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the newsmagazine for the food industry professional

2014 U.S. shrimp imports post third highest volume ever

Imported shrimp shipments to the U.S. in 2014 reached the third highest volume ever reported. This production emerged from historic, disease-induced declines in 2012 and 2013. Combine this with favorable currency trends and the result was increased shrimp sales and lowered prices in the market (*Chart 1*).

Prior to 2014, Thailand served as the chief shrimp supplier to the U.S. However, a two year battle with the shrimp disease known as Early Mortality Syndrome (EMS) proved to slash Thai production. By the end of 2013, Thai shrimp shipments to the U.S. fell over 38 percent and total U.S. imports finished the year down about 5 percent (*Chart 2*).

"… IN 2014 THE PRODUCTION LANDSCAPE SHIFTED AND FULL YEAR SHRIMP IMPORTS TO THE U.S. REACHED 1.25 BILLION POUNDS."

The summer of 2013 saw tight supplies forcing prices to record high levels. Urner Barry's White Shrimp Index, for example, eclipsed $6.00 per pound for the first time ever. These record high prices would continue to hold well into 2014, peaking at about $6.25 per pound (*Chart 3*).

However, in 2014 the production landscape shifted and full year shrimp imports to the U.S. reached 1.25 billion pounds. This was a 12 percent—or 140 million pound—increase from 2013 and the third highest imported shrimp volume to ever reach the U.S.

Continued on page 66

The retail recap and resolution …

What's in store for retail meat and poultry in 2015?

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The 2014 year in retail was certainly without equal. It was a year in which unique circumstances propelled each protein category into uncharted waters, reaching new all-time highs and resulting in market fluctuations that were astonishing at best, debilitating at worst. Grocers were presented with the unhappy task of managing record high feature prices amidst supply constraints, while maintaining customer interest and attention at the meat case.

2014 could undoubtedly be called the year of the chicken—a sentiment that was widely predicted even before the year began. With uncertain supply

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On the inside


Quality Is a Family Tradition
LaMonica
SINCE 1923
"Home of the Hand Shucked Clam"
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LOBSTER BISQUE
NEW ENGLAND CLAM CHOWDER
CAPE MAY CHOPPED SEA CLAMS
CAPE MAY CHOPPED OCEAN CLAMS
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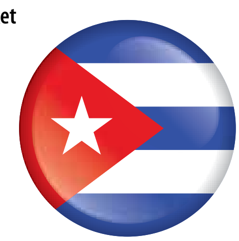
Center of the plate

Main ingredients

News bites

A la carte



Trading margins for consistency may be a winning strategy ...

Are fresh groceries a retail panacea?

By now, memories of the 20th century for many of us are fading fast. Few of us can remember with any clarity a time when our Christmas presents and movies were anything less than a click away. Consumers in the U.S. have seen the retail landscape change drastically from what they saw even just 20 years ago. Today, in a world of supercenters and one-stop shops, it's important to remember how we got here and why.

It is difficult to talk about historical and contemporary American retail without mentioning Sears and Walmart, by far two of the most significant enterprises in the area. Back in the 90s, when Walmart made the decision to push forth with extending its groceries program to its national and international network of stores, many Wall Street analysts were squeamish. Few went to bed with visions of sugar plums in their head, and those that did saw the sugar plums eating into margins and P/E ratios. Why would Walmart, a darling blue-chip company, deliberately depress its margins by selling groceries?

It's not just Walmart, either—most national or seminational retailers now have at least some commitment to fresh groceries, with one of the most prominent examples being Target. Yet, the truth hasn't changed—groceries are a lower-margin, higher-cost business. So, one might ask, why bother?

Let's look at how the retail landscape has changed in the last few decades. According to the U.S. Census Bureau, nearly 7% of retail sales now take place online, with consumers having more access to information about new products and accessories right from their couch. Many retailers are currently victims of a phenomenon called "showrooming," which is when someone walks into the store, finds an item they like, hunts online for a lower price, and buys it elsewhere. This is something that can occur with consumer electronics, digital media, children's toys or even appliances, but this writer struggles to see something similar working with a banana or a steak.

The brilliance of incorporating fresh groceries such as meats, fruits and vegetables into stores' offerings lies in something that has grown ever more valuable since the advent of the practically omnipresent internet—foot traffic. People will walk into the store more often, regardless of what they want or need, and often irrespective of the economic outlook or environment, simply

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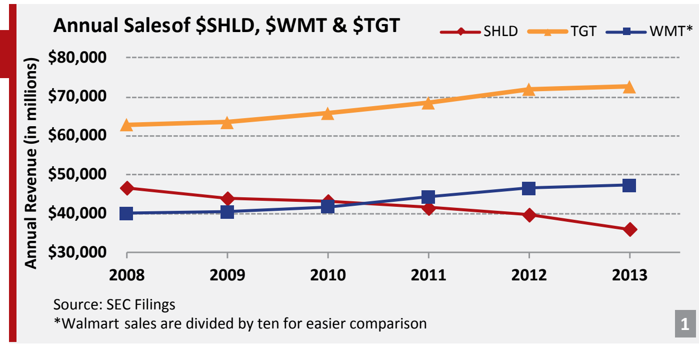
because groceries typically represent consumer needs. So, while both Walmart and a competing electronics retailer might, for example, both be suffering from reduced TV sales in an economic downturn, consumers still go to Walmart to buy dinner.

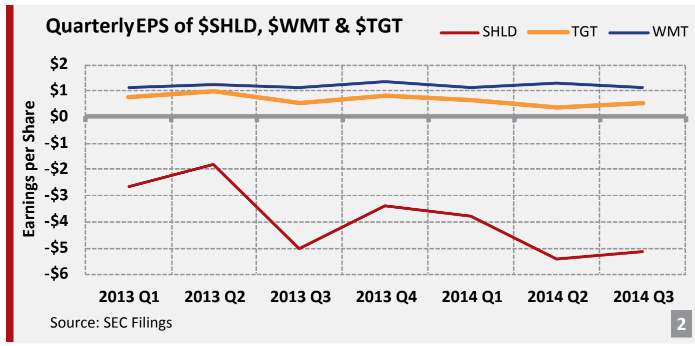
Indeed, Walmart and Target, two of the largest national retailers, both have groceries included in their offerings and have seen their sales rise year after year since 2008 (*see Chart 1*). Their earnings per share, or net income per share, also showed a great deal more stability than those of Sears, which has struggled to maintain liquidity and keep its store shelves stocked (*see Chart 2*). Sears has even stated in its financial statements that the retail business is "highly seasonal," and it often relies on Q4 sales to take it in the black for the year, relying on the original definition of "Black Friday." So, their earnings are not only negative, but also much more highly variable than their competitors, which is an entirely separate vice.

Having more consistent earnings increases creditworthiness by demonstrating more reliable cash flow. Ultimately, reliable cash flow contributes to a greater ability to strategize and fund continuing and new operations. This is an invaluable advantage that Sears/Kmart has forgone by not expanding into groceries and instead focusing on being a general department store.

So, is the difference between Walmart and Target's domestic successes and Sears's floundering performance merely the result of fresh groceries? It may sound a little odd, but this analysis shows that fresh groceries likely insulate retailers from fluctuations in the economic climate and also boost foot traffic during good times, begetting opportunities for additional sales.



As the economy recovered, sales at $SHLD continued to decline.



The relative stability of EPS at $WMT and $TGT is evident.

Article contributed by **Adam Sharkey** | asharkey@urnerbarry.com

OH SNAP! Does the expression "First of the month" still even apply?

In 2014, over 46.5 million people participated in the Supplemental Nutrition Assistance Program (SNAP), which is about twice as many as there were a decade ago in 2004. Benefits totaled over $70 million; the least amount funded since 2010. Some food industry professionals are still left wondering, however, what type of impact SNAP has on overall business, especially at the beginning of each month. It's been widely debated whether the saying, "first of the month" still holds market significance, and it seems both sides have a pretty good argument.

There's no doubt that federal money is distributed throughout the economy, but when and how often may just be what really matters most for the sake of this argument. Yes, the majority of states distribute at least a portion of their benefits within the first week of each month, but not every state does. According to the U.S. Department of Agriculture (USDA), each state has a set schedule for when their benefits will be distributed and for most states, it's over a period of several days. Also, it isn't the first day of the month when most states give out at least a portion of their benefits, it's the fifth day (participation from 37 of 50 states).

So, distribution is spread out a bit, but are more benefits still transferred during the first half of the month than the second? The quick answer is, yes, they are (see infographic). Actually, there aren't any states that distribute benefits after the 23rd day of the month. So while the meaning and impact of "first of the month" may not be as black and white as it once was, it's at least gray. Given the lengthy timeframe in which benefits are dispersed, when referring to the increase in demand that comes along with said benefits, it may be more practical to reference the "first half of the month" rather than just the first few days.

California, Texas, Florida, New York and Illinois are the five states with the most average monthly participation (in persons). They also happen to be the most heavily populated states and home to some of the nation's largest markets. Georgia, Pennsylvania, Ohio, Michigan, and North Carolina are the remaining states that round out the Top 10.

Depending on what state you're referencing, the corresponding SNAP distribution schedule could very well have an impact on retail business during the first week of the month. However, because some states stretch their distribution of benefits out for over more than three weeks, the "first of the month" may not necessarily be as significant, at least not to every state.

So, does the saying "first of the month" still apply? More than likely the answer is yes, but with some fine print of course. UB

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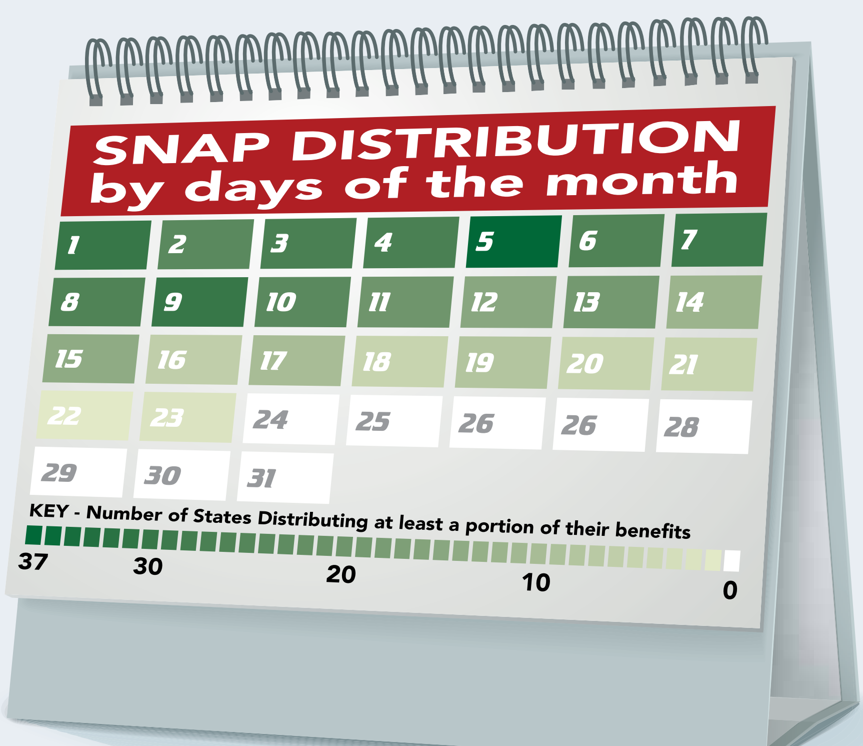
STATES DISTRIBUTE AT LEAST A PORTION OF THEIR SNAP BENEFITS ON THE
5th DAY
OF THE MONTH,
THE MOST OF ANY DAY



Source: www.fns.usda.gov (Jan 2015)

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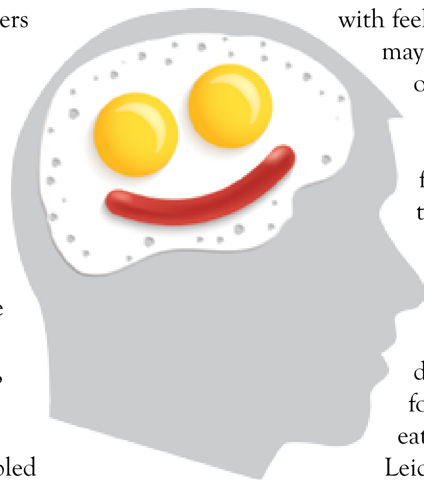
STATES DISTRIBUTE SNAP BENEFITS AFTER THE
23rd DAY OF THE MONTH

$70 MILLION
IN BENEFITS WERE ALLOCATED FOR SNAP RECIPIENTS IN 2014

OVER 46.5 MILLION PEOPLE
RECEIVED SNAP BENEFITS IN 2014

Eating a high protein breakfast to reduce cravings



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According to the Centers for Disease Control and Prevention (CDC), many teens skip breakfast, which increases their likelihood of overeating and eventual weight gain. Statistics show that the number of adolescents struggling with obesity, which elevates the risk for chronic health problems, has quadrupled in the past three decades. Now, University of Missouri researchers have found that eating breakfast, particularly meals rich in protein, increases young adults' levels of a brain chemical associated with feelings of reward, which may reduce food cravings and overeating later in the day. Understanding the brain chemical and its role in food cravings could lead to improvements in obesity prevention and treatment.

"Our research showed that people experience a dramatic decline in cravings for sweet foods when they eat breakfast," said Heather Leidy, an assistant professor of nutrition and exercise physiology.

Leidy studied the effects of different breakfasts on participants' levels of dopamine, a brain chemical involved in moderating impulses and reward, including food cravings. Dopamine levels were determined by measuring homovanillic acid (HVA), the main dopamine metabolite. Eating initiates a release of dopamine, which stimulates feelings of food reward. The reward response is an important part of eating because it helps to regulate food intake, Leidy said.

"Dopamine levels are blunted in individuals who are overweight or obese, which means that it takes much more stimulation—or food—to elicit feelings of reward; we saw similar responses within breakfast-skippers," Leidy said. "Eating breakfast, particularly a breakfast high in protein, seems to counteract the tendencies to overeat and to prevent weight gain that occurs as a result of overeating."

Participants in the study were young women with an average age of 19; however, Leidy said the findings may be generalized to a larger population of adults.

"In the U.S., people are skipping breakfast more frequently, which is associated with food cravings, overeating and obesity," Leidy said. "It used to be that nearly 100 percent of American adults, kids and teens were eating breakfast, but over the last 50 years, we have seen a decrease in eating frequency and an increase in obesity."

Leidy's research was published in the Nutrition Journal. Other MU researchers on the study included Matthew Will, an associate professor of psychological sciences, and Heather Hoertel, who conducted the study as part of the requirements for her master's thesis. The research was funded by the Beef Checkoff Program, the Egg Nutrition Center and the Margaret Flynn Award from the University of Missouri. UB

Adapted from an article that originally appeared on Foodmarket.com on October 17, 2014

Second chance for the first cattle …

Resurrecting the aurochs

Illustration by Shannon Ehrola from Urner Barry's *The Beef Book.*

Cave paintings depicting aurochs dating back thousands of years have been found.

"THE MISSION IS TO PRODUCE AN ANIMAL INDISTINGUISHABLE FROM THE AUROCHS …"

There are a lot of cattle out there. The U.S. alone estimates 95 million as of 2014. There is also a wide variety of breeds, from Holstein to Brahman. However, it wasn't always this way. In fact, a 2012 study revealed that all domesticated cattle, both European and Indian, descended from a single herd of approximately 80 animals. This first herd was domesticated from wild oxen some 10,500 years ago. The wild oxen were known as the aurochs, and are the primogenitors of all modern cattle. Or rather, they were. Aurochs are now extinct, with the last aurochs having died in Poland in 1627.

Now, some people are looking to give the first cattle a second chance. Rewilding Europe is a Dutch non-profit that is looking to halt the decline of biodiversity in Europe and bring back endangered wild animals. They plan to return developed areas to their original natural state, and an important element of much of European nature was the aurochs. Rewilding Europe launched the Tauros Programme in 2008, planning to genetically recreate the first cattle by combining "primitive" breeds from southern Europe. These descendants of the aurochs have been the least changed by time, and by interbreeding those and selecting for the characteristics of the aurochs, the Tauros Programme hopes to recreate the lost breed.

To accomplish this, the Tauros Programme employs scientists in such fields as genetics, ecology, molecular biology, and archaeozoology. Their mission is to produce an animal indistinguishable from the aurochs via guided breeding. This creation will be dubbed the tauros, a rewilded animal perfectly suited for the planned resurgence of European nature.

While not necessarily a perfect genetic clone of the extinct aurochs, the tauros will have all the same characteristics as its ancestor, a result of a sort of reverse speciation. The Tauros Programme is not working blind, either. In 2014, scientists managed to completely sequence an aurochs genome, allowing for comparisons between their bred tauros and the original aurochs.

The Tauros Programme timeline estimates herds of modern-day aurochs by the year 2020, meaning that we may we will see these bovine dinosaurs in our near future. UB

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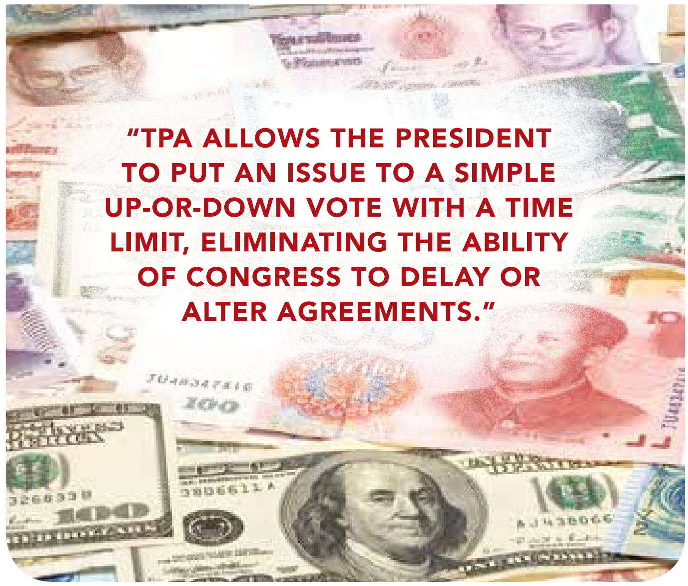
Trade agreements that are worth your time

Foreign market access has been a hot-button issue lately for the U.S. and especially in the poultry sector. Bans and restrictions have limited exporter's options of where they're legally allowed to send product and it has resulted in downward pressure on market values for a number of items. For those that may be unfamiliar with some of the political trade acronyms out there, here are a few that are worth learning more about.



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The ***Trade Promotion Authority (TPA)*** is a legislative tool that was developed in 1974 and gives the President of the United States a set of goals, rules, and rights that allow the efficient negotiation of trade agreements. TPA specifies what Congress expects of the President during negotiations, which helps reduce the amount of time spent in consultation and streamline the process of expanding U.S. trade interests worldwide. TPA allows the President to put an issue to a simple up-or-down vote with a time limit, eliminating the ability of Congress to delay or alter agreements. The TPA supports U.S. job growth, helps export more "Made in America" products abroad, makes trade agreements better and more globally competitive, and ensures transparency and public engagement in trade. It is also widely known as "fast-track" authority. It is no longer in effect, and is being pushed for renewal as of Jan 2015.

The ***Trans-Pacific Partnership (TPP)*** is a 21st century trade agreement that encompasses the U.S., Australia, Canada, Chile, Japan, Brunei Darussalam, Malaysia, Peru, New Zealand, Vietnam, Mexico, and Singapore. At thetime of this writing, it is being negotiated, and plans to provide a new market for U.S. goods and establish new working standard. When completed, its regulations may encompass up to 40 percent of all U.S. trade. Also covered in the TPP is intellectual property law, digital economy and transparency in regulations. It has been negotiated as though TPA is in effect, meaning that for it to be approved, TPA must be renewed. The TPP hasn't necessarily been welcomed by all with open arms. It has been criticized for insufficiently enforcing environmental transgressions committed by member nations. Several wildlife organizations are up in arms over this.

The ***Transatlantic Trade and Investment Partnership (TTIP)*** is a new trade agreement between the EU and U.S. The TTIP looks to standardize regulations and streamline approval procedures between member nations. Also on the list of goals is cutting down tariffs to allow for more competitive prices, and establishing reciprocal textile trade. The current timeline expects ratification of this agreement by 2015.

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Bringing jobs to Michigan …

Clemens expanding pork processing operations

The December 2014 announcement from Clemens Food Group that they would be constructing a new pork processing plant came as somewhat of a surprise to market watchers. After all, the industry had just gone through a pretty tough year given the PEDv outbreak. Porcine epidemic diarrhea virus (PEDv) is a highly infectious disease that results in significant mortality in piglets. Estimates suggest its effect on the 2014 slaughter total was close to five percent. Clemens Food Group, a vertically coordinated company that includes hog farming, food production, logistical services, and transportation, chose Coldwater Township, Michigan as the place to construct their new pork processing operation.

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Anticipated to become operational in 2018, the 550,000 square-foot facility is expected to process 10,000 hogs daily, and bring 810 new jobs to Michigan. According to Governor Rick Snyder, "The Clemens family is a recognized leader in pork production and its investment here signals to executives of all industries across the country that Michigan is the place to do business." This will be the first ground-up pork processing plant constructed in more than a decade. The last was the 2005 opening of the Triumph Foods St. Joseph, Missouri facility. That plant has a daily capacity estimated at 20,000 head.

