PORK RIBS: FRIGID FREEZER STOCKS AND RED-HOT PRICES

TALKING HEMP SEED PROTEIN WITH VICTORY HEMP

READY OR NOT, PROPOSITION 12 IS COMING IN 2022

Urner Barry's Reporter

the newsmagazine for the food industry professional

VOLUME 16 | NUMBER 2 | SPRING 2021 | QUARTERLY

Export Markets BOOMING

PLUS!
State of the Seafood Industry:
An Annual Review

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From the Editor's Desk...

A couple months ago I got an email from my colleague and Managing Editor of *Urner Barry's Reporter*, Amanda Buckle. It was a reminder that it was time to start thinking about the spring issue. While I liked the thought of spring, at the same time it was a little hard for me to get my head wrapped around the idea that, in fact, in just a few short months from now spring would be upon us.

But as I sat there, I couldn't help but think to myself what a long road still lies ahead before the vernal equinox bids winter farewell. What would "spring" look like, anyway?

Without doubt, the world has changed significantly since last April. This issue's special seafood section is a direct product of that change. Like many other protein industry events which are as much a part of the fabric of the business as the food itself, Seafood Expo North America was forced to postpone 2021's live program, opting to go online during the dates of the traditional event. And while the stage itself has changed, the commitment to tell their story has not. In the end, Seafood Expo North America "RECONNECT," and this issue of *Urner Barry's Reporter*, was born out of the necessity to tell the story of the collective industry voice by going back to the fundamentals.

Basic skills and essential functions are the building blocks for any successful foray. Whether a "greenhorn" researcher at Urner Barry working towards mastering the essential functions of a reporter, or an event organizer and a magazine editor forced to adapt in the wake of a pandemic, we all want to emerge on the other side feeling as if this has been time well spent. Sometimes it is those essential functions which act as a catalyst for developing new ideas, new approaches, and creating a whole new mindset on how we do business.

There is always something new arising to confront the most creative minds in the agriculture business—whether everyday hurdles inherent in raising live animals, to the myriad of consumer wants and demands placed upon our businesses, and now, perhaps mankind's most enduring foe, human disease. But as has been revealed to us time and time again straight from the century's old agrarian playbook, even when faced with the most difficult of times, through hard work and creativity, selfless acts and expansion of partnerships, there are some major victories to be claimed. Now, go out and get them!

Stay well and in touch.

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Urner Barry's Reporter

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AGRIBRIEFING

Who says you can't teach an old dog new tricks?

KFC takes on video game titans with unique gaming console

After weeks of Twitter induced hype and speculation, KFC has finally revealed their plans to release a next-gen gaming console to take on the likes of Microsoft, Sony and Nintendo. Yes, you got that right: Kentucky Fried Chicken. Contrary to what some Twitter users assumed was an elaborate marketing ploy just to stir up some media attention, it turns out that the famous chicken company actually plans to deliver a final product.

"In late December, KFC declared 'the console wars are over' after releasing a teaser video of their system which they affectionately named the 'KFConsole.'"

Photo credit: KFC Gaming

In late December, KFC declared "the console wars are over" after releasing a teaser video of their system which they affectionately named the "KFConsole." The joint collaboration between computer component manufacturer Cooler Master and the fast-food behemoth boasts some potent specs. With two 1 TB SSD drives, the KFConsole's storage capacity rivals the base models of Xbox and PS5. It also touts an Intel "Next Unit of Computing" (Nuc) Core i9 processor, hot-swappable GPU slot, and can handle 4k resolution at up to 240 frames per second. If gaming fans can agree on anything, it is that KFC's system is no slouch and will be able to handle just about any modern gaming title that you can throw at it. But perhaps the most notable feature is the console design itself. Bridging the gap between the gaming world and KFC's finger lickin' pride and joy is their proprietary chicken chamber, which utilizes the natural heat and airflow system of the console to keep your KFC chicken warm while you play your favorite video game titles.

For adamant followers of the fast-food brand, this latest marketing campaign, while unexpected, is not necessarily shocking. In fact, KFC has a long-standing history of bringing unique, if not downright random, products into the arms of their loyal fan base. During July 2020 the company paired up with shoemaker Crocs to release a chicken bucket-themed clog. And in 2018 they partnered with Enviro-log to produce a Yule Log that smells like, you guessed it, the chain's top secret 11 Herbs and Spices!

