and raw materials which ultimately outperformed initial expectations.

The early part of the third quarter found adequate whole bird supplies giving buyers plenty of time to make purchasing decisions which they used liberally. Slow

yet consistent business patterns resulted in Urner Barry's quotations moving only three cents higher to \$1.06 by September's end, nine cents below 2012. Breast meat demand finally emerged giving support where there had been little. Thigh meat started the quarter quietly after a long prior 60 days. At \$1.17 however, it was \$.35/lb. above the prior year and when buying interest developed by late August prices shot higher, closing September at \$1.30. Parts proved to be the big news during the latter part of quarter three as smoking and grinding requirements escalated in conjunction with export pull and distributive demand to propel values skyward.

The quarter's changing complexion was largely a result of the transition towards reduced storage holdings and slaughter levels. September 30 YTD head slaughter was down just over three percent from 2012 but heavier turkeys were still influencing live weights.

The final months of 2013 put to rest doubt about whether or not severe poult placement reductions would translate into slaughter cutbacks and improved market performance. Frozen whole birds started the quarter nine cents below 2012 but buyers found out early that covering hens would be a challenge. Tom needs proved more easily secured. This disparity in early quarter conditions carried through whole bird season, ultimately producing a \$.03/lb. market quotation differential. Hens topped the quarter out at \$1.10 and toms at \$1.07. Thanksgiving features were at more attractive levels than in 2012

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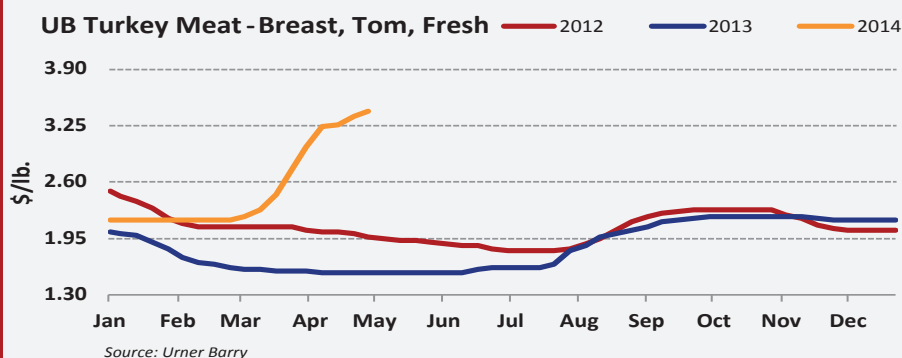
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and, although quantity limits curtailed the potential for even better clearance, inventories were greatly reduced and prices found support through Christmas. Fresh turkeys cleaned up under strong demand conditions and reduced supply. Like all lines, breast meat benefitted from slaughter reductions along with surprising fourth quarter demand. It maintained a solid presence at \$2.20 for most of the period and closed at \$2.16. Year end breast meat stocks were down 11% and that has played a role in stronger year on year performance in early 2014. Parts excelled throughout the period. Domestic and international requirements for traditional and grinding uses catapulted all lines higher but created the greatest year on year differential for drums at \$.40/lb.

The sharp cutbacks which were displayed at the close of 2013 resulted in impressive year-end stats. The number of turkeys slaughtered through December was down three percent. Continued declines in eggs set contributed to YTD figures which were down a little more than six percent. December 31 whole bird holdings closed at 68 million pounds; 29% below last year.

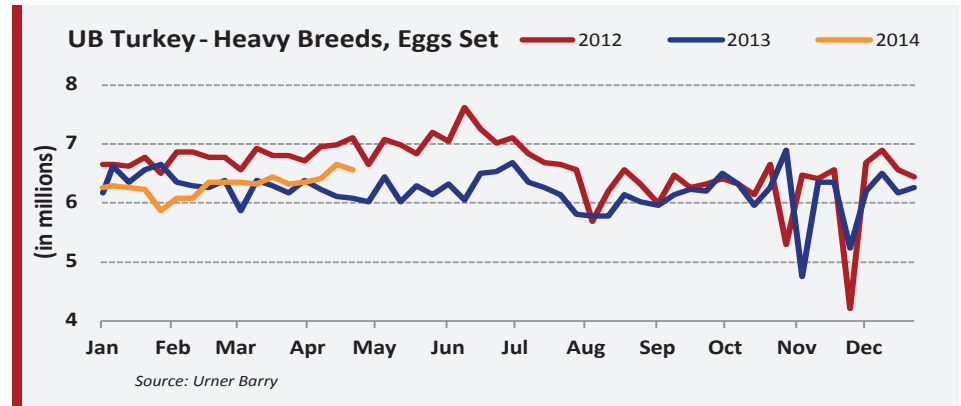
So as stated at the outset, first quarter 2014 market performance was far stronger than even the most bullish observers would have guessed. Year end freezer stocks well below 2013 levels compounded an already concrete situation rooted in sharp production cutbacks and burgeoning international demand. The export component certainly helped whole bird values to find their floor early this year. On January 8, the Urner Barry quotations hit \$1.02 and unlike last year, from that point forward supplies were held with surprising confidence. Breast meat started the year in great shape; then proceeded to gain strength and value at a rocket's pace. The unexpected international influence on this segment coupled with sharp reductions in slaughter to form an unlikely partnership. For processors realizing sharply lower production costs, the only downside was internal shortages and an inability to take advantage of extremely strong conditions. For domestic further processors needing meat, the competition

with export buyers was disconcerting. These extremes in the Economics 101 formula resulted in a record frozen meat market by the end of March. The story for thigh meat has been almost identical. Here however, it's been the unlikely coupling of domestic demand, rather than export interest, along with slaughter cutbacks

and high ham prices which have produced never before seen conditions.

Looking into the balance of 2014 a bullish industry mindset is in place but one that will likely be tempered a bit by expectations

Continued on page 71



Despite egg sets taking place at an accelerated pace, recent year on year advances in the numbers are still comfortably below the levels exhibited in 2012.

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Frankly my dear, I don't give a lamb

By Bill Smith | Bsmith@urnerbarry.com

Lamb is usually a highly seasonal item with peak consumption occurring during holidays like Easter and Christmas. The reality is the average American family does not normally see lamb on the nightly dinner table.

Throughout the first quarter of 2013 carcass prices trended slightly higher. Using the 65/75 weight selection as the benchmark, the monthly average price fell each month in 2012 and was steady for the first nine months of 2013, since then prices have crept a little higher largely due to tighter supply. On average, for the first quarter of 2014 prices were up about 15 percent compared to 2013. Price ranges between the different weight selections remained evident as supply of the heavier selection was often more readily available than the lighter selection.



Boxed cuts were generally steady to a little higher for Q1 2014 with strength predominantly attributable to more manageable supply levels.

Racks opened 2014 with prices at significantly higher levels compared to January 2013 and that trend of comparative highs continued throughout the rest of the quarter. In fact, the monthly average price was on average 51.5 percent higher than the equivalent month for 2013 and roughly 25 percent higher than the five-year average. Strength in that market can be credited to a combination of tighter supply and better buying interest.

Shoulders were steady to slightly higher for Q1 with monthly average prices ranging between 27 percent and 30 percent higher compared to the same period in 2013. Monthly average prices have been steady-to-higher since August 2013. With these upticks being seen consistently over the last year, many are wondering for how long the trend will continue.

Leg prices were steady to a little lower throughout the Q1 2014. When comparing monthly price levels of 2014 to the respective month in 2013 for both January and February, prices were roughly 11 percent higher, but March 2014 was notably higher

"The reality is the average American family does not normally see lamb on the nightly dinner table."

with an increase of 13 percent over March 2013. Demand is expected to improve heading into the fourth quarter of the year.

Expectations for both lamb carcass and boxed cut values are mixed for the duration of 2014. Buying interest is expected to be mostly steady. Availability of both domestic and imported product is the subject of a great deal of speculation and uncertainty. Less expensive proteins will continue to be an obstacle for the lamb complex. **UB**

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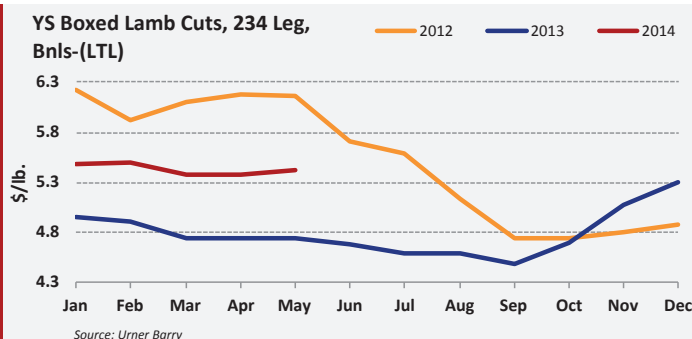
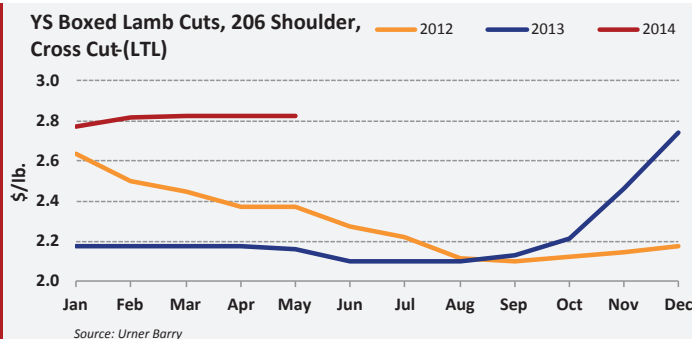
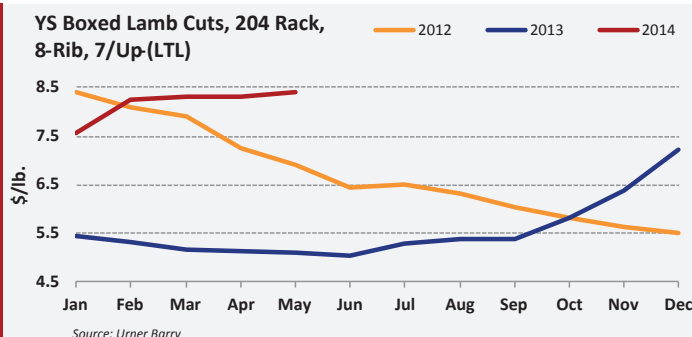
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U.S. market continues its appetite for farmed salmon

By Janice Schreiber | Janice@urnerbarry.com



The farmed salmon market in the U.S. during 2013 saw an overall rise in imports of 6.0%. The biggest story

in the market was 2013 marked the highest amount of imports on record from Chile. This is a country which dealt with a massive decline in supply due to ISA (Infectious Salmon Anemia) in 2009-2010. The turnaround has been building the past two years and in 2013, 177.9 million pounds of fresh fillets were imported into the U.S. market—an 11.2 percent increase from 2012. Overall, the U.S. market saw 227.6 million pounds of fresh fillets imported which is an 11.4 percent increase compared to YTD levels from 2012.



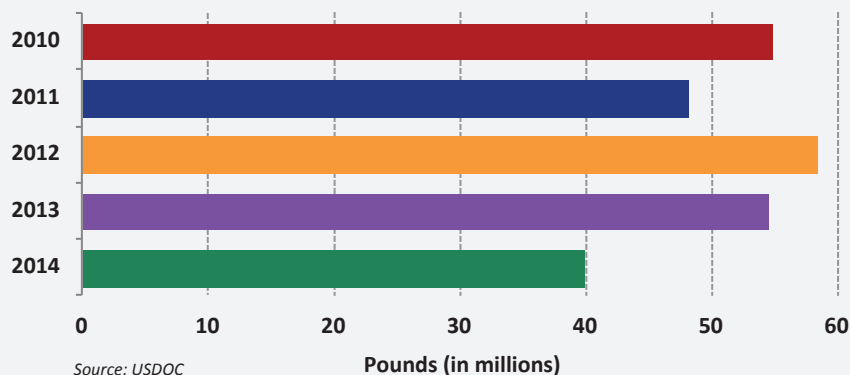
2014 is also shaping up to set all-time highs as well. Currently we are seeing imports of fresh fillets from Chile 8.7 percent over

2013 figures. One of the aspects addressed in *Urner Barry's Reporter* 2013 Outlook issue, was how the Chilean market appeared to be ignoring the fundamentals of supply and demand; supply was at an all-time high and prices were rising along with it. 2013 ended the year with an average of \$4.50, a \$1.08 upwards change from the average of \$3.42 seen in 2012. The current yearly average is \$4.78; the same situation could be happening again.

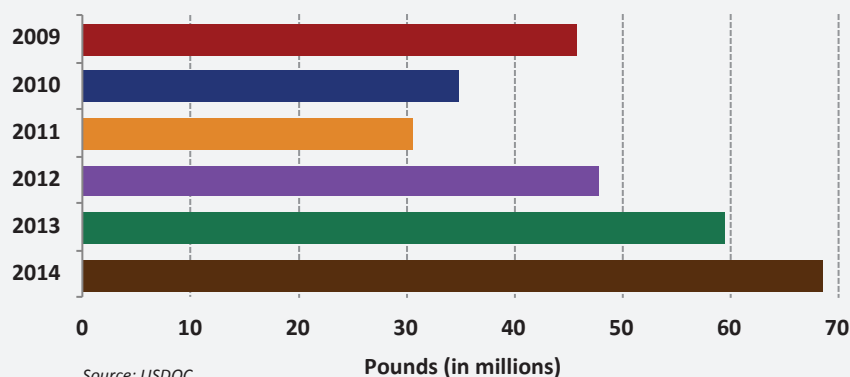
The U.S. market appears to be in a good position to keep taking the increases in the volume. The most recent consumption data from 2012 shows an increase in consumption of about 3.36 percent from 1.952 pounds to 2.020 pounds.

Continued on page 26

YTD Fresh Salmon Wholefish Imports



YTD Fresh Salmon Fillet Imports



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Continued from page 25

This spring the market saw prices drop in March of 2014. 26.0 million pounds of fresh fillets were imported that month which was a 30.1 percent increase from February of 2014. April and May of 2014 have seen a bounce back and increase in prices of fillets. Holy Week kicked off the upswing which continued through Mother's Day. Currently the market is leveling off as of mid-May.

Another large factor in this year's farmed salmon market is the lack of Canadian fresh wholefish in the U.S. 2013 imports ended the year 25.1 percent lower than 2012. Other origins did pick up some of the slack, with the Faroe Islands up 46.3 percent, Norway up 148.3 percent and the United Kingdom up slightly at 0.3 percent. However, overall fresh wholefish imports were down 14.0 percent compared to 2012. Thus far in 2014, the same is holding true. Currently, as of March 2014 imports, Canada is seeing a 52.1 percent decrease from the same time period last year. Chile (+389.8 percent), Faroe Islands (+34.2

percent), Norway (+75.5 percent) and the United Kingdom (+61.9 percent) are all exporting more into the U.S. market, however when you compare their total volume, which YTD is 18.9 million pounds it is still less than YTD Canada imports which are 20.4 million pounds. Overall the fresh wholefish market is down 26.8 percent compared to the same time last year.


The lack of available fresh wholefish in the U.S. market may be helping to pave the way for the market to absorb the continued higher supplies from Chile of fresh fillets. The next several months will again be an interesting one to watch. Historically, May is a positive month for salmon. Supplies are adequate to barely adequate due to U.S. holiday demand for Mothers Day, plus there are several Chilean holidays which will affect the volume potentially sent to the U.S. market due to lack of production. However, again historically speaking, the "summer doldrums" are in the not too distant future; competition from wild and traditionally quieter demand may see the farmed salmon market stay steady to

moving lower. Supplies out of Chile will be a large factor along with summer demand.


WILD SALMON

The 2014 wild salmon season kicks off again with California, Canadian, Alaskan, and Oregon troll kings becoming available. It is very early in the season and the market will continue to see more fish being caught over the next several months. May 15th marked the opening of the Copper River Salmon season, traditionally the kick off for some to the wild salmon season.

Last year, the 2013 Alaskan salmon season saw \$691 million in ex-vessel prices—A large increase from \$501 million in 2013 according to Alaska Department of Fish and Game. Looking at the actual numbers of fish from 2013 in the table, the largest increase was seen in the pink salmon harvest. Market participants report that the pink harvest, although large last year, is moving through the market. The pink salmon cycle is a 2-year cycle and 2014 is an off year, that is why you see the projections much lower than 2013. **U**



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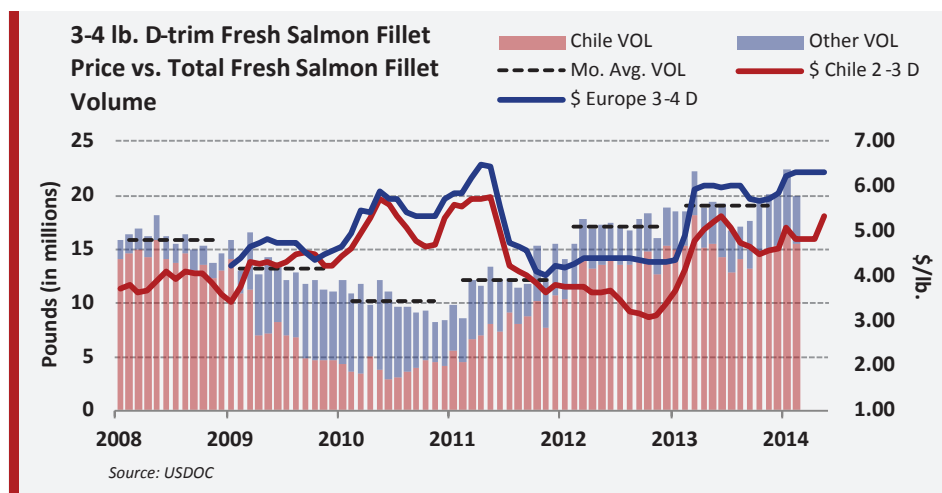


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Alaska Wild Salmon Harvest Projections and Actual Harvests*

	2012 projections	2012 actual	2013 projections	2013 actual	2014 projections
King	120	349	110	323	79
Sockeye	38,371	35,402	34,260	29,523	33,620
Coho	4,327	3,133	3,904	5,773	4,361
Pink	70,191	68,025	117,822	226,274	74,725
Chum	19,044	20,166	22,748	21,024	19,863
TOTAL	132,053	127,074	178,844	282,917	132,648

*in thousands of fish. Source: Alaska Department of Fish and Game



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King crab continues to see stagnation

By Janice Schreiber | Janice@urnerbarry.com

KING CRAB

Imports start 2014 much higher than 2013. As of March 2014, king crab imports are up 52.4 percent compared to levels from a year ago. Russia, in particular, is seeing higher imports this year and is currently 48.6 percent above YTD levels. Argentina, which catches lithodes santolla, has also seen an influx in imports over the past few years. Currently the crab from Argentina is up 171 percent YTD and 1.89 million pounds have been imported thus far this year (chart 1).

Although the king crab market is still down about 32% from 2008-2009, 2013 did see a 14.9% increase over 2012.

	2010	2011	2012	2013
Total king crab imports	22,143,051	18,771,084	20,622,275	23,695,172
% change	-36.5%	-15.2%	9.8%	14.9%

Pricing, since about the beginning of 2012, has seen a precipitous drop. Thus far 2014 is continuing that trend and the market is seeing its levels on all sizes below their three-year averages (chart 2).

It should be understood, however, this market is coming down from all-time high prices that were seen in 2012. For example, 16-20s hit an all-time high on February 23, 2012 of \$15.50. As of the beginning of May 2014, the market average is \$11.60; a \$3.90 decrease. The decrease in other sizes is even more pronounced; 12-14s, for example, have dropped around \$8.20 from their high on December 29, 2011.

The quota in Alaska's Bristol Bay has been virtually the same over the past three years at 7.7-7.8 million pounds. In comparison



to previous years, the quota remains historically low. A decrease in usage continues to be a trend and a soft undertone continues in both the red and golden king crab market.

A 47 percent quota reduction was issued for the 2011 season. Since 2008, the fishery has seen an overall decline of 62 percent.

Bristol Bay Red King Crab Quota (million lbs.)				
2009	2010	2011	2012	2013
16	14.8	7.8	7.8	7.74

Thus far in 2014, the king crab market has been flat, stagnant and overall trending lower. Imports appear to be increasing and demand continues to be lackluster. The cause of the lack of demand looks to be a combination of less overall usage in mainly foodservice but also in retail and plus downward pricing pressure from Argentine crab, which is typically sold at a discount to both red and golden king crab.

The brown/golden king crab market has followed a somewhat similar trend to the red king crab market. Although, the volume of golden crab is reported to be low; demand has been quiet too. Most sizes are below their three-year averages.