Clemens Food Group considered both Michigan and Ohio for a Midwest expansion of its pork processing operations, choosing Michigan for the location of the facility was based on the state and community support as well as site feasibility and labor force preparedness.

"This announcement marks a major milestone in the history of our company and the future of pork production in the state of Michigan," said Doug Clemens, CEO, Clemens Food Group. "On behalf of our more than 2,000 employees, our family shareholders and our family farm partners who have joined us in this venture, we thank Governor Rick Snyder and leaders in Michigan and Coldwater and Coldwater Township for having the vision to see the opportunities to position the state to compete in the global pork market."

> "THIS WILL BE THE FIRST GROUND-UP PORK PROCESSING PLANT CONSTRUCTED IN MORE THAN A DECADE."

Currently, there's little commercial pork production in the state of Michigan. The last significant operation, which had a daily capacity of 14,000 head, shuttered their doors in 1998. According to Mary Kelpinski, Executive Director, Michigan Pork Producers Association, "Michigan Pork Producers Association is looking forward to having a fresh pork processing facility in the state. When we lost Thorn Apple Valley in Detroit, producers had the increased cost of trucking pigs a lot further. Over the years we have seen Michigan producers finishing pigs in other states closer to where they are processed. This will help not only the producers supplying the plant but the whole Eastern Corn Belt."

Founded in 1895, the Pennsylvania-based Clemens Food Group is a sixth-generation, family-owned integrated pork production operation including farming, processing, transportation and logistics. The company has a total of 2,200 employees. UB

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Buffalo Wild Wings year in review

In May 2014, Sally Smith, CEO of Buffalo Wild Wings, provided a keynote address at Urner Barry's 38th Executive Conference. Earlier that year, the Minneapolis-headquartered sports bar, founded in 1982, opened its thousandth unit in late January which commenced a year of strong growth for the company, totaling 34 new units opening doors in 2014, including a Times Square, NYC location.

Buffalo Wild Wings, or B-Dubs as it is more commonly known, posted an 18.3% increase in revenue in September 2014 compared to the same period in 2013, bringing in $373.5 million. The company currently sponsors the Buffalo Wild Wings Citrus Bowl in Orlando, which was played on January 2nd. Among B-Dubs' most exciting new developments is the implementation of tabletop tablets for ordering, payment, television, and trivia, which were tested in 2013 and saw a limited release in 2014.

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In addition to tablets, B-Dubs launched GameBreak in September, a multiplatform gaming experience including trivia, fantasy-style, and pick 'em games. Prizes include gift cards and even a $10,000 prize pack.

Buffalo Wild Wings continues to be one of the fastest-growing chains in the nation, opening new units as well as acquiring a majority of the Dallas-based fast-casual outlet Rusty Taco. The B-Dubs portfolio also includes PizzaRev, a build-your-own pizza chain. This diverse assortment of outlets allows for more expansion in the coming years with plans to acquire more emerging brands in the works as well. A long-term move permits significant domestic growth without saturating the market with a B-Dubs on every corner.

Outside the United States, Buffalo Wild Wings has franchise deals in place to begin expansion into Canada, Mexico, the United Arab Emirates, Saudi Arabia and the Philippines. The company's goals are to have 1700 locations in the U.S. and Canada, 400 international units, and 900 additional units from other brands.

The simple mantra of "Beer. Wings. Sports." has carried Buffalo Wild Wings to tremendous growth over the past years, and 2014 was no exception. We can expect to see more in 2015, as B-Dubs continues enterprise worldwide. UB

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Quality over economy is a priority for consumers …

High beef costs promote quality casual burgers

As ground beef costs rise, restaurants face shrinking profit margins and pressure to adapt. While some outlets are changing burger quality to keep costs manageable, others are placing greater emphasis on offering a premium product. Certain consumers have shown that they're willing to pay much more for what they perceive as a high-quality meal. Many consumers have demonstrated an interest in burgers advertised as fresh, handmade, never frozen and Angus beef. Even when these quality options are more expensive, a sizable portion of the consumers will put their money where their mouth is and go for a premium product.

According to Urner Barry data, the price to produce an average fast food hamburger patty jumped 32% from 2013 to 2014. The burger industry is developing a schism based on how businesses respond to this increase. There exists a split between those businesses that change their offerings to keep price standards, and those that raise prices to maintain menu standards. If beef prices remain high, this chasm between restaurants prioritizing economy and quality may grow, or a new menu option could take the pressure off of the burger business. Many outlets are expanding chicken offerings, with chicken sandwiches, chicken wings, and chicken strips cropping up across menus nationwide. New chicken products are taking pressure off beef and reducing some customer demand for now-expensive hamburger offerings. Some businesses are also opting to defray beef costs by promoting complete meals with drinks and side dishes, raising both average checks and perceived value to keep the customer happy and costs balanced.

The fast-casual and quick-serve industries have always fought to keep prices low to avoid hitting a threshold where they begin competing with traditional casual cuisine. As a result, many chains are already extremely efficient, making significant cutting down on behind-the-counter costs a challenge. Therefore, as beef prices increase, their added expenses must either be absorbed by the company or deferred to the customer. While chains may balk at price hike, there is a sizable sect of consumers that have communicated willingness to pay more to keep quality in the spotlight. UB

Article contributed by Jake Muldowney
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Restaurants trim menus, push customization

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The days of the giant menu are coming to an end. Menu sizes have been shrinking since 2009, as companies focus on quality and speed over quantity. McDonald's plans on paring eight menu items and cutting out five of their 16 Extra Value Meals leading in to 2015, combating kitchens slowed down by complicated menus. IHOP has also been shrinking its menu, streamlining their kitchens. Burger King is following suit, taking steps to cut back on new products as well. More and more, companies are focusing their menus, specializing in a certain kind of cuisine in lieu of having a little of everything.

Part of the reason for this is the rise of "foodie-ism," as consumers look for quality ingredients and products over an expansive list of offerings. Among the best examples of foodie favorite restaurants are Five Guys and Chipotle, both of which offer very short menus. Chipotle has built its success on only five menu items, offering customization options that allow for more than 600,000 different combinations. Five Guys serves primarily hamburgers and fries. Their customers aren't overwhelmed by choices, but instead choose a burger from a small menu and customize. Capitalizing on the undeniable successes of the customization approach, McDonalds plans on expanding its experimental "Create Your Taste" program in both size and scope, taking customizable burgers and chicken sandwiches to more than 2,000 new restaurants.

> "…CONSUMERS LOOK FOR QUALITY INGREDIENTS AND PRODUCTS OVER AN EXPANSIVE LIST OF OFFERINGS."

Customization comes at the expense of speed, however. Chipotle's lines are legendary, and there's a reason Five Guys doesn't have a drive-thru. "Create Your Taste" options can take five minutes or more to prepare, and are not an option at drive-thrus. They also have to be prepared in a separate area, so smaller restaurants won't be able to offer them. The small quick-serve menu might speed up normal ordering, but customization innovation could slow things down. Quick-serve restaurants will be challenged to find a balance between the speed they need and the customization customers want to cater to foodies, fast. UB

Article contributed by **Jake Muldowney**
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Urner Barry video turns five

Urner Barry is always looking to provide new content in innovative ways. In the early 1980s, the COMTELL news service delivered a content stream of market information via satellite. The COMTELL terminals that were used to view market information actually predated the advent of PCs in the workplace. When vehicles are available to distribute information, a team at Urner Barry is charged to assess its merits and potential for adoption by the trade. As such, Urner Barry has long been interested in video media. The first marketing videos were shot in the early 1990s and distributed via VHS. The late '90s saw the first attempt at news videos, but those efforts would not yet result in a viable service, since the content dissemination infrastructure was spotty and most clients' PCs in use at the time lacked the ability to view video and play audio.

With the prevalence of high-speed internet and the availability of YouTube and other video distribution platforms, UB decided to give videos another shot. The first few videos were very jury-rigged. Lighting was a work floodlight someone had at home, the camera was a video camera borrowed from home. The on-air talent was working in the data processing department. The first scripts were read from a piece of paper, until someone created a manual teleprompter by printing scripts in a large font and gradually raising them to the level of the camera.

March 2015 marks the five year anniversary of Urner Barry's first market video. Today's video is a key part of the day-to-day operations at Urner Barry. Gone are the days of the work light and paper prompter as these are swapped out for equipment better suited for the task. Everyone at Urner Barry is encouraged to appear on the video (although some would rather work behind the camera rather than in front of it). Production of the daily video is truly a team effort with staff from IT, data processing, market reporting, market analysis and staff interns all working to write, produce and disseminate video content. The Urner Barry YouTube channel has well over a thousand news videos.

> "TODAY'S VIDEO IS A KEY PART OF THE DAY-TO-DAY OPERATIONS AT URNER BARRY."

To find all of the Urner Barry videos, visit us online at www.urnerbarry.com/video. You can also scan the QR codes to see our first news video and YouTube channel. UB

Article contributed by **Jake Muldowney**
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Check out our first UB News Video by scanning the QR code on the left. Or visit our YouTube channel by scanning the one at right.

Behind the scenes of the early videos, that light is clamped onto a ceiling tile.

Online ordering …

The future of food shopping

As humans have evolved, the need has greatly diminished for individuals to farm, hunt and gather their own food. The gradual move from self-sufficiency to the global effort to produce food for the masses allowed the average, modern day individual to simply walk into the nearest grocery store. Gone are the days when if one wanted chicken it required a trip to the coop to procure a bird that needed to be killed, plucked and prepared for supper—instead, we now have the luxury of picking up perfectly packaged fresh chicken from the meat case at the store, along with produce, beverages and a slew of other foodstuffs. Couldn't get any easier than that, right? Wrong. Thanks to the exploding trend of online shopping, we don't even have to do that anymore.

Online grocery sales are expected to quadruple by the year 2023, according to statistics from Brick Meets Click presented last fall. Online grocery sales

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were estimated to be about $27 billion in 2014, with expectations for that figure to continue growing in the coming years.

Food delivery is nothing new—take-out, pizza, and catering has been around and appreciated for quite some time. Before now however, delivery applied largely to foodservice operations only, not retail grocery outlets. Undoubtedly, the trend is largely driven by the millennial population, since this demographic highly values efficiency and speed in a rather on-the-go lifestyle.

Many retail outlets have experimented with online ordering and delivery, or shop from home-style structures wherein customers can create their shopping list to be collected, bagged, and ready for pick up at the store. Both styles of online ordering eliminate the occasional frustration of navigating store aisles, fighting crowds and waiting in line at the cashier. As with most marketing and customer service advancements, this type of service undeniably creates an atmosphere of competition among retail chains, since once one store implements online ordering, the rest hardly have a choice but to do the same.

One company that is already in the game and has established a loyal and growing customer base while mastering the tricky logistics of delivering fresh foods to online shoppers, is FreshDirect. One of the largest online grocers in existence and located on the East Coast, FreshDirect delivers groceries independently sourced and delivered. The company explains, "We use our direct relationships with farmers and artisans to drive superior quality in sourcing, then use technology to make it easier to shop and deliver those fresh products to customers' doors. It's faster, it's fresher: It's grocery shopping perfected."

While companies like FreshDirect and a few other grocery chains and delivery services such as PeaPod have been in the portage arena for a while now, the trend is spreading like wildfire. Retail giants like Walmart and Amazon have gotten in on the business of delivering groceries in a few trial areas, using their own warehouses and delivery systems to bring groceries to customers. Then, there are the third party delivery services like Instacart, which doesn't own the inventory it delivers, but simply visits regular stores to pick up and deliver products for customers who have placed orders online through their website. The United States Postal Service also wants a slice of the delivery pie, seeking to deliver groceries for Amazon and possibly even expand to other retailers in major metropolitan areas.

A true reflection of technological and social advances, online ordering is rapidly becoming the new, no hassle normal of foodservice and grocery purchases. One question to consider is the impact online shopping has, or will have, on impulse buys. We've all walked into the grocery store with a carefully thought out list of items we need, yet we often leave with more products than were on the original list. According to a study by BetaBait on buying behavior, 14% of impulse buys are food items, and impulse buys at brick and mortar stores are heavily influenced by sights, sounds and smells within the store. With fewer actual store visits, how much will online shopping affect the portion of store sales attributed to impulse buys?

Online grocery shopping certainly looks to be the new frontier in consumer food purchasing. With so many companies vying for dominance in the online retail grocery space, the competition is fierce—which certainly works to the advantage of consumers. UB

Article contributed by **Jamie Chadwick**
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Consumers paying for perception …

What's the difference between white and brown eggs?

Whether you're discussing poultry, red meat, baked goods, pastas, or fruits and vegetables, consumers have tough choices to make when shopping at the food store given the growing number of specialty offerings. From organic and natural to gluten free, retail shelves are packed with options at a range of price points. Shoppers are being forced to choose what best fits their lifestyle or diet, but most importantly their budget. This is no different at the egg case, where refrigerator shelves are lined with a variety of size, production, and brand options. One of the most common questions surrounding the egg case isn't necessarily how eggs are produced but rather the difference between the white and brown varieties.

Consumers often wonder if there are nutritional benefits between the two, where they come from, and why they vary in price.

If you ask most people outside the industry what the difference is between a white egg and a brown egg is, you're guaranteed to hear a number of interesting answers. Many believe that brown eggs are healthier, yielding more protein or offering reduced cholesterol when compared to white eggs. Others will tell you they are "more natural," linking them to local farms. One person I spoke with even thought that all eggs were produced brown and that white eggs simply went through some kind of bleaching process!

So what really determines shell color? Well, basically, it's the bird that lays them. The standard laying hen in the U.S. is the White Leghorn. With white feathers and earlobes, this bird produces the generic white eggs you are accustomed to seeing in retail cartons. Meanwhile, the Rhode Island Red breed is the type of bird responsible for most of the brown egg production in the U.S. These hens have rust or brown colored feathers and brown earlobes.

It isn't production methods or processing that determines an egg's color; it's the breed of chicken from which it is laid.

Ok, so what about the differences beyond the shell? Well, brown and white eggs are nutritionally the same. There is no difference or benefit in eating a brown egg vs. white, unless either breed is fed a special diet.

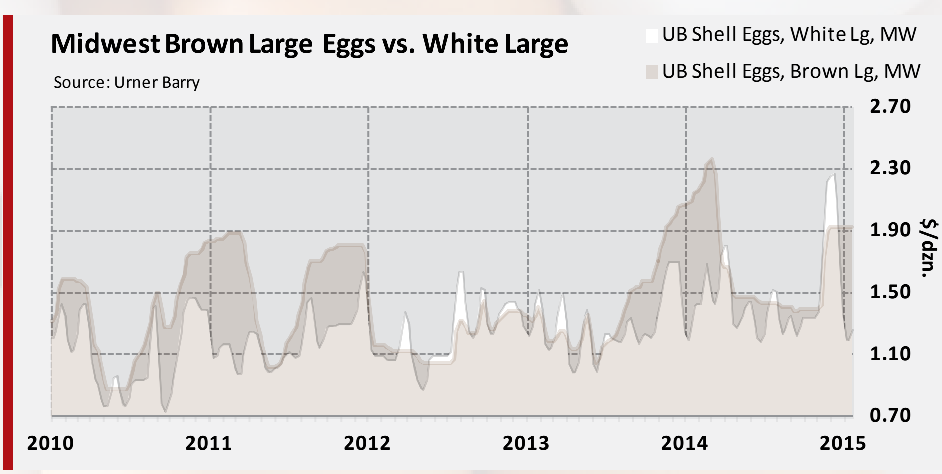
Now, about the price, most noticed that brown eggs tend to cost more. If the only difference is color, why would that be the case? Well the hens producing brown eggs are a larger breed of bird, requiring more room and feed to produce the same volume as White Leghorn hens. This added input cost is generally why brown eggs cost more than white eggs.

In the last five years, Urner Barry's Midwest large brown egg quote averaged nearly $0.20 more per dozen than white large in the same region.

The spread between brown and white eggs is far from static though. When the white shell egg market hit all-time highs ahead of the holidays in 2014, brown eggs were actually cheaper than like size whites by as much as $0.35 per dozen. Tight prices and consumer perception drive sales in the brown category when costs with generic whites tighten. Brown egg production is just a fraction of generics though, so these periods are usually short lived. Meanwhile, we've seen differences climb to nearly a dollar more a dozen in the opposite direction during times of strong brown demand or weak generic markets. These periods tend to last longer, because generic white laying hens make up the majority of production.

Consumers tend to buy the cheapest egg in the store. Many believe there is added value in brown eggs. However, unless market conditions allow retailers to price generic browns at similar levels to whites, they are really just paying more for perceived benefits around shell color. UB

Article contributed by **Brian Moscogiuri** | brianm@urnerbarry.com



A whole new price point for retail shoppers

People will come… not exactly a *Field of Dreams* reference here, but in a way it is the hope of the retail advertisement; price attractively and the consumer will be enticed to visit the store and buy the product. However, what exactly are retailers to do when food costs increase, particularly protein items? Most often, the weekly circulars are filled with features at special prices with the hopes of tempting customers to come in and grab the bargains. Lately, retailers have been noticed using more creative ways to continue to attract price-conscious shoppers. Since many retail shoppers are less attracted to price points in the double digits and many protein items have exceeded this per pound price point, in an attempt to keep customers interested, retailers have reduced the unit amounts and thereby seemingly lowering price points.

Urner Barry's Reporter visited several New Jersey retail stores and found some protein items that were featured in units less than price per pound. The first stop was the deli counter where roast beef was featured at $5.49 per half pound. For shoppers who are familiar purchasing this item, it typically sells for over $10.00 a pound. Naturally, the lower looking price is eye-catching because buyers are more apt to purchase when they see $5.49 instead of $10 and they seemingly disregard the unit price. Other featured items that are featured at lower price units are fresh salmon portions; found this visit at $4.99. The portion was approximately 5 ounces which means the price for a pound of this salmon costs $15.97. Soft-shell crabs were being offered at $4.99 each. The average weight of one soft-shell crab ranges from 2 to 4 ounces. This would mean that a pound would cost a shopper between $19.96 and $39.92 per pound.

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Are consumers looking for the best price or the best price per pound? Since many retail shoppers are conditioned to shop by price, lowering the unit amount has allowed shoppers to purchase smaller amounts while sticking to their budgets.

Article contributed by MaryAnn Zicarelli
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Palmer Station, Antarctica

Antarctica is one of the most misunderstood places in the world. When people hear the word Antarctica they think ice, penguins, and maybe even polar bears. The ice is beautiful and the penguins are adorable, but the polar bears, well, they live in the Arctic! But as for Antarctica, there is much more to this continent than what meets the eye.

But let's back up a little. *Urner Barry's Reporter* had the chance to catch up with Frank McQuarrie, Jr, former part-time employee, but forever a full-time Urner Barry family member. Frank just returned from taking part in Long Term Ecological Research (LTER) at Palmer Station, Antarctica. LTER is a project that spans both vertically and horizontally, over years and several different projects. The opportunity to take part in this endeavor was afforded to Frank by Rutgers University. They have experiments that need to be run at Palmer Station and, after sending in his resume, writing an essay and being granted an interview; he was offered a position as a research grantee.

Twice a week, Frank and his teammates would go out on their boat 'Bruiser' (which Frank tells the *Reporter* is aptly named because it's the biggest and the baddest zodiac on site), to drop scientific instruments. The devices record the salinity, temperature, depth and fluorometry data. Samples were taken from different depths to get a good view of the entire water column. After retrieving the samples, the researchers would head back to the station and run tests on them to gauge the productivity of phytoplankton. By comparing each season's data with the other projects as well as last season's data, the researchers gain the ability to view change. The penguins, krill, zooplankton and phytoplankton are all studied, and each

part of the food chain scrutinized so that the entire ecosystem can be understood. "The climate is changing. It is not something to believe or not believe in, it is happening. We are studying what effect it's having on the ecosystems and what we can expect in the future," Frank told the *Reporter*.

Because the *Reporter* is the newsmagazine for the food industry, we had to ask about the food! As it turns out, the Palmer Station chefs whipped up some very good meals. Frank informed us that oftentimes there was meat, starch and some vegetables, but "freshies" (fresh food, including nonfrozen vegetables and fruit) were a delicacy. Protein was served with every meal and included a "...very healthy variety of pork, chicken and beef with occasional others."

While in Antarctica, contact with others was limited, but on base communication with one another was not an issue. "We had good clear radio contact within the two mile boating limit and further. The only available phones were iridium units on station, and there was an all-call system that could reach the entire base. Generally, we were well connected; WiFi was not at luxury levels, no streaming of videos, but we could check everything and play the radio," he said.