While KFC's recent marketing strategy has certainly proven that the company is not afraid to venture away from the tried-and-true, some would argue that its exploratory and innovative nature is as big a part of KFC's secret recipe as the ingredients themselves. Although Colonel Sanders is now a household name, a look through the history book reveals that, prior to revolutionizing the chicken fast-food business, Sanders tried his hand in a variety of fields which ranged from insurance sales to painting. In 1919 he opened a gas station where he cooked in the back room for his family and the occasional passerby. Well, word spread fast, which not only allowed Sanders to double down on his culinary expertise by opening his own restaurant nearby, but also earned him the title of "Kentucky Colonel" by the state governor. Around this same time, pressure cookers began to enter into the commercial market where they were primarily used to perform simple tasks such as steaming vegetables. In all his pioneering wisdom, The Colonel purchased one of these steamers and essentially modified it to become the world's first pressure fryer which helped cut down on chicken cook time while also adhering to his strict quality standards.

All in all, you'd be forgiven for assuming that a company like KFC, which maintains a firm grasp on its historic roots, is not breaking new ground in other ways. While their most recent game console has yet to be released, what was initially considered by some to be a prank is now poised to be a serious video contender within the console gaming segment. As we patiently await its release date, it gives us time to imagine what else is cooking behind the scenes in addition to KFC's world-famous chicken. UB

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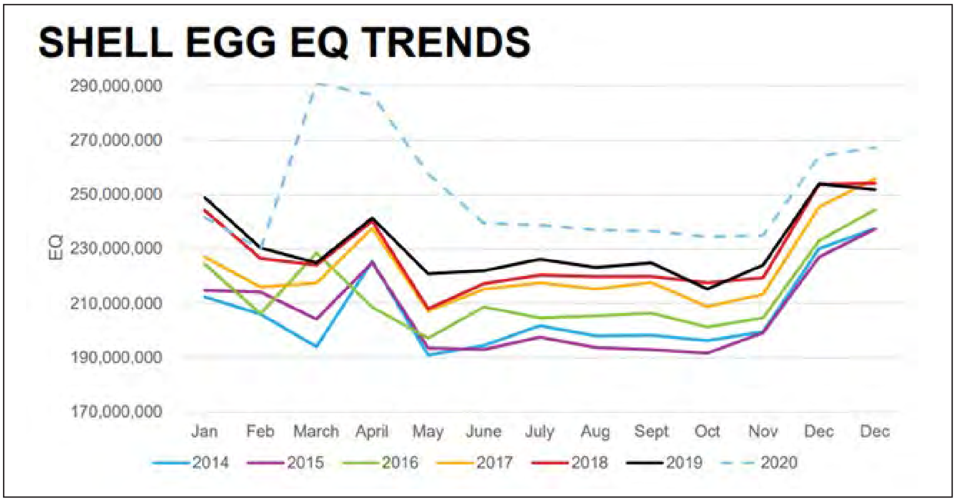
Working from home could signal new trends in egg consumption



Source: Nielsen data provided by the American Egg Board. Latest 52 Week ending 12/26/20.

*2014, 2015, 2016 annual trends are based on pre-event data and should only be used directionally. The methodologies were updated and are reflected in 2017 to date.

2020 is a year that will undoubtedly live forever in the minds of those who endured its many trials, conjuring ruminations of toilet paper shortages, drive-by birthday celebrations, and our collective fascination with "Joe Exotic," a mullet-wearing zookeeper. But as the adage goes, "this too shall pass." And as we turn the page to 2021, toilet paper is once again freely accessible. Birthdays are being celebrated in person (just don't blow on the cake, please). And Joe Exotic, well... he's still incarcerated.

There are actually a few developments from 2020 that don't appear likely to change any time soon—chief among them is an increased number of professionals working from home. A study conducted by Upwork, the world's largest marketplace for freelance workers, revealed in December that 41.8% of the U.S. workforce is working remotely. And that trend is projected to continue well into the future. The survey shows that by 2025, 36.2 million Americans will be working from home—an astounding 87% increase from pre-pandemic levels.

Perhaps the greatest beneficiary of that movement (other than our pets, of course) has been grocers. Shares of Albertsons, which operates brands such as Acme, Safeway and Shaw's, hit an all-time high in January thanks to stronger than expected third-quarter results and a boost in full-year guidance. CEO Vivek Sankaran attributes that growth and outlook to advances in digital shopping and—you guessed it—an increased number of people working from home.