SNOW CRAB

As of this writing, new season Newfoundland quotations have just been reinstated. The current quotations on 5-8s represent new product while quotations of 8-10 ounce crab represent a combination of this season and last season crab and crab. Supplies of these sizes are currently adequate to barely

adequate for a fair to quiet demand as the season gets underway.

New season crab is starting to flow down from Canada and supplies will increase over the next several weeks. The market's undertone is still somewhat unsettled. As the season continues, the market will paint a clearer picture.

Buyers are very cautious and only satisfying immediate needs as the market waits for the bulk of the new season crab to flow down from Canada into the U.S. market.

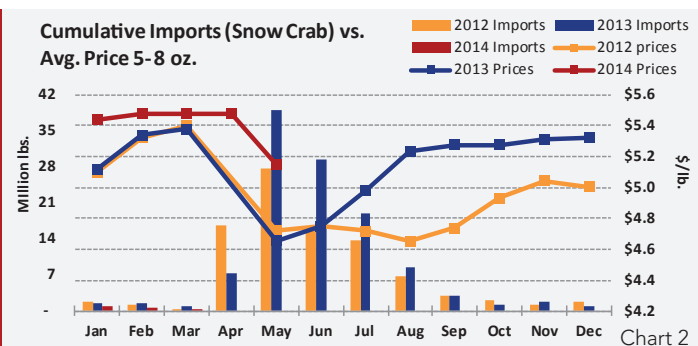
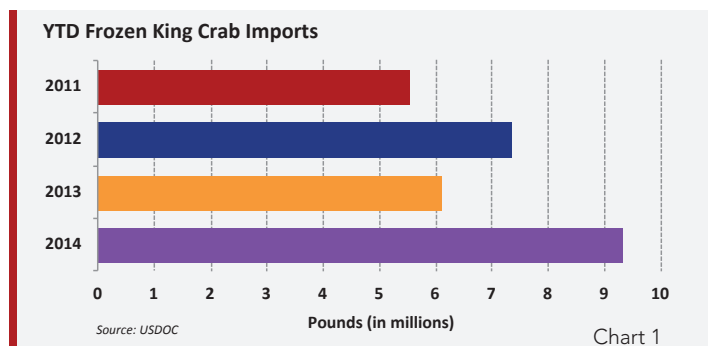
The opening quotations for both 2012 and 2013 seasons are \$1.25 - \$1.30 less than 2011 for 5-8 Newfoundland clusters. 2014 Newfoundland crab is \$0.50 over last season's opening but is still \$0.80 lower than the highs there were seen in 2011.

2009	2010	2011	2012	2013	2014
\$3.15	\$3.80	\$5.95	\$4.70	\$4.65	\$5.15

The quota for the Gulf of St. Lawrence this year is virtually the same as 2013. Ice has been the biggest issue so far. As of this writing, ice has delayed the opening in the Gulf and the earliest date the season can begin is May 4th.

The Newfoundland quota, like the Gulf quota is about the same; 51,660 tons, compared to 52,000 tons last year.

Many factors affect the snow crab market. How much the Japanese will ultimately buy is always a big question in the market. As of this writing they are still active buyers and appear to buying in a similar pattern to last year.



as the snow crab waits with anticipation

The Canadian snow crab market will remain a fluid situation. The market has many outside factors that can affect supply and demand (chart 3).

The Alaskan opilio market thus far in 2014 is much higher than 2013, but lower than the highs that were seen in 2011. Currently, the average on 5-8s is \$5.87 which is \$0.55 higher than 2013. The market is also currently \$1.00 higher than the five-year average.

The quota this year in Alaska was cut again, down by about 19% from 2013 to 54 million pounds.

Current demand for opilio ranges fair to moderate. The market has trended lower so far this month; a few sellers reported that

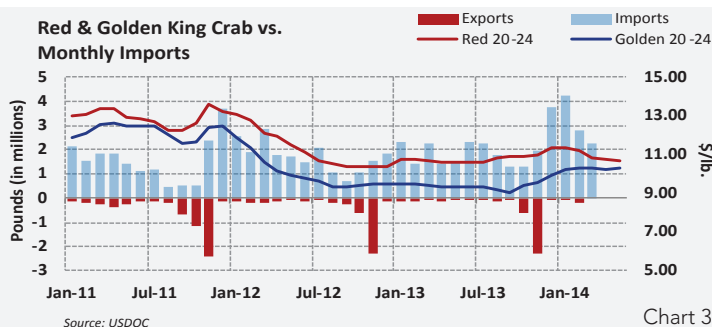
they would like their inventories to be light before the rush of Canadian snow crab hits the U.S. market.

The crab market in 2014 has a few different undertones in the market compared to 2013. King crab, however, does not appear to be one of them. Overall stagnation and softening in the market continues into 2014 and imports appear to be on the rise.

Alaskan opilio pricing is currently about \$0.55 higher than 2013 and 2012 which were virtually the same. Movement is reported to be fair and the undertone is barely steady.

Canadian snow crab has not yet been fully reinstated. The undertone is currently unsettled as Canadian product flows into

the U.S. market. 5-8s will be in higher demand in the market than larger 8-up crab initially. The volume of 5-8s is virtually nil while the volume of 8-ups is adequate. **UB**



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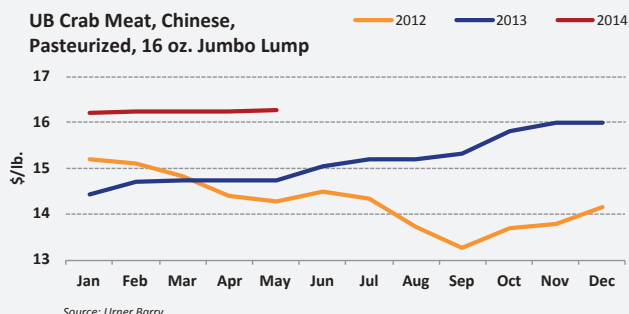
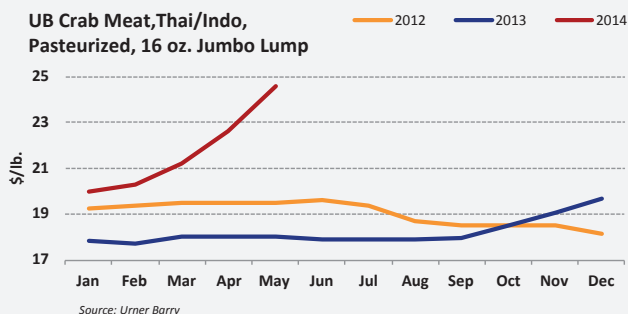
CRAB MEAT

By MaryAnn Zicarelli | MaryAnn@urnerbarry.com

Pasteurized crab meat supplies pose a challenge for U.S. importers. A steady increase in cost as well as limited natural resources (particularly for blue swimming crab from Asia) have yielded many importers less supply than needed. Market prices have shown a steady upward momentum since February 2014 for most grades of meat due to rising costs. Indonesia has been

the leading country of crab meat imports in the U.S. yet YTD totals in 2014 fall more than 15% below YTD totals in 2013 and only equates to 34% of the total imports of crab meat into the U.S.

China continued to produce an adequate supply which contributes for about 24% YTD total imports to the U.S. Steady market price offerings indicate balance of supply and demand for most crab meat items from China. **UB**



Swai are you doing this to me?

By Angel Rubio and MaryAnn Zicarelli
Arubio@urnerbarry.com and
Maryann@urnerbarry.com



imports. Pricing in the other hand, had been declining steadily since late 2011 until

2013, imports of frozen fillets from Vietnam into the U.S. surpassed those into the European Union (*chart 3*).

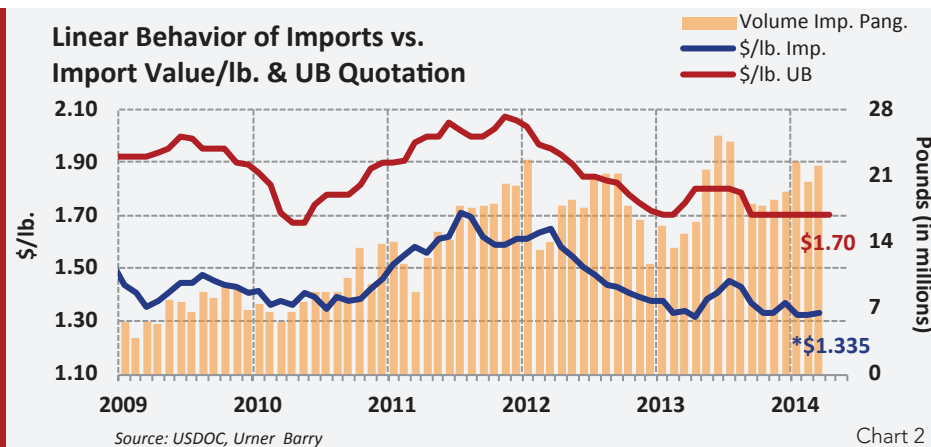
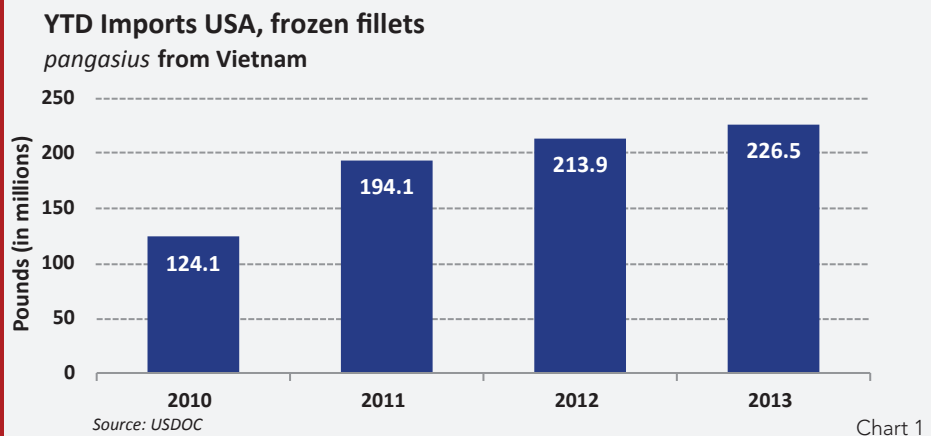
Swai or Pangasius, and once sold as “catfish” (but no longer to be referred to as such, even though it pertains to the Siluriformes order), continues to make its presence clear in the U.S. despite trade obstacles imposed year after year. For example, between 2013 and 2014, packers overseas and U.S. importers of this product were hit by an increase in the tariff imposed, plus, inspection at the port of entry was changed from the FDA to the USDA—currently working on a transition plan for the future— which was included in the 2014 Farm Bill.

But that hasn’t deterred Pangasius imports from growing and reaching record volumes again and again. In 2013, frozen fillet imports for this species reached 227 million pounds, 13 million more than in the year prior (*chart 1*). At such level, imports of Pangasius frozen fillets account for 65% of total frozen tilapia fillet

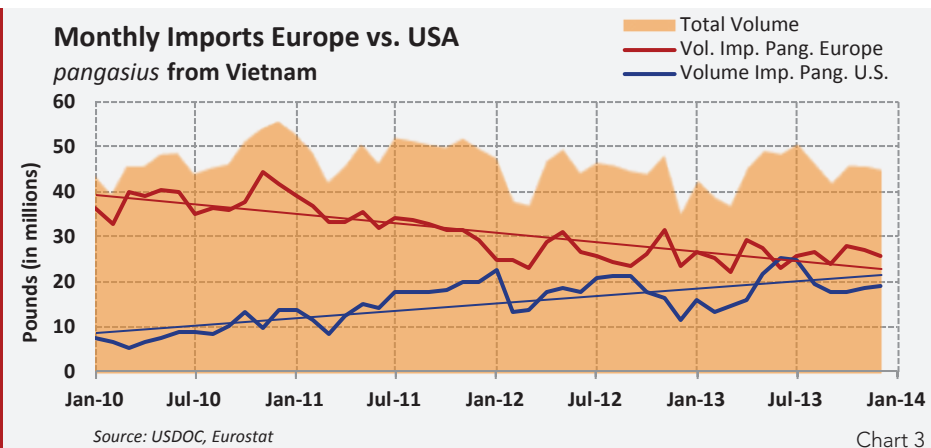
This year, tariff duties were revised down substantially. The next obstacle will be

Continued on page 32

“Swai or Pangasius... continues to make its presence clear in the U.S. despite trade obstacles imposed year after year...”



*Total value reported by the U.S. Department of Commerce (imports’ value of pangasius frozen fillets) divided by total pounds, NOT DDP.





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Continued from page 30

passing inspection from the FDA to the USDA. On May 9, 2014, the FDA and USDA signed an agreement to begin

the transition. So far the market hasn't reacted to this particular issue. However, there has been reaction to its core, supply and demand. Prices for Pangasius frozen fillets remain relatively low when

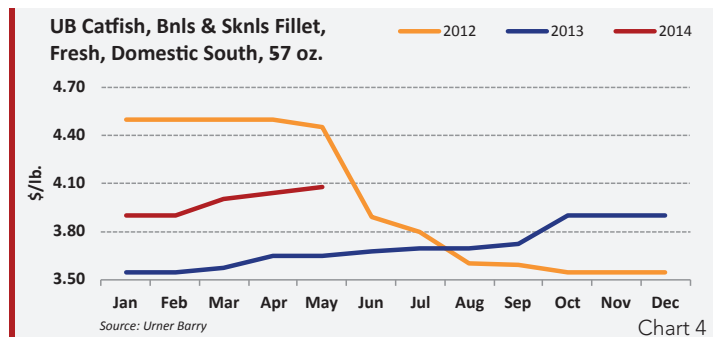
compared to other items such as tilapia. Average trading prices in the U.S. for LTL spot sales oscillate around \$1.70 compared to \$2.50 for tilapia. This is quite a difference for these kinds of items, which

are a good value when economic times are tough.

Activity will remain the same for now but gradual changes will be seen as importers and packers overseas adapt to new regulations going forward. FDA and FSIS will provide updates pertaining to the transfer of primary regulatory oversight over Siluriformes to FSIS.

DOMESTIC CATFISH

A slight increase in market price was noted in the 3rd quarter of 2013 and continued on a slight incline for the 1st quarter of 2014 (chart 4). Although demand was reported as fair to moderate by most, supply had dwindled and farms were commanding higher prices for their finite resources in the ponds. The frozen market was less active as buyers continued to focus their interests on less expensive imported options. Frozen nuggets which had been in better demand for 2012, fell off in 2013 and some processors were eager to offer discounts in order to move their inventory. **UB**



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URNER BARRY'S FOREIGN TRADE DATA

Cod Plentiful...Haddock Tight

By Paul Brown | Pbrownjr@urnerbarry.com

COD



With huge supplies of Atlantic Cod available from the Barents Sea, buyers have had more confidence to put cod on menus. As a result, demand has expanded, and a slight slowdown in the pace of landings plus big fresh cod shipments from Norway to the UK have been sufficient to put a bottom in the market this spring, and cod prices have firmed up a little.

Currently, cod remains a very good value compared to salmon and shrimp, which are both well above their historic average price levels.

For the second half of the year, these market trends on cod are expected to continue: widespread availability and a stable to slightly stronger market tone (chart 1).

HADDOCK

For buyers sticking with haddock, no change is in sight in terms of the conditions that have led to high prices and tight supply. Haddock supplies are down in Norway and Iceland, and as a result prices have gone up over those of most cod products. This situation is not expected to change when new quotas are announced for the 2014-2015 fishing year (chart 2). **UB**

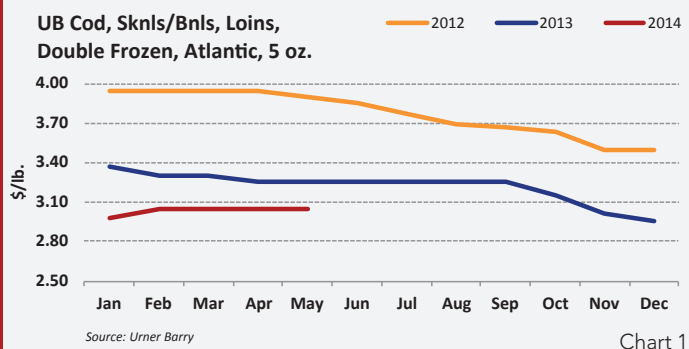


Chart 1

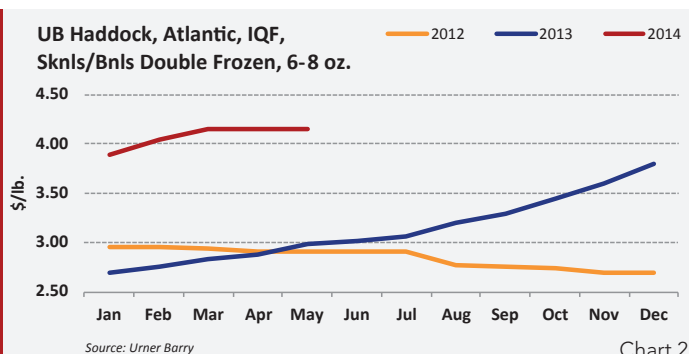


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Mahi is back...sort of

By Angel Rubio and MaryAnn Zicarelli

Arubio@urnerbarry.com and MaryAnn@urnerbarry.com

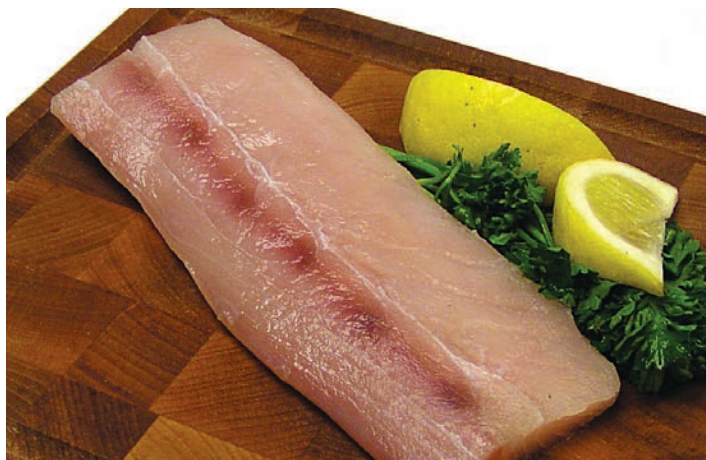
Starting in 2011 and through the first six months of 2012, a sudden hike in mahi prices resulted in the species pricing itself out of the market. The market rose so much that numerous restaurants dropped mahi from the menus with many traders steering clear of the species altogether.

However, there was a noticeable price correction during the second half of 2012, which caused prices to fall back to more normal levels. Throughout 2013, the market gained stability and remained in relatively good balance. A late start to the 2013-2014 fishing season in Ecuador combined with abrupt endings in both Peruvian and Ecuadorian catches in mid February, resulted in another price hike; though not as steep as the one in 2011.

Note that in the following analysis we have used import volume of frozen fillets of mahi according to its HS code. This item contains fillets, portions, and fletches. Therefore, Urner Barry quotations were bundled into an average price of 3-5 lb. natural fillets, in addition of 6 and 8 oz portions. The comparison is meant to show a trend in both prices and not a margin between costs and mark-up relationship.

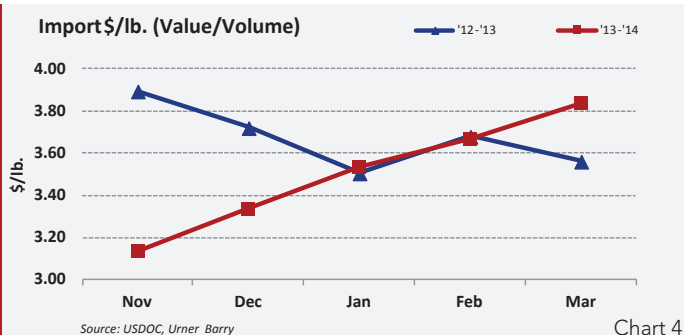
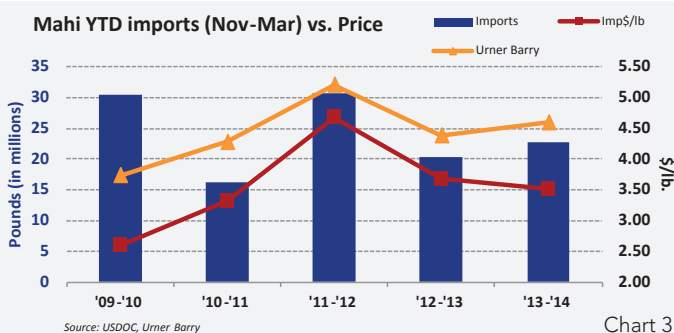
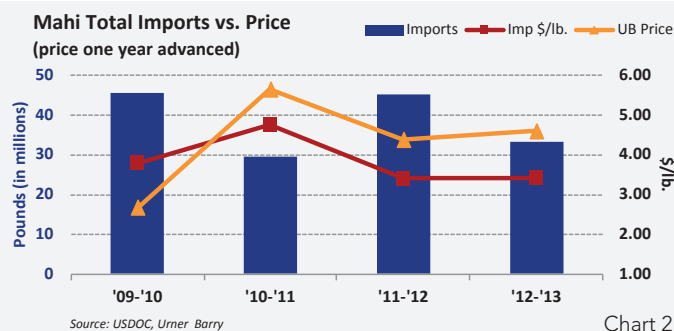
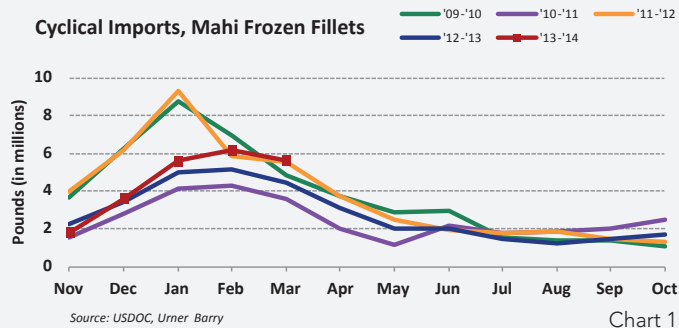
In order to assess prices and volumes over the last few years, it is important to note that the fishing season runs from approximately October to February and possibly March depending on weather patterns. Thus, the following analysis of imported volumes is based on this seasonal period and covers landings beginning in the fall and ending in the first or early second quarter of the following year.