Frank's adventure in Antarctica was multi-faceted and being away from family — very far away—for the first time had its challenges. Palmer Station did, however, grow on him and eventually almost felt like home. When asked to summarize his experience while living in the coldest climate on earth, Frank paused and, after some thought, said that although he knows education is important, "...it is certainly second to experience and the ability to adapt." He continued by saying, "...hard work and quick learning were paramount." Sounds like Frank learned a valuable life lesson; while living on the edge. UB

Article contributed by **Russell W. Whitman** with special correspondence by **Frank McQuarrie, Jr.**
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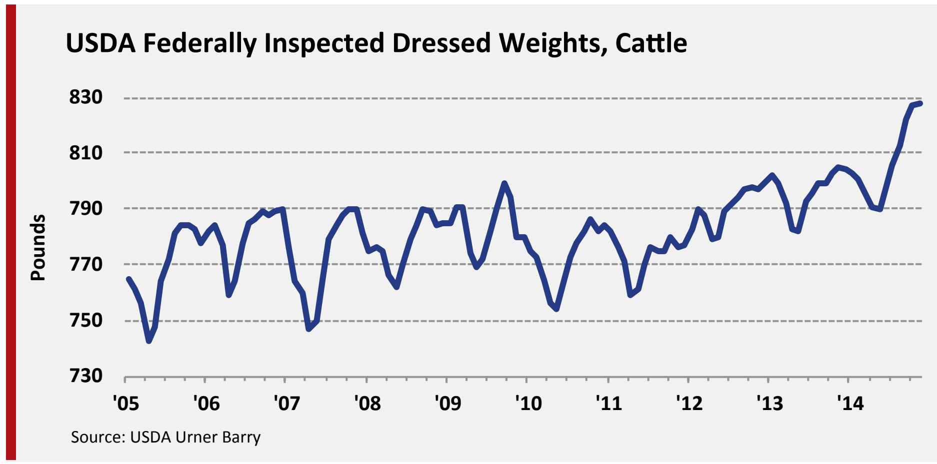
CAB carcass weights edge higher

Article contributed by
Steve Suther, Industry Information Director,
Certified Angus Beef LLC



Source: USDA Urner Barry

As finished cattle grow heavier each year, Certified Angus Beef LLC has chosen to adjust the *Certified Angus Beef*® (CAB®) brand weight limit to 1,050 lb., effective Nov. 24, 2014.

Prior to 2006, the 1978-established subsidiary of the American Angus Association had no weight limit but relied on a yield grade requirement. Eight years ago, that was replaced with a ribeye size bracket of 10 to 16 square inches, 1-inch external fat limit and a carcass weight cap at less than 1,000 lb., as part of the brand's 10 specifications.

Since then, the North American cattle herd continued to decline, and feedlots added more weight to each animal to compensate. U.S. average weekly steer carcass weights recently eclipsed the 900-lb. mark.

"As the beef industry continues to evolve, this brand is actively engaged in discussing ways to maintain increasing relevance to our farmer and rancher owners and licensed partners," CAB President John Stika said.

Noting the decades-long up-trend in carcass weights (see chart), he said, "Our team has been walking the meat coolers the past two years evaluating our brand within the marketplace."

CAB Board Chairman for the 2014 fiscal year, Doug Schroeder, Clarence, Iowa, said science has always guided the brand, and data analysis combined with feedback from customers to determine the move and the timing.

This is a step we could take to ensure the brand remains strong and relevant moving forward," he said.

Product quality and consistency are always the first consideration, Stika said. While the change could mean another 3% to 5% more product from the additional 2,500 to 3,000 cattle at 30 licensed plants each week, the data show the impact on individual cuts will be negligible.

"We looked carefully at the relationship between individual carcass weight and subprimals, finding most of those would increase about a tenth of a pound," he noted.

"I don't think a 50-pound difference in the whole carcass weight should make a difference to us," said Kip Palmer, President of Palmer Food Services, Rochester, N.Y. He serves on the CAB Board with Angus producers.

"The price of corn and cattle tells us those weights are just going to keep increasing," he said, "but the brand specification to keep ribeye size between 10 and 16 inches will still maintain consistency in the boxes."

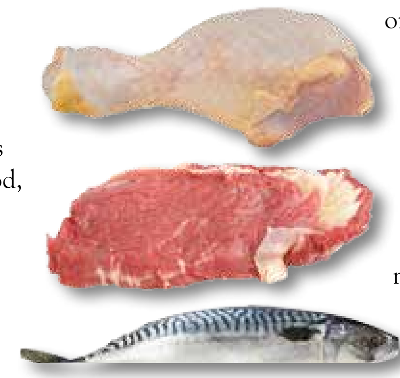
Stika said the science-based decision to adjust weights was made "parallel to our firm commitment to uphold the premium quality of our brand within the economic realities of the production sector."

Certified Angus Beef® is the world's leading brand of fresh beef. Since 1995, packers have paid producers half a billion dollars in value-based grid premiums for cattle accepted into the brand. For more information on CAB products and programs, visit www.CABpartners.com.

"...THIS BRAND IS ACTIVELY ENGAGED IN DISCUSSING WAYS TO MAINTAIN INCREASING RELEVANCE TO OUR FARMER AND RANCHER OWNERS AND LICENSED PARTNERS."

How price fluctuations influence category choices

Imagine this, you are at the grocery store, checking the meat section. What's for dinner this week? Looks like those steaks are good, but are the chicken breasts a better value? Maybe there are some deals in the seafood section? You know your family likes salmon, but you like cod. Should you get both? Can you afford both?



Error 404: Dinner Not Found

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It may not seem like it, but you are making economic and market-based decisions right there in the aisle (perhaps with the help of a cell phone calculator). Though they are on a much larger scale, restaurants have to look at similar information in exactly the same way in order to maximize their profitability (or, less appealingly, minimize loss).

It's no secret that beef prices are at all-time highs, or that the globalization of trade affects market values of proteins. But what if instead of buying dinner for your family for a week, you had to buy dinner for millions of families every week? Companies spend their time and resources looking for opportunities in the spreads between proteins so they can maintain market position and also create a sense of variety.

Looking at the chart we see Urner Barry's Beef Index compared to its cousin, the Chicken Index. This shows the premium paid for beef relative to chicken across the whole category, which reached major highs last year. Although many restaurants and retailers had likely purchased some product in advance, that pricing environment would have made it prohibitively difficult for many people to offer consumer beef products at significant discounts profitably.

This is what prefaces a phenomenon, perhaps previously unnamed, which this author would like to call a "protein shift," or otherwise when a restaurant alters its product mix to manage changing food costs. Such is the case of a burger chain increasing its emphasis on chicken offerings to offset the impact of high beef prices. A protein shift can take the form of eliminating dishes entirely, or offering the option of red meat or poultry with a given entrée, which we are seeing across the QSR and casual dining sectors.

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No, not this kind of protein

So, next time you're at the grocery store, take comfort in knowing that your grocery list is not unlike the one given to the purchasing teams at your favorite restaurants. Who knows, maybe you can put your shopping experience on your résumé.

Article contributed by **Adam Sharkey**
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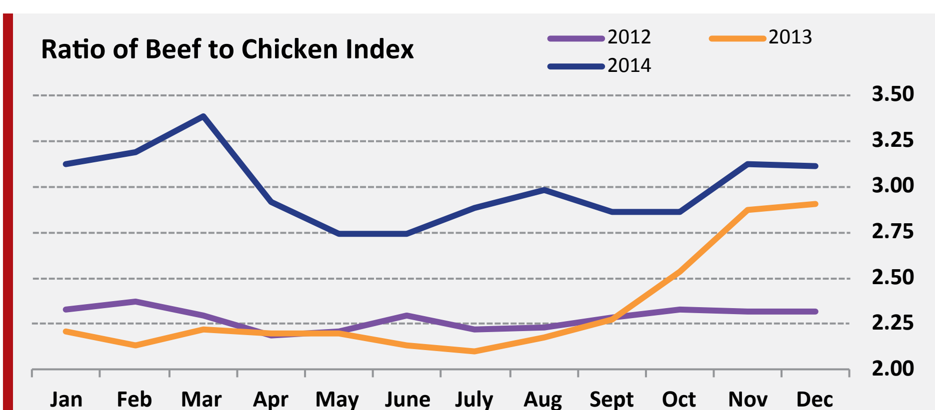
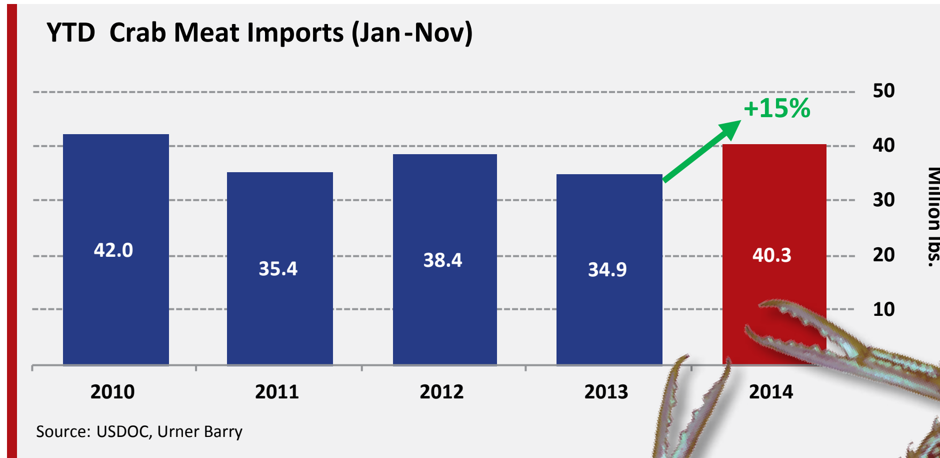


Source: Urner Barry's COMTELL

Overseas supply proves to be "good and plenty"

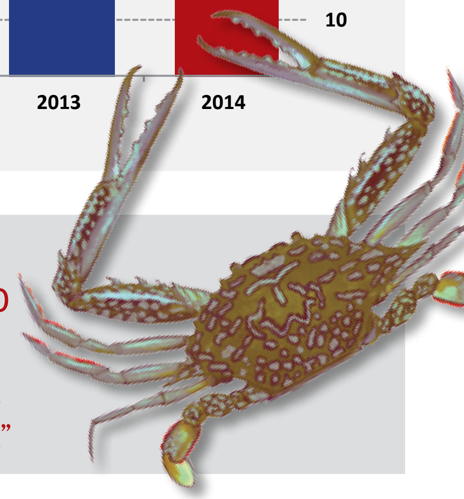
Crab meat imports through November 2014 were up 15% compared to the same time in 2013. Traders reported that for much of 2014, supply from major overseas producers was readily available throughout the year, but at a higher replacement cost.



Major producers, such as Indonesia and China, shipped more crab meat to the USA in 2014 than in 2013, counter to the perception that raw materials were limited. Other producers like Vietnam, Venezuela, Philippines and Mexico also increased the overall supply sent to the USA in 2014.

Importers reported that seasonal buying interest during the holidays fell below their expectations especially in the retail sector. Following the holidays, demand continued to fall. Discounted prices were seen with buying interest limited for sufficient to ample inventory. Market price offerings were heavily dependent on sellers' supply. UB

"MAJOR PRODUCERS SUCH AS INDONESIA AND CHINA SHIPPED MORE CRAB MEAT TO THE USA IN 2014 THAN IN 2013..."



Contributed by **MaryAnn Zicarelli** | maryann@urnerbarry.com

Russia: conflict, sanctions, inflation and new friends

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To say relations with Russia have been rocky recently would be a severe understatement.

The tensions truly came to a head over the Russian presence in, and actions appearing to be hostile against, the Ukraine, which Western trade partners (including North America and the European Union) took a strong stance against. Following restrictive monetary sanctions placed on Russia in response to the conflict with Ukraine, Russia countered with a host of ongoing trade barriers and limitations on goods spanning from food to fuel.

In 2014, Russia banned imports of a variety of foodstuffs including beef, pork, poultry, fish, cheese and dairy from not only the U.S. but also Australia, Canada, Norway and the European Union.

The "official" reasons have varied depending on the country and the food in question, banning pork over the presence of Ractopamine or African Swine Fever, or beef due to fears of anthrax. Just this past December, on top of the limits placed in the summer, a Russian sanitation watchdog put in place restrictions on poultry imports from Germany over concerns of the avian flu and meat from Italy and Hungary due to reports of bluetongue disease. Whether these sanctions were legitimate or primarily used as justifications for imposing retaliation on Western trade partners has been hotly debated within the industries affected.

During the process of these sanctions, Russia made an attempt to reach out to alternative nations in order to secure a consistent stream of food imports. Brazil and China were two of the largest exporters to answer the call, along with Argentina, Chile, Mongolia, Serbia, Switzerland, Turkey and Uruguay. China was particularly newsworthy as Russia had banned imports of Chinese pork since 2004 over concerns of foot and mouth disease. However, as China is easily the world's largest pork producer, representing around 50 percent of global production, Russia appeared to realize that their southern neighbor would be a valuable asset in keeping food prices, in this case pork, from inflating too dramatically.

Russia's Federal Service for Veterinary and Phytosanitary Surveillance, the body which monitors imports and exports of animal and plant products within Russia, claimed Brazil had increased their beef exports to Russia by 11,000 tons and their pork exports by 3,100 tons in September 2014 compared to September 2013. Beef imports overall grew by 38,600 tons according to the agency. Pork and poultry imports however, declined by 37,000 tons and 23,200 tons respectively year over year in September in the absence of imports from North America and Europe. Fish imports were down 8,100 tons year over year in September, despite increasing imports from the Faroe Islands, Chile, Ecuador and Thailand and newly established fish exporting partners Turkey and Uruguay.

The concern within Russia of course is that with less food entering the country, the food that is made available will be at significantly higher prices. With a Ruble which has declined in value by over 80% against the U.S. Dollar since August, those inflation fears appear to be justified. Russia does have domestic producers of most of the goods affected by these sanctions, which stand to benefit from the sudden shift in imports. However, expansion in these industries can be a long process, leaving Russia still largely dependent on other countries to supply enough food at affordable levels for their population of over 143 million residents.

The situation in Russia is dynamic, with policy changes occurring regularly since the sanctions began. Unfortunately, much of the policy appears to be rooted in political events rather than food related issues, which makes forecasting a timeline for resolution nearly impossible. For now, the U.S. and other sanctioned nations will have to wait and see if Russia, which is rapidly redefining its international relationships, will return to the old trade partners or strengthen bonds, and budgets, with new friends. UB

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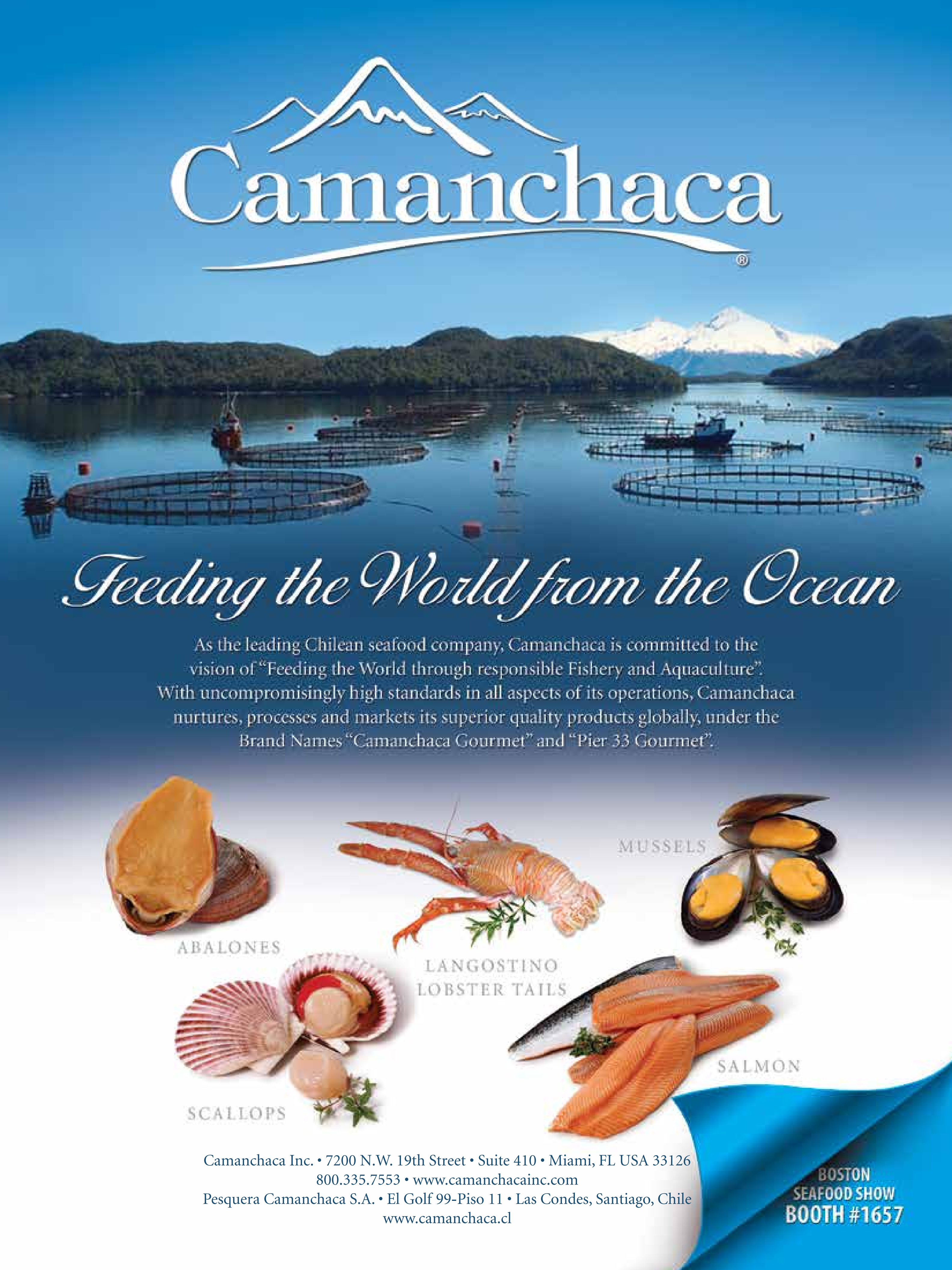

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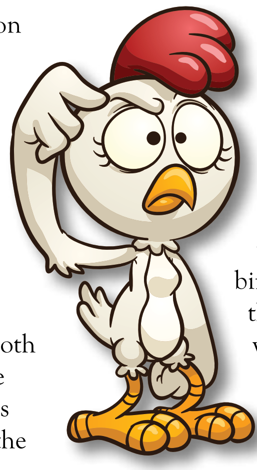
Supply and demand: expect the unexpected ...

Unforeseen variables and poultry pricing



Since price is simply a reflection of the current supply and demand situation, determining market price for any commodity may seem easy, when in fact, it is anything but. The supply and demand landscape is extremely complex, with a multitude of factors determining fluctuations on both sides of the equation. Here are just a few of the many variables that play a major role in how the poultry market performs.

WEATHER

Excessive heat and frigid temperatures are two extremes poultry producers hope they are able to avoid during the growing process. History, backed up by statistical evidence, shows us that birds are more unlikely to put on a sufficient amount of weight when they face such harsh climates. Often this results in lighter average live weights and a tightened supply, which could push prices higher if demand is active. On the flip side, at times during the year when climates are expected to be harsh and instead they're ideal for growing, birds tend to put on more weight than they should. If average live weights are greater than projected, then processors may be forced to sell more product than what's needed for current demand and market values could be pressured downward.

INPUT COSTS

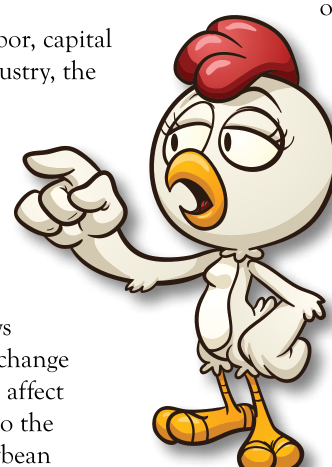
Input costs often include labor, capital or land. For the poultry industry, the cost of production plays a major role in determining the break-even point and subsequent theory of value for the cutout. Corn and soybean meal are two poultry production inputs whose costs are always subject to change, and that change or fluctuation may very well affect poultry pricing. According to the USDA's 2014 Corn and Soybean Crop Summary, the estimated average yield for both of these crops is at a record high. Corn prices, specifically, are at levels that have not been seen in years. This should lower the cost of production and allow processors more "wiggle room" in their poultry market valuation.

COMPETING PROTEINS

So, what protein does the poultry industry really compete with? The correct answer may be up for debate, but in reality, poultry competes with all center of the plate proteins to some degree. The relationship between the industry's competing proteins was thoroughly documented last year and we already know that many of those same developments are expected to have a lasting impression here in 2015. It's likely that the beef industry has at least another year before we could see a break in retail prices. Pork supplies are better positioned and prices have already adjusted to more manageable levels so far in 2015, following the record high prices and extreme PEDv-related volatility seen in 2014. No matter what protein is currently competing with poultry on price, product substitutes are always a possibility.

FOREIGN MARKET ACCESS

Foreign Market Access is something the poultry industry relies on heavily. Most of the time, our export markets are wonderfully dependable, but they can also be painstakingly undependable. Over the last year alone, U.S. poultry has faced bans and restrictions from a multitude of foreign countries. Included on that list were both Russia and China, two of the U.S. poultry industry's top export partners. When a foreign country places a ban or restriction on the U.S., there is often an adjustment period where the flow of supply slows down and market values react accordingly. But just as values may depreciate following the closure of a foreign market, if it opens or reopens, prices could firm up or possibly trend higher if warranted by an increase in demand.