"Despite the uncertainty we still have around the recovery from the pandemic, we see evidence that consumers will not revert to pre-COVID food consumption patterns anytime soon. For instance, several large companies are extending work-from-home policies and some are committing to flexible work weeks," Sankaran said during an earnings call. "We believe that this will continue to drive more breakfasts and lunches at home," he added, noting that there has been an especially large increase in sales of breakfast items like eggs and cereal.

Indeed, Nielsen data furnished by the American Egg Board shows that grocery scans for equalized dozens of shell eggs were up a remarkable 8.2% year-to-date in the week ending December 26, 2020. And it appears the remote-workplace movement has influenced not only how many eggs people are consuming at home, but what kind they are consuming. Market sources have noted extraordinary demand for specialty eggs since the start of the pandemic, particularly for cage-free and organics.

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Cal-Maine Foods, the largest producer and distributor of shell eggs in the U.S., reported specialty egg sales of $134.1 million for the second quarter of fiscal 2021; up $115.9 million year-over-year. Dolph Baker, Chairman and CEO, said in an earnings statement that the higher revenue reflects a 17.7% increase in specialty dozens sold.

Some of the increased demand for specialties may speak to consumers' beliefs that these categories provide added health benefits—an appealing (albeit misguided) draw for those seeking additional ways to fend off COVID. But it also likely reflects the demographic of people who are working from home—specifically, those with more disposable income to spend on higher priced grocery items.

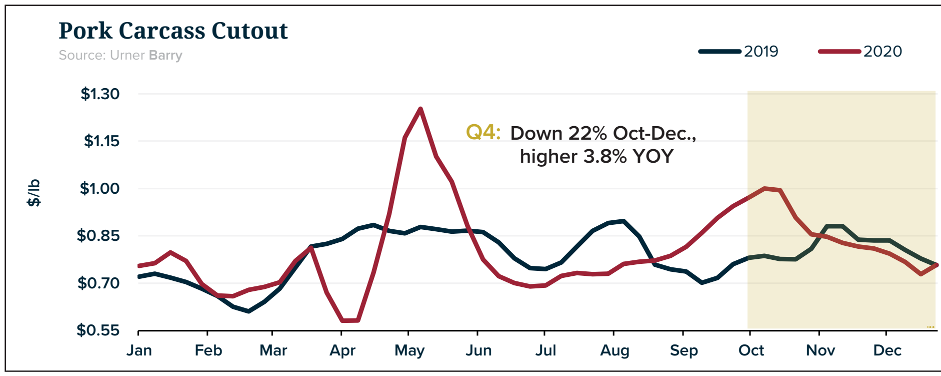
A report published last year by Harvard Business review states that the massive migration to work from home will be concentrated among high-income workers, noting that 62% of Americans in the top 25% of household income had the option to work from home—more than double the average. While consumer habits are generally stable and slow to change, this shift to working remotely could indicate a "new normal" for egg consumption. UB

Article contributed by **Karyn Rispoli** | krispoli@urnerbarry.com

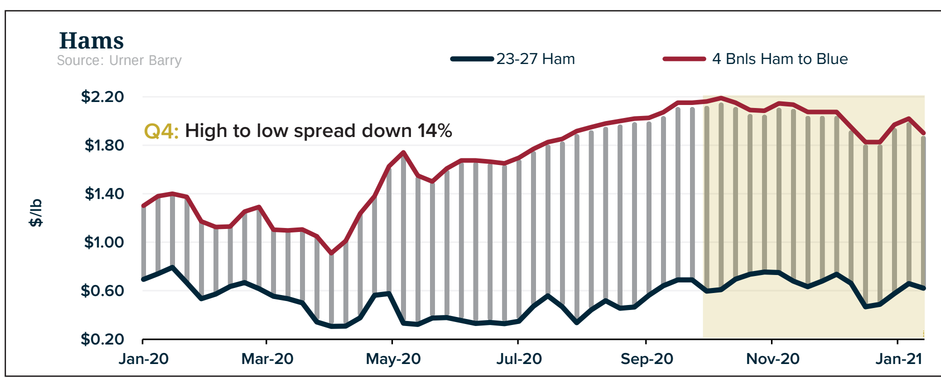
Q4 PORK: Prices under stress to close 2020

The impact of COVID-19 continued to persist through quarter four of 2020 in most areas of our lives, whether in our social gatherings, dining, travel, leisure, sporting events, or work. With foodservice slowed significantly, the pork industry continued to rely heavily on export and retail demand to move product, as it did during the third quarter. Labor constraints also endured for numerous plants, resulting in conversion line limitations, packaging hurdles, and shipping concerns, which continue to linger in 2021.