The import seasons—stemmed from fishing seasons—behave similarly year over year (chart 1). For instance, during the '09-'10 and '11-'12 seasons, imports peaked in January to a sharply higher level flirting with 9 million lbs. However, the '10-'11, '12-'13 and the current '13-'14 import season is acting in a much more similar way with imports peaking in February at a comparably lower 6 million lb plateau.



Assuming constant market conditions, we advanced average seasonal prices by one year to match with imports and a clear seasonal pricing trend emerges. Years where imports trended below those of the prior season, prices rose in the ensuing season (chart 2). In a similar way, seasons where imports increased, prices dropped.

This year, however, in the U.S. market slightly higher prices were by an average of about 20 cents in 2013 according to a comparison



Volume, Import \$/lb. vs.

Avg. UB Quotations

(6 oz. portion & 3-5 lb. natural fillet + fresh whole)

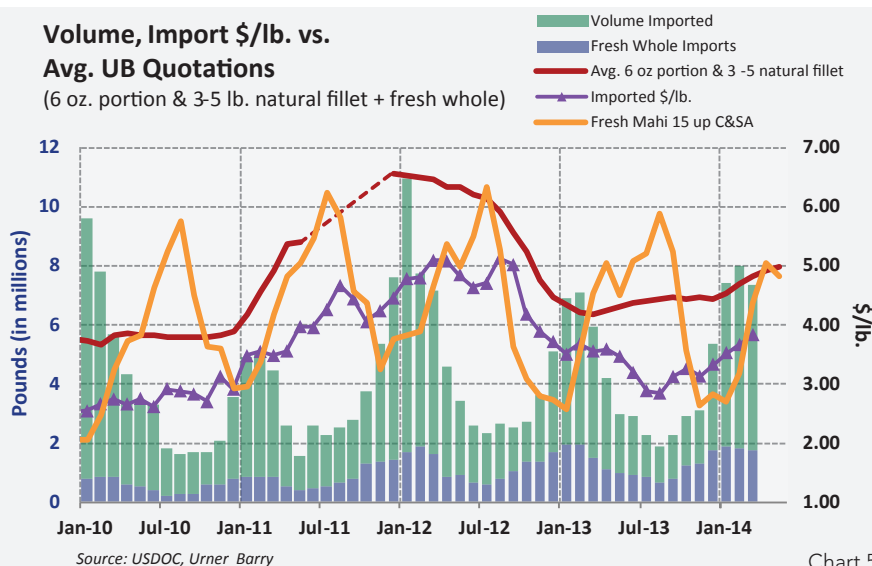


Chart 5

"The market rose so much that numerous restaurants dropped mahi from the menus with many traders steering clear of the species altogether."

of previous years on a year-over-year basis but without advancing average prices (chart 3). One can note that by looking at replacement costs using the import \$/lb. trend vs. last year (chart 4).

Meanwhile a look at the fresh wholefish market, which is largely sourced also from C&SA, the seasonal behavior of imports is rather similar to the frozen market. However, due to the nature of most fresh markets, prices are more volatile. In 2013 supply heavily

impacted market prices and seasonal price trends were seen as they were in previous years. Prices peaked in 2011 and 2012 as a result of a firm frozen market and low landings. The fresh market reaches its peak during the summer months, precisely when landings are the lowest. Thus far, 2014 prices are following patterns seen in the past.

Chart 5 illustrates the big picture and brings all of these seasonal factors together. Moving forward the mahi market on the frozen side holds a firm undertone for the remainder of 2014. As for the fresh market—barring unforeseen changes—prices are bound to see a seasonal peak in the summer months as history suggests. **LB**

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The shrimp market appears to be resetting after record 2013

By Paul Brown | Pbrownjr@urnerbarry.com

After several years of ample supply and low shrimp prices; 2013 saw record increases in the price of shrimp.

EMS

High prices were a result of the shrinking world supply of shrimp due to EMS disease early mortality syndrome). Epatopancreatic Necrosis Syndrome, or EMS, affects very young shrimp shortly after seeding the ponds. Bacteria attack the gut of the shrimp and they stop eating. Mortality can be as high as 100% and the disease strikes quickly.

EMS began to affect shrimp production in 2009 and 2010. Imports from Vietnam were severely affected in 2012 but not until Thailand production was decimated in 2013 did the market react. Thailand had been supplying up to 1/3 of the U.S. imported shrimp supply up until 2013.

PRICES SPIKE

The shrimp market began to increase in 2013 as a reaction to the limited global supply due to EMS. In July 2013 the market began to spike higher and did not level off until October. An article in the Wall Street Journal detailing the Asian production problems due to EMS may have alerted food executives to the limited supply. There was a sudden rush to secure product for holiday demands in a very competitive market. That rush to buy product was global; although 2013 U.S. imports were only down 5% prices rose about 45% (chart 1).

INDIA TO THE RESCUE

As Thailand production was dropping precipitously, Indian production of white shrimp was growing. Imports from India in 2010 were 66.5 million pounds which grew to 208 million pounds in 2013, a 212% increase. In addition to India, imports from Vietnam, Indonesia, and Ecuador have all been increasing mitigating the effect of the shortfall of imports from Thailand.



2014

Demand destruction at the higher prices has likely been occurring in many areas of shrimp sales. A harsh winter throughout much of the U.S. also likely limited foodservice demand for shrimp in many quarters. Through the first quarter of 2014 shrimp imports compared to a year ago are up 14%. Indonesia, Ecuador, India and Vietnam are leading the major shrimp suppliers with increased imports accounting for 2/3 of total imports this year. Shrimp prices have begun correcting downward given the increased supply and lower demand.

Global shrimp production has only just gotten underway. EMS issues; although still significant and uncertain, appear to be waning.

So we are currently in a generally weak and unsettled market across much of the shrimp complex with some exceptions.

Black tiger shrimp have mostly followed the same patterns as white shrimp; however; large shrimp; particularly large black tiger shrimp remain tight.

"As Thailand production was dropping precipitously, Indian production of white shrimp was growing."

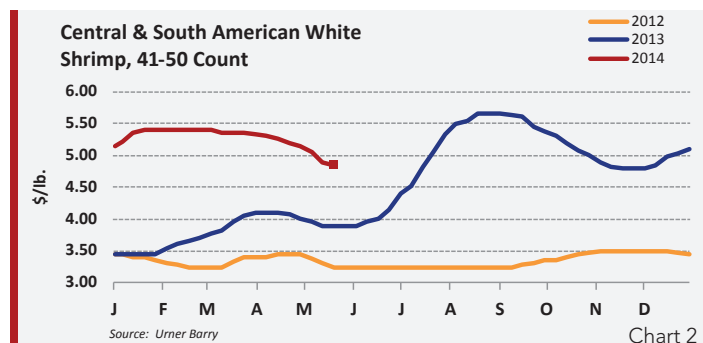
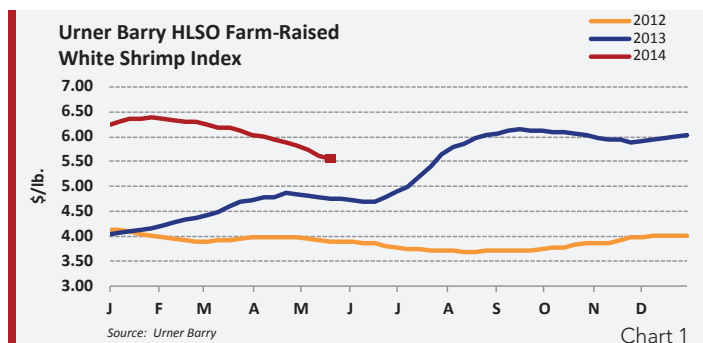
Market note: the U.S. Commerce Department announced an increase in the preliminary shrimp duty rates for Vietnam, India, and Thailand. These duty rates were most onerous for imports from Vietnam, but also significant for India. Should the Commerce Department uphold these rates they would become effective sometime in the summer and could have an effect on the market.

IMPORTED WHITE SHRIMP

41-50 headless shell-on from Latin America is considered a bellwether of the shrimp market in general. Led by substantial increases in shrimp production from Ecuador the market has seen a recent weak trend (chart 2).

16-20 count HLSO shrimp is led by India and Indonesia. In 2012 the market was shocked in many categories by the supply of

Continued on page 38



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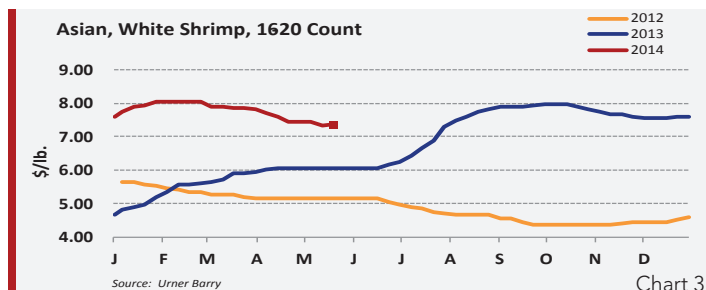
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Shrimp outlook ...

Continued from page 36

India's large count shrimp and headed lower. In 2013 the market rebounded and moved sharply higher. Today, like the other markets, it is moving lower (chart 3).

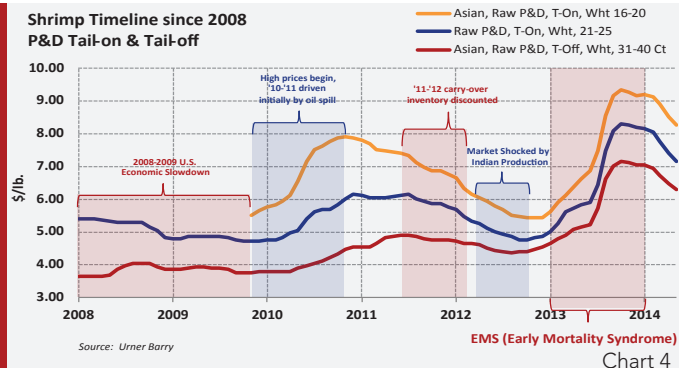


The following chart details some popular foodservice items over the last several years and the market behavior. 2008-2009 saw the beginning of the U.S. recession. High prices in 2010-2011 were driven by the Gulf of Mexico oil spill (as buyer's hoarded product) and by white spot disease in Indonesia. Carry-over inventory was discounted in 2011-2012 and then the market was shocked by the volume of Indian shrimp production. EMS struck the market in 2013 limiting global supply. The market now appears to be correcting off its highs of last year (chart 4).

U.S. GULF DOMESTIC SHRIMP

In the same manner as imported shrimp, the market for U.S. origin products from the Gulf of Mexico has trended sharply

Shrimp Timeline since 2008
P&D Tail-on & Tail-off



higher, reaching recorded highs in all categories. For example, the bellwether 16-20 count, headless, shell-on, brown shrimp was trading at an average price of \$5.69/lb in December of 2012. In one year that value rose to \$9.15/lb; a 61 percent increase! While the overall trend in the fishery has been one of decline, landings in each of the last three years have been relatively stable; totaling between 115 and 118 million pounds. In 2013 that figure was 115 million pounds. The issue, and driving factor, is not solely domestic shrimp production, but the total supply of shrimp in the U.S. In December 2013, there were only 107 million pounds of shrimp available (import + domestic), where in the previous two years, that figure ranged between 122 and 124.5 million pounds. Short supplies sent buyers seeking all-types of shrimp, and the market for domestic shrimp benefitted. Landings through the first quarter are typically light, so there's little evidence to suggest a good or bad season. The effort in the region typically starts in mid-May, however this year is unusually late as Louisiana pushed back the opening dates to Monday, May 26 (Zone 2) and zones 1 and 3 on June 2. **UB**



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Prices de-"greasing"

By Bill Smith | Bsmith@urnerbarry.com

The relationship between the cattle slaughter and prices throughout the by-product market has been very evident to this point in 2014. It is not exactly rocket science that when supplies go down prices go up. Demand has been a little tougher to figure out though. Oleo chemical, biodiesel, feed, pet food and baking are the biggest demand areas for the tallow and grease markets. Such a wide variety of buying interest leaves open the potential for them to be impacted by so many things from weather patterns to government policies and it makes it difficult to gauge exactly when all the different buyers will enter and leave the market.

Loose lard and edible tallow are the two items that show up on the by-product sheet which are edible for human consumption. Both of these opened 2014 at a significant discount compared to recent years. That said, by late February and early March prices started to climb significantly higher as demand easily outpaced availability. In April prices for lard surpassed price levels for both 2013 and 2012. Edible tallow prices also moved higher in March and April but leveled off before passing 2012



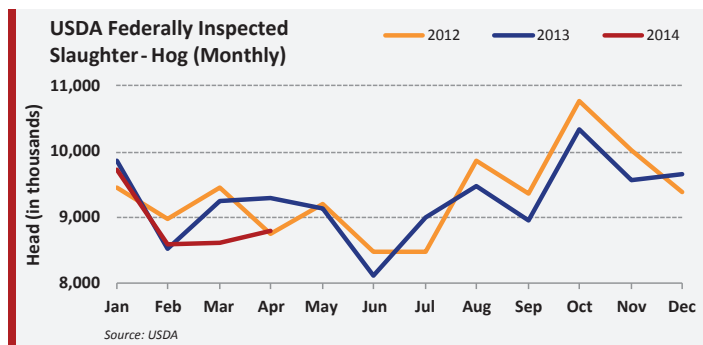
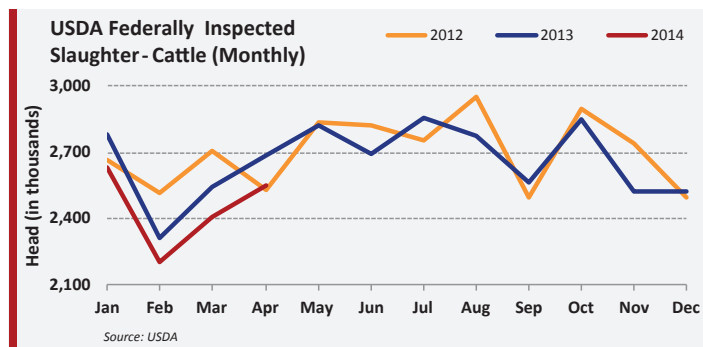
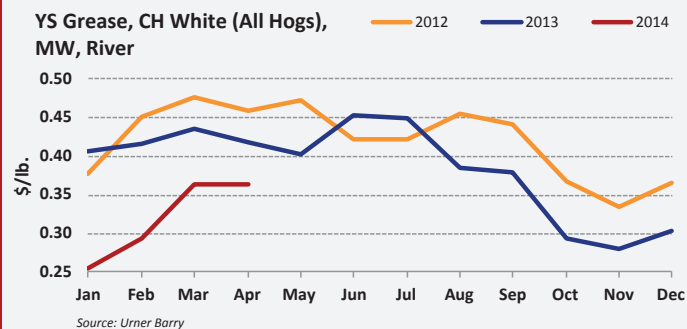
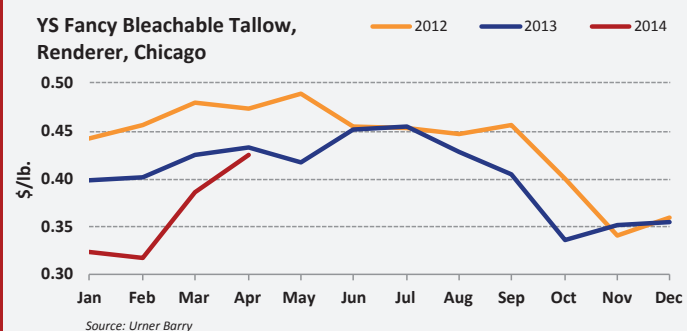
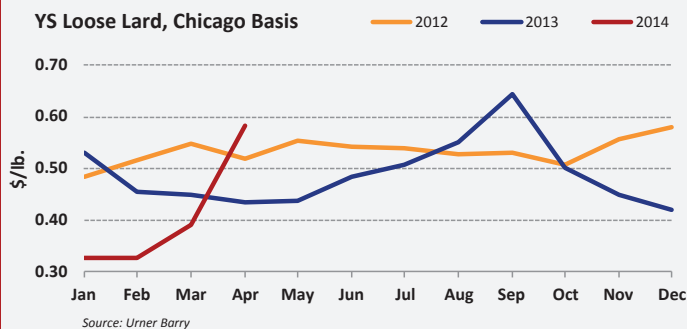
price levels. Aspects to keep an eye on going forward are production levels, demand and government regulations to name a few.

Inedible tallow and grease price levels for 2014 have traded at a discount compared to previous years so far. Q1 2014 monthly average prices for both renderer and packer tallow were down each month relative to 2013. Renderer and packer tallow prices both improved significantly in March but were still at a discount compared to the previous year. January and February prices for packer tallow were down about 21 percent compared to last year. March's monthly price was only down roughly 8 percent. Choice white and yellow grease trends so far this year have been similar to the inedible tallow's.

Issues the by-product market will likely face moving forward are generally consistent with recent years. Concerns like

"Aspects to keep an eye on going forward are production levels, demand and government regulations to name a few."

availability of product, demand from all the different areas and changes in government regulation. It is still largely unclear how all of these matters will affect the market going forward. **UB**



2014 lobster seasons from all areas getting underway

By Paul Brown and MaryAnn Zicarelli
Pbrownjr@urnerbarry.com and Maryann@urnerbarry.com



NORTH AMERICAN LOBSTER

(*Homarus americanus*)

North American Lobster production is seasonal. The Canadian fishery opens in May and ends in June, then is quickly followed by the bulk of the Maine season that lasts throughout the summer. The Canadian fishery then resumes in October, when the Bay of Fundy season opens, followed by Southwest Nova Scotia in November. There are numerous smaller openings and closing throughout the year both in the U.S. and Canada.

The seasonal nature of the fishery leads to rather seasonal price trends. Net supplies are at their lowest in the first part of the year, which tends to support higher markets. Supplies are limited during this period not only because of a lack of effort, but because shipments to Asia, an increasingly important market for North American Lobster, are heaviest July through December. There are also demand considerations in the first part of the year which are price supportive; the U.S. New Year and Valentine's Day, and New Year in China all fall into that time period.

The 2012 North American Lobster market opened with high prices and moved lower throughout the season with record production. In 2013 the market started low amid fishermen protests. However, shortly thereafter fishing resumed and again ample catches were recorded.

The Canadian season at the time of this writing just began; and got off to a slow start due to inclement weather conditions. Fishing and production are now improved. The Canadian season live prices, which were settling higher than a year ago, are now exhibiting a more seasonal trend. As Maine production comes online the market takes on a generally unsettled tone with the addition of new caught, new shell lobsters.

Due to the recent record catches of North American lobster, the tail and meat markets have expanded into new, broader and deeper channels. The expanding market may also have been driven by the historically high prices of shrimp in 2013. The 2013 season ended with fairly firm pricing for a tight supply and little carry-over into the current season (charts 1 and 2).