STRENGTH OF CURRENCY

A strong U.S. Dollar can be both good and bad. For the poultry industry, if the U.S. Dollar strengthens and the currencies of foreign markets weaken, export values could depreciate. We witnessed this not too long ago, when the relationship between a devalued foreign oil market and strong U.S. Dollar forced poultry processors to discount their product in order to keep their export partners enticed. Conversely, if the U.S. dollar weakens, poultry prices could appreciate as interest from our export partners may become even more stimulated.

BIRD HEALTH AND PERFORMANCE

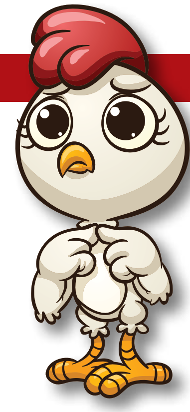
A bird's health and performance is a touchy subject, but it's an important aspect of poultry production that all participants should be fully aware of. All types of poultry are vulnerable to illness and disease, whether they're raised conventionally, antibiotic-free or organic. Sometimes, what they contract can have a debilitating impact on the industry's available supply. If a certain number of birds or flocks are affected, it's not at all farfetched to say that market values could firm up as a result of the now tightened supply. Poor bird health could also have an adverse effect on market values. As recently as just a few months ago, China banned U.S. poultry following the confirmation of Avian Influenza's presence within the country. This, among a number of other reasons, resulted in even more downward pressure being placed on an already stymied dark meat market.

GOVERNMENT INTERACTION

Just like a strong dollar, the U.S. government's actions can be taken as either good or bad, depending on whether you're a buyer or a seller. Several times throughout the year, the USDA issues "Bonus Buys" for their School Lunch Program. Most of these purchases are expected as they are scheduled seasonally. However, the government has been known on a number of occasions to initiate a "bonus buy" when certain market conditions develop; usually problematic ones. Whether prescheduled or initiated randomly, there's no doubt that these sort of buys help to tighten the industry's available supply and lend support to the markets.

TRANSPORTATION

The plant value of a poultry item can be determined during the negotiation process, but all fees



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aren't final and accounted for until said product is delivered to its rightful owner and that usually costs extra. Recently, fuel prices have declined, which may relieve some pressure moving forward. In general though, transportation costs have risen steadily over the last couple of years. New rules and regulations have not only limited the number of drivers on the road, but they've also restricted a driver's productivity. During certain times of the year, trucking is in higher-than-normal demand and although many may not believe it, this can very well affect poultry pricing. If you're willing to pay more to get it or it costs more, then it's worth more.

These are just a few of the variables that can have an effect on the supply/demand scenario which ultimately determines poultry pricing. Clearly, there's nothing simple about them. UB

Article contributed by **Terence Wells**
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The menu adoption cycle

How you can leverage–and predict–the changing food trend landscape.

Article contributed by **Jack Li**, Managing Director at Datassential, a top research company for the food industry.

What's the secret to selling more meat and seafood? In a word, it's "applications." Customers don't buy raw beef just because they want raw beef, they buy it because they want to create something with it. In fact, 57% of raw meat sold at retail is bought with a specific application or recipe already in mind.

Instead of just marketing the product itself, the better path is to also market the application. And to do this well, it's helpful to have a sound understanding of the trends that customers—whether it's a consumer or restaurant owner—are getting excited about. So what dishes will people want in the next year, or five years from now—and what can we do to prepare for the next big thing?

Predicting food trends. Food trends follow a common life cycle, a predictable journey spanning four distinct stages. We call it the MENUADOPTION CYCLE (MAC), and it's proven to be a remarkably accurate tool for predicting the next big thing.

> **"INSTEAD OF JUST MARKETING THE PRODUCT ITSELF, THE BETTER PATH IS TO ALSO MARKET THE APPLICATION."**

The premise of the MAC is simple — you can tell how far along a trend is in its life cycle based on where that trend turns up. If something is available only in cutting edge fine dining restaurants, chances are it's in the "INCEPTION" stage; but if you can find it just about everywhere, then that's a trend that has matured into "UBIQUITY." *(Chart 1)*

Trends are accelerating, and the ADOPTION stage is getting hot! As consumers continue to become more adventurous, their appetites are by definition shifting toward earlier stages of the cycle. What's more, the speed of trends is accelerating; whereas it once took 12 years to move from Inception to Ubiquity, we predict that timeframe will soon be trimmed in half.

As a result, today's consumer is increasingly seeking earlier trends, and in particular those in the Adoption stage—think Korean fried chicken, shrimp and grits, and trendy oyster bars. For protein suppliers and retailers, we strongly encourage a similar shift toward the Adoption stage as well.

2015 Flavors to Consider. Back in 2005, we used the MAC to predict the growth of a flavor that was still barely known at the time, sriracha. Ten years later, "What's the

Chart 2

#	STAGE	FLAVOR	Notes
1	INCEPTION	Za'atar	+400% menu growth since 2010
2	INCEPTION	Gochujang	Korean staple for rice bowls and grilled meats
3	INCEPTION	Togarashi	+150% menu growth since 2010
4	INCEPTION	Peri Peri	Popularized by Nando's, a chain that's poised to expand
5	INCEPTION	Aji Peppers	Peruvian is hot! +83% menu growth since 2010
6	INCEPTION	Stouts	Trendy ingredient for beef, burgers, shakes, and desserts
7	ADOPTION	Yuzu	+120% menu growth since 2010; often paired with seafood
8	ADOPTION	Nut Butters (beyond peanut)	Almond, cashew, pecan, hazelnut, and pistachio butters
9	ADOPTION	Savory Jams	Bacon, onion, and tomato jams are up +250% since 2010
10	ADOPTION	Harissa	Works great with seafood, beef, game, and poultry; +188% growth

Chart 1

STAGE			Find it at	Examples
1	INCEPTION	Trends start here. Inception-stage trends exemplify originality in flavor, preparation, and presentation.	Fine dining Ethnic restaurants Ethnic markets	Trumpet mushrooms Za'atar Togarashi
2	ADOPTION	Adoption-stage trends grow their base via lower price points and simpler prep methods. Still differentiated, these trends often feature premium and/or generally authentic flavors.	Gastro pubs Food trucks Fast-casual restaurants Specialty grocery stores	Kale Chimichurri Lobster roll Pappardelle
3	PROLIFERATION	Proliferation-stage trends are adjusted for mainstream appeal. Often combined with popular applications (on a burger, pasta, etc.), these trends have become familiar to many.	Mainline supermarkets Mass merchandisers Casual chain restaurants	Sriracha Aioli Risotto Gnocchi
4	UBIQUITY	Ubiquity-stage trends have reached maturity, and can be found across all sectors of the food industry. Though often diluted by this point, their inception-stage roots are still recognizable.	School cafeterias Family style restaurants Frozen food aisle Dollar & drug stores C-store shelves	Chipotle Alfredo Pepperjack Spaghetti

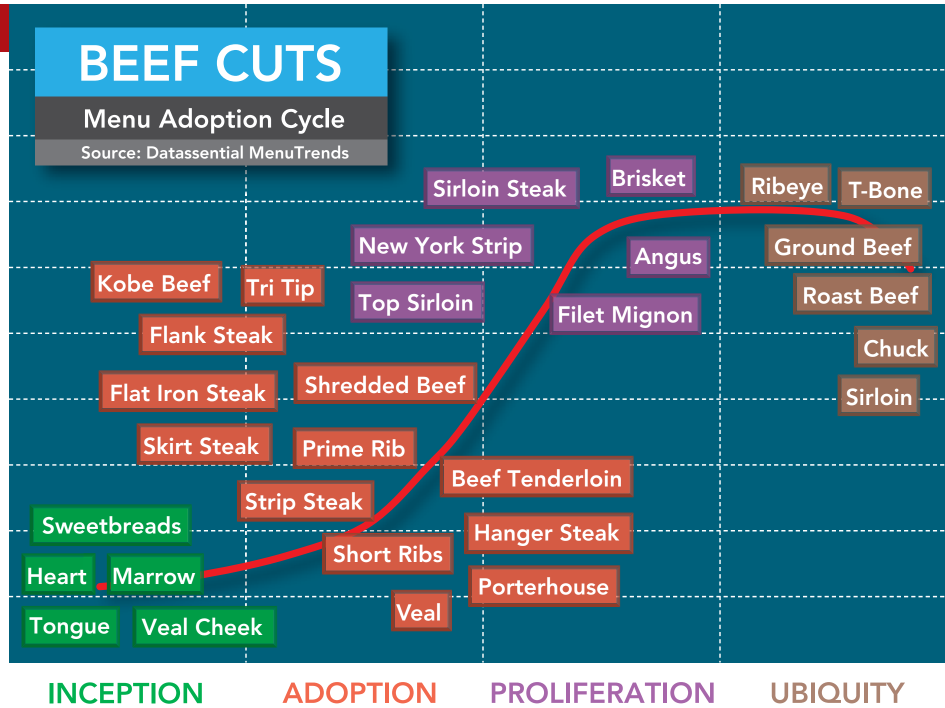
next sriracha?" is a question we get asked almost every day.

So what is the next sriracha? Below are ten strong candidates for your business to consider. (*Chart 2*)

Putting it all to work for you. If you're a value-added meat supplier, use the MAC to examine your current product portfolio. Are your products perhaps overly focused on the Proliferation and Ubiquity stages? Would it make sense to start shifting your innovation toward earlier stage Adoption trends?

And if you're a commodity meat seller, remember that flavor trends are also just as important to your business. Again, 57% of raw meat is purchased with an application or recipe already in mind—so if you want to sell meat, you've got to also sell the application. Use the MAC to identify interesting trends that make consumers take notice and say, "Now that's something I want to make." (*Chart 3*) UB

Chart 3



Aquaculture opportunities for livestock barns, other buildings


Agriculture aquaculture water system farm.

For someone wanting to either enter agricultural production or seeking a way to diversify their farming operation, aquaculture may offer just such an opportunity.

Barns that currently house or were previously used for livestock or poultry production may be retooled for use to produce aquatic animals. Ponds of just about any size can also be used to produce fish or other aquatic animals to meet the growing demand of a rising world population in need of efficient feed utilization.

Educational institutions throughout the Midwest and central U.S. are offering courses and workshops on aquaculture and have been for several years. The USDA also offers information about aquaculture and soilless farming on its Alternative Farming Systems Information Center website at http://afsic.nal.usda.gov/aquaculture-and-soilless-farming/aquaculture.

Aquaculture farms across the country raise many species. Some raise baitfish or frogs for use by sport fishermen. Others produce various species of finfish and shellfish and sell directly to local customers or market them through commercial operations. Some even produce fish eggs to be used in caviar.

One doesn't think of Indiana as a state in which shrimp can be produced, but it is being done there. RDM Aquaculture, located near Fowler in northwest Indiana, produces shrimp in an indoor re-circulating saltwater system. Darryl Brown, owner, has a degree in Aquaculture Animal Sciences from Purdue University. His wife, Karlanea Brown, and co-owner of the firm has degrees from Indiana Business College and Ivy Tech and is in charge of all testing and maintaining shrimp health.

The Browns purchased the farm 22 years ago. The original barn on their farm had been used by the previous owner for housing cows. They also added a new barn for the grow-out phase of their shrimp operation. Among the buildings the Browns have converted to aquaculture use for other shrimp producers include: hog barns, turkey and chicken barns, even an old school gymnasium and warehouses.

Purdue University's Aquaculture Research Lab has been in existence since 1992 with indoor and outdoor facilities. There are 12 quarter-acre size ponds outside and a 4,000 square foot wet lab inside.

Ohio State University offers a considerable amount of information and step-by-step suggestions on how to get started in aquaculture. It also conducts a "Boot Camp" through its extension offices for those with an interest in on-hands learning. On its website, Ohio State University also states that “Aquaculture is agriculture and can be a risky business. It can be expensive to get started and difficult to make money on a small scale. However, we have seen success with people starting small and growing their business. We recommend careful business planning before undertaking an aquaculture project.”

While there are numerous types of aquatic animals to be raised for commercial use and various methods of systems which can be used, there are risks of disease, death losses, weather or environmental problems that can arise, and it is labor intensive. Budget planning, knowing the cost of producing a pound of fish, picking the right location, soil type and weather conditions for the animals to be produced, having adequate sources of fresh water and knowing where to market the production are just some of the variables to be considered when thinking about starting an aquaculture business. UB

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Preppers–a growing market

It's The End of the World as We Know It – and they feel fine.

One thing that never seems to go out of style is talk of the Apocalypse. The end of it all has long held a morbid fascination for the world, from the Norse Ragnarök to Armageddon to Y2K. To some, the end is always near; and it won't be fun for any of the general population. Mainstream media such as *The Walking Dead*, *Mad Max*, and *The Road* all offer a glimpse of life after the end. The common denominator seems to be that people in general are in for a bad time. Food will vanish, looting and rioting is expected, and videos streamed online will take ages to buffer.

Some people, however, are stacking the odds in their favor. Apocalypse preppers, or "survival enthusiasts," are individuals dedicated to making sure themselves and their families are ready for anything.

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Zombie apocalypse? Supply shortage? A hurricane of bees? All of the above? Preppers are ready for it. To supply these survivalists, companies have formed an entire array of niche products. Yoder's brand canned bacon (smoke flavor added!) boasts a shelf life in excess of 10 years, while Mountain House offers buckets of pouched, freeze-dried food that promises to keep for 12 years or more. Among these dehydrated, chilled, and canned offerings, meat is king. Prepper and vegetarian demographics seem to have very little overlap, with beef, and pork and chicken featuring in almost every preserved meal plan. The typical prepper's guide of things to hoard puts water first, followed closely by meat, with a preference for grass-fed offerings. The next protein on the list, beans, clocks in on Internet lists anywhere from #10 to #25, right next to the canned bread (with or without raisins). Many online retailers offer bulk purchases of these post-apocalyptic provisions, with orders varying from a 3-day pack of military-surplus MREs to a 7-year supply of canned and dried survival food going for nearly $14,000.

Other survivalists are eschewing these corporate options in favor of producing their own food. Dehydrators and pressure canners offer an at-home option to preppers, and online forums include plenty of information from helpful survivalists on how to get started. A common option for preppers is keeping goats for milk, and others recommend purchasing a cow from a farmer and canning, salting, smoking, and storing the entire animal at home.

The prepper lifestyle is by no means new, with some preppers dating back to the Cold War. However, it is rapidly growing. More than three million Americans are currently classified as preppers, and many of the most prepper-oriented retail outlets and wholesalers are less than 20 years old. More people gather under the prepper banner every day, with dozens of growing blogs, forums and websites dedicated to handling the end times. As long as people remain fascinated with the apocalypse, the prepper market will grow, and the world will become a little more disaster ready. UB

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The shipping industry looks to get back in black

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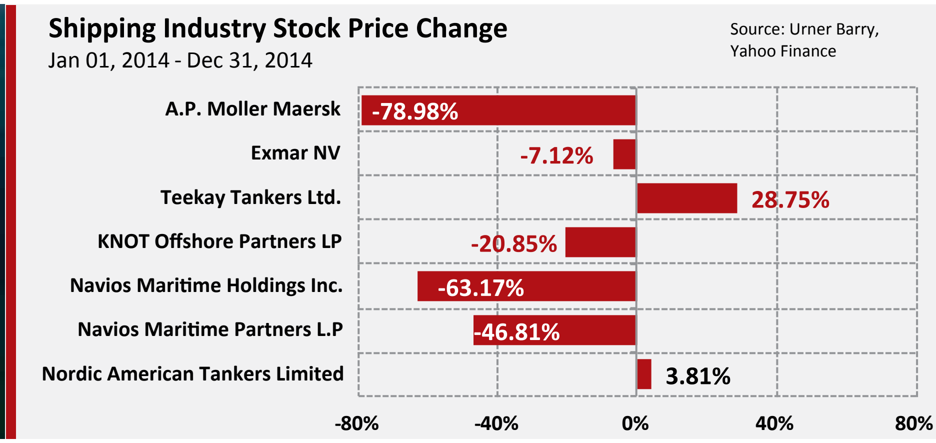

"DEMAND IS EXPECTED TO GROW AS THE WORLD POPULATION GROWS, BECOMES WEALTHIER, AND BUYS MORE PROTEIN THAT NEEDS TO BE SHIPPED."

Each year, nearly 90,000 ships move more than 9 billion tons of cargo around the globe. This includes, among other things, goods, agriculture and energy. The refrigerated market is used in the meat, poultry and seafood industries to move product from one country to the next. It is estimated that nearly 35-45 percent of the annual tonnage in the reefer market, as it is known, is dedicated to moving products from these industries. It is no wonder then why the shipping industry is so important to the food industry and why it has gotten so much attention, especially with the West Coast port congestion in the news almost daily.

The reefer industry has faced some challenges in recent years. Since the financial crisis, profitability has been limited or non-existent, but the industry was able to edge out a slight gain in 2013 as a whole, but many companies still operated in the red. The major driver of this has been that rates have not been able to keep pace with the increase in costs and inflation. The profitable year in 2013 was aided by an industry-wide increase in shipping rates along with increased scrapping of vessels that reduced capacity.

How is the future shaping up? Demand is expected to grow as the world population grows, becomes wealthier, and buys more protein that needs to be shipped. According to Drewry's *Container Annual Review & Forecast 2014/25*, a market intelligence forecast provided to carriers, shippers, banks, ports and investors, the industry should be better financially because of three main trends: "carrier revenue is increasing again due to more rapid growth, costs are falling faster than rates and some carriers are coming out of the red."

The performance of the stock prices of many shipping companies reflected the downturn in the industry. With things expected better, it will be interesting to see if investors catch on. UB

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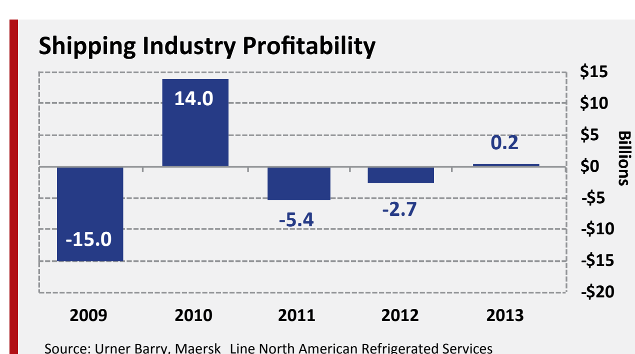

The millennial boom on the food industry

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The Millennial generation is the largest cohort since their Baby Boomer parents. As they enter into adult roles, their values, beliefs and tastes become even more influential and may impact food trends to a greater degree. At the same time, Baby Boomers are entering into the next phase in their lives—becoming empty nesters, dealing with the complexities of aging and health issues, and entering into retirement. With our two largest generations transitioning into pivotal new roles in society, it will be interesting to see how the food industry will react and adapt to the changing environment.

Baby Boomers were the first generation to eat away from home more regularly, and their influences have certainly shaped subsequent generations. Now, as they're moving into their golden years, they're becoming more conscious of their health and well-being. As a result, the boomers will be looking to foods such as whole grains, protein, and calcium as well as foods that are low in saturated fat, cholesterol and sodium, according to an NPD Group study, "The Future of Eating: Who's Eating What in 2018?"

Comparatively, Millennials have colloquially been dubbed "Generation Salad," with an emphasis on health instilled at a young age. Also known as Generation Y, Millennials notoriously know what they want and how they want it—and they usually want it fast. They tend to be budget-conscious, but also value quality and are willing to pay more for foods with those perceived values. Heavy importance is placed on knowing where their food comes from and how it is prepared.

Being that they are our first truly digital generation, Generation Y may have less brand loyalty than previous generations. Advances in technology have put the world at their fingertips, so comparing different options and prices is all too easy. Not only do they want to customize everything to their specific needs, but they want to do it quickly—ordering food from their phone or tablet and demanding it to be hot and ready when they get there.

Millennials are also the most culturally and racially diverse of all the generations to date—and their food tastes show it. Not only are they willing to try different ethnic foods, but many in this generation appreciate the added sense of culture and choose to integrate it into their regular diet.

Millennials value convenience and quality, along with social and environmental responsibility, which ultimately translates to their food choices. Now more than ever, as their buying power grows, attention must be paid to the wants and needs of the current generation. It's now up to retailers, restaurants and manufacturers to identify and cater to these ever growing and ever changing generational demands. UB

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American live lobster

Just when American live lobster traders got used to the glut of lobsters, the 2014 season started late and weather interfered with fishing efforts resulting in scattered supply and a year of consistently higher priced product.