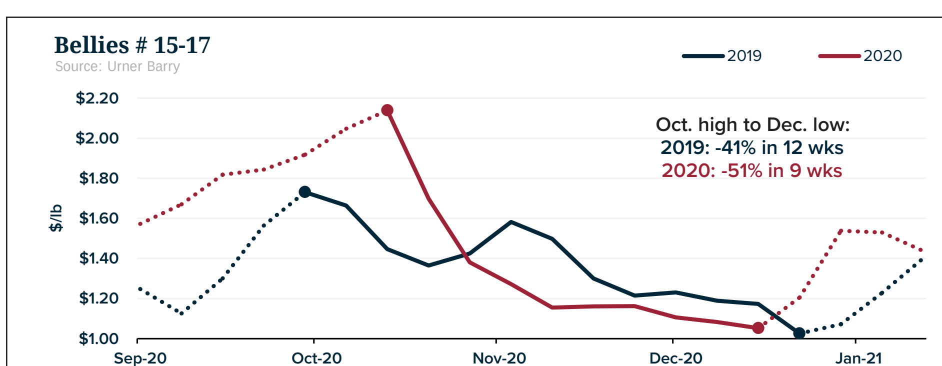
This combination of factors made for a very volatile fourth quarter for multiple cuts in the pork complex, and in turn Urner Barry's pork carcass cutout, which is a composite of pork cuts, trimmings, and variety meats. The cutout ranged in value between \$72.87 and \$99.96/cwt in Q4, compared to \$75.74 to \$88.07/cwt in 2019, on a weekly basis. Although the average Q4 cutout value was 5.5% over that of last year, values still declined throughout the three-month period by 22%.



The bone-in to boneless hams spread was a topic of significant interest this year as it expanded to record levels in the wake of COVID-19 labor issues. In early October, the spread reached nearly \$160/cwt, compared to roughly \$60/cwt the year prior. Although the spread did see a modest decline throughout the quarter, dropping around 14% or \$23.00/cwt, it remained well above that of past years.



Bellies saw a traditional softening of prices as the quarter progressed, however, 2020 experienced a more substantial drop than that of 2019 due to diminished foodservice and social gatherings. Analyzing the peaks and troughs of the quarter, 2019 saw a drop of 41% in 12 weeks while 2020 dropped 51% in value over nine weeks. Following typical seasonal trends as well, the majority of trimmings experienced softer pricing as the fourth quarter moved forward.



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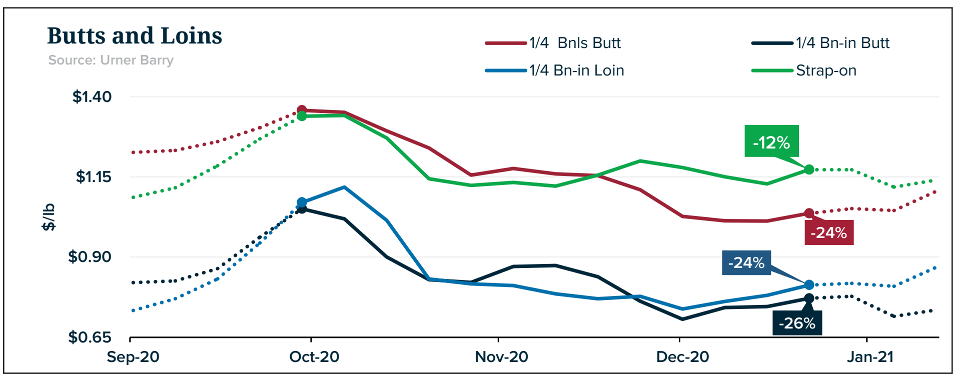
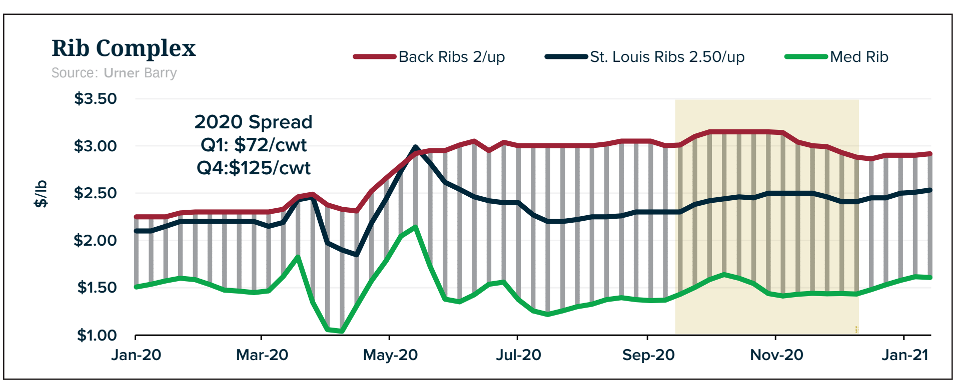
Bone-in and boneless loins and butts also witnessed weakness in the fourth quarter after a rally which persisted through the summer and into autumn, peaking in October. This weaker tone progressed through the fourth quarter, resulting in losses for these major retail items ranging from 12-26%. Butts ended the quarter roughly 27% below 2019 levels.