WARM WATER LOBSTER (*Panulirus argus*)

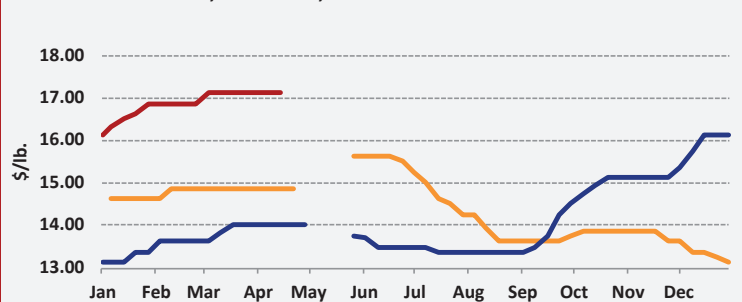
The Brazil Lobster season begins on June 1 followed by Honduras and Nicaragua on July 1 and the Bahamas

on August 1. Several other countries produce lobster tails on a seasonal basis in the Caribbean.

Recently the market for 9 oz. and larger tails has been stronger than the prime sizes of 5-8 oz. tails. U.S. imports of warm water tails in 2013 were down 6% with Brazil and Nicaragua the only countries posting a gain. Imports from the Bahamas and Honduras were lower.

Inventories of warm water lobster tails are currently seasonally low but availability will improve with the season openings (chart 3). **UB**

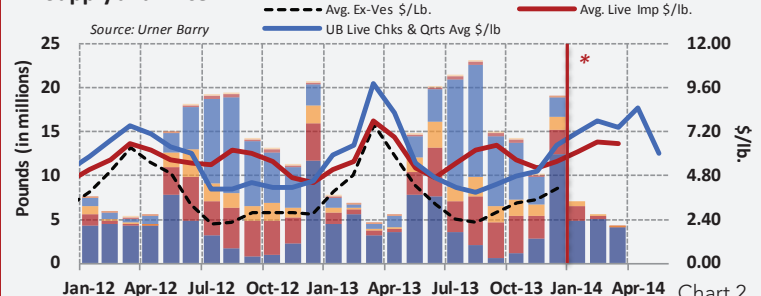
UB Lobster Tails, American, 45 oz.



Source: Urner Barry

Chart 1

American Lobster, Supply and Price

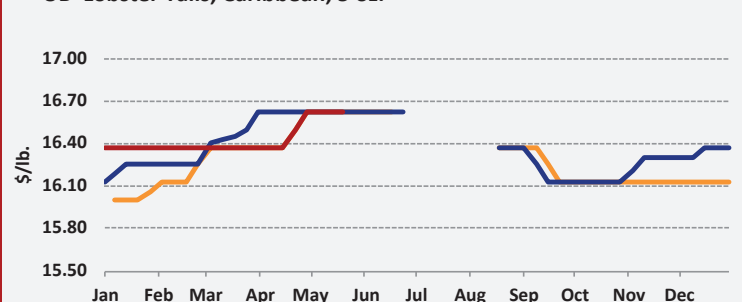


Source: Urner Barry

Chart 2

* Domestic Landings and processing not available, only imports

UB Lobster Tails, Caribbean, 5 oz.



Source: Urner Barry

Chart 3



pasteurized crabmeat
mahi king crab snow crab
shrimp cold water lobster
tails clams warm water
lobster tails imitation
crabmeat mussels squid
value added

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OCEAN VENTURE



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2014, the result of a transitional 2013

By Angel Rubio | Arubio@urnerbarry.com



Tilapia, once called “chicken of the sea” experienced a transitional year in 2013; and this year and into 2015, we are bound to assess the consequences. First, for the very first time since the freeze in China in 2008, prices for frozen fillets—the largest component of tilapia imports (*chart 1*)—in the U.S. spot market and overseas trended higher throughout the year reaching record levels; frozen whole fish imports increased for the very first time also since 2008. In the fresh fillet market, Ecuador, once the main supplier of this commodity, saw its shipments decline by more than 34 percent when compared to 2012.

Frozen whole fish, a commodity traded mostly in ethnic markets and targeted mainly to the Asian and Hispanic communities, saw its volume increase in 2013 for the first time in over five years. This was an odd figure given that the trend

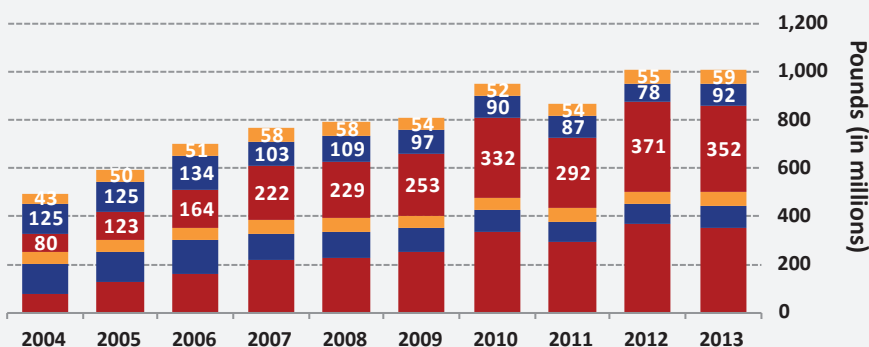
appeared to be downward (*chart 2*) with an annual growth rate of -6.18 percent from 2004 to 2012; in

2013, imports increased 17 percent when compared to 2012, bringing the annual growth rate to -5.16 percent. It is hard to pinpoint a reason for such an increase but it is certain that traders in the U.S. will be

monitoring consumer preferences in case demand for this particular commodity is in fact expanding.

Similarly, tilapia fresh fillets from Central and South America managed to increase their volume in 2013. Although wholesale prices remained high and in fact firmed, one could easily assume that by having

Tilapia Imports Breakdown by Year



Source: USDOC, Urner Barry

Chart 1

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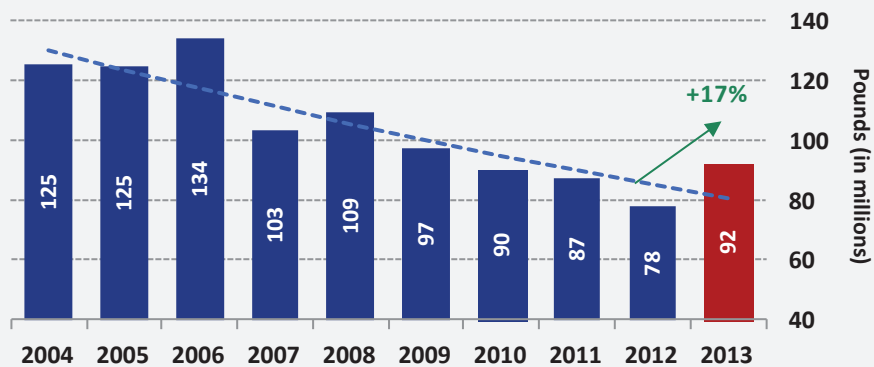
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"Ecuador, once the main supplier of this commodity, saw its shipments decline by more than 34 percent..."

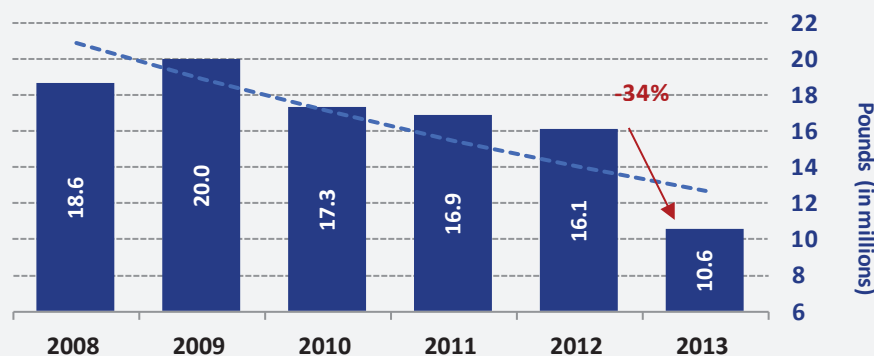
Frozen Whole Fish Imports



Source: USDOC, Urner Barry

Chart 2

Fresh Fillet Imports from Ecuador



Source: USDOC, Urner Barry

Chart 3

more volume and higher prices, demand indeed expanded. Such a conclusion would be far too quick since the market in 2013 saw structural changes. To begin with, Ecuador, once the largest supplier of this commodity, saw its total shipments decrease by 34 percent from 2012 (chart 3). Since 2008, shipments from Ecuador had been decreasing at a rate of 4.48 percent; a figure that became 9.48 percent in 2013 due to the tremendous drop from the previous year. What this caused was that U.S. buyers of Ecuadorian product had to source their product from somewhere

Continued on page 44

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Tilapia outlook ...

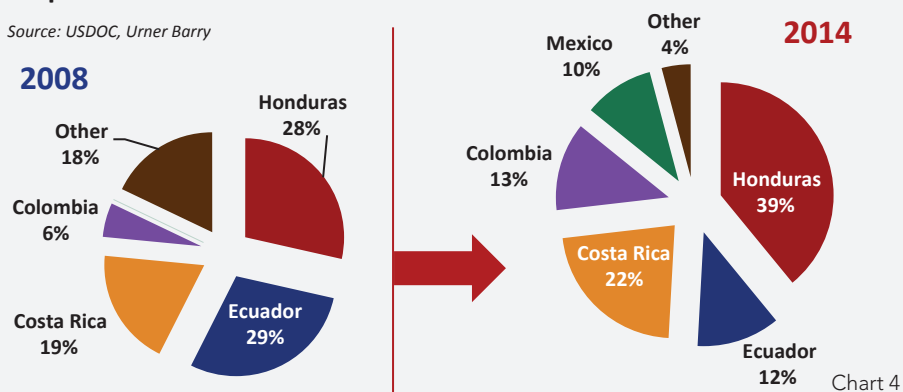
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else, and thus, demand in the short run increased for other supplying countries like Honduras, Costa Rica, Colombia, and the newcomer Mexico. Therefore, prices remained firm throughout the transition as shipments from all of the countries mentioned increased; Honduras 5 percent; Costa Rica 45 percent; and Colombia 34 percent. As a result, the market share of supplying countries has changed dramatically (chart 4). So, as distribution channels have settled in the past few months, so has the market (chart 5).

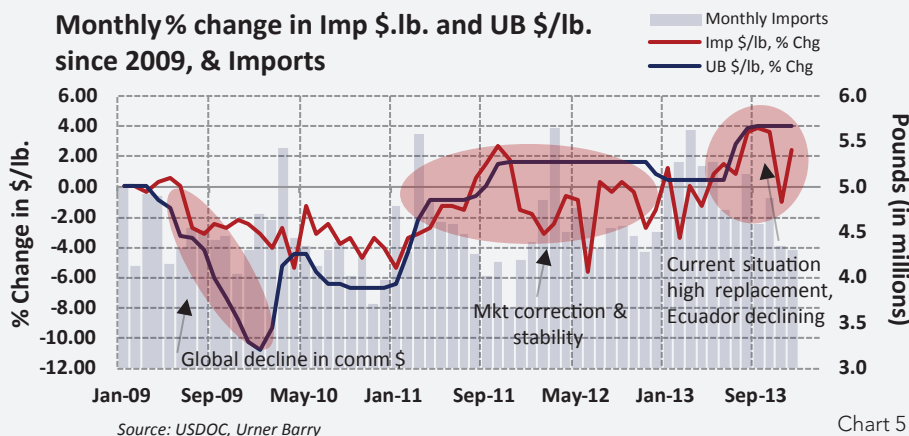
The frozen fillet market, by far the largest component of all tilapia imports saw prices move sharply higher throughout 2013. One of the main causes was that replacement costs rose and availability during the last quarter of 2012 was fairly tight as purchase orders were made for late 2012 and early 2013 delivery. As a result, supplies in the U.S. became tight, and as replacement costs overseas remained high as prices in the U.S. continued firming

Tilapia Fresh Fillet Market Share

Source: USDOT, Urner Barry



Monthly % change in Imp \$.lb. and UB \$/lb. since 2009, & Imports



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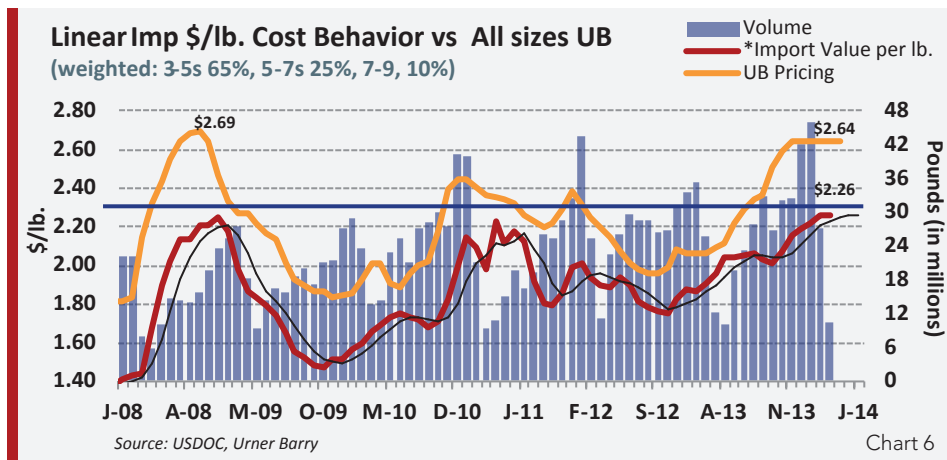


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for orders made in 2013 for delivery late that year and into 2014; in February 2014 replacement costs—shown in chart 6 by the blue line as “imp\$/lb.—reached a record high. However, as replacement costs went up, so did imports. When comparing the first quarter of 2014 against any other year prior, 2014 YTD imports are also at a record high—only by 3percent when compared to the second highest year during the first quarter. This means that current inventories are the largest while the costs incurred in these inventories are also at the highest level.

So, at the moment, the market is pretty much on a wait-and see stand. Fresh fillets are gaining stability as distribution channels settle from the structural changes of Ecuador’s contraction in tilapia production. Volume of frozen fillets in the U.S. is at one of the highest levels recorded, yet costs incurred for this inventory are also at their highest level. Therefore, the market is either bound for a correction or this is simply a transition to new floor prices.**UB**



*Total value reported by the U.S. Department of Commerce (imports’ value of tilapia frozen fillets) divided by total pounds.



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Market treading deep into record breaking territory

By Jim Kenny | Jkenny@urnerbarry.com

The Atlantic sea scallop (*Placopecten magellanicus*) is one of the most valuable fisheries in the United States and is the most valuable wild scallop fishery in the world. Once unsustainable, the Atlantic sea scallop population is near record highs and the fishery operates at sustainable levels.

Scallops are managed by the New England Fishery Management Council in cooperation with the Mid-Atlantic Fishery Management Council under the Atlantic Sea Scallop Fisheries Management Plan. They use a combined approach of effort limitation and rotating harvest areas, which maximizes scallop yields while protecting beds of young scallops.



So what does this mean? Between 2008 and 2012, vessels hauled between 52 and 62 million meat pounds per year. In 2013, the effort was scaled back, effectively reducing the potential scallop take from 62 million pounds in FY2012 to 43 million pounds; actually only 36.5 million pounds were landed. Now, with further reductions planned for FY2014 the potential haul is only 38 million pounds.

The result has been a market for U.S. origin sea scallops that treads deep into record breaking territory. All quoted items have recently attained all-time highs. The market for Dry, IQF, 10/20 count domestic sea scallops moved higher throughout the entirety of 2013 and into the first quarter of 2014, topping out at \$14.30/lb. The market has since moved lower as the March 1 opening provided some supply and price relief, however we remain in a range that's outside traditional boundaries.

Last year we wrote about a "new normal," and while I still dislike the term, a historical look at the scallop market clearly shows trading in a new range. From 2001 to 2004, Dry, IQF, 10/20 count domestic sea scallops traded in a band of \$4.30-6.75; then, from 2005 to 2010 that range extended to \$6.75-10.10; from 2011 to

2012 it grew to \$10.10-12.20; and more recently \$11.45-14.10!

Despite the quota cuts, we actually saw net supplies rebound to a level more in-line with the five-year average. Import volume surged in 2013 as importers capitalized on both increased availability overseas and a record-high U.S. market. January through December imports of scallops into the U.S. totaled 60.8 million pounds, up 76.5 percent when compared to a year ago and up 18.25 percent compared to the previous five-year average. Sharp increases were noted in imports from China (+65%), Japan (+54%), Canada (+46%), Peru (+403%), Argentina (+89%), and Chile (+38%). The surge in scallop imports, combined with a 26 percent reduction in U.S. scallop exports, aided net supply. Up 26 percent, to 76.45 million pounds, 2013 net supplies closed-in on the five-year average.

Exports continued to decline from the record-high 32 million pounds shipped in 2011. European buying continued to slow, as did shipments to Canada and Hong Kong. In 2013, the U.S. shipped 21.2 million pounds overseas, down 7.5 million pounds from the year prior. The most notable declines were seen in shipments to France (-40% or 2.2 million pounds), Canada (-22% or 2.1 million pounds), and Belgium (-31% or 852 thousand pounds). Currency devaluation, especially in Euro



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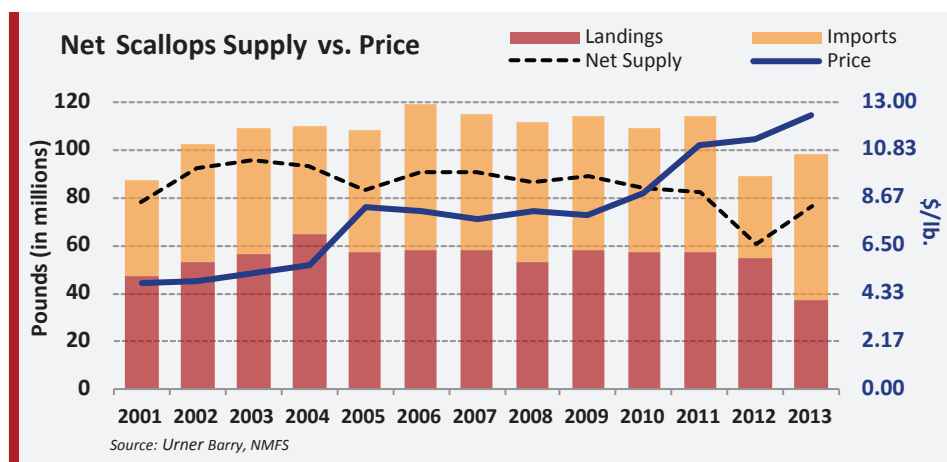
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countries, and a record-high U.S. market weakened their buying power and desire to import from the U.S.

CANADA

The market for Canada origin sea scallops produced much more modest gains, in a range of six to 11 percent. Currently, there's underlying strength in the lightly supplied 30/40 and 40/50 counts; a size category where we're noting short supplies. The markets for both 10/20 and 20/30 counts appear more steadied, with a slight bias upward.

Production in Canada is expected to remain relatively steady. Anecdotally, reports from Canadian producers suggest very good catch rates, but more of the same in terms of distribution. The majority of the catch remains in the 10/20 to 20/30 count range, while very few 30/40 and 40/50 counts are being landed.

CHINA

As previously mentioned, imports have been a significant storyline. Easily outpacing domestic landings, imports have provided much needed relief from a depressed supply situation. Imports from China have rebounded sharply, up 65 percent compared to a year ago, and imports from all countries are up 74 percent.

In the markets, there's been a recent divergence, reflecting imports of new season bay scallops from China. Anecdotal evidence suggests the import volume has been heavy in both 40/60 and 60/80 count scallops, and increasing in 80/100 count. This import flow has resulted in 52-week lows developing in 40/60 and 60/80 count sizes. Meanwhile, 80/120 and smaller count scallops remain short of full needs, and undertones range full steady to firm.

EFFORT AND WHAT'S COMING

Looking ahead, the FY2014 scallop season is already underway, but the industry is still awaiting the passage of Framework Adjustment 25 to the Sea Scallop Plan. There are several important changes proposed that will directly affect the management measures in FY 2014.

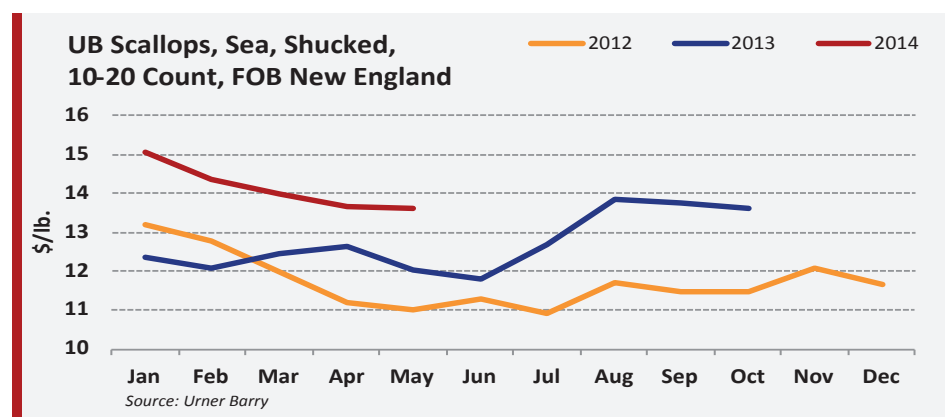
Specifications for fishing years 2014-2015 include 31 days-at-sea in open areas; and two 12,000 pound access area trips

for full-time vessels, or in lieu of a trip into the Delmarva area, five additional days-at-sea. Total projected catch from all sources (including set-asides and limited access general category IFQ of about 2.2 million pounds) is 17,254 metric tons, or 38 million pounds. While this may appear to be an increase over the 36.5 million pounds landed in FY 2013, we must remember that the quota allowed for a haul as large as 43 million pounds and that it's rare for the entire quota to be landed.