"… THE 2014 SEASON STARTED LATE AND WEATHER INTERFERED WITH FISHING EFFORTS RESULTING IN SCATTERED SUPPLY …"

The four year average price is indicated in the chart by the orange line, while monthly average prices; the blue line, clearly fluctuate both above and below the average, with years prior to 2014 showing some great variation. What changed in 2014 is that the valleys remained higher and closer to the 4 year average price point and the yearly average price (red line) was the highest in five years. High prices were consistent in summer months; unlike past years, due to the fact that the new-shell lobster season started later than in prior years which meant that price quotations for hard-shell lobster dominated the market.UB

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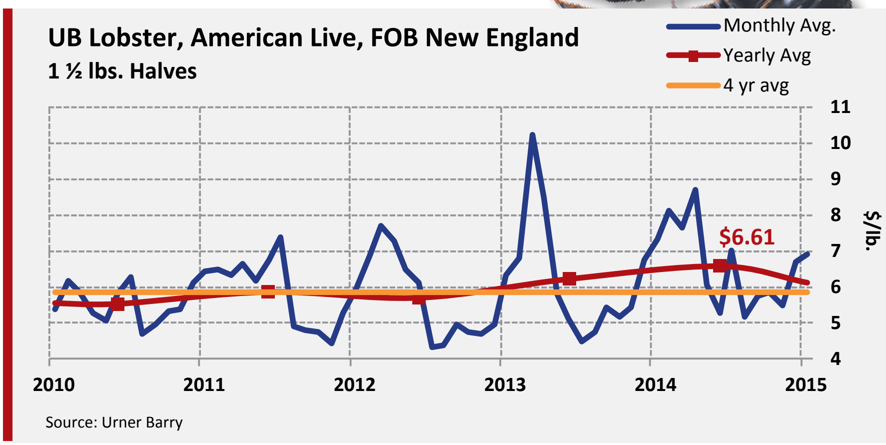

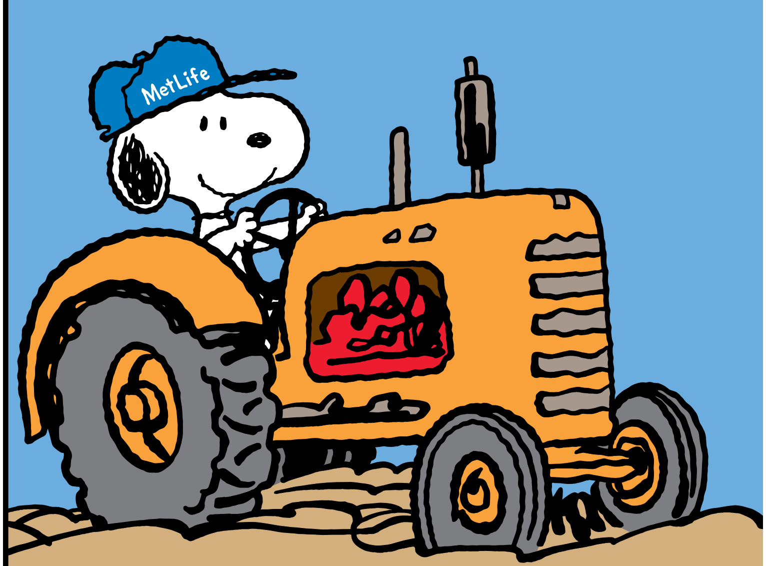

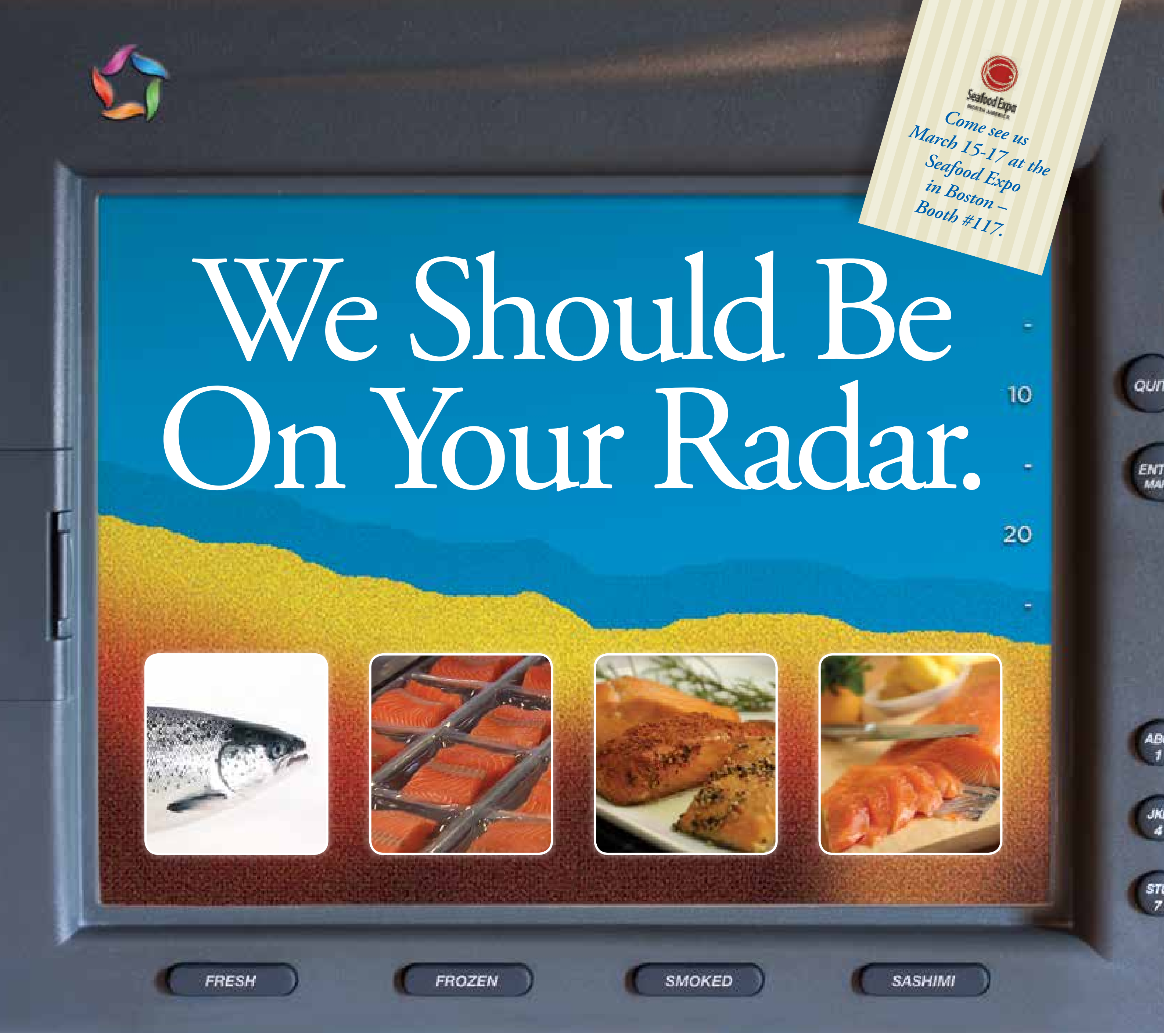
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Panama Canal update

At the time of this writing, the expansion of the Panama Canal is 85% complete and is expected to open sometime in mid-2016. In November 2014, the last of the 16 giant rolling gates for the locks was delivered. The gates are part of a new lock system with three consecutive chambers to move vessels up and down on the Pacific and Atlantic sides that allow ships to transit the Isthmus of Panama. Each gate is approximately 11 stories tall, weighing 4,200 tons. In December, two of the eight gates had been installed on the Atlantic side, and in mid-January 2015 the first of the gates was installed on the Pacific side. By mid-2015, all of the gates—8 on the Atlantic side and 8 on the Pacific side—are scheduled to be installed.

"…THE EXPANSION OF THE PANAMA CANAL TO HANDLE THE HUGE POST-PANAMAX MEGASHIPS MAY BE COMING AT A CRITICAL TIME."

In another major milestone for the Panama Canal Expansion Program, the electro-mechanical installation phase, one of the most important of the project, has begun with the installation steel rolling gates. All gates are to be installed by mid-2015. Photo credit: Panama Canal Authority.

The completion of the expansion of the Panama Canal to handle the huge post-Panamax megaships may be coming at a critical time. Congestion due to traffic and ongoing labor disputes at West Coast ports has many shippers looking to divert to the East Coast. Several East Coast ports, including Baltimore and the Port of Virginia in Norfolk, are ready to handle the massive ships while others are working to deepen and widen channels, and installing the huge cranes to accommodate the massive ships. Currently the canal can handle Panamax ships hauling about 5,000 twenty-foot equivalent units (TEU's) or containers. Once the expansion is completed, the post-Panamax ships will be capable of hauling 12,000 TEU's which are already accommodated at West Coast ports.

Article contributed by **Paul Brown Jr.**
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Pigs feeling pressure …

Winter slide in hog prices could temper herd expansion, late 2015 slaughters

When the government's hogs and pigs survey was being conducted in early December, 2014, lean hog futures were riding a bullish trend and had just recently hit new highs in the summer 2015 contracts.

Futures pointed to another highly profitable year ahead, encouraging producers to expand their herds and take advantage of the higher prices to come.

But in the seven weeks that followed, the outlook for summer 2015 prices and profitability turned considerably less rosy.

The U.S. Department of Agriculture's survey showed that producers had increased the breeding herd by 3.7% from a year earlier and intended to boost the number of sows giving birth during the winter by nearly 4% followed by an increase of 3.2% in spring farrowings.

Part of the year-on-year increase is the result of heavy disease losses from the previous year due to the rapid spread of the Porcine Epidemic Diarrhea virus. PEDv led to the death of millions of young pigs, estimated at 8 to 9 million head following its entry into the U.S. in May 2013 with the majority of those in 2014. PEDv also resulted in ongoing breeding problems for some sows and second or even third rounds of the disease in a portion of the animals, according to industry sources and veterinarians.

Though PEDv remains widespread, the disease is having less impact on the animals overall than it was at this time a year ago. Through extensive efforts by animal health officials, producers and others, the nation's swine herd has more immunity to PEDv, improved biosecurity measures are in place and there is a sense that it is under better control.

A combination of factors, including, among others, concerns about increased supplies ahead, heavy hog weights and slowed export sales in recent months,

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has put pressure on futures prices during December and the first half of January.

From Dec.1 to mid January, June lean hog futures slid more than 11%, or about $23 per head. August futures during that same period fell about 8%, or about $16.50 a head. The price declines along with added concerns about slowed exports paint a less profitable outlook for producers in 2015 compared with early December, brokers and analysts said. Question is, will producers react to these signals?

In recent weeks, there have been some anecdotal reports of more heavy gilts, or young female hogs that have not yet given birth, being shipped to market. Perhaps some producers are changing their minds about expanding their herd.

The University of Missouri's weekly analysis of sow and gilt slaughters has shown an increase in the mix of gilts in total slaughter at a rate of 3.8% and 4.8% above a year ago in the latest two weeks.

That may indicate a change in the farrowing intentions for the second quarter and later on by some producers, analysts said. Taking $20 or more dollars per head of profit out the equation for the year ahead could certainly make producers reconsider their plans for herd expansion down the road but it's too late to affect first quarter and April farrowings because those animals are already bred.

While the drop in futures prices and declining outlook for profits this year are signals that may have led to more gilts being sent to slaughter instead, rather than held back for breeding, the weekly data deserve more watching, said Ron Plain, agricultural economist at the University of Missouri. The gilt percentage in slaughter can be skewed during the holiday weeks or at other times as well by such things as split-sex feeding in which large groups of just one sex of pigs may come down the processing line.

Hogs reach slaughter weight at about six to 6 ½ months of age, so the majority of this year's hog supply has already been determined unless disease again becomes a major factor. Cutbacks in plans for spring farrowings could affect slaughter rates for a portion of the fourth quarter.

Article contributed by **Curt Thacker**
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What to know about cattle herd expansion

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Everyone's talking about herd expansion these days. Record high beef prices and the smallest cattle herd in over 60 years has prompted speculation over the past year as to when we'll see expansion of the nation's cattle supply. Here are a few things you need to know.

The USDA's cattle inventory report released in late January showed the number of cattle and calves in the U.S. as of Jan. 1 was up 1.4% from the upwardly revised year ago figure, putting both 2014 and 2015 supplies well above overall industry estimates, and broke a string of seven consecutive years of smaller supplies. This figure came as a bit of a surprise to many in the industry, and suggests that herd expansion is certainly underway.

Total cattle numbers have technically been on the decline since 2007. To add insult to injury, severe drought conditions in more recent years caused aggressive herd liquidation in the affected areas. One of those affected areas just happens to be the biggest cattle producing state in the country—Texas. Since then, beef prices have gradually increased and in 2014, rapidly appreciated to new all-time highs.

With less animals, there's less beef. When supply decreases, and demand stays nearly the same, prices inevitably go up. Despite record high beef prices hitting retail this past year, consumers have stayed fairly loyal and continue to purchase beef. Ground beef acted as the category's own product substitution over more traditional steak options, but nonetheless beef sales have so far reflected healthy demand from consumers.

High prices and profits are a signal to step up production. Prices paid for young feeder cattle hit record highs in 2014. This increased profitability motivates producers to expand their cattle population. The cattle cycle--which refers to cyclical increases and decreases in the cattle herd over time—averages 8-12 years in duration. Throughout the cycle, changes in price warrant fluctuations in cattle numbers that are both positive and negative. What's important to keep in mind is that ranchers across the country each have to assess what's best for their herd.

Cow/calf operators have done well over the past year, and rightfully so. The cattle ranching business fluctuates, making some years good and some years not so good, so hardworking cow/calf producers deserve every bit of success when it comes. Ultimately, when it comes to expanding the herd, each individual rancher has a different perspective and circumstance to consider based on a number of factors. Two key variables always in consideration are profitability, which is clearly evident with record calf prices, and the other, pasture conditions and feed availability.

"WHAT'S IMPORTANT TO KEEP IN MIND IS THAT RANCHERS ACROSS THE COUNTRY EACH HAVE TO ASSESS WHAT'S BEST FOR THEIR HERD ..."

Pasture conditions have undoubtedly improved, however, there are still areas of the country affected by drought that are less able to support additional animals, and therefore are not at full stocking capacity. Lingering dry conditions in the Southern Plains region will certainly have an impact on the rate of expansion seen in those cattle producing states. The availability of forage and feed may determine the difference between culling an open cow—one that did not become pregnant—versus keeping her for one more attempt during the next breeding season. If it's economical to manage and feed for a few months, and results in a profitable calf the following year, then it may make sense for some to do so. Each rancher understands the performance and genetics of his or her cattle better than anyone, so these decisions are more exclusive than one might think.

Once the expansion phase begins, it still takes a few years for the effects to be realized. There are dozens of factors that can affect the supply and demand landscape for beef, and therefore prices can change for a number of reasons. An increased supply situation would suggest a break in the record high beef prices we've become accustomed to. Herd expansion efforts are certainly evident, and watching weather, feed costs and other market drivers closely will be key to understanding market movement.

Article contributed by **Jamie Chadwick**
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Mexico's Meat Council is a leading organization representing some of the most prominent meat producers and processors by promoting the meat industry's development since 1985.

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To promote meat consumption through the representation of the Council members' interests that foster competitiveness, development and growth in the industry.

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To become the leading representative of Mexico's meat production and processing industry.

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- **MEMBERS: Companies that are in charge of processing and adding value to meat raw materials, thus providing finished goods for the consumer.**
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a Q&A with Foa & Son's Michael Lieberman

Contributed by Michael **Lieberman**
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Urner Barry's Reporter had a few moments to catch up with Foa & Son's Michael Lieberman, Vice President at the longtime international insurance broker based in New York City. Lieberman specializes in developing insurance coverage packages for the food and seafood industry. Lieberman's programs tackle frequently faced exposures in the food industry; exposures that are commonly uninsured or under-insured when using standard, off-the-shelf insurance products. In the following interview, we spoke with Lieberman about a lesser known insurance issue involving recalled and contaminated products that could leave seafood distributors in a precarious position without the proper policy.

Michael Lieberman

When it comes to risks or exposures, what seems to be the emerging hot topic in the seafood industry?

I think if you speak to a seafood executive or a risk manager of a seafood company, they would tell you that food safety issues are at the top of their list.

Why do you think that is the case?

There has been a great deal of focus placed on the rolling out of Food Safety Modernization Act. The good news for the seafood industry is that we're ahead of the curve, mainly due to the fact that the industry has been operating under HACCP for many years. HACCP plays a major role within FSMA.

Putting FSMA aside however, we've seen quite a few high profile food recalls over the past few years.

For the seafood industry, outside of the pure recall expenses, which can be large dollar values, most executives worry most about the future economic damages resulting from a well publicized recall event. The loss of a major customer and the cost to reestablish a brand in the marketplace are major first party impacts that a company must consider.

Putting the 1st party exposures aside, what are the 3rd party impacts that need to be considered in a recall scenario?

If you look at any vendor agreement issued by an institutional buyer, you will quickly see that there are a number of 3rd party liabilities that a seafood company needs to prepare for if their product is involved in a recall event. For instance, sellers need to indemnify their customer for the customer's recall costs. However, those costs are minor in comparison to claims of damage to brand reputation and future loss of earnings.

What type of insurance is available to protect a company from the financial impacts of a contamination event, whether requiring an official recall or not?

There is a misconception among some that liability insurance will provide comprehensive protection in a contamination and/or recall scenario. Unfortunately, that is not the case.

Liability insurance should only be expected to provide protection for claims that your product either caused bodily injury or damage to property of others. Depending upon the policy form, there may be some other, I'll call them, "bells and whistle" type coverage enhancements, but the primary role of a liability policy is to provide the 3rd party bodily injury and property damage defense and settlement coverage.

However, there are other recall expenses including: the value of the contaminated goods; the loss of profits on an ongoing basis; your public relation expenses in dealing with the recall; and your costs to reestablish your brand presence in the marketplace. These expenses are not included in a typical liability policy but are covered in a Contamination & Recall policy. This policy can be endorsed to cover 3rd party claims of economic damages, including your customer's reputational damage and their loss of gross profits.

"I THINK IF YOU SPEAK TO A SEAFOOD EXECUTIVE OR A RISK MANAGER OF A SEAFOOD COMPANY, THEY WOULD TELL YOU THAT FOOD SAFETY ISSUES ARE AT THE TOP OF THEIR LIST."

More and more Insurers are participating in this area, which is a good thing for insureds from a pricing perspective. Still, one insurer's form can differ greatly from another insurer's form, so pay close attention to the policy's wording when considering the coverage.

Any other interesting facts about contamination/recall policies?

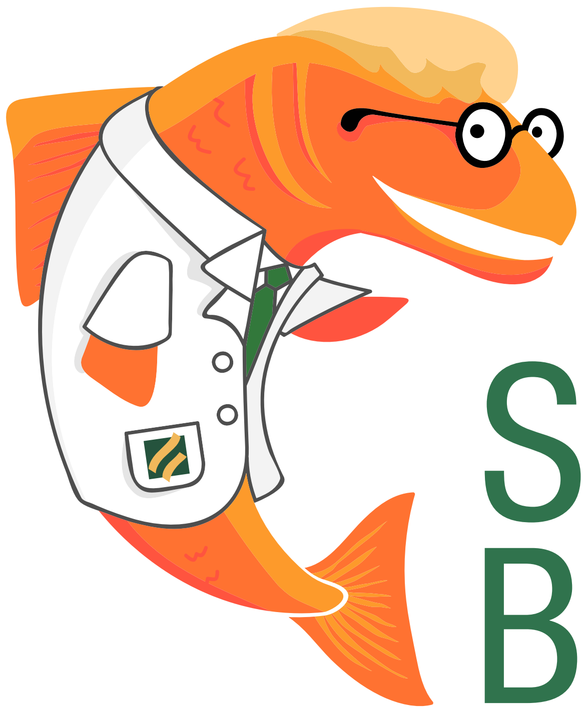
In the contamination/recall insurance world, there is a considerable amount of value that can be found beyond the financial protection.