The rib complex witnessed irregular pricing for most of 2020 with the combination of labor constraints and lack of product in cold storage. This led to wide price spreads between medium ribs and back ribs and St. Louis ribs. In Q1 of 2020, the spread from medium ribs to back ribs reached a peak of $85/cwt in March. In Q4 of 2020, the average spread between spareribs and back ribs increased to $154/cwt.



A sense of optimism is present in the pork market as we work through the first quarter, with the COVID-19 vaccine and associated hope for a return of foodservice and travel in the not-so-distant future. However, unsettled undertones do remain noted in the market as many underlying hurdles are still present. With the upcoming Lenten season, persistent labor issues, increases in feed costs, a new administration, and several other ongoing factors, the first quarter is expected to remain wide ranging and volatile. UB

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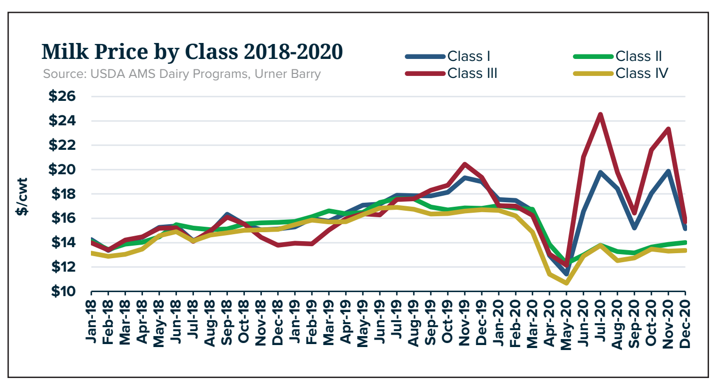
Utterly confusing...
MILK PRICING 101 in 2020

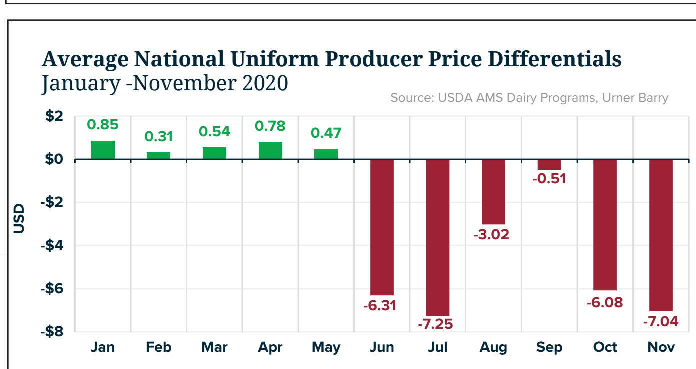
COVID-19 spared not even the milk and cookies in 2020. In an already challenging decade for dairy producers, pandemic era convolutions presented the ultimate test to pricing supports and policies that dictate a farmer's take home income. Each month brought a new sense of uncertainty as farmers went from dumping excess milk to experiencing some of the highest cheese prices on record. Before we dive deeper into the complexities of 2020 dairy dynamics let's start with a review of milk pricing.