FRESH, DRY SCALLOPS – 10/20 COUNT FOB NEW ENGLAND

By MaryAnn Zicarelli | Maryann@urnerbarry.com

In 2013, low volume trading of fresh, dry scallops was greatly impacted by the limited supply which was largely due to the reduction in fishing quotas. As a result, market prices were escalated which further hampered buying interest. More recently, new season production, which began on March 1, provided some much needed supply and price relief. **UB**





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Tuna, stable again

By Angel Rubio and MaryAnn Zicarelli
Arubio@urnerbarry.com and
MaryAnn@urnerbarry.com

After a chaotic 2012, in which prices reached levels not seen before, 2013 was characterized by an evident market correction and further stability in 2014. In this outlook we are able to make sense of whatever little data is available and the relationship with our quotations is quite tight and clear.

Last year we analyzed the tuna market exactly when prices had been dropping steadily for months after reaching record highs in 2012. Let us remember briefly: when imports began dropping during the second half of 2011, market prices in the U.S., represented by Urner Barry's quotations, started rising gradually. In January 2012 imports of tuna frozen fillets (loins, steaks, saku) were limited to

75 thousand pounds. That had a ripple effect on the market and market prices skyrocketed. As a result, many non-traditional traders of this commodity jumped in as they saw an opportunity to make a nice profit. However, as imports recovered, many felt the bubble explode.

Note that in the following analysis we have used import volumes for frozen tuna fillets according to its HS code. This item contains loins, steaks, and saku. Therefore, Urner Barry quotations were bundled into an average price of 5-7 lb. center-cut CO treated loins, in addition of 6 and 8 oz steaks. The comparison is meant to show a trend in both prices and not a margin between costs and mark-up relationship.

By taking total imports per year, and then advancing average price one year, it makes sense of the impact that tight

or recovering supplies have had on the market (chart 1). As we can notice, it was 2011 when the market began drying up, and as a result, the advanced price of 2012—placed in 2011—shows that prices spiked. However, as imports recovered in 2012 and 2013, prices continued to adjust lower—again, prices are advanced by one year. Now, when looking at a year-over-year chart (chart 2) of supply and price—without advancing the price one year since we are comparing only a portion of the entire year—we can notice that the first three months of 2012 were quite low when compared to previous years. As a result prices were the highest on record. Similarly, however, during the first quarter of 2013, supplies were slightly lower when compared to the five year average lending some support to gradually falling prices. Yet, as high priced inventory from 2012 and early 2013 was sold throughout 2013 into 2014, prices continued to fall (chart 3).

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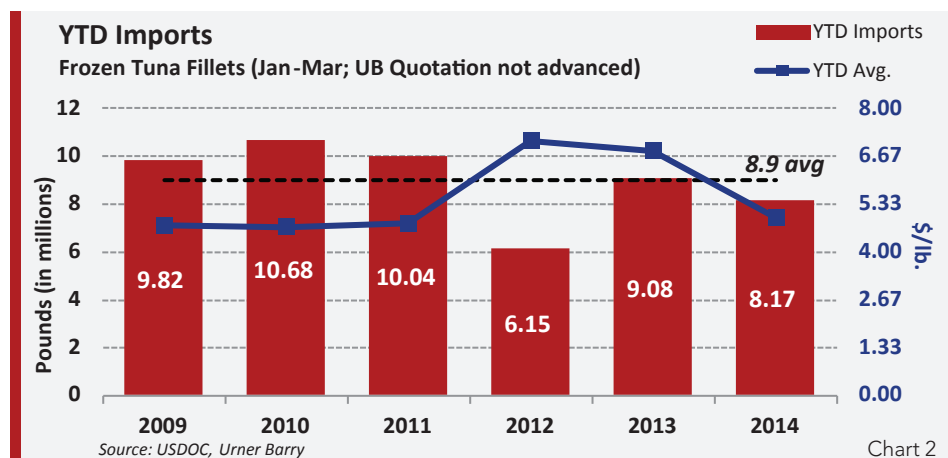
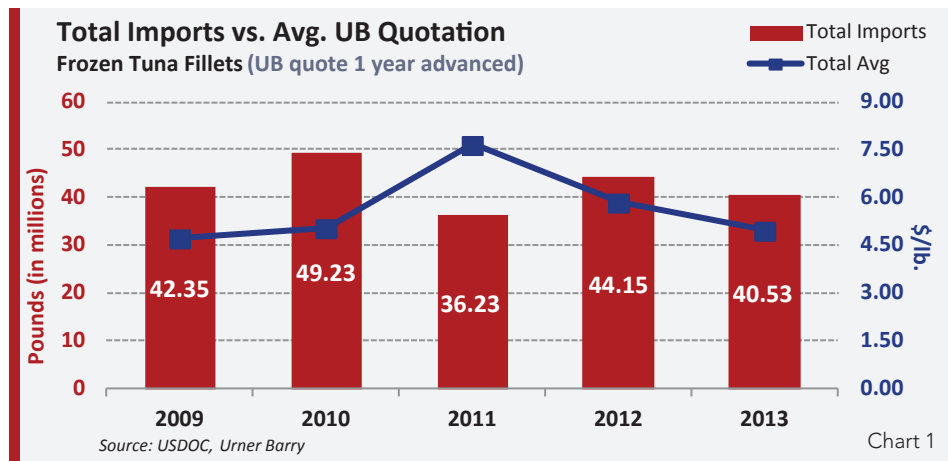
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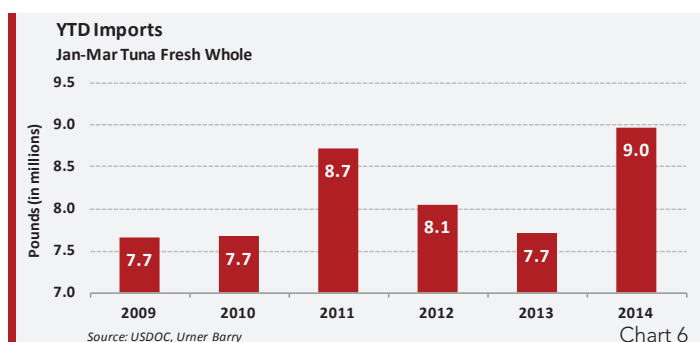
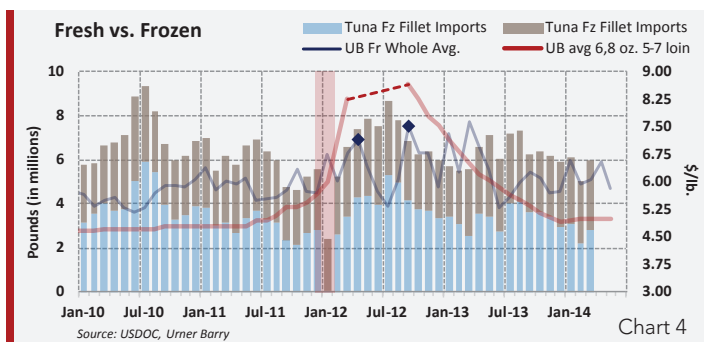
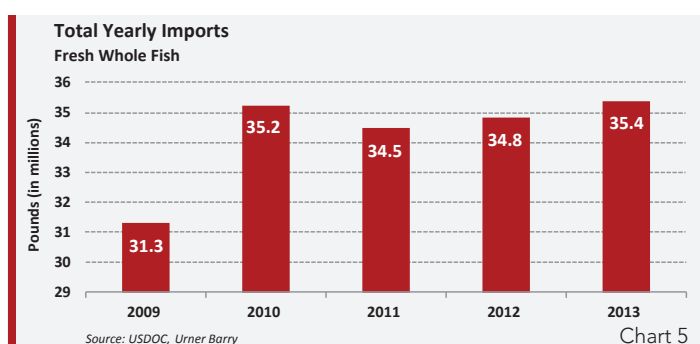
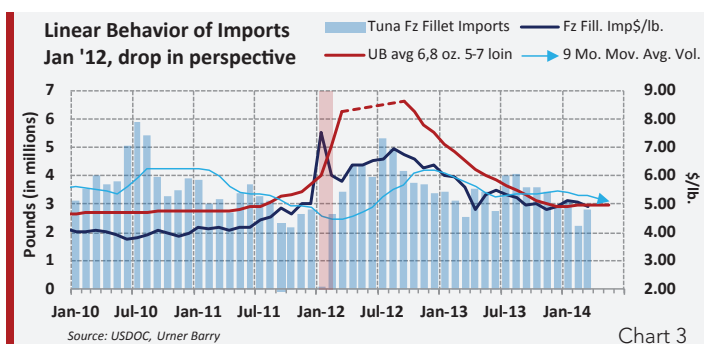
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Recently, however, many importers reported that replacement costs are beginning to rise overseas. This puts pressure on importers as they try to maintain profit margins and older inventories get cleaned out. As of the first five months of 2014, the frozen market has gained stability in price not seen since early 2011.

Similarly, the fresh wholefish tuna market also saw hiccups during that same time as a result of a tight frozen market. During that time, demand for frozen product was so high that prices for fresh in fact adjusted lower (chart 4); the same time Urner Barry quotations for frozen product were removed due to a highly volatile and unsettled market. Thereafter, however, prices for fresh wholefish in the Miami spot market firmed and remained high from September 2012 until 2013.

The spikes and lulls in 2013's market prices followed suit with prior years' seasonality, driven heavily by both supply and demand and independently from the frozen market, especially as import volumes for the latter recovered. Imports of fresh wholefish tuna have remained steady since 2010 (chart 5) and this year, imports for the first quarter are the highest since 2008 (chart 6). #1 tuna have been in better demand than other grades and the market in 2013 easily absorbs all available supply, particularly with premium quality fish.

So, the tuna market is finally settling and trading has resumed to normalcy—as expressed by many sellers in the U.S.—after

seeing a bubble inflate and burst. The market corrected itself and now the future is yet to be assessed. [UB](#)

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PEDv dominates the headlines

By: Russell Barton and Jim Kenny
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Jkenny@urnerbarry.com

For this issue of the reporter, we typically sum up the trade of the entire previous year in the pork market and run year over year analysis based on those figures. This year however, the decision was made to direct most of the focus on the first quarter of 2014, as that is when PEDv, one of if not the most significant news stories in 10+ years, began to move the pork market into uncharted territory.

The Porcine Epidemic Diarrhea virus (PEDv) began making headlines in mid 2013, with most pertaining to the potential consequences that the industry could see in 2014. In the first quarter of 2014, PEDv continued to make headlines, yet this time due to the potential hole in the hog herd that it had created. Unprecedented gains in most pork prices ensued for a



variety of reasons, often blowing through previous all-time highs and leaving participants questioning what the rest of the year had in store.

The virus, commonly referred to as PEDv, is mostly seen in very young pigs, causing severe symptoms of vomiting and diarrhea and resulting in high mortality rates in piglets. PEDv is not a food safety issue, and does not pose a risk to other animals or humans. It does, however, have a significant effect on the pork industry and wholesale prices. And while industry groups have taken steps in an attempt to prevent the spread of PEDv, still much has yet to be confirmed about the disease and how it travels. At the time of this publication, it is estimated that roughly 7 million piglets had died due to the virus since May 2013.

From January through April of 2014, the carcass basis of the bellwether Iowa-Minnesota direct hog market ranged between \$76.08 and \$129.82/cwt. This stands in stark contrast to the same period in 2013, which ranged between \$70.57 and \$89.14/cwt. In fact, the high met in early April of this year was 26 percent over 2013's year end high.

The United States inventory of all hogs and pigs on March 1, 2014 was 62.9 million head; down 3 percent from March 1, 2013 and 5 percent lower than December 1, 2013. The breeding inventory, at 5.85 million head, was up slightly from last year, and up 2 percent

from the previous quarter. The market hog inventory, at 57.0 million head, was down 4 percent from last year, and down 5 percent from last quarter.

The total number of hogs under contract owned by operations with over 5,000 head, but raised by contractees, accounted for 48 percent of the total United States hog inventory, up 1 percent from last year.

While PEDv resulted in fewer hogs slaughtered in the first quarter of 2014, hog weights more than made up for the deficit in terms of pork production. The easiest way to depict this is to compare year over year slaughter with year over year production. The first three months of 2014 resulted in 26,948,900 head slaughtered. That figure is nearly 2.6 percent below the same period in 2013. However, pork production during the first quarter totaled 5.752 billion pounds, a .23 percent increase over the same period last year. This recovery in production was only made possible by record breaking hog weights, which averaged 214 pounds dressed, or more than 6 pounds over the average dressed weight in Q1 2013.

Hogs grew to these weights due to several reasons. First, corn prices hovered between \$4-5/bushel during the period, which was nearly half the value of a year ago. Second, due to fears over PEDv and more specifically fears over not being able to locate enough hogs in the future, hog values began to spike early in the year. Realizing that they could get better prices tomorrow and yet again the next day,

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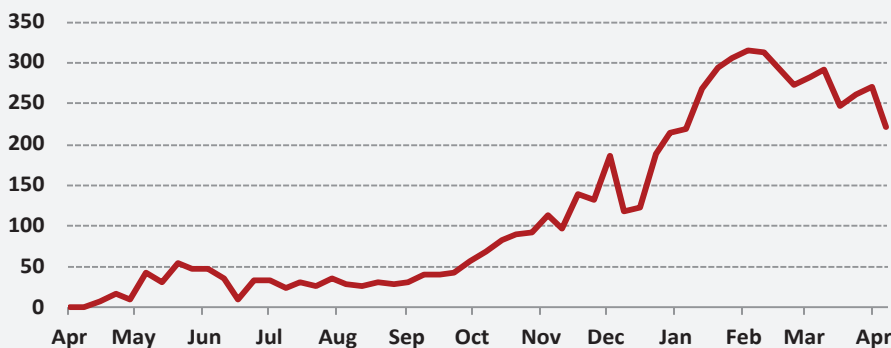
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Number of PEDv cases per week



Source: AASV

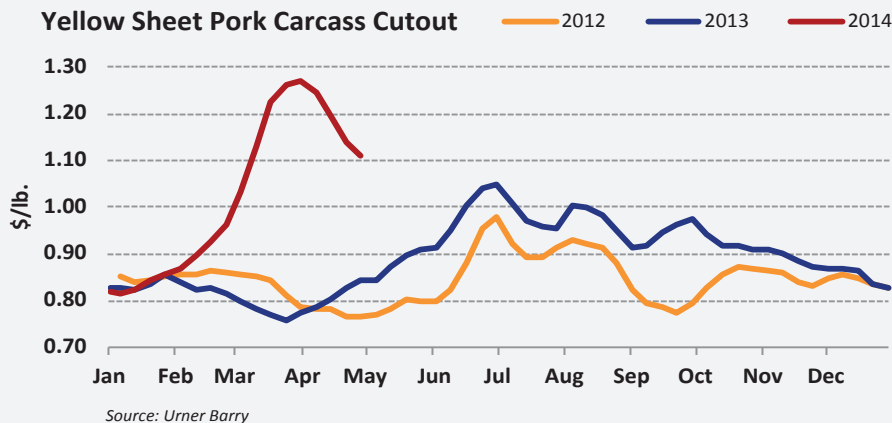
producers began to hold back hogs from market. Again, this was only really a feasible option due to low feed prices. While waiting for better bids, the producers could afford to continue to feed the livestock, resulting in quickly escalated weights.

Contrary to last year's outlook article, exports were almost a non-factor so far in 2014. Even as Russian and Chinese exports sank to lows due to Ractopamine restrictions, total exports for the first two months of 2014 gained 5 percent over the same time last year. Exports to Mexico were the highlight for the beginning of the year, growing by nearly 23 percent compared to Jan-Feb 2013. Some contributed this gain to Mexico building stocks ahead of what could have been a PEDv induced pork shortage in the spring. Exports to Canada, Japan, and South Korea were all lower to start the year at -14.4, -6.8 and -1.6 percent respectively as high price points seemed to discourage large export figures.

Concerns over constrained supplies pushed many pork products far beyond previous all-time highs. As price gains built momentum, buyers attempted to pull in additional meat in fear that the effects of PEDv were here and that there would be a shortfall of pork for the typical spring and summer demand. Urner Barry's Yellow Sheet pork carcass cutout—which is a composite of pork cuts, trimmings and variety meats - was nearly 20.52 percent higher in the first quarter of 2014 than a year ago on average. Cutout values ranged between \$81.39 and \$127.05/cwt in Q1, compared to \$75.89 and \$85.45/cwt in 2013 on a weekly basis.

Nearly all green meat products were well supported throughout the first quarter of 2014. Bone-in hams on average were up 29 percent from a year ago, with values ranging between \$70/cwt and \$124/cwt. This compares to the 2013 Q1 range of \$55/cwt to \$78/cwt.

Bellies gained substantially over the first 3 months of the year, yet because they started 2014 roughly \$20/cwt lower than 2013, the year over year gains of just 1.05 percent appear less impressive than other cuts. In general however, pork bellies ranged between \$106 and \$190/cwt, a nearly 80



percent increase, over the course of Q1 2014. This compares to a range of \$130/cwt to \$150/cwt in 2013.

Sausage making materials were well supported throughout the first quarter as well. Supplies of fresh 72's became thin to the extent that sausage manufacturers were purchasing boneless ham muscles in order to compensate for the shortage. Fresh 42 percent trimmings averaged an impressive 20 percent higher than the same period in 2013, yet fresh 72 percent trim stole the show with prices averaging 56.5 percent over year ago levels.

All the news surrounding PEDv, and the expectation it would significantly limit supply, produced an unmatched exuberance in the market for fresh pork products. During the month of March, the bulk of the complex attained all-time highs; in many instances shattering records. Those items which failed to set new all-time highs, attained 52-week highs.

The transition between Q4 and Q1 is typically not very eventful. However this year, bone-in loins shot-up 21 percent, boneless loins 17 percent, butts 25 percent, and spareribs between 12 and 14 percent. In order to offer a comparison, ¼" bone-in loin values during Q1 averaged \$134/cwt. The same quarter last year, that figure was \$110/cwt, and the five-year average \$111/cwt. This represents 23 and 21 percent premiums respectively. Commodity butts averaged \$129/cwt, compared to \$103/cwt last year and a five-year average of \$98/cwt; premiums of 45 and 32 percents. Light sparerib values averaged \$163/cwt and medium spareribs \$159/cwt during the quarter; both represent significant premiums when compared to both last year and five-year averages.

The immediate aftermath was pronounced in the loin category. The unprecedented run-up caused buyers to scatter and prices to fall. In April, bone-in loin values fell 9 percent, and in the following month grew to 17 percent (Mar v May). More significant, boneless loin values fell 14 percent in April, and 22 percent in two months. Surprisingly, butt values were largely maintained, and an unprecedented premium developed over loins...by as much as \$30.00/cwt! Sparerib values also declined in the month following the quarter, with light and mediums off two and six percent respectively. **UB**

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Lower cattle supplies continue to make mark on boxed beef market

By Bruce Longo and Gary Morrison

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While we look ahead for the upcoming year, it is worth mentioning some of the notable events this past year that affected the market. A major packer announced in early August 2013 that they would ban cattle fed a popular growth-promotant in the wake of concerns over the health of their cattle. The rest of the industry soon followed suit and the maker of the product agreed to pull it off the market until further studies were done. Another event that had an impact on the industry was the U.S. government shutdown to start the fourth quarter of 2013. This put a chill on consumer spending.

All cattle and calves in the U.S. on January 1, 2014 totaled 87.730 million head, two percent below the same time in 2013. This was also the lowest on record to begin the year since 1951 (*chart 1*).

How did we get here? Key cattle producing regions were hit with a widespread drought

that started in Texas in 2011 and spread to the midsection of the country in 2012 and 2013. While better weather and more moisture have been in place since late 2013 for these areas, the drought has since spread west to California in 2014. There were early closures of plants in Texas and one recently in California. Yet more importantly, this forced cattle owners to sell animals.

Another key factor for profitability for cattle producers is cheaper feed costs. Despite corn prices moving higher from a three year low in October 2013, they are still nearly 35 percent below 2013 highs and 40 percent below recorded highs. Prices for live cattle made weekly highs for four weeks straddling the start of the year. These highs were pierced again to start April, with a record \$1.5237/lb. paid for the 6-State Fed Steer Price (*chart 2*).