For instance, most of these policies offered in the marketplace include some form of crisis response. So if a company believes they may have a contamination situation, the policy provides the insured with some of the best recall talent in the United States. These crisis management firms typically will have food scientists and ex-FDA personnel on staff that can assist in a number of areas. In many ways, the premium paid for the financial protection offered through the contamination/recall insurance, also serves as a retainer to have this recall talent on stand-by. UB

Michael Ramsingh contributed to this article
mramsingh@urnerbarry.com

Don’t settle for unaudited fish board suppliers

Stop by our **booth #1784** at the Seafood Expo North America in Boston



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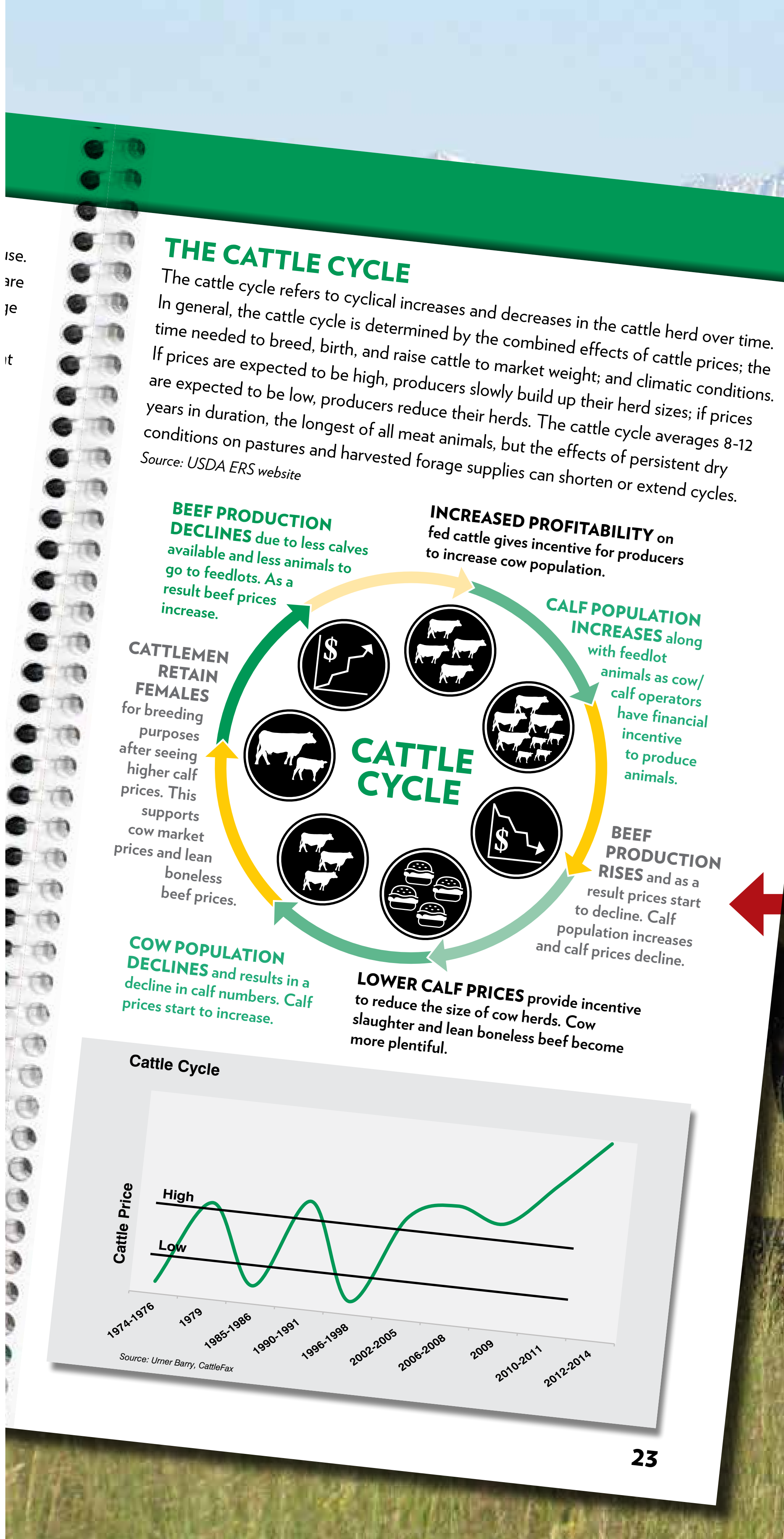
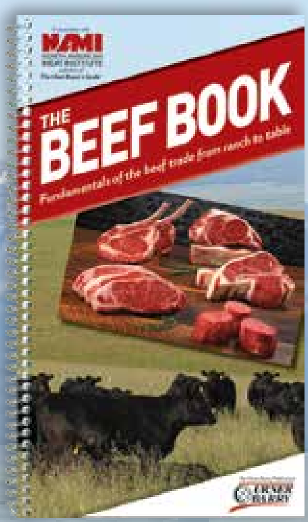
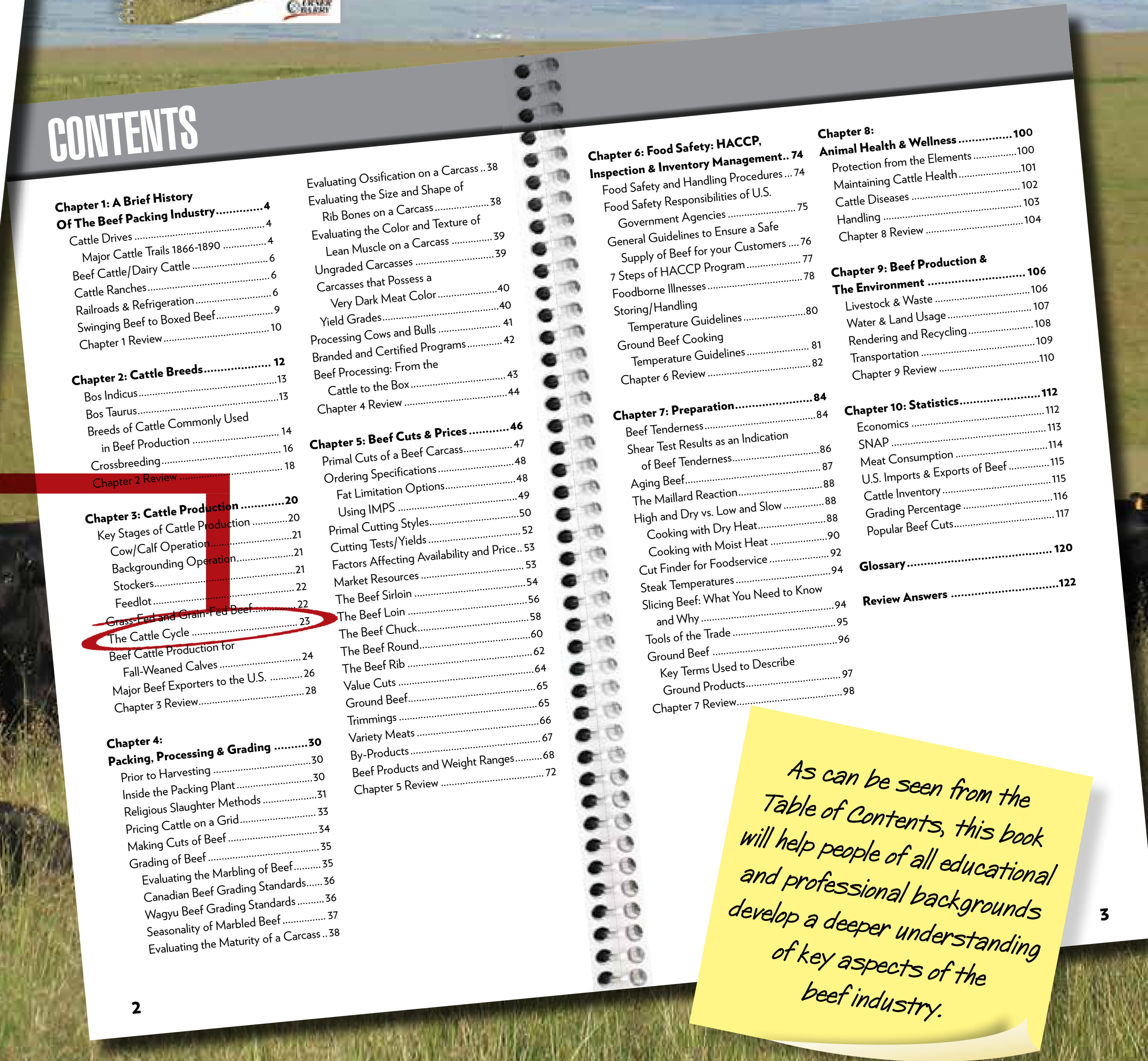

THE CATTLE CYCLE
The cattle cycle refers to cyclical increases and decreases in the cattle herd over time. In general, the cattle cycle is determined by the combined effects of cattle prices; the time needed to breed, birth, and raise cattle to market weight; and climatic conditions. If prices are expected to be high, producers slowly build up their herd sizes; if prices are expected to be low, producers reduce their herds. The cattle cycle averages 8-12 years in duration, the longest of all meat animals, but the effects of persistent dry conditions on pastures and harvested forage supplies can shorten or extend cycles.
Source: USDA ERS website
BEEF PRODUCTION DECLINES due to less calves available and less animals to go to feedlots. As a result beef prices increase.
INCREASED PROFITABILITY on fed cattle gives incentive for producers to increase cow population.
CALF POPULATION INCREASES along with feedlot animals as cow/calf operators have financial incentive to produce animals.
CATTLEMEN RETAIN FEMALES for breeding purposes after seeing higher calf prices. This supports cow market prices and lean boneless beef prices.
CATTLE CYCLE
BEEF PRODUCTION RISES and as a result prices start to decline. Calf population increases and calf prices decline.
COW POPULATION DECLINES and results in a decline in calf numbers. Calf prices start to increase.
LOWER CALF PRICES provide incentive to reduce the size of cow herds. Cow slaughter and lean boneless beef become more plentiful.
Cattle Cycle
Cattle Price
High
Low
1974-1976
1979
1985-1986
1990-1991
1996-1998
2002-2005
2006-2008
2009
2010-2011
2012-2014
Source: Urner Barry, CattleFax
23



This excerpt from Urner Barry's new publication, ***The Beef Book: Fundamentals of the Beef Trade from Ranch to Table***, shows the **Cattle Cycle**.

To learn more about this new resource, go to **www.thebeefbook.com**



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As can be seen from the Table of Contents, this book will help people of all educational and professional backgrounds develop a deeper understanding of key aspects of the beef industry.

'Egg'-ceptional programs generate incredible results …

AEB grows egg consumption

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

The American Egg Board (AEB) has an extraordinary team and their work has had a huge effect on increasing egg and egg product consumption and demand. Consumer demand for eggs continued its impressive growth in 2014. USDA reports that Per Capita Egg Consumption grew to 260.7 eggs per person in 2014, which is the highest in 30 years, and marks the fifth consecutive year that egg consumption has increased.

According to Nielsen, retail egg category sales grew an incredible 11 percent last year. Unit volume sales (equivalized dozens) were up 2 percent, growing by 54 million dozens vs. 2013. The average price for a dozen eggs averaged $2.11 in 2014, up 17 cents from the previous year.

Despite the higher retail prices, which typically dampen consumer demand, unit volume increased. In fact, the growth rate for egg sales in both dollars and units were double that of 2013.

All of AEB's programs are recognized for being exceptional, generating incredible results. AEB's award-winning marketing efforts, including "Wake Up to Eggs" advertising, public relations, social media and retail promotional efforts, also played an important role in this success. Egg producers' investment into AEB enables the success of this national marketing – all of which drives demand for eggs and egg products.

Here is a look at a few key results in 2014 that contributed to this growth.

CONSUMER MARKETING

With new print ads, customized radio spots and a robust online presence via digital display, search and social media, the Incredible Egg "Wake Up to Eggs" national advertising and marketing campaign reached 93 percent of AEB's target audience at a frequency of eight times.

The "Wake Up to Eggs" ads appeared in top-tier magazines such as Every Day with Rachael Ray, Food Network Magazine and

Men's Health and expanded its reach into new health and lifestyle magazines like Sports Illustrated, Dr. Oz and Health. At the end of 2014, more than 108 ads ran in 27 major food and lifestyle magazines

TAKING BACK EASTER

From hard-boiling to egg decorating to recipe ideas, AEB gave the season's cherished hallmark an on-trend update.

AEB encouraged consumers to purchase an extra dozen eggs this Easter—one for eating and one for hard-boiling and decorating. This strategy was leveraged by creating and implementing a fully integrated marketing campaign through advertising, shopper marketing and traditional and social media.

AEB continued its tradition of supporting the 136th White House Easter Egg Roll by donating more than 14,000 hard-boiled and dyed eggs along with volunteers' hats and aprons featuring the official White House Easter Egg Roll logo. On the South Lawn, AEB's whimsical Hen to Home Experience engaged the day's 30,000 attendees.

EGG PRODUCT MARKETING

A new campaign featuring the tagline "REAL Eggs make a REAL difference" debuted, showcasing the functional attributes of REAL egg ingredients. Advertising also reminded product formulators that REAL eggs have always been a simple ingredient, in terms of both usage and their appearance on ingredient statements.

EGG NUTRITION CENTER

Work by researchers conducting ENC-funded studies continued throughout the year. ENC's robust research pipeline translated to a record number of published studies. Throughout the year, ENC reached health professionals, capitalizing on the protein trend at numerous in-person events.

GOOD EGG PROJECT

In partnership with NBC Universal, AEB reached TV viewers in Boston, Atlanta, Houston, Detroit, Seattle, Phoenix, Tampa and Minneapolis-St. Paul with the results of the 50-Year Environmental Footprint Study. The third annual Virtual Farm Field Trip also became Discovery Education's most popular field of all time. AEB positioned itself as the EGGucation Expert by partnering with well-known educational experts to create Common Core-aligned lesson plans and materials.

FOODSERVICE

Efforts related to National Accounts, Incredible Breakfast Trends, Breakfast Beat newsletter, School Foodservice and Foodservice Distributors promoted eggs within this channel. Eggs remain an important component of away-from-home breakfast. AEB's School Foodservice program grew throughout the year. The new recipes and supporting materials for EggPops reached 85 percent of the top 500 school districts in the United States.

EXPORT

USAPEEC leveraged AEB's funding to promote the Incredible Edible Egg internationally. AEB's materials were translated into different language including Spanish, Arabic and others. As a result of 40 trade visits in Mexico, an additional 12 companies are importing into the country.

RETAIL

One approach is through major partnership promotions with complementary brands. These promotions feature a consumer offer to incentivize incremental egg purchases. These partnerships help extend the reach and impact of AEB's promotional efforts, while also sharing the costs.

These are only a few of the eggciting new initiatives from 2014 that contributed to the egg category's overall growth. Eggs are now a $5.5 billion category, increasing 11 percent by adding $550 million in dollar sales in 2014. That is pretty incredible!

I am confident that AEB's robust programs are growing egg consumption. This integrated program has allowed for increased efficiency that provides a seamless combination of a coordinated message to each target audience. As the national marketing organization for America's egg farmers, we are constantly working toward fulfilling AEB's Mission and Overall Objective to drive the demand for eggs and egg products. AEB is working hard to continue building on this upward momentum in 2015.

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

Retail Eggs

Year	Volume (dozens)	% change
2010	2,519,351,096	+.2
2011	2,548,720,997	+1.2
2012	2,518,516,858	-1.2
2013	2,547,043,194	+1.1
2014	**2,601,393, 721**	**+2***

Eggs - Per Capita Consumption

Year	Eggs per Person	% change
2010	247.9	+.1
2011	250	+.8
2012	254.3	+1.7
2013	255.2	+.4
2014	**260.7**	**+2.2**

Fresh fish featured online …

NYC's famous fish market gets digital makeover via online sales portal

New York City's iconic Fulton Fish Market has taken the classic live seafood market model to the web in a new online distribution venture that gives chefs across the country access to the Market's unique seafood offerings featured daily.

Through FultonFishMarket.com, vendors at New York City's longstanding fresh seafood market are now able to supply restaurants and other foodservice operators across the country with seafood items they bring to Fulton each morning.

"The [Fulton] Market has such a variety of fresh seafood from everywhere in the world," said Cyndi Metallo, Vice President for the website's operating company, Meade Digital Enterprises, who had just completed a delivery of Fulton's fish to a customer in Chicago. "We work with the vendors who have been there for generations and it's an opportunity for a one stop shop for restaurants."

The origins of the Fulton Market's centralized online portal was the idea of founder Jody Meade, who started out securing fresh oysters for restaurants across New York City four years ago. Some early success led Meade to the Fulton Market's vendors for more product. It was here he realized the Cooperative was in need of an online distribution channel.

Meade formed relationships among the Market's key players to learn the ins and outs of Fulton's daily fish business. One major point of reference was Robert "Bobby Tuna" DiGregorio, an expert tuna grader and veteran trader, well-known at the Market. He was impressed with the project, the ambition behind it and the goals it sought to achieve for the near 200-year-old co-op.

NEW YORK CITY
FULTON FISH MARKET
SINCE 1822

"I thought it was a great idea," DiGregorio said. "The fish market can only reach so many customers, online it can reach the whole country, the whole world theoretically."

With DiGregorio's help, among others, Meade rallied most of the Market's vendors and assembled a team to build the online sales portal. By last spring, chefs and restaurants up and down the East Coast and in the Midwest had access to Fulton's fish through Meade's service. The company employs a variety of ways to ship seafood from air freight to ground shipping, with a goal to provide customers with same day delivery. Chefs are also able to take a virtual tour of the Market through the portal.

Metallo said chefs both in New York City and in other regions have been quite pleased with the online service as a convenient and reliable way to secure a greater variety of fresh seafood from one of the most famous fish markets in the world.

"What we're able to offer is an assortment and variety of fish from one location. We're making it as easy as possible for chefs to order from an online application or website," Metallo said. "We don't disappoint when we deliver the product."

DiGregorio echoed Metallo as he too was most excited with the prospect of the Fulton Market gaining the ability to supply chefs across the country with a wide variety of fish. He said the service's first customers were thrilled with getting fresh fish species not commonly available outside of the coasts.

"They love the service, they love the fact they are getting fish they have never had before. It just opens up so many doors, not just for the Fish Market but for the consumer," he said. "If you're living in a small town or some other place landlocked, if you want swordfish, tuna... whatever it may be, we're going to give it to you." UB

Article contributed by **Michael Ramsingh**
mramsingh@urnerbarry.com

Zone management

Peter Marshall presenting at GOAL 2014.

Article contributed by
Global Aquaculture Alliance

As with the pandemic of white spot syndrome that hit the global shrimp-farming industry during the 1990s, the more current outbreak of early mortality syndrome (EMS) is leading to the conclusion that more comprehensive health management controls are needed throughout the aquaculture production chain.

Although global shrimp production is rebounding thanks to improved diagnostics, breeding and practices at the farm, hatchery and feed production levels, overall shrimp production will not continue to grow without additional comprehensive disease management protocols. In particular, rising evidence is pointing to the need to protect the majority of farms within a region from the careless practices of a few by establishing zone-based management.

Zone management also offers a vehicle by which to move small-scale farmers closer to third-party certification, which would help attract investment and disseminate information to educate a particular region on the advantages of responsible aquaculture practices.

ZONE MANAGEMENT AND BAP

The lessons learned from dealing with EMS will be incorporated into new zone management standards now under development within the Best Aquaculture Practices (BAP) certification program that could potentially result in a fifth BAP "star" designation.

In agreeing to support the zone management standards in its October 2014 meeting, the BAP Standards Oversight Committee said that factors such as trans-boundary movement of animals, proximity of farms and waste discharges—which by nature affect multiple aquaculture facilities in a region—are potentially far-reaching issues that require input and collaboration from many levels.

COMPLEX COLLABORATION

In a December 2014 meeting, BAP Zone Management Committee Chairman Peter Marshall defined zone management: "A key collaboration mechanism where aquaculture service/product providers, regulators and farmers can come together to work within a joint industry/science/government working group and establish a successful platform that will deliver the controls and changes required to protect from disease within the zone."

As the zone committee drafts its certification standards, it will consider such elements as facility size and configuration, hydrographical conditions, species-specific culture practices and regional management structures. It will also examine the rights and responsibilities of users within a zone, and address the assignment of restrictive controls. Costs and benefits of zone management certification are also part of the equation.

Multifaceted assessments must investigate risks associated with disease transmission and response, harvesting and processing methods, fallowing and rotation. The list of interrelated factors is long.

IMPLEMENTATION

Preliminary concepts for implementation of BAP's zone standards see several facilities applying as a working group. They would supply pertinent production data and collectively define targets and measurable milestones that can be reviewed through independent assessments to verify the central plan is progressing on target.

Individual site audits carried out against the group plan would review records and confirm the group's agreed guidelines are in proper practice. Participating facilities could pool resources for the initial application and review, with assessment fees for the farm audits paid by individual facilities.

Collectively, zone management involves numerous processes and protocols working simultaneously. The lessons learned from diseases and a realization of what needs to be done emphasizes that more comprehensive management controls are necessary. Thanks to improvement, certifications and further education, the industry can implement standards and establish a successful platform. UB

Cuban thaw heats up U.S. grain market

December 17, 2014 saw President Obama announcing a new trade agreement with Cuba. The overhaul greatly streamlines Cuba-U.S. trade by cutting out several middle steps. Before the reform, trade required a cash-up-front payment from Cuba through a third nation's bank before a ship could leave a U.S. harbor. Now, payment can occur in transit and without a middleman. This allows for the U.S. to offer competitive pricing on many commodities, among them wheat and rice. The U.S. currently holds a zero percent market share in the Cuban wheat market. Due to the now-convenient export laws that number could jump as high as 90 percent. Cuba is expected to import around 10 percent of U.S. hard red winter wheat. Another product where we will likely see growth is rice, a product in which we were formerly outcompeted by Brazil and Vietnam.

In 2013, Cuba imported $350 million worth of U.S. food. Their main import was frozen chicken, amounting to more than $140 million. With the new regulations in place, we could see a possible $4.3 billion in exports to Cuba in 2015. While a sizable portion of this will be staple products like wheat, rice and salt, we will also most likely see some growth in the beef and pork markets there as well. These products are currently closely rationed by the Cuban government, so major changes are unlikely to occur without both political and economic reform. Other markets where U.S. businesses may have expansion opportunities include construction and automotive exports, as well as real estate. Obstacles facing U.S. investors in the latter area is the snarl of red tape associated with property seized in the 1959 revolution.

The White House is currently working to further expand trade and improve relations with Cuba. While the President expects to face opposition from Congress on the topic, additional efforts are being made to remove trade restrictions with Cuba. Developments on that front are anticipated to continue slowly in the coming months. Long-term goals include the removal of import restrictions from Cuba, development of tourism and travel to and from Cuba, and eventually total removal of the embargo between the U.S. and Cuba. The White House hopes to achieve these goals before President Obama leaves office in 2017. UB

Article contributed by **Jake Muldowney**
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Slew of seafood products set to

"THE EXPO IS THE LARGEST SEAFOOD TRADE SHOW IN NORTH AMERICA …"

In what has morphed into an industry pilgrimage of sorts, thousands of seafood professionals from around the world descend on the Boston Convention and Exposition Center each year in mid-March for the Seafood Expo North America.