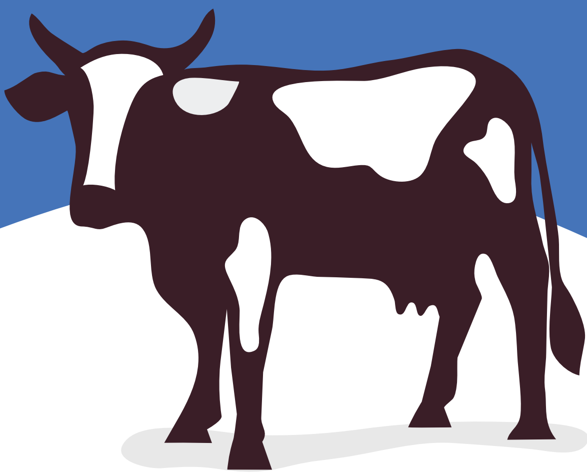
Since the early 1900's, milk pricing in the United States has evolved in response to economic issues surrounding the production, distribution, and consumption of dairy products. Milk, as an agricultural commodity, possesses unique qualities not frequently found in other commodity goods. It is a "flow-commodity" in that it is produced on a daily basis, is highly perishable, and therefore requires transport at least every other day. Dairy cows produce milk regardless of changes in market conditions. During short-run periods of low demand, milk supply cannot be reduced rapidly enough to match that low demand. Therefore, milk must be marketed irrespective of supply and demand behavior expressed on a specific day. Seasonality in both the production and demand for milk and milk products also contributes to volatile price and supply rates.

Given the inherent volatility and risk associated with producing milk, government and public policy has taken an integral role in the establishment and continued alterations to how milk is priced and how distribution is organized regionally. Of the existing programs, federal and state marketing orders (MO's) play a fundamental role in the orderly sale and movement of milk between producers and consumers. Orders accomplish this goal by setting minimum raw, fluid-grade milk prices that handlers must pay to dairy farmers. Minimum prices are set for numerous classes of milk, defined by the final product or intent of use of the milk sold (i.e., Class I= fluid milk beverages; Class II= soft products such as ice cream and yogurt; Class III= hard cheese product;, and Class IV= butter and dry powdered milk products). The price producers receive for their milk is not a combination of the independent class prices of their milk, but a "blend" price or weighted average of class prices based on the regional utilization of milk in each market. MO's pool the value of milk in their specified region to allow producers to receive a uniform price for their milk regardless of the end use. MO prices are calculated and specific to predetermined geographic areas where specific handler competition is isolated.

Currently there are 11 federal MOs and an array of state MOs with jurisdiction where federal marketing orders do not exist. Within the pooling phase of MO pricing, two schemes—multiple component pricing and skim-fat pricing—exist. Skim-fat pricing is limited to the Appalachian, Arizona, Florida, and Southeast federal MO's, and relies on higher valuation of Class I and II skim and fat due to regional utilization differentials. Orders that use component pricing value handlers based on their utilization on three or four distinct milk components: butterfat, protein, other solids, and, occasionally, non-fat solids. The producer value is then calculated using the USDA-AMS announced prices of the components within the pool plus any Class I and II producer price differentials. The difference between the component value and class values divided by the total number of pounds in the pool establishes the basis of the equity (shared) payment from the pool known as Producer Price Differential (PPD). Combined, the component values and PPD represent the minimum base price producers can receive from handlers. MOs govern the fact that handlers and processors each pay a different price for their milk, depending on the end-product they are producing, while producers receive an average of blended price based on the use of milk within an order. Final milk checks received by farmers vary from the base value determined by monthly MO calculations.







In 2020, the formulas used to calculate milk payments were put to the ultimate test. Beginning in March, COVID-19 shuttered usually reliable channels for handlers to sell milk, most significantly schools and restaurants. Weeks later optimism returned in the form of expected restaurant reopenings and government driven demand from proposed COVID food assistance programs. When combined with further COVID-19 uncertainty and lagged price reporting between the Chicago Mercantile Exchange (CME) and USDA, the result was a June price spread between Class III and IV of over $10/cwt ($24.54 vs. $13.76 respectively). In this situation, the component value of the milk far exceeds the classified value of milk and the equity payments into the pool are negative. This results in negative producer price differentials experienced as a massive deduction off a producers' checks. Negative PPD's persisted into more extreme levels in July, easing in August and September only to worsen again in October and November. Threatening the ability for farmers to breakeven, negative PPD's minimized any realized benefits expected from record Class III prices.