The 2013 federally inspected cattle slaughter and beef production continued a

Chart 1

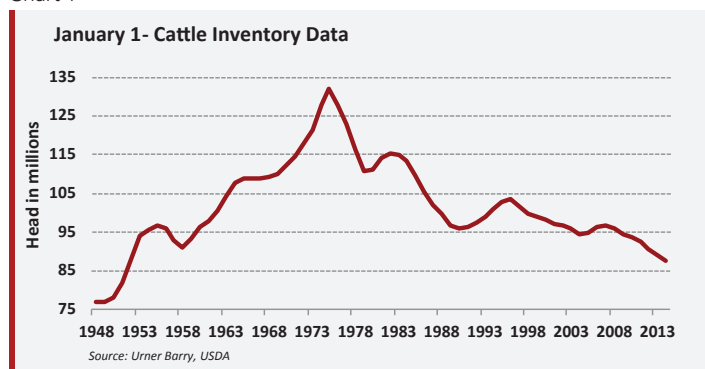


Chart 2

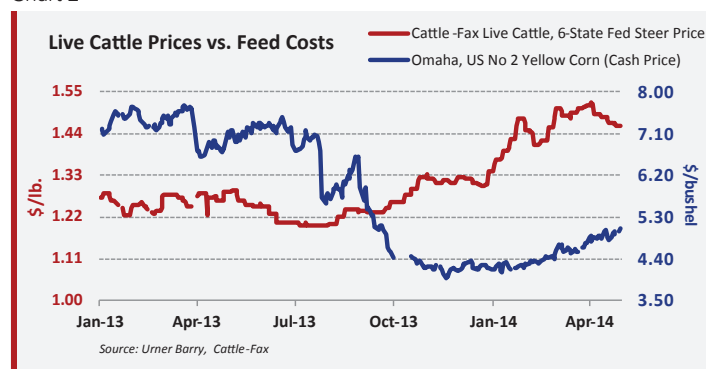


Chart 3

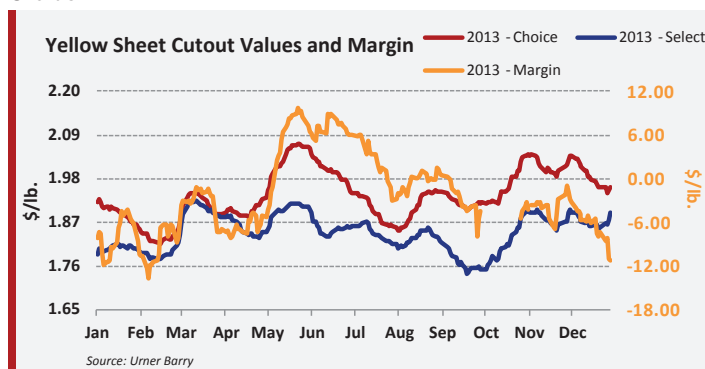
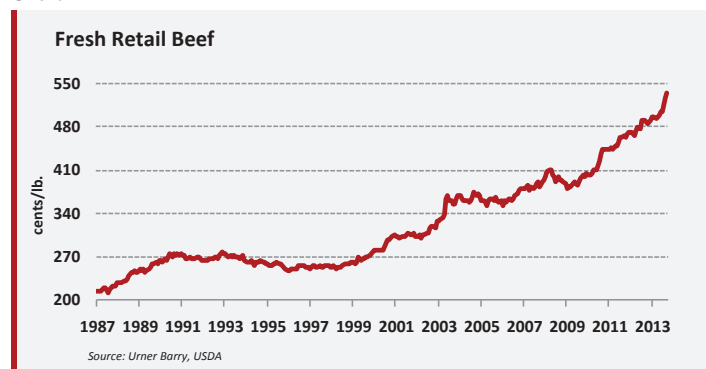


Chart 4



three year declining trend, brought about by factors above. The slaughter slipped nearly 1.5 percent while the latter had a more moderate decline of 0.74 percent. The moderate fall in production was aided by increased cattle weights, with dressed weights nearly six pounds higher at 796.42 pounds in 2013 versus 790.50 pounds in 2012. Even after removing growth promotion drugs, cheaper feed costs and more optimal weather conditions to end last year helped propel weights well above year earlier levels.

Both the choice and select cutout hit record levels in 2013. The choice cutout ranged between \$181.70/cwt and a record \$206.80, averaging \$193.86/cwt. This was nearly two percent higher than the average in 2012. The \$200.00/cwt was a psychological resistance barrier for some time but proved to be broken through quite a few times during the year. The select cutout averaged \$184.39/cwt, trading between \$174.20/cwt and \$192.60/cwt. The advance in prices was broad based but led by end cuts.

With live cattle prices elevated most of the year and many records being hit throughout 2013, packer margins were in the red for much of the year. The low for the year was -\$13.74 per pound and averaged -\$2.30/lb. for the year (chart 3).

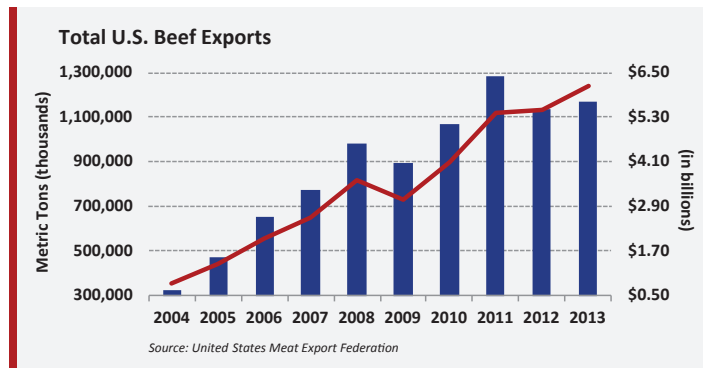
Consumer appetite for beef remained strong, but it looked like they needed to trade down to more value cuts to satisfy it. While prices pushed higher at the wholesale level, retailers tried to spare consumers but needed to pass along increases as their margins were squeezed. All Fresh Retail Beef measured by the USDA moved higher from October 2013 and hit monthly records each month through March 2014, hitting 536.2 cents per pound. Comparative data goes back to July 1987 (chart 4).

The importance of the export markets cannot be overlooked with it comes to beef prices. Appetite for product from the U.S. produced a stellar 2013, with volume up 3.4%, but more importantly, dollar value up a whopping 11.72%. The top four export destinations were Japan, Mexico, Canada, and China/Hong Kong. It is this last market that remained the gorilla in

the room. Tonnage increased nearly 91 percent while the value of product to this region increased 140 percent from 2012. Demand growth is expected to continue from China but not nearly at the same pace. Interest in U.S. beef remained strong through the first quarter of 2014. Through February, exports were six percent higher at 129,230 metric tons but 15% higher in value, to \$878.642 million. Despite the high prices beef continued to go the highest bidder and for the most part, they are located outside the United States (chart 5).

It looks like the fundamentals that have been put in place will remain for the balance of 2014. Tighter supplies of cattle, sustained global beef demand, and uncertainty in PEDv should be supportive

Chart 5



"While we expect these tailwinds to remain positive, there are some headwinds that the industry must be aware of as well."

for beef and cattle prices. Higher prices at both the wholesale and retail level could curtail consumer demand, which are faced with increased costs at a time when disposable personal income has not kept pace with inflation. **LB**



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The market for manufacturing beef 2013 and 2014

By Joe Muldowney and Bill Smith

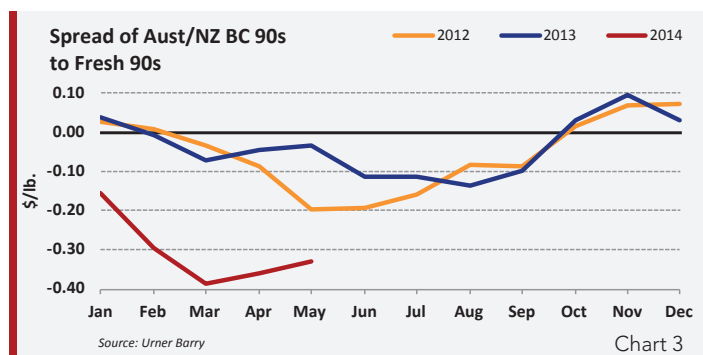
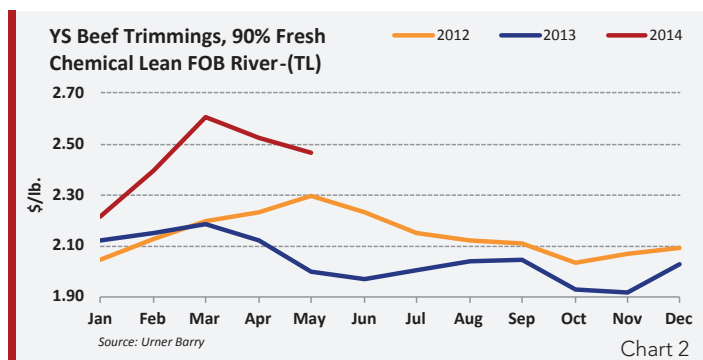
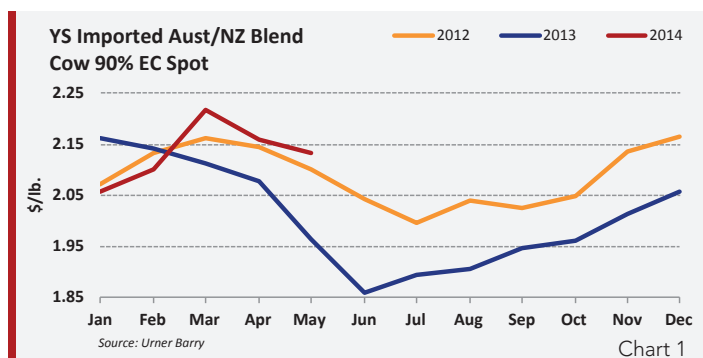
Joemo@urnerbarry.com and Bsmith@urnerbarry.com



IMPORTED BEEF

Prices on imported manufacturing beef sourced from Australia, New Zealand and Central and South America achieved all-time highs in the first quarter of 2014. A few factors were responsible for the strong price performance (chart 1).

Record high values on domestic lean product provided support to the entire lean boneless beef complex. On March 19, 2014, fresh 90s, as quoted in Urner Barry's Yellow Sheet, achieved an all-time high of \$269/cwt. The market on domestic fresh lean provided a higher ceiling for imported lean boneless beef (chart 2).



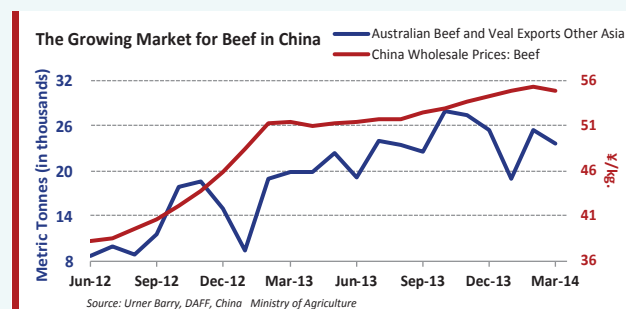
Even as imported traded all-time highs, it was unable to keep pace with values in the market for lean fresh domestic boneless beef. Chart 3 shows the spread of domestic 90s to imported 90s. The spreads were higher than normal. This is true even as the U.S. competed for beef with destinations like China, which was drawing record high amounts of beef from Australia and New Zealand. Due to the price advantage, processors were also maximizing their utilization of imported beef. One would think that all of this buying would have bolstered replacement costs and created a tighter trading spread between imported manufacturing beef and domestic boneless beef, but this was not the case.

CHINA AND BEEF DEMAND



Demand for beef in China has increased significantly over the past several years. A growing middle class looking to "upgrade" its diet, a crackdown on grey markets, where

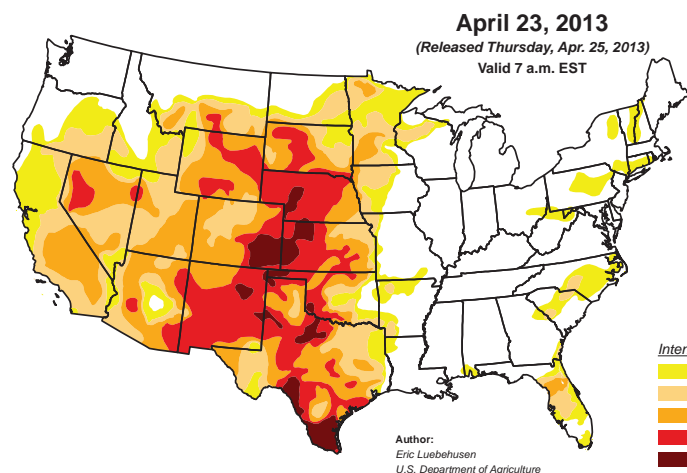
water-buffalo helps satisfy China's taste for beef (water buffalo is actually a different species than cattle but in parts of the world is sold as a substitute for beef), and China's inability to grow their domestic market enough to satisfy demand, results in China looking to other countries to fill demand for beef.



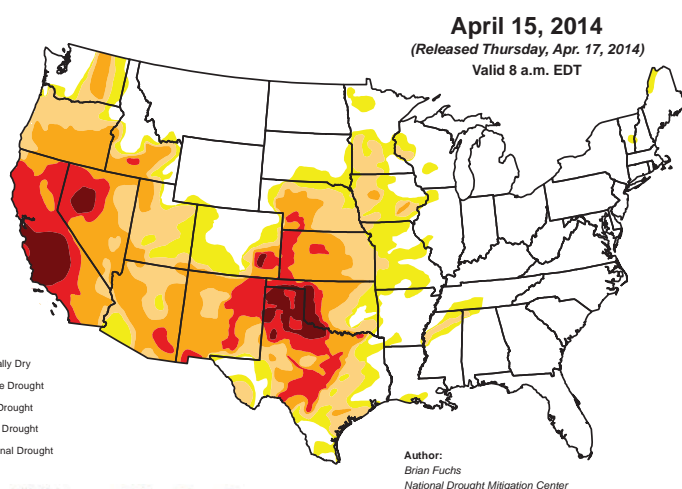
WHY THE SPREAD?

While imported beef holds a price advantage to fresh product, the U.S. market for finished goods manufactured from imported raw materials is not as big as the market for finished goods manufactured from fresh domestic product. In part, this is due to country of origin labeling which effectively limits the usage of imported raw materials in retail applications. Additionally, many hamburger patty formulations constrain the amount of frozen material that can be used and since much of the lean imported manufacturing beef comes to the U.S. in frozen form, this affects the flow of imports as compared to fresh domestic raw materials.

U.S. Drought 2013 vs 2014



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



USDA
<http://droughtmonitor.unl.edu/>

WHY THE STRENGTH ON FRESH 90s?

There are several factors which contributed to the record high lean boneless beef prices.

Weather

Weather has much to do with the strength. The U.S. drought has subsided from the stronghold that it once had in key cattle-producing regions. Even where the drought persists, the area was small enough that animals were transported to regions that had greater availability of pasture and water. This is in stark contrast to 2012, when drought was more widespread and ranchers were forced to send animals to slaughter.

Cattle Prices

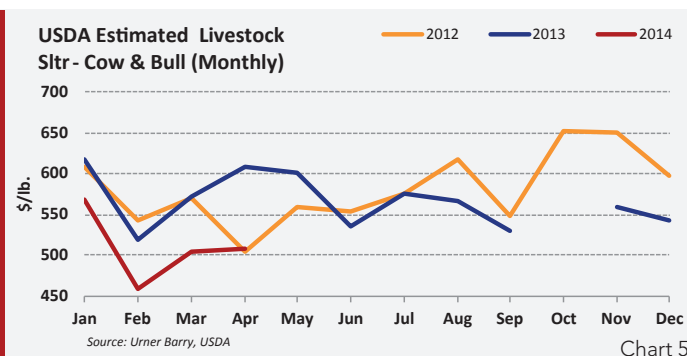
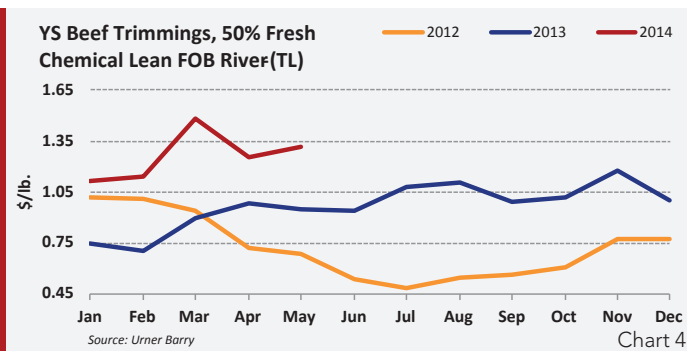
Cattle futures markets are currently pricing the cattle market in the high \$130s and low \$140s for the next couple of years. These levels represent historically strong values and ranchers have financial incentive to retain heifers (young females) and re-build the cattle herd.

DOMESTIC BONELESS BEEF

Domestic fresh 90s started Q1 2014 at a premium as compared to previous years. Strength was result of tight supply of cows. The average price for the month of January 2014 was \$221.34/cwt; about \$9/cwt higher than January 2013. Cow and bull slaughter levels were lower throughout the entire first quarter of 2014 when compared to the same period last year (charts 4 & 5).

Record high prices for Fresh 90% lean boneless beef were recorded in March this year. Average prices this quarter were well above the five-year average, with prices 24% higher in January, roughly 30% higher in February and 41% higher in March. Moving forward, fresh 90s will likely experience some volatility but processors have been reluctant to build large inventories of finished goods as they perceive downside risk in the lean beef markets. Key items that could impact domestic 90s include, but are not limited to factors such as imported beef prices, and drought.

Fresh 50s opened the first quarter of 2014 with prices trending higher. In fact, the monthly average price in January (\$108.75/cwt) was up about 50% compared to January of the previous year and 35% higher than the five-year-average. Similarly, the monthly average price in February was \$110.76/cwt, which is 62% higher than last year and 40% higher than the five-year average. The pattern was similar in March, with prices over 60% higher than both last year's March prices and the five-year average. Fresh 50s will likely be impacted by a weaker fed cattle market moving into the summer, as the seasonal increase in beef production historically occurs in summertime. **UB**



Expecting the expected

By Angel Rubio | Arubio@urnerbarry.com

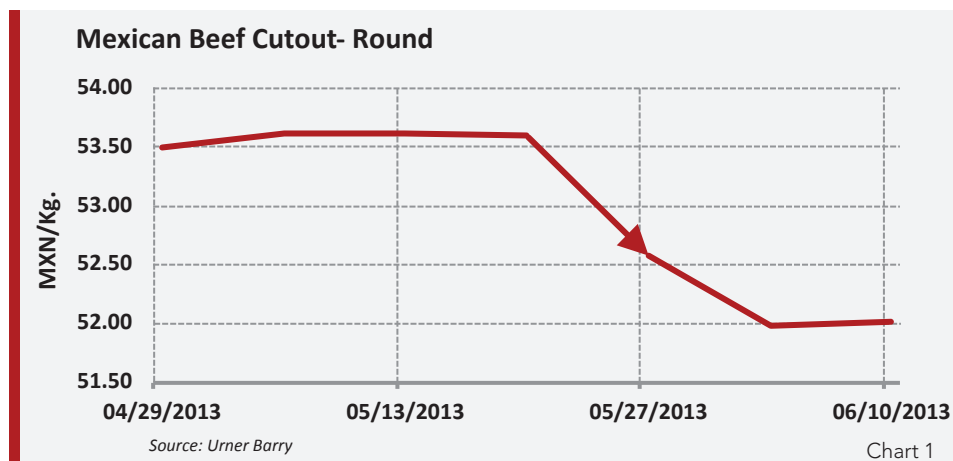
Mexican Beef producers have had a couple of years of drastic ups and downs, not much different from the U.S. market. According to many producers in Mexico, beef prices in that country have historically

behaved in a similar way to those in the U.S., even though the dynamics and consumer preferences in Mexico are somewhat different due to culture differences. For instance, when prices started spiking in the U.S. this year, so did prices in the Mexican domestic market.

Also, the closure of Russia as a destination market, which accounted for more than 15% of total exports, had quite an effect on prices. Lastly and more importantly has been the price for feeder cattle. Not only have prices in the U.S. gone up for both live and feeder cattle, but due to the dynamics of the Mexican market, high feeder cattle have been impacting the market negatively.

By the end of 2012, Mexican beef producers were opening markets around the world and their product was being well received. Production was expanding in order to cover demand needs in the domestic and foreign markets. However, in April 2013, Russia closed its border to Mexican beef. The market was impacted negatively as product destined there suddenly had to be sold somewhere. With Russia being a traditional buyer of rounds, prices in the Mexican domestic market fell due to ample supplies a few weeks later (chart 1).