The Expo is the largest seafood trade show in the Western Hemisphere and among the best chances for buyers and sellers from across the industry to meet and discuss business opportunities for new products and services available over the next year.

Ahead of the 2015 Expo, *Urner Barry's Reporter* canvassed some companies and asked them about their new products, services and campaigns they plan to feature during the show.

Here are the findings of just a few of the more innovative seafood products and services set to make their debut on the show floor when the Expo kicks off on March 15, 2015:

King & Prince Seafood's Jambalaya Fritters

King & Prince Seafood Corp—last year's winner of the 2014 Expo's Best New Retail Product competition—will return to Boston this year with the addition of Small Plates/Bar Bites to its Mrs. Friday's line of products.

The Georgia-based distributor will feature the foodservice line's Jambalaya Fritters at its Booth #505. King & Prince's fritters take the classic Cajun dish made up of shrimp, rice, Andouille, vegetables and spices and fries them up in their own Tavern Battered coating.

"With Small Plate menus spiking over 300% since 2012, we are pleased to offer operators the addition of our new Small Plates/Bar Bites™ product line," said L.B. Watkins, Category Manager at K&P.

Orca Bay's Eco-Friendly Vacuum Packed Chum Salmon and Cod Portions

Seattle's Orca Bay Seafoods will have a retail line of Keta salmon and Pacific cod portions available in a new vacuum pack. The company said it is able to directly print its logo and all other product information on the portions using the revamped packaging. This allows Orca Bay to eliminate an extra layer of plastic and reduce its carbon footprint.

"With consumer awareness firmly focused on sustainable practices, we wanted to provide packaging options that mirror our Common Sense Sourcing philosophy of doing business," said Roger Fickenscher, Director of Product Development.

The five ounce portions will be available in a variety of dry rubs and spices at Orca Bay's booth #643

Beaver Street Fisheries' Sea Best Signature Singles Retail Line

Beaver Street Fisheries will feature Signature Singles as the latest addition to its popular Sea Best Signature retail line of microwavable seafood products at its booth #1133.

Expanding on the company's original Sea Best Signature brand of products, the line already offers customers microwavable entree choices including citrus scallops and linguini, stuffed clams, black bean and shrimp tacos, tilapia Florentine and spinach and artichoke flounder.

"We look forward to showcasing these new gourmet on-the-go items at the 2015 Seafood Expo, as we simultaneously prepare for these products to roll out to retailers in spring 2015." said Mark Frisch, executive vice president of Beaver Street Fisheries.

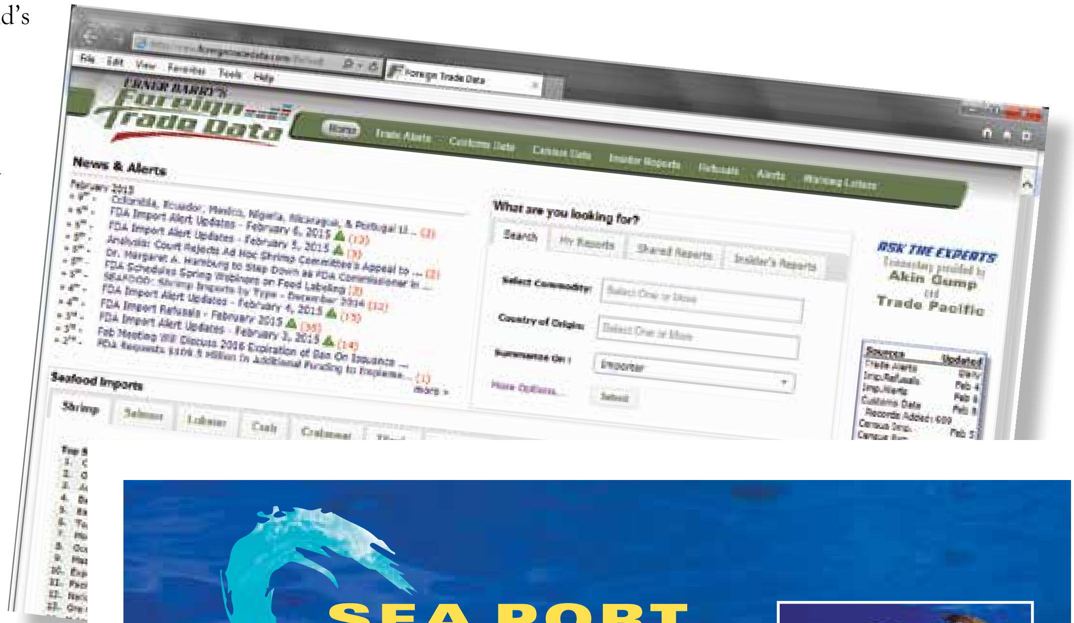
National Fish & Seafood's Expanded Matlaw's Lineup

Fresh off a Matlaw's rebranding campaign during last year's Expo, Gloucester-based National Fish & Seafood will expand the

debut during 2015 Boston expo

popular retail and foodservice brand's offerings during this year's show.

At National's Booth #305 the company will roll out two shrimp offerings: a Buffalo Popcorn variety and Southern Country Fried item. National said the Buffalo style shrimp was inspired by the explosion in popularity of more spicy offerings on menus nationwide. The item will be available at retail freezer aisles in an 8 oz. carton. The company's Southern style shrimp will be available in 9 oz. cartons in National's unique blend of spices that capture the unique flavor for seafood fried Southern-style. The company will also debut a Seafood Paella which will feature salmon, mussels, rice and mixed veggies tossed in seasonings. The item will be sold in a 14 oz. bag.



Urner Barry's Revamped Foreign Trade Data Service

Not to be left out, Urner Barry has been improving its Foreign Trade Data Service. The remodeled tool—crucial for delivering seafood importers and buyers key import data and statistics in just a few clicks—will feature a cleaner look, easier access to Census Data Import Reports and more frequently updated data straight from the United States Census Department.

Access to this rich database also gives customers daily, customizable updates to pertinent FDA Import Alerts and Refusals; Warning Letters and Constituent Updates. Users also gain access to expert commentary provided by attorneys from the law firms of Akin, Gump, Strauss, Hauer and Feld and Trade Pacific PLLC.

Attendees are invited to get an exclusive free Demo of the revamped Foreign Trade Data Service with one of our expert staff members during the show at Urner Barry's Booth #364. UB

Article contributed by Michael Ramsingh
mramsingh@urnerbarry.com

UB's market intelligence crosses the pond

CONXEMAR

Throughout the fall of 2014, Urner Barry had the incredible opportunity to be invited to several shows across the world as an expert presenter of seafood market trends. From CONXEMAR in Vigo, Spain, which saw more than 26,000 people gather in 2014 to Mexico's International Aquaculture Forum and India Tilapia Summit, Urner Barry's market analyst Angel Rubio, had the pleasure to be invited and speak to a wide range of audiences in the seafood industry.

On October 6, 2014, CONXEMAR, the trade association representing seafood importers, processors and producers, organized the 3rd World Shrimp Congress co-organized with FAO. This top-notch event gathered 375 professionals from 24 different countries. High profile government representatives from around the world convened for the show. Leena Nair, President of Marine Products Export Development Authority (MPEDA) from India, Nestor Bustamante, Fisheries Undersecretary for Argentina, Raul Sunico, Fisheries Undersecretary of Chile, Tran Dinh Luan, Aquaculture Director of Vietnam and Andres Hermida, General Director of Fisheries of Spain were all in attendance, among others.

Opening Ceremony Presentations by FAO and Spanish Government Officials.

Sustainability, market trends, consumption, environmental impact as well as other important topics were all discussed and presented by experts. After the congress,

Audience, comprised of Government officials, Spanish Processors and Importers, Industry experts, among others, actively engaged in the Congress' presentations.

CONXEMAR expo took place. This convention proves to be quite an event as more than 26,000 people from 94 different countries gather; and 514 exhibitors from 40 different countries.

This year, Vigo will be hosting the 20th anniversary of the Code of Conduct for Responsible Fisheries during the International Forum of Fishing Stakeholders. The event will intend to bring representatives from 150 different countries.

INTERNATIONAL AQUACULTURE FORUM

On November 5, 2014, the 9th International Aquaculture Forum took place in Guadalajara, Mexico. This event, organized by Panorama Acuicola Magazine with the support of Latin America's World Aquaculture Society, brought more than 1,000 people into its conference with 77 speakers from different parts of the world. The event simultaneously took place during the magazine's 20th anniversary.

Many technical topics from aquaculture experts all over the world, from biologists to production technicians, were presented. Urner Barry's market analyst Angel Rubio had the chance to speak about the shrimp market in the U.S. and how it has changed dramatically over the past few years, especially after global shrimp shortages due to EMS in Asia and Mexico.

The next event will take place again in Guadalajara, Mexico in November 2015.

INDIA TILAPIA SUMMIT

On December 18, 2014, Urner Barry had the honor to be invited for the first time to India, in the Andhra Pradesh province. The event "India Tilapia Summit" organized by the Rajiv Gandhi Centre for Aquaculture (RGCA) and MPEDA, brought experts from all over the world together with the intent of promoting tilapia production and its potential in India.

MPEDA's Chairperson, Leena Nair, said seafood exports from the country had crossed $5 billion USD in 2013-14, but approximately 50% of those sales were for shrimp. "There is a vast market for freshwater fish and tilapia has the potential as a major fish variety for exports," she said.

Urner Barry's market analyst Angel Rubio presented on the U.S. market for tilapia, which has become one of the most consumed species in the country ranking in the top ten most consumed seafoods over the last few years.

Given the success India has had with shrimp production, many believe tilapia production is more than a possibility in the country. Jaideep Kumar, project manager for RGCA believes there is huge potential to grow. UB

Article contributed by **Angel Rubio**
arubio@urnerbarry.com

Angel Rubio presenting at the India Tilapia Summit about the U.S. tilapia market.

NFI's Global Seafood Market Conference grows

In late January 2015, 450 of some of the most influential executives in the seafood industry gathered in Las Vegas for the National Fisheries Institute's 2015 Global Seafood Market Conference (GSMC). Attendance was up for the fourth straight year since the convention's inception, as more industry professionals are finding value in the market insights featured during the event.

SeaWatch's Wally Stevens discussed the sustainability of the U.S. Quahog fishery during the Value Shellfish breakout.

This year's Conference was held at the Four Seasons Hotel at the Mandalay Bay Hotel and Resort just off the Vegas Strip. The event features a series of breakout panels that analyze the prior year's major market trends. Sessions include market discussions focused on shrimp, salmon aquaculture and shellfish, among others.

Urner Barry's Chief Market Analyst, Angel Rubio, served as alongside Panel Leader Darren Zobrist of Anova Seafood during the Tuna, Mahi, Grouper, Snapper and Swordfish Panel.

Panels featured expert market discussions among top buyers, sellers, importers, producers and distributors. Audience participation was also encouraged with open question and answer periods at the end of each session.

Attendees also heard a number of financial and food industry professionals outside of seafood discuss major trends they believed had implications for the industry at-large. Record high beef prices, the strength of the U.S. Dollar and shifting seafood consumption patterns were just some of the topics addressed.

"The information and insights that come out of GSMC have made it a must-attend event for seafood executives," said the NFI's Senior Vice President Judy Dashiell.

Attendance seems to grow every year, and in just four years the GSMC is now one of the most sought-after conferences in the seafood industry.

"The 2015 conference saw an attendance increase of 80% since the inaugural GSMC just three years ago," Dashiell said. "We believe that GSMC prepares companies for the meetings they will have in March at Seafood Expo North America and Seafood Processing North America."

GSMC also offers the NFI a unique venue to review the strength of the organization and work through old and new business items on the Institute's agenda.

Per conference tradition, the newly elected NFI Chairman takes over the gavel. This year Judson Reis, CEO of Gorton's Seafood took the helm.

Bryan Hunt of Wells Fargo offered a unique financial insight into the seafood markets during the Conference's Keynote Plenary Session.

"Judson is an industry thought-leader, pushing the community to transform nutrition messaging about seafood into marketing and challenging us all to ensure quality products," said NFI President John Connelly. "We're excited to have Judson as chairman and to see the impact of his leadership at a crucial time for seafood."

Once again, NFI continued to grow its membership and the impact of its voice with regulators and on Capitol Hill. With members all along the seafood supply chain, NFI has a broad and complex issue portfolio. Individual councils within NFI's broader membership also grew, such as the Crab Council's sustainability efforts in Asia and the Shrimp Council's marketing work on social media.

While growth in numbers is positive for NFI, Dashiell emphasized it's the makeup of the membership that truly shines.

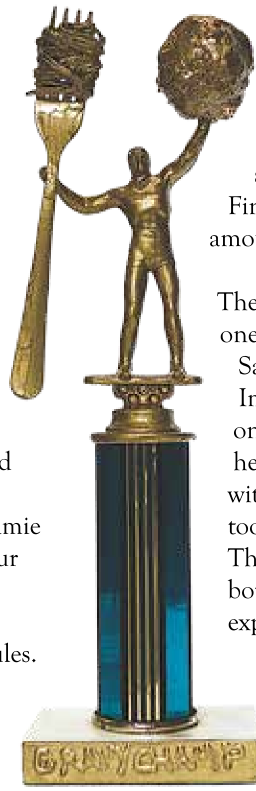
"While NFI membership continues to grow year after year, it's the quality of members that make the association what it is," Dashiell said. "Our members differentiate themselves with their pledge to fight fraud, efforts on sustainability, and commitment to free trade." UB

Article contributed by **Michael Ramsingh** | mramsingh@urnerbarry.com

Urner Barry's 1st annual Sunday gravy challenge

Your dedicated Urner Barry team celebrated the First Annual Sunday Gravy Challenge on Monday January 12, 2015. The company's ever-innovative Vice President, Joe Muldowney, cooked up the Challenge to heat up the typically frigid spirits of early January. To judge the entries, Muldowney invited three industry leaders: Paul Brogowski, the Godfather of the New York-New Jersey Meat Business; Rob Nicolosi, president of the third-generation, family-owned Nicolosi Fine Foods, and Russ Strich, long time field sales consultant for Tyson Fresh Meats.

Muldowney invited all Urner Barry employees to participate in the Gravy Challenge. Though many were called, only a few felt they had the desire and necessary skills to compete. The challengers included founder, Joe Muldowney, as well as Nicole Bessemer, Jamie Chadwick, Kelly Mangold, Gary Morrison, and me, your humble author, Jamie Patterson.



Competitors were required to adhere to a few simple rules. Gravies could not be prepared in the Urner Barry test kitchen; all entries had to be completely homemade--this assumed the utmost honesty and ethics by the participants, because no purchased or jarred sauces could be used in the gravy. I suspect Muldowney didn't want any apron-wearing grandmothers or wine-drunk uncles hanging around the office all day taking turns stirring our sauces. As Italian-American tradition loosely demands, the Sunday sugo, must be composed of tomatoes simmered in the pan, drippings of some type of meat, for example, beef, braciole, pancetta, pork, sausage, turkey or veal. The one exception to the homemade rule was that participants did not have to grind and case their own sausage; it could be bought from a butcher or salumeria. Finally, each participant had to make a large enough amount of gravy to feed the entire staff after the contest.

The three wise judges rated our gravies on a scale of one to five — five being the highest — in four categories: Sauce Texture, Sauce Flavor, Meat Flavor, and Overall Impression. A tie would be broken by judging Presentation on the same one to five scale. Kelly Mangold won the hearts, mouths, and stomachs of the judges with sauce rich with meatballs, sausage and short ribs (recipes follow). She took home the first prize trophy for the best Sunday Gravy. The two Jamies, Chadwick and Patterson, remarkably tied, both showing off their gravies with meatballs. As one might expect, my impeccable presentation won out.

I asked New Jersey native Kelly Mangold to share her secret to her winning gravy. She grew up with cooking in her blood. "I was always surrounded by women cooking. One grandmother was from Italy. The other was from Russia. I had the best of both worlds. There was no going out to eat, my mother and grandmothers always cooked…even lunch." Mangold enjoys looking at cookbooks, reading recipes, and religiously watches cooking shows for tips. She

Judges Paul Brogowski, Rob Nicolosi, and Russ Strich with Urner Barry's Terence Wells.

Judges of Urner Barry's First Annual Sunday Gravy Challenge applaud the participants. From left to right: Gary Morrison, Jamie Patterson, Jamie Chadwick, Kelly Mangold, Joe Muldowney and Nicole Bessemer.

frequently adapts recipes to suit her own tastes, but she keeps to tradition and the recipes with which she grew up. "My recipe for my sauce or gravy is how my mother and her mother cooked it. So that's where I got the recipe. I was very surprised I won because I cook what I like and not everyone has the same tastes. Not to mention, I really don't have exact measurements or printed recipes from a book."

All in all, the challenge was quite successful. Participants, judges, and employees, the most discerning of the lot, enjoyed many laughs and plenty of delicious home cooking on a traditionally mundane post-holiday Monday afternoon. UB

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"KELLY MANGOLD WON THE HEARTS, MOUTHS, AND STOMACHS OF THE JUDGES WITH SAUCE RICH WITH MEATBALLS, SAUSAGE AND SHORT RIBS."

GRANDMA JULIA'S SUNDAY DINNER RECIPES

SAUCE

3-5 TB Olive Oil
4-5 Cloves Garlic Chopped
4 28 oz Cans Whole Plum Tomatoes
1 Can Tomato Paste
1 tsp Garlic Powder
1 tsp Onion Powder
½ tsp Dried Oregano (or more to taste)
½ C Dried Parsley or Fresh Italian Parsley
1/8 tsp Crushed Red Pepper
Salt & Pepper to taste
1 Whole Onion Peeled

1. Working with one can of tomatoes at a time, pour contents into a sieve that has been placed over a bowl and remove stems and what seeds you can and then place tomatoes and juices in a blender or food processor. Pulse until you achieve your desired consistency, this is a matter of taste—some prefer their sauce chunkier. Repeat with remaining cans and set aside.
2. Heat the oil in a large pot over medium-high heat and add garlic, stirring until soft and fragrant, about 2 or 3 minutes. Add processed tomatoes, bring to a boil, then add tomato paste.
3. Turn down heat to a simmer and add the dried spices and herbs along with whole onion and let simmer for several hours, stirring occasionally.
4. After about an hour taste, check for acidity and add a little sugar if needed.

MEATS

2 Whole Cloves of Garlic
4-5 TB Olive Oil
1 LB Italian Sausage (Sweet or Hot—your preference)
2 LBs Country Style Pork Short Ribs or Pork Necks
3 LBs Ground Beef
1 C Bread Crumbs
2 Eggs Slightly Beaten
½ C Milk
1 Clove Grated Garlic
¼ C Grated Parmesan
½ tsp Oregano
1 tsp Onion Powder
1 tsp Garlic Powder
Salt & Pepper

1. In a large bowl mix together all the ingredients for the meatballs adding more milk if mixture seems too dry. Form into balls (size — your preference) then set aside while you cook the sausage and ribs.
2. Heat olive oil in a large skillet over medium-low heat and then add garlic and sauté for about 2 minutes.
3. Add sausage and brown on both sides, 8-10 minutes, then remove to paper towels to drain and then add to sauce.
4. Add short ribs or necks and brown on all sides, 8-10 minutes, then remove to paper towels to drain and then add to sauce.
5. Add meatballs and brown on all sides, 8-10 minutes and then shimmy in the pan to coat with juices. Add to sauce.
6. Sauce and meat will be ready to eat after about 2 hours but can simmer on the stove for up to 4 hours.

MÉXICO

MEXICAN® BEEF

Mexican Beef
Exports rebound in 2014

The Mexican beef market continued to see several adjustments over the past few years. The trends continue to be similar; imports have decreased, while exports and domestic production increased. Although Mexican domestic packers continue their efforts into gaining market share all over the world, exports to one of the strictest markets in the world, the U.S., continued to increase in 2014.

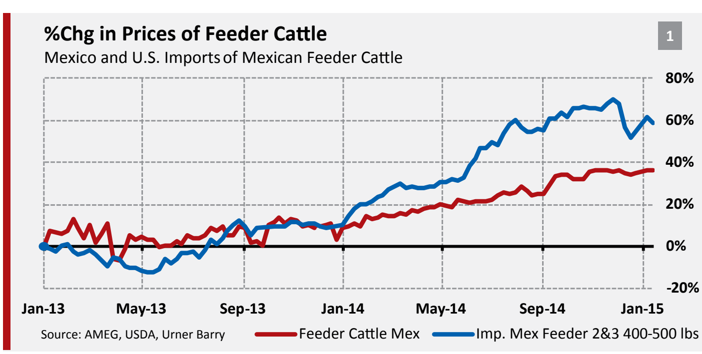
It made very good economic sense to send beef into the U.S. in 2014 since the dynamics of their market changed dramatically. Cattle scarcity in the U.S. prompted heavy buying of Mexican cattle by U.S. feeders, even though availability in Mexico was tighter than in previous years.