Moreover, the consequences of cattle liquidation due to drought issues and high feed costs during 2011 and 2012, both in the U.S. and Mexico started to ravage the market. First, short supplies of cattle drove prices up, initially in the U.S. market. As a result, many Mexican cattle producers got high bids from U.S. feeders and thus sold north. In fact, the smallest spread for feeder cattle between the U.S. and Mexico dropped to \$0.20 cents per pound through much of the first quarter of 2013. However, during the second half of 2013 rapid increases in prices for feeder and live cattle in the U.S. widened



***"Thus far in 2014,
prices of beef
skyrocketed like
never before in
the U.S."***

the spread between U.S. and Mexican feeder cattle. Still, prices for feeder cattle since 2010 for both the U.S. and Mexico rose 60 percent (chart 2).

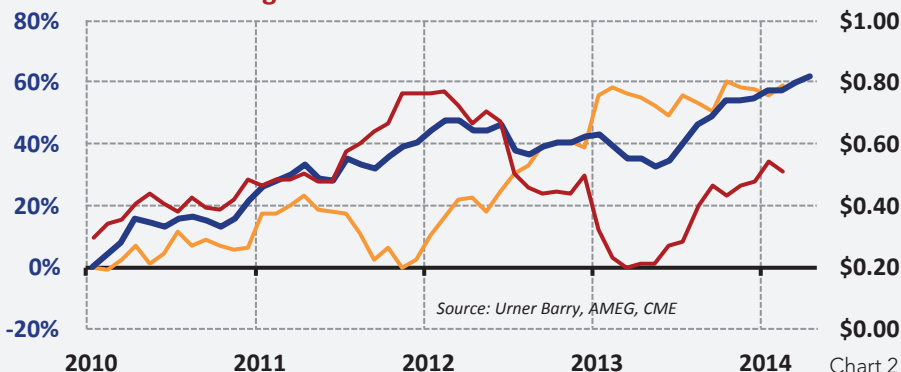
This is quite relevant since the structure of beef production in Mexico differs from the one in the U.S. as packers in Mexico also own their feeding operations. So, therefore, the price of feeder cattle is more important as this will ultimately impact supply. Manir Chujfi, who is the Commercial Director for Grupo Gusi—a large Mexican Beef Packer located in San Luis—commented that “besides price, the problem also lies in the scarcity of cattle itself; sourcing cattle has been the most difficult task aside from increasingly paying more.”

Thus far in 2014, prices of beef skyrocketed like never before in the U.S. Similarly, prices in Mexico jumped, but due to the lack of available information, we couldn't recall if such a jump was the highest on record. Still, based on the beta version of the Yellow Sheet Cutout for the Mexican Beef market of the last two and a half years—when Urner Barry began collecting data—the spike in prices is unprecedented (chart 3). As a result, Mexican packers enjoyed a positive cutout to feeder cattle ratio—which measures the price relationship between cattle and beef—for the first 10 weeks of the year, only to see its value drop below last year's levels due to rising feeder cattle prices (chart 4). In other words, what this means is that due to the high prices of feeder cattle, Mexican packers only enjoyed a positive 10 week span of beef sales when compared to last year as a result of rising feeder cattle prices (chart 5).

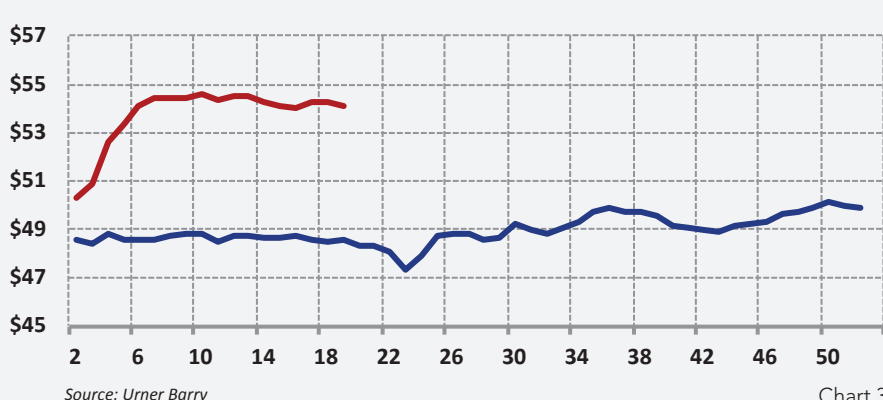
So, despite record high prices for beef this year, cattle ratios show that Mexican packers have seen margins reduced as prices for beef have not kept up with rising cattle prices. This obstacle will not be surpassed until cattle becomes available and thus prices fall. As a result, we might not see significant price relief of cattle in the near future. One thing is almost certain; prices of beef are likely to remain strong throughout 2014 in both the U.S. and Mexico. The incentive to produce more cattle is there; it just takes almost two years for cattle to be marketed. [UB](#)

% Change in \$ since '06

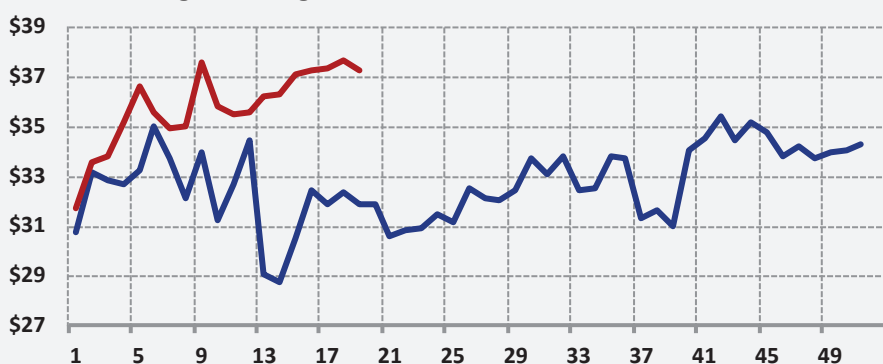
USA & Mex and Margin



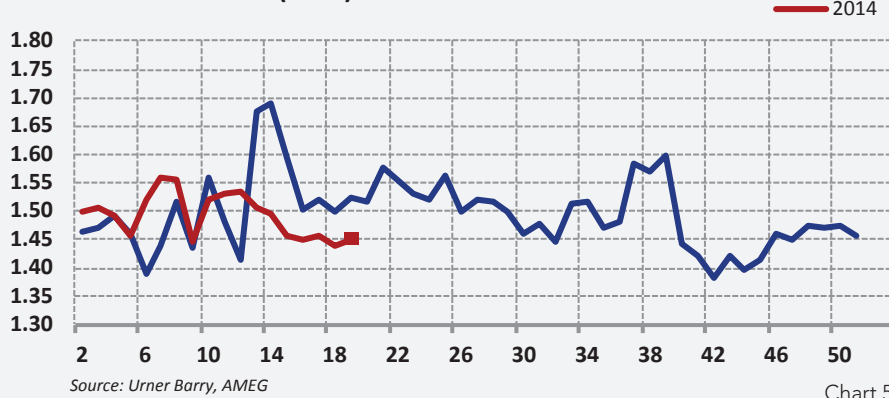
Mexican Beef - Cutout



Mexican Feeder Cattle 190 to 250 Kg. Price/Kg.



Mexican Beef Cutout (Beta) Feeder Cattle Ratio



NOTE TO CONSUMERS:

Expect to pay record prices for favorite grilling cuts

Consumers should expect to pay record prices this spring and early summer for premium beef cuts often used for backyard grilling. In fact, they may see the highest prices ever for some fresh pork cuts and processed products as well!

Wholesale beef and pork prices overall hit all-time highs in March and April 2014, respectively, driven up by a combination of numerous factors including severe droughts among key agricultural states in the Southwest and Midwest during recent years, along with the ongoing serious situation in California.

By late March, prices at the wholesale level had advanced so rapidly for several pork cuts that they caught up with the retail price points seen in the printed advertisements at that time for some supermarket chains.

If not for a pullback in wholesale beef and pork prices from record highs hit in March and early April, retail prices may have been even more expensive for late spring and early summer purchases.

Wholesale pork prices by late April were down about 13% from the record highs hit early in the month. Beef prices, based on carcass composite values, at the same time



were down about 4.5% for Choice and nearly 7% lower for Select from the record highs hit in mid March.

Despite the declines from the record peaks, wholesale beef and pork prices were still well above year-ago levels by late April. Urner Barry's wholesale pork carcass quote in the final week of April was about 32% above a year ago and beef prices were up about 19% from the same time in 2013.

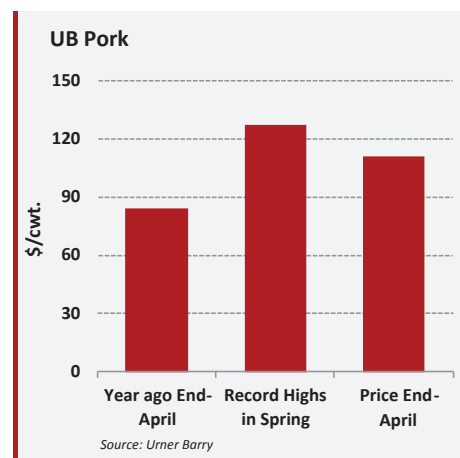
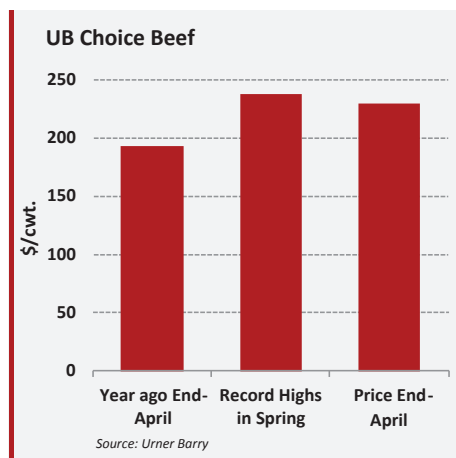
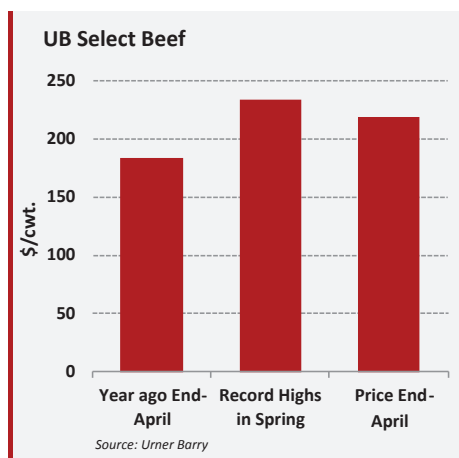
Retail beef prices in the latest month's data available, which was for March, hit all-time highs for the sixth consecutive month, according to the U.S. Department of Labor's consumer price indices (CPI). The CPI data showed a 7.4% rise in the total-beef category from a year earlier on an

unadjusted basis. Pork prices were up 5.3% from a year ago, and chicken posted a gain of 3.6%.

The odds appear high for the higher trend to continue although there is a slight chance for a brief pause of a month or two early this summer if grocers are concerned that further gains in beef prices could significantly trim sales. In that event, they may absorb some of the increase in wholesale beef prices and try to expand their margins on other less-expensive products.

High prices for fresh beef and pork cuts may lead to more sausage products and fresh chicken cuts in grocers' promotions during May and June, a period of active backyard grilling. Sausage manufacturers may be able to take advantage of cheaper protein options in least-cost formulations that allow a combination of beef, pork, chicken and turkey. But retail prices for some of those products may also reach new highs this spring and summer since wholesale meat costs are up and grocers might be forced to bump up prices of lower-cost products to offset reduced margins on premium-priced cuts. **UB**

Article contributed by **Curt Thacker**
Cthacker@urnerbarry.com



Urner Barry Cycling Team News



Rick and Paul Brown complete the two day, 170 mile Coast the Coast Shore ride to Cape May benefitting the Multiple Sclerosis Society on May 17-18, 2014.

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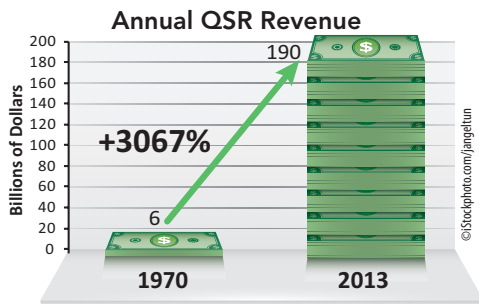
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Rising costs have made QSRs more adaptive to the consumer

The Quick-Service Restaurant (QSR) concept is popular not only in the United States, but around the world as there are franchises in over 100 countries.

In fact, it is these emerging markets that have seen the most explosive growth over the last few years. In the U.S. alone, annual revenue among this category has grown from \$6 billion in 1970 to nearly \$190 billion in 2013, or nearly an 8.4% annualized rate. Fast food operators, however, continue to face challenges that have put pressure on margins. Rising commodity costs, the economic



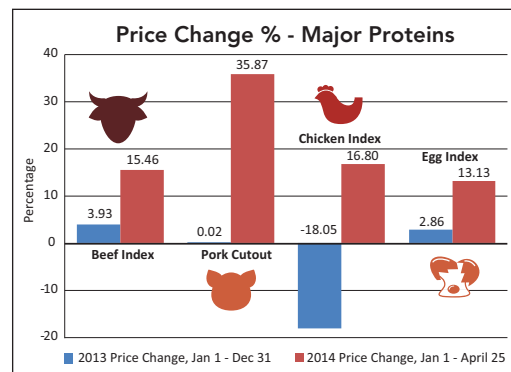
Source: Urner Barry, Franchise Help

one-third of all expenditures, so rising prices here can hurt the bottom line or force operators to increase prices paid by the consumer. Right now it seems that operators are absorbing these costs as the economy recovers. However, continued gains will force more of the burden on consumers. Commodity prices across the board

recession, increased healthcare costs, and customer perceptions about their diet are just a few.

Food and beverage input costs make up roughly

are generally higher, some significantly. The included chart shows how much beef, pork, chicken, and eggs have increased recently. Many other items have also experienced dramatic increases including fruit, vegetables and dairy.



Source: Urner Barry

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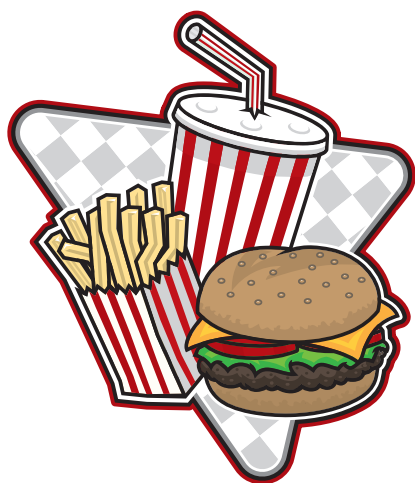
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"Right now it seems that operators are absorbing these costs as the economy recovers."



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The industry certainly has faced some challenges within this sector, yet continues to meet them head on. Some establishments have attempted to even "reinvent themselves" to match customer needs and have diversified product offerings, launched healthier options, and incorporated technology.

A complete list of Top 50 QSR Restaurants in 2013 according to Technomic is included here. McDonald's remained number one on the list in terms of U.S. sales, three times more than its nearest competitor Subway. Some others have made great strides, notably Jimmy John's and Five Guys. A good indication of the industry is to look at the stock performance of the publicly traded companies as it gives a feel of investor appetite for the sector. Looking at seven companies that are publicly traded out of the top 20 shows, despite mixed results so far in 2014, there is still a strong call. Most of the pullbacks appear to be profit taking after a banner 2013. Many of the companies have solid balance sheets and have increased dividends and buybacks.

While there are some challenges, the industry presents some opportunity as well. The companies that stay in front of the consumer and are aided by a strengthening economy will keep margins healthy. **UB**

Article contributed by **Gary Morrison**
Gmorrison@urnerbarr.com

Top 50 QSR Restaurants in 2013

Rank	Company/Chain Name	2012 U.S. Systemwide Sales (Millions)	2012 U.S. Average Sales Per Unit (1000s)
1	McDonald's	\$35,600.00	\$2,600.00
2	Subway*	\$12,100.00	\$481.00
3	Starbucks* ¹	\$10,600.00	\$1,223.00
4	Wendy's ²	\$8,600.00	\$1,483.80
5	Burger King*	\$8,587.00	\$1,195.00
6	Taco Bell	\$7,478.00	\$1,363.00
7	Dunkin' Donuts	\$6,264.20	\$857.40
8	Pizza Hut	\$5,666.00	\$883.00
9	Chick-fil-A	\$4,621.10	\$3,157.90
10	KFC	\$4,459.00	\$957.00
11	Panera Bread	\$3,861.00	\$2,427.20
12	Sonic Drive-In	\$3,790.70	\$1,074.00
13	Domino's Pizza	\$3,500.00	\$710.20
14	Jack in the Box	\$3,084.90	\$1,379.00
15	Arby's	\$2,992.00	\$993.20
16	Chipotle Mexican Grill	\$2,731.20	\$2,113.00
17	Papa John's	\$2,402.40	\$829.00
18	Dairy Queen*	\$2,300.00	\$545.00
19	Popeyes Louisiana Kitchen	\$2,253.00	\$1,242.00
20	Hardee's	\$1,900.00	\$1,145.00
21	Panda Express	\$1,797.40	\$1,237.00
22	Little Caesars*	\$1,684.00	\$465.00
23	Whataburger	\$1,476.80	\$1,996.00
24	Carl's Jr.	\$1,400.00	\$1,470.00
25	Jimmy John's	\$1,262.80	\$878.80
26	Five Guys Burgers & Fries	\$1,082.70	\$1,049.00
27	Zaxby's	\$979.30	\$1,765.70
28	Church's Chicken	\$869.90	\$706.50
29	Bojangles'	\$864.50	\$1,717.50
30	Steak 'n Shake*	\$857.50	\$1,700.00
31	Culver's	\$838.80	\$1,837.50
32	Quiznos*	\$838.00	\$345.00
33	Papa Murphy's	\$738.00	\$574.90
34	Long John Silver's	\$723.00	\$794.00
35	Checkers/Rally's	\$696.90	\$903.40
36	White Castle	\$618.50	\$1,284.20
37	Del Taco	\$607.90	\$1,100.00
38	Qdoba Mexican Grill	\$583.20	\$966.00
39	Jason's Deli	\$578.90	\$2,556.40
40	Krispy Kreme*	\$569.40	\$2,428.00
41	El Pollo Loco*	\$563.00	\$1,475.00
42	Boston Market	\$559.00	\$1,184.00
43	Tim Hortons	\$532.20	\$1,095.00
44	In-N-Out Burger*	\$528.00	\$1,935.00
45	Baskin-Robbins	\$510.00	\$207.10
46	CiCi's Pizza*	\$505.00	\$915.00
47	Captain D's	\$467.10	\$903.00
48	Moe's Southwest Grill	\$452.00	\$1,102.50
49	Wingstop	\$450.90	\$902.00
50	Jamba Juice	\$450.00	\$714.70

*Includes figures estimated by Technomic, Inc.

1. Systemwide sales from franchised units only

2. Total change in units calculated from data reported in 2010 QSR 50

Source: Technomic

Restaurants to add more than a half-million summer jobs

Restaurants are expected to add 508,000 jobs this summer season, according to National Restaurant Association projections. The projected 2014 gain would represent the second consecutive year in which restaurants add at least 500,000 jobs during the summer season.

“Summer is the busiest season for restaurants in most parts of the country,

and the uptick in business creates additional job opportunities at all levels of a restaurant operation,” said Bruce Grindy, chief economist for the Association. “In many states with tourism-driven economies, restaurants are prime destinations for both tourists and job-seekers.”

“Driven by an improving economy and consumers’ elevated levels of pent-up

demand for restaurants, 2014 will represent only the second summer on record with a gain of at least a half-million restaurant jobs,” Grindy added. “Eating and drinking places added a record 538,800 summer jobs in 2013, which easily eclipsed the previous high of 465,400 summer jobs added in 2011.”

The states projected to add the most eating and drinking place jobs during the 2014 summer season are:

California	47,600
New York	46,300
Massachusetts	30,400
New Jersey	28,000
Texas	27,200
Ohio	22,400
Michigan	21,600

The states projected to register the largest proportional employment increase during the 2014 summer season are Maine (33.2 percent increase), Alaska (21.0 percent increase), Delaware (18.0 percent increase), New Hampshire (16.5 percent increase) and Rhode Island (15.7 percent increase).

The restaurant industry is usually the nation’s second-largest creator of summer jobs, ranking only behind the construction industry.

Summer employment is defined as the average number of eating and drinking place jobs in June, July and August. The number of summer jobs is the difference between the projected total 2014 summer employment and the March 2014 employment level. Generally, the U.S. restaurant industry begins to ramp up its summer seasonal hiring in April, and it peaks in June, July and August. Eating and drinking places account for approximately three-fourths of the total restaurant and foodservice workforce. **UB**

Adapted from a story which originally appeared on Foodmarket.com on May 23, 2014



CATTLE SUPPLY DECLINES REMAIN NOTICEABLE

March USDA Steer & Heifer slaughter was 4.2 percent lower than last year. Slaughter levels from steady to down 2 percent are expected through Q2 2014. Beef expansion efforts and historically strong dairy margins continue to drive year-over-year decline in cow & bull slaughter. Expect weekly reductions of 10 to 15 percent over the next 60 days.

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NEW COMTELL FEATURE: Chinese wholesale prices

Urner Barry recently began providing an exciting and topical new feature on COMTELL; Chinese Wholesale Prices. Updated daily, the page tracks the official Chinese Ministry of Agriculture (MOA) price report and shows wholesale values for all proteins from beef to eggs, vegetables, fruits and seafood.

Protein prices in some areas of the world have long been something of a mystery for the typical market participant; vulnerable to rumor, motives and sometimes unavailable all together. In a world where exports are a large factor for many U.S. food companies, these discrepancies or voids of information can be frustrating and costly. Although these new reports don't provide a one for one item comparison to U.S. products, they do allow us to track wholesale values, much like our cutouts for beef and pork and indexes such as in poultry and eggs.

The pork industry recently experienced a situation where this Chinese data became of particular interest. As domestic pork prices soared on thin hog availability brought about by concerns over PEDv, Chinese pork prices were tumbling. Over supplied with hogs, China saw steep declines in wholesale pork values to the point that, for the first time in USDA mandatory pork



to see and others were totally unaware of. However, with that data available on COMTELL, we were able to analyze and alert market participants of the price movement.

Just like all other COMTELL history items, the user can add a particular Chinese product to "My Items", chart the item against the U.S. index equivalent, or export the data.

All of the Chinese wholesale prices can be found by selecting "International" under the "MORE..." tab in COMTELL. **UB**

Article contributed by Russell Barton
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Mosner's family brands teaches everyone how to carve

The Hunts Point Cooperative Market located in the eponymous Bronx neighborhood isn't the most accessible in New York City but on a recent Saturday, one of the writers for *Urn*er Barry's Reporter braved several forms of transportation to attend "Introductory to the Art of Butchery" at Mosner Family Brands.

Mosner, in business since 1957, is a relatively small wholesale meat company, yet the care and quality it brings to the marketplace far outweighs the company's size. As co-owner Ben Mosner said to our on-site correspondent, "We think of ourselves as being a boutique company with a focus on clients who demand the highest quality, standards, and craftsmanship." Whole Foods and Fairway Market are among some of the clients along with historic restaurants like Keens Steakhouse and Delmonico's. Mosner Family Brands differentiates themselves from the masses by offering humanely-raised natural products, many raised on local New York farms.

Two years ago Mosner Family Brands started butchery classes. Seth Mosner remarked, "The class was established with a mission to be part of the solution to what has seemed like a widening knowledge gap and loss of connection by the average person with the proteins on their plate. Our goal is that students should leave our building feeling informed and ready to make conscious buying decisions whether it be at the supermarket or a restaurant."

After traveling on three trains then taking a car through the streets of Hunts Point into the monstrous cooperative market, Mosner Family Brands was finally in sight. The class began with siblings Ben, Jessica, and Seth—the latest generation of Mosners guiding the company—introducing themselves while giving a brief company history highlighting its adherence to animal welfare, human health, and sustainable farming, distinguishing them from their competitors. There were 18 students, enough to keep up the energy but small enough to keep the experience intimate. Our



Student apprentices were grouped into pairs and given their own split loins to butcher.

"When the "souvenirs" were eventually cooked with colleagues, the votes were unanimous... 'Praise Mosner's meat!'"



Ben and Seth Mosner with a veal carcass. The siblings, along with sister Jessica, empower their students with information, understanding and experience.

group was varied in terms of age, profession, and purpose but one thing we all had in common was our enthusiasm for meat.

Following Ben Mosner's rallying cheer, "Meat! Meat! Meat!" the class was reminded to don their unseasonably warm wintery clothes and comfortable yet rugged shoes before embarking upon a tour of the facility which was to end in a refrigerated room full of carcasses; veal taking center stage. Ben and Seth guided the students through an examination of the carcass covering an array of topics from anatomy to primal cuts to marbling—while colorfully clearing up some misconceptions about the meat industry.

Before the butchering demonstration Jessica Mosner led the class through a decoding of meat labels and USDA definitions, from free range to certified-humane. Seth Mosner emphasized, "One of the most important tasks in the class is to illuminate some of the enormous animal raising and handling differences between proteins that have been labeled in a seemingly identical manner in stores. We try to shed light on this fact and empower our students to ask important questions before the point of purchase, which begins with understanding and establishing one's own standards. If we bring students to that point, we have succeeded."

After Seth's enlightening interlude the class was introduced to master butcher Chris Bauso demonstrating his craft with a beautiful whole pork loin, and hooking the students with the promise that soon they would be doing the same, with very sharp knives. Watching Chris was like watching a potter form an elegant vessel from a wet mass of clay. His hands quickly and deftly carved up the loin. Judging from the applause that followed the other students were impressed too.

Grouped into pairs, the student apprentices were given their own split loins to butcher. Fortuitously this would-be butcher was given the part that contains the boneless pork chops and loin of pork—two favorite cuts. While cutting, Seth and Chris walked the room offering instruction, advice, and, in some cases, praise. A staggering amount of information was learned by all in a very brief amount of time, including how to properly hold the knife, sharpen while cutting, and how to use the non-knife hand to help and guide. After butchering pork loin, boneless pork chops, pork roast, stew meat, and vertebrae,



Master butcher Chris Bauso demonstrating his craft.

it was vacuum packaged and boxed to take home (except the vertebrae, as the trip was going to be long and on far too many modes of transportation, and didn't want to risk back breaking). When the "souvenirs" were eventually cooked with colleagues, the votes were unanimous... "Praise Mosner's meat!"

Nearly 1,500 people have taken "Introductory to the Art of Butchery." The majority are pleased to be a part of the experience. Most attendees enjoy cooking and appreciate quality ingredients, and the "Art of Butchery" usually gives a renewed respect and appreciation for those who work in the meat industry. At one point a Mosner family member said, "I can't think of a better way to spend a Saturday," and you know what? Neither can this attendee.

For information about the classes go to <http://www.mosnerfamilybrands.com/> or write to Seth Mosner at seth@mosnerfamilybrands.com. **UB**

Article contributed by James Patterson | jpatterson@urnerbarry.com

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Making Sense Globally theme kept executives educated and entertained

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But that wasn't all. Miss Smith also told the packed house that the company has been hard at work making plans to open its first new-concept restaurant, called Pizza Rev. At the same time the CEO said the company was negotiating with more international franchise partners, and aims to have 400 B-Dubs® locations outside the United States in the next 10 years.

However, the announcement of Buffalo Wild Wings foray into pizza, turkey and eggs wasn't the only topic discussed at the annual event. From May 4-6, 2014 over 400 attendees heard numerous economic, political and business experts discuss the major market-related topics pertinent to their industries and talk about how to operate their businesses in an increasingly global economic environment.

In addition to Buffalo Wild Wings CEO Sally Smith, featured speakers included author and political analyst Dinesh D'Souza and Wells Fargo's Michael Swanson; among other many others.



The speakers centered their topics on this year's conference theme of "Making Sense Globally."

"Thanks for having me and I truly enjoyed your first class seminar! You and all the staff at Urner Barry were so accommodating."

Guest Speaker Chris Schiltz
Mid-America Transport

The executives were educated and entertained with what economic and political changes and turmoil are impacting how they operate their protein businesses in a market that is constantly

adapting to increased globalization.

Sylvia Wulf, Senior Vice President of U.S. Foods' Fresh Categories said the Conference was a timely and useful experience for her business.

"I did enjoy... the opportunity to interact with so many

of our key vendors," Wulf said. "The presentations were informative and timely given all that is going on in the protein world."

Aside from the all-star lineup of speakers the conference featured its traditional lineup of networking events.

Attendees were able to meet and greet Sunday evening on the Grand Patio for the opening cocktail hour.

Then on Monday after the rousing keynotes, some executives headed off to Dragon Ridge Country Club for a spirited round of scramble where awards were given to the winning foursome, longest drives and closest shot to the pin.

During the annual Executive Conference dinner, Phyllis Blizzard, President of U.S. Egg Marketers was named the 2014 Egg Person of the Year.

"I did enjoy the show and Tyson is committed to being a part of the conference going forward."

Marc Killebrew,
VP, International Sales,
Tyson Foods

"Her specialty is exports and additional specialty is making friends. Phyllis has established a reliable reputation and status with buyers over the world," said Urner Barry's Senior

Vice President Rick Brown, in presenting the award.

Meanwhile Koch Foods' Peter Gress was honored as the 2014 Poultry Person of the Year by Senior Vice President of Urner Barry's Poultry Division Michael O'Shaughnessy.

"He's well respected, very smart down to earth and calls it like it is and in this environment you have to respect that," O'Shaughnessy said.

On Tuesday Technomic's Joe Pawlak offered his views on how foodservice



The wealth of industry knowledge among these feathered friends "gobbles" the mind. (L to R) Danny Hales, H & H Trading; Mike Briggs, Vilas and Co.; Dan Lightle, Cooper Farms; Angelette Choate, Kraft Foods; Carl Abbot, Land O'Frost; and Ron Vilas, Vilas and Company.

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Good eggs. (L to R) Norm Stocker, Cargill Kitchen Solutions; Ben Thompson, Pearl Valley; Tom Hertzfeld, Hertzfeld Poultry.



The smiles tell the tale. (L to R) Hans Schmidt and Joe Grendys, Koch Foods enjoy the moment with Art Morton and Jeff Tapick of Martin Preferred Foods.



The annual golf outing experienced excellent conditions which this winning team used to their greatest advantage. (L to R) Terence Wells, Urner Barry; Marc Killebrew, Tyson Foods; Dow Kirkpatrick, Grove Services; and Jeff Farver, Tyson Foods.



What? Us Worry? (L to R) John and Charles Joyner, Dolphin Trading; Juergen Fuchs, Juergen Fuchs GmbH & Co.



It was all smiles at the opening reception! Enjoying the evening's festivities are (L to R) Porky Products', Adam Sahn and Perdue Farms' Gus and Nora Lebois.



A classic pose for a classy group. (L to R) Matt Boorman, Pilgrim's; Chris Brakebush, Brakebush Bros.; Lori Prescott, Peco Foods; Jonathon Hall, Pilgrim's.



In with the new. First time conference attendees Arick Ellis, Vista Foods and Scott Flynt, Sanderson Farms; along with Jennifer and Tim Dille, also of Vista; were just a few of the many newcomers to the 2014 event.



The Executive Conference is truly an international affair. Having an egg-cellent time are (L to R) Anders Wurcel, Sanovo International; Sara Gibbins, Noble Foods; and Steve Manton.

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sales have changed to accommodate widening differences in food preferences among consumer age groups; growing interest in healthy living; and the rising shift to more fast-casual restaurant models.

Maersk Line's Bill Duggan and Mid-America Transports Chris Schiltz commented on what has driven spikes in global transportation costs and the inevitable impact they will have on protein prices.

The American Egg Board presented their annual marketing performance update, specifically how the industry has benefitted from the rising popularity of breakfast on QSR menus.

Brett Stuart and Richard Fritz from Global AgriTrends and Kevin Good CattleFax offered their beef and pork production forecasts and expected influence on buying and selling patterns

in the egg and poultry industries.

Finally, Urner Barry's own poultry and egg market reporters took the stage to give their status update on the markets. Record high prices and supply issues amid increased global demand dominated most of the discussions.

All in all, attendees considered Urner Barry's show a unique experience compared to other industry events as it offered market news and information that is generally not observed at other major industry shows.

"It was great to have a good excuse to attend and see so many of the industry... there's always a lot of good discussions that take place..." said USA Poultry & Export Council President Jim Sumner.

Urner Barry will host the next edition of the Executive Conference April 26-28, 2015 at Caesar's Palace in Las Vegas. **UB**

"...wanted to thank you and all your associates at Urner Barry for all your work at the recent conference in Las Vegas."

Thierry Murad
AJC International, Inc.

Urner Barry's 'Person of the Year' awards

PHYLLIS BLIZZARD, PRESIDENT OF U.S. EGG MARKETERS

Phyllis started her egg career with US Egg Marketers some time ago. Then moved USEM under the arm of United Egg Producers in 2000. Her specialty is exports and she has established a reliable and trustworthy reputation with foreign buyers over the years, exporting over 2.5 million cases of eggs since 2000.

Anyone that knows Phyllis knows that her attitude is always positive and infectious, she is committed.

KOCH FOODS' PETER GRESS

Born in Yugoslavia, Peter and his mother arrived to the U.S. in 1959, finding work at Gress poultry in Scranton PA. From the bottom up he worked in every position in the plant. During this time, he became very close to his cousin Ron and Ron's dad Myron.

In 1970, Pete along with Ron and Myron formed Gress Farms, and they took their first attempt at exporting chicken. In short order, they found a plant in Gainesville GA, in which Ron and Myron moved south, while Pete stayed back and handled the Scranton facility. In 1981, Gress Farms secured a plant in Greenville SC.

By the 1990s, a relationship developed between Gress Farms and Koch Foods, where Pete and Ron sold breast meat to Joe Grendys. 1996 is when a joint venture with Koch and Gress called Greko Foods of Cummings GA took hold. They then did another joint venture by securing a kill plant in Chattanooga TN. It was their first kill plant and today they have a total of eight.

Several years later, Pete and Ron along with Mark Kaminsky believed it was a good time to merge all the businesses under the Koch Foods banner. Today Koch Foods is one of top five largest poultry companies in the U.S.



2014 EGG PERSON OF THE YEAR

Urner Barry's Rick Brown, Randy Pesciotta and Brian Moscogiuri (L to R) flank award recipient Phyllis Blizzard.



2014 POULTRY PERSON OF THE YEAR

Pete Gress (second from left) with Urner Barry's Michael O'Shaughnessy, Russ Whitman and Terence Wells.

Making Sense Globally

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Urner Barry would like to sincerely thank our generous sponsors for their continued support. Their involvement has enabled our event for the past 38 years. We recognize their contributions are imperative in providing the industry with this high-quality event that not only offers one of the best networking opportunities to the industry, it also presents exceptional educational and motivational content. Our deepest gratitude and we look forward to 2015!

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"Say it's 2:30 in the morning and we have a cow having a calf out in the field. We're helping her and we're out there," says Bill Roe,

of Hamilton, Ohio. "We're making sure the calf nurses properly and is healthy. We work with these animals whether it's raining, snowing or whatever. We take care of them."

More than 97 percent of America's farms and ranches are owned by families like Bill and Beverly Roe.

"When we get ready to wean, we're very cautious about not stressing the animals," says Inez Jaca, Murphy, Idaho, cattle rancher. "When you're getting those calves ready for shipping, you have to be really careful with their handling. All those things have an effect on the carcass quality, and our goal is to produce a safe and tasty product."

It doesn't matter if it's Ohio or Idaho, Mississippi or Montana, New York or Nevada. Cattle producers pay attention to animal handling, first and foremost because it's the right thing to do.



Beef producer Sam Hands.

"It's very important to us to have a cowherd that we can handle, without a lot of wild calves in it."

But beyond that, it matters to their bottom line.

Studies show cattle that never have a bad day are the most efficient using their feed resources, save money by staying healthy and are most likely to produce the high-quality beef consumers want.

Disposition is part handling, part genetics. In 2010, the American Angus Association introduced a selection tool ranchers can use to identify cattle by their attitudes. The Docility EPD (expected progeny difference) incorporates pedigree and disposition reports to predict the temperament of specific animals.

"We've always tried to be careful about selecting bulls for disposition," says Roger Jones, of Tri-Tower Farm, near Shenandoah, Iowa. "It's very important to us to have a cowherd that we can

handle, without a lot of wild calves in it. You know, the cattle do better in the feedlot when they aren't wild."

An Iowa analysis, spanning more than 10 years and including data from 65,000 cattle fed in 14 cooperating feedlots, confirms that. Docile cattle earn \$57.69 per head more on a grid compared to their aggressive pen mates. Part of that comes from the higher Certified Angus Beef® brand acceptance rate that calm cattle achieve.

But it's not just about the genetics—cattle are constantly being taught.

Veterinarian and animal handling expert Tom Noffsinger, Benkleman, Neb., described a real-world scenario that allowed calves time to inspect the working facilities before they entered the chute.



Producers Elias and Inez Jaca.

"That changed these animals for the rest of their lives, as long as we are consistent and calm every single time we work them in the future. If you're going to own those cows for 15 years, it's really fun to have a group that likes you," he says. "Handling them like this changes everything in their behavior."

That's just one example. There are training programs, industry experts and even new tools to help cattlemen continue to improve on what's already an innate goal for them: the best animal husbandry possible.

"We try to handle all our feedlot customers' cattle just like we do our own. I suppose some of that even goes back to my grandfather Hands. He and my dad's philosophy was always to grow to produce more, as long as you don't sacrifice quality to get there," says Sam Hands, owner-manager of Triangle H, near Garden City, Kan. "I guess that's always been a family tradition when we're looking after cattle or land. Our objective is always to do better. We respect those things: the water, the land, the cattle." **UB**

All-time peak

Continued from page 1

of food prices higher. The Bureau of Labor Statistics recently found that of the estimated 80.4 million families in America, 20 percent didn't contain a single member with a job. With these kinds of numbers, along with higher travel and

living expenses, the consumer's budget is undoubtedly shrinking. This leaves those institutions who sell protein products juggling higher input costs, lower margins and creative featuring to accommodate.

Now on its sixth year, Urner Barry's Outlook Edition of the *Reporter* aims

to provide the reader with extensive protein market summaries of the past year and offer a glimpse into what may be coming in the future. The balance of the issue is composed of analysis and news developments that affect a broad range of industry participants from packers and processors, retailers, foodservice operators and even the consumer. **UB**

Turkey outlook

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of increased production late in the third and early in the fourth quarter. The Urner Barry Hatch Report figures suggest that slaughter reductions will continue through the end of June and forecasts of 2014 year on year RTC weight of around two percent behind 2013 are making the rounds. Meanwhile head slaughter is still on the decline. YTD March 31 figures were down by more than seven percent while total live weight was down by just under six. Buyers and sellers should be reminded that any production increase is likely to result in slaughter figures which are still well below 2012. For instance, in recent weeks egg sets have been trending higher. Figures as high as eight percent above last year remain about six to nine percent below the same period during 2012.

Whole birds and raw materials seem likely to continue on a seller favored course. The questions that arise when assessing the balance of the year don't so much revolve around how the market will behave as they do about how that behavior might impact future demand. It seems possible if not likely that fresh tom breast meat

and whole birds will break another barrier by exceeding the levels each of them obtained in 2006 and 2011 respectively. When considering the reduced volume of whole birds being produced by the industry and the fact that demand has been at least average, if not better when attractive holiday features are in place, there's little currently holding turkeys back and in the absence of alternatives, retailers, distributors and consumers will likely play their usual roles heading into the final quarter. The formula isn't quite as simple when considering the future of breast meat. Commodity values escalated at such a clip that finished goods providers were not able to pass along cost increases fast enough to keep pace. For the near term, and considering upcoming government purchases in combination with existing solid industry fundamentals, higher values seem imminent. Record values certainly seem possible. What troubles some observers is the cost of record commodity values and, what impact they will have once the consumer starts feeling the pain of higher prices at the cold cut counter. With summer deli season about to be reinvigorated as temperatures rise, the impact of high commodity prices will likely

be negligible. The same questions arise when looking at thigh meat and drums. It's been demonstrated that thigh meat seems to be able to distance itself from the influence of cheap hams or other market tempering factors. At the same time, seasonal influences will likely play some role in pressuring the record high market still in place as of this writing. For parts, here too, the way the market is going to play out seems fairly clear at this juncture. Never before experienced grinding requirements and the needs associated with increasingly popular consumer lines such turkey bacon, brats, burgers and sausages has become a 52 week business keeping parts buyers and sellers in constant negotiations. Traditional demand, from distributors or smokehouses for instance, has not diminished with time but seems to have grown. All of this is taking place against a backdrop of managed production constraint, "low" feed costs, moderate inventory levels and growing international demand for white meat and a hungry US appetite for ground turkey and related turkey products. Barring unforeseen events these combination of factors virtually guarantee a strong market for the balance of the 2014 market year. **UB**

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