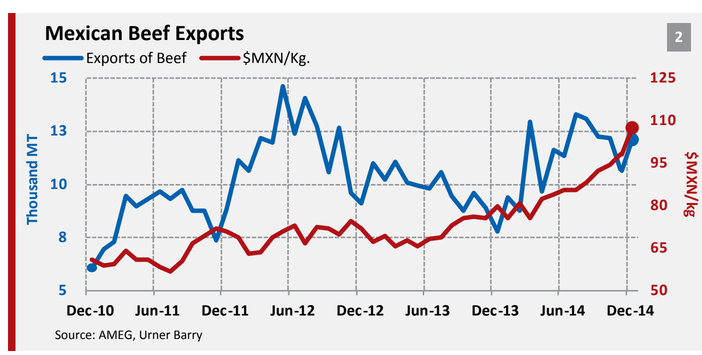
This situation caused prices for feeder cattle, for both the export and domestic market, to rise significantly (*chart 1*).

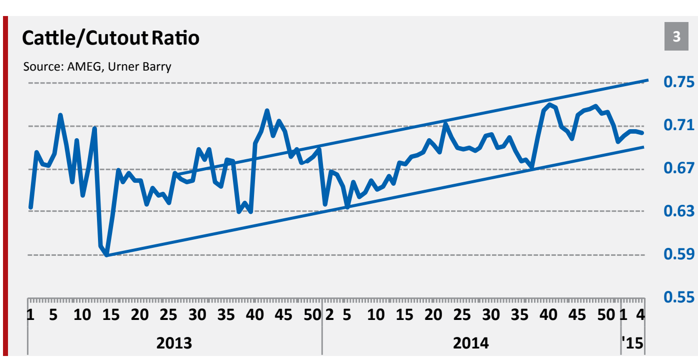
Due to the lower supplies of cattle, and therefore meat, the U.S. market saw prices of beef rise to record levels and thus became an even more attractive market for Mexican beef. Both volumes and values of Mexican beef exports to the U.S. managed to increase significantly. Finally, a strong U.S. dollar also helped Mexican beef producers look to the U.S. market as exports became more attractive.

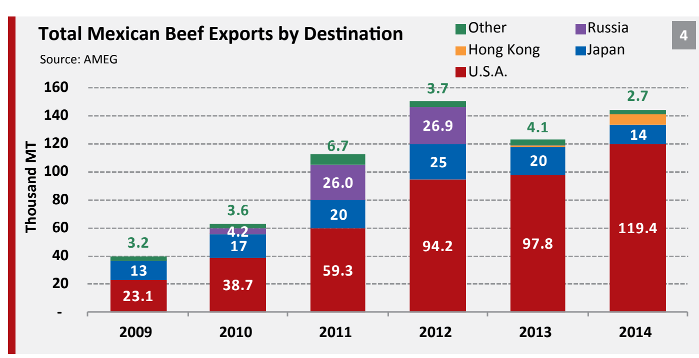
December 2014 marked the highest price per kilogram ever recorded for Mexican beef exports, reaching an average of $3.35/lb or 107.6 Mexican Pesos per kg. Exports for that month were the highest on record when compared to previous years, further supported by a favorable exchange rate since the peso depreciated more than 6 percent in December from the previous month, from an average of 13.6 pesos per U.S. dollar to 14.6.

However, it is important to understand that cattle prices advanced even faster than meat prices; in other words, the price of beef has not kept pace with cattle prices (*Chart 3*). Since there is no data for fed cattle prices in Mexico, we used feeder cattle prices to illustrate this argument. As such, we used a feeder cattle ratio to cutout and clearly saw how cattle prices









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advanced at faster pace than meat starting approximately around the second quarter of the year.

Mexico exported a total of 143.6 thousand metric tons of beef, which represented an increase of more than 21 thousand metric tons from 122.51, or 17 percent when compared to 2013. Although this is impressive, exports were short of the 149 thousand metric tons exported in 2012. Still, it is an impressive recovery from a year in which Russia, a market that counted for approximately 20 percent of total exports, completely shut down imports of beef.

Two destinations came to the rescue: the U.S. dominated Mexican beef shipments, accounting for nearly 83 percent of the market share and totaling 108.7 thousand metric tons. Japan, a distant second, took 13.8 thousand metric tons, accounting for 9.6 percent of the market share. These two markets combined accounted for more than 90 percent of the market share even though shipments to Japan decreased by 34 percent compared to 2013. In a very distant third, Hong Kong picked up 5.4 percent of the market share or 7.7 thousand metric tons.

In conclusion, the Mexican beef industry has seen the U.S. as a very attractive parallel market to the Mexican domestic market. That is, when beef prices have not kept pace with the price of inputs (cattle) the U.S. market becomes quite attractive as a result; due in part to a favorable exchange rate and the high prices being paid for beef in this market. So, in 2014 and at least for the foreseeable future, the U.S. remains the most attractive market to sell beef from the perspective of Mexican exporters. UB

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> "... IT IS IMPORTANT TO UNDERSTAND THAT CATTLE PRICES ADVANCED EVEN FASTER THAN MEAT PRICES;"

Shrimp imports

Continued from page 1

"... INDIA WAS THE TOP U.S. SUPPLIER WITH ITS IMPORTS 15 PERCENT HIGHER COMPARED TO 2013."

Producers in Ecuador, India, Indonesia and Vietnam—countries that actually began cranking up their output in 2013—churned out record levels of white shrimp shipments in 2014. By the end of 2014, India was the top U.S. supplier with its imports 15 percent higher compared to 2013. Indonesia, Ecuador and Vietnam rounded out the top four as each supplier posted double digit increases for the year.

Even Thai production late in the fourth quarter exceeded year over year totals for the first time in several years.

The overall increase in global shrimp production along with a stronger U.S. dollar led to a big rise in U.S. shrimp supplies and lower market prices (*Chart 4*).

The December 2014 Urner Barry White Shrimp Index fell to around $5.00 per pound. In January2015, the Index dipped even further—the first time in 18 months that pricing had fallen under $5.00 per pound (*Chart 3*).

Bottom line is, the U.S. shrimp market in 2014 saw the return of overseas production after years of disease-induced decline. Imports surged to the third highest volume ever, comparable to 2006 and 2011. By the end of 2014 and early into 2015 these increased volumes pushed wholesale spot prices lower. UB

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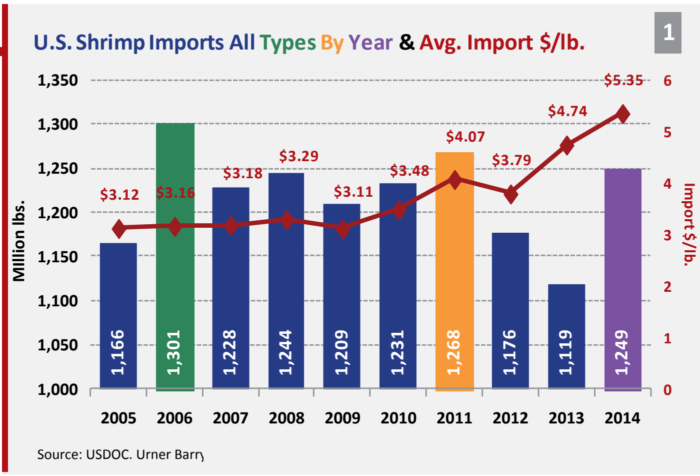
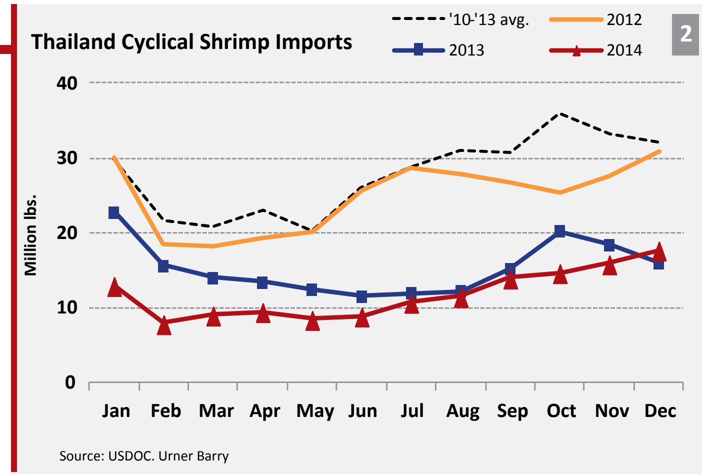
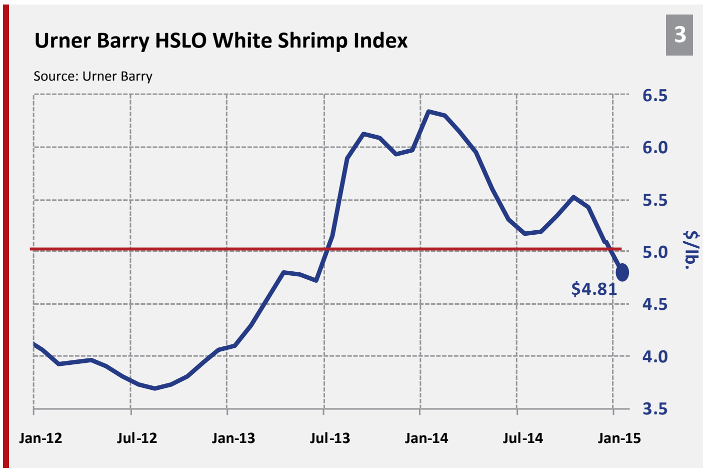
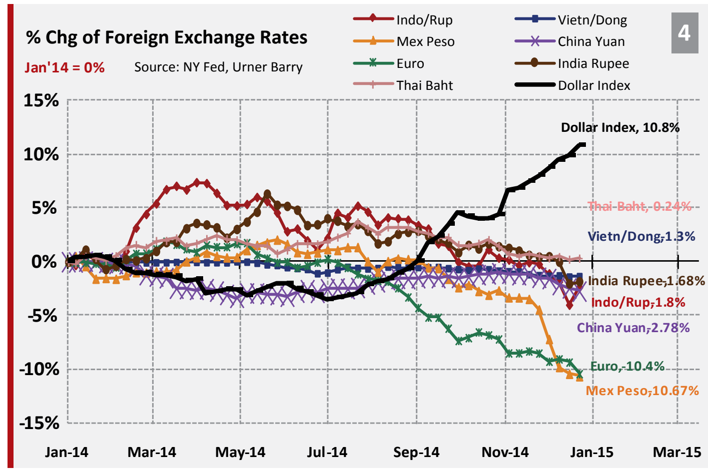

1
U.S. Shrimp Imports All Types By Year & Avg. Import $/lb.
Million lbs.
Import $/lb.
2005 2006 2007 2008 2009 2010 2011 2012 2013 2014
1,166 1,301 1,228 1,244 1,209 1,231 1,268 1,176 1,119 1,249
$3.12 $3.16 $3.18 $3.29 $3.11 $3.48 $4.07 $3.79 $4.74 $5.35
Source: USDOC. Urner Barry


2
Thailand Cyclical Shrimp Imports
'10-'13 avg.
2012
2013
2014
Million lbs.
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Source: USDOC. Urner Barry


3
Urner Barry HSLO White Shrimp Index
Source: Urner Barry
$/lb.
$4.81
Jan-12 Jul-12 Jan-13 Jul-13 Jan-14 Jul-14 Jan-15


4
% Chg of Foreign Exchange Rates
Jan'14 = 0%
Source: NY Fed, Urner Barry
Indo/Rup
Mex Peso
Euro
Thai Baht
Vietn/Dong
China Yuan
India Rupee
Dollar Index
Dollar Index, 10.8%
Thai Baht, 0.24%
Vietn/Dong, 1.3%
India Rupee, 1.68%
Indo/Rup, 1.8%
China Yuan, 2.78%
Euro, 10.4%
Mex Peso, 10.67%
Jan-14 Mar-14 May-14 Jul-14 Sep-14 Nov-14 Jan-15 Mar-15

Obsono enters its 15th year of service

An epic time for the business and technology industries, the turn of the century marked the advent of the iPad by Apple, the introduction of Wikipedia online, and the release of the first Harry Potter movie. Within the meat and poultry community, however, not one of these feats can compare to the announcement by CattleFax and Urner Barry CEOs to launch a joint venture, known only as *Obsono*, a Latin word translated to "purchase something as a provision."

Randy Blach and Paul Brown Jr. decided to pursue this joint venture in early 2001 to provide concise information and forecasts needed to formulate strategy and full risk analysis to those with exposure to the red meat and poultry markets. The newly formed company combined the knowledge and understanding of the spot meat markets by Urner Barry, Urner Barry's largest historical database, and CattleFax's expertise in analysis and modeling. The combined organization capitalized on the strong reputation each had in their respective segments of the industry.

"This agreement represents each organization's commitment to provide customers with the most impactful forecasting tools in the industry," said Paul Brown Jr. at the time. This statement still holds true heading into its 15th year. The fact that the report has stood the test of time and continues to be well received is a testament to Obsono. The report has grown from the original 17 items to now covering over 50 different ones.

As with any great product, the *Market Insight for the Meat and Poultry Industry* report continues to evolve and grow to meet customer demand. Products like this come along once in a lifetime so it will be interesting to see which of the iPad, Wikipedia, Harry Potter, or Obsono will outlive the others. UB

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Egg prices soar as prop. 2 goes into effect

After years of speculation regarding its implementation and resulting impact, Proposition 2 has finally gone into effect in the state of California. Fortunately for some, and unfortunately for others, the California law is already having a pronounced impact across the country.

The state's 38 million plus residents need more than 20 million laying hens to service demand. Existing production deficits in the state caused by high operating costs were rapidly accentuated by the deadline as producers complied with the new cage standards of 116 square inches per layer. According to the USDA, California layers in flocks of thirty thousand or more totaled 15.033 million to begin the month of December, 2014, down 12.1% from December of 2013 and 18% from that month in 2008, the year Proposition 2 passed. It is also likely that these declines continued during the last month of the year.

Producers in the central areas of the country began making adjustments to take advantage of expected shortages as well, but record high prices for the holiday season tempered their motivation to adjust flocks. California large dozens began the year at $2.26 per dozen, down from preholiday levels of $2.66. The quotation began to rebound shortly thereafter as buyers switched to sourcing predominantly 2015 compliant eggs. In the first two weeks of January, wholesale large prices jumped to more than $3.00 per dozen for the first time in history. Meanwhile, the rest of the country was just finding a settling point from record preholiday levels.

Corrections east of the Rockies sent MW large prices to $1.17 per dozen, the lowest level seen in over a year. Spreads between the two quotations soared, with the California quote exceeding the benchmark Midwest figure by more than $2.15 per dozen.

The lows in the rest of the country finally prompted seasonal flock rotations and opportunity in California had a number of players scrambling to comply with the new production standards.

Large prices hit $3.42 per dozen and suppliers began to see the push back from foodservice chains, restaurants, and mom and pop stores. Meanwhile, retailers in California were slow to pass wholesale costs along to the consumer. Through the middle of January, prices at the shelf ranged from roughly $2.50 to nearly $6.00 per dozen.

Just a month prior, holiday highs of $2.66 had stalled retail movement. Compliant supply shortages and headline news coverage seemed to motivate market levels passed that point, but it was only a matter of time before prices nearing $3.50 a dozen had a similar effect on shopping patterns. Not only that, but more and more compliant production was coming online east of the Rockies.

"…THE CALIFORNIA QUOTE EXCEEDING THE BENCHMARK MIDWEST FIGURE BY MORE THAN $2.15 PER DOZEN."

Supply and demand conditions are yet to fully iron themselves out at the time of this report. Most feel recent prices will temper demand and alleviate pressures on the supply chain. Still, questions remain as to how long January highs will last, how much additional production is on the way, and what Easter will have in store for the California market. UB

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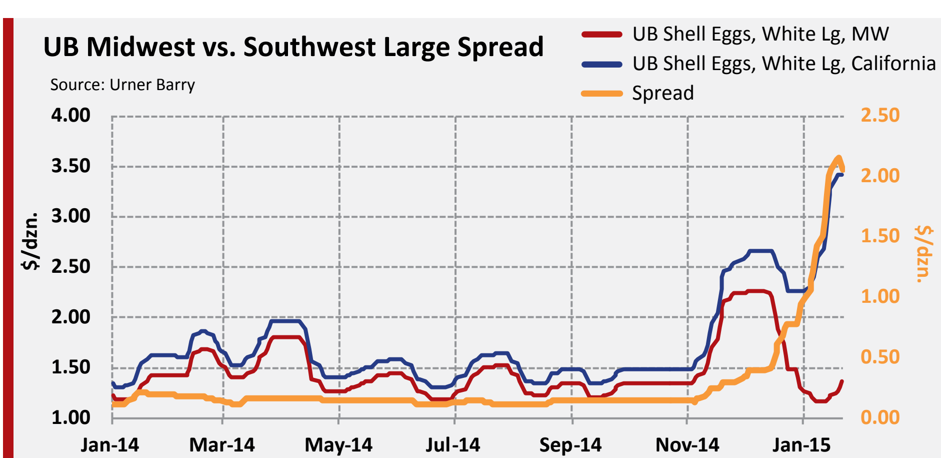

Someone tiny, someone sweet, we would like for you to meet …

Urner Barry baby boom

Introducing the Urner Barry babies! There's been a baby boom for the Urner Barry family as several of the staff have welcomed new little ones to their lives recently, and we would like to welcome them here.

Urner Barry's Comtell Operations Manager, Christin Chase and husband Jeff welcomed **Nolan Jonathan Chase** on April 4, 2014. Nolan weighed 7 pounds, 3 ounces and was 20 ½ inches long. He is already up and about and pictured here with big sister Isabella.

Weighing in at 6 pounds, 4 ounces on December 3, 2014, **Charles Joseph Bober** was welcomed to the Urner Barry family when his mother, UB Graphic Designer Caroline and father Mark were pleased to share their joy.

Grace Lynn Schreiber was born January 9, 2015. Ten days late, but proud parents, UB's Advertising Director Janice and husband Mark, couldn't have been happier. At 7 pounds, 12 ounces, the 20 inch long bundle is the first grandchild for Urner Barry President Paul Brown, Jr and his wife Marilyn—and the first great grandchild for 'Grandma Brown.'

Introducing **Lucy Rose Bailey**! Born on January 9, 2015, she weighed 7 pounds, 1 ounce and measured 21 inches long. Mom Sandra, her Dad Joe and big brother Joseph are thrilled! Little Lucy was born to two relatives who work at Urner Barry, her loving Mom Sandra is a Credit and Collections Associate and her Uncle Jay is an Account Manager in Urner Barry's printing department.

Although nearly two years old now, we couldn't pass up introducing the *UB Reporter* family to **Lucija Grace Morrison**. Gary Morrison, Boxed Beef and Beef Variety Reporter, his wife Melissa and big sister Nicole were surprised when this little cutie was born four weeks early—at 36 weeks—on May 2, 2013. She weighed 5 pounds, 13 ounces and was 20 inches long! Lucija's spelling of her name comes from her Croatian heritage. UB

Advertiser Index …

What's in store

Continued from page 1

situations on the red meat side causing record high prices, the poultry sector was able to benefit from increased consumer demand. The pork industry, coping with the affects of PEDv, saw huge price swings over the course of the year—resulting in grocers inability to feature product on a consistent basis. The smallest cattle herd in over 60 years contributed to soaring beef prices, and despite beef demand remaining notably strong, many consumers were forced to trade in their steak knives for hamburger buns as ground beef proved most popular throughout the summer grilling season—along with the lower-cost chicken option, of course.

The rise in beef prices has some suggesting this may be the new normal. In fact, it may be a few years until we see any kind of falter in retail beef prices, as early indications of probable herd expansion are evident, but certainly this aspect of the cattle cycle is a gradual process. Lower feed costs have resulted in heavier carcass weights, at least somewhat mitigating supply concerns for both pork and beef. The question everyone is asking is whether or not beef demand can sustain itself as prices hold at this level, or even continue to rise. Currently, there are a few factors working in favor of more consumer spending ability, including lower energy costs, a lower unemployment rate, and hints of an improving economy. So far, evidence suggests that at least those who are able are willing to pay the higher prices for beef.

While PEDv is still a concern among pork producers, the impact on the market so far in 2015 cannot compare with that of last year. With the panic subsiding as the industry copes with and manages the disease, it's likely that the market volatility we saw throughout 2014 will not be replicated. As pork prices evolved into unpredictable waves of highs and lows, grocers were unable or unwilling to rely on retail pork products as mainstay feature items. Currently, the pork cutout has reached its lowest levels since April 2013—and should it continue to trade fairly steadily in the first quarter, grocers will be more likely to put the pig back into a consistent rotation within their circulars.

Chicken is looking to rule the roost again in 2015. Performance in this protein category throughout the past year makes poultry the defending champion going forward. Attractive pricing and comparable value wins over shoppers, while consistency in the market allows grocers to persistently reserve ad space for chicken products and often rely on it as a driver for store traffic.

Last year, we saw some historical patterns completely rewritten. So, what will we be watching in 2015? Supply/demand scenarios, wholesale market action, changes in holiday buying, changes in the feature landscape, weather, seasonal fluctuations, fuel prices, and consumer diets and trends. UB

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