Outside the period displayed in the associated uniform PPD graph, CME spot cheddar cheese prices dropped over a dollar per pound between November and December 2020, reaching what some dairy economists consider a likely price floor. This is paralleled by class prices that nearly merged in December. More uniform class prices signify a likely jump away from negative PPD's though profit margins remain low or nonexistent. On the upside, low prices, especially in cheese markets, increase opportunities to move product through export channels. Southeast Asia purchases of U.S. dairy product are up over 64% from year-over-year levels.

Looking forward, volatility in dairy markets persists with economists concerned about overconfident price forecasts. The USDA Farmers to Families Food Box program has been an important demand driver of dairy products since its inception, but demand is at risk under the new administration. It is expected that the Biden administration will address COVID-19 related food insecurity with an expansion in more conventional food assistance programs such as SNAP and WIC. Since these programs provide more discretion over what beneficiaries buy, dairy may not be on the top of their shopping list. Additionally, the industry continues to be plagued by overproduction with December average daily production up 3% from year-over-year levels, which is far more milk than the market can handle to keep prices up. The number of cows has also increased with an additional 62,000 head producing 0.3% more milk per cow from last year. Record feed prices pressure producers further with large payments expected through USDA risk management programs like DMC (dairy margin coverage program).

2020 presented dairy producers with unprecedented levels of market uncertainty and exacerbated existing long-standing market challenges. With the number of dairy farms dropping by the day, questions on how to best preserve an industry integral to food security and sustaining rural economies remain. Perhaps solutions lie with further modifications to the complex government selected pricing system. Maybe a more simplified approach would do. UB

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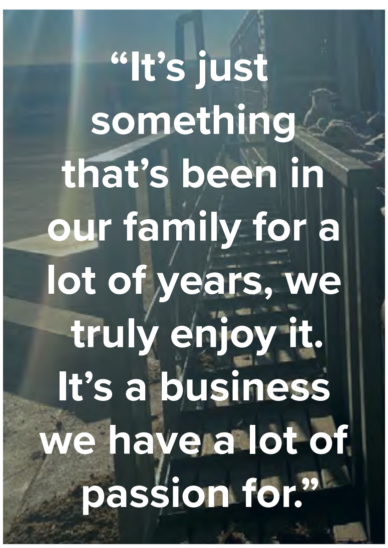
Industry veterans come together to open Colorado Lamb Processors

As Easter and Passover approach, one cannot help but to think about lamb when planning a holiday meal. This year, there's a good chance you could be eating lamb that has passed through the country's newest lamb harvesting facility—Colorado Lamb Processors in Brush, Colorado.

Colorado Lamb Processors, which opened in September 2020, is the first new lamb processing facility to be built in the U.S. since Superior Farms in 2015, and just the second since 1997. Though the state-of-the art facility opened less than a year ago, the three families that have come together to open it—The Raftopolous family, The Harpers, and The Rules—are deeply rooted in the lamb world.



Co-owner Spence Rule first got a taste for the lamb business while helping his father, who started in the late 50's and opened his own feedlot in 1963. Little Spence was tasked with cleaning the water troughs early on. As he got a bit older, his responsibilities expanded. This is when his true love for the business grew.

"As I got older and got more involved in the business, it was the thrill of the game. And I enjoy the lamb itself. The biggest passion of all is trying to put a good quality product out for people."

Spence's early days were part of Iowa Lamb and Denver Lamb. Now, he owns a feedlot with Steve Raftopolous. And it's a true family affair. Spence's three sons, their wives and even their children take part in the business.

"It's just something that's been in our family for a lot of years, we truly enjoy it. It's a business we have a lot of passion for."

So, what does Spence think about working with the whole family? "It's the most wonderful thing but it can be the most frustrating thing. There's no two ways about it." But overall, Spence is grateful for his family.

"Oh, Mom is the glue that holds everybody together. She is one who would rather be in the barn or on the feedlot as opposed to in the house. She does it rather well. Fortunately, our daughter in-laws are the same way."

It's a similar feeling for co-owner Mike Harper, a third generation lamb feeder who enjoys working with his wife and three daughters, as well as for co-owner Steve Raftopolous, who works alongside his wife and three children.

And the years of experience at Colorado Lamb Processors does not stop with the ownership. General Manager Kevin Quam also grew up in the business. His father was in the lamb business in North Dakota, making a move to Montfort in 1969.

"I was around it. I worked in feedlots as a young kid. After I got out of college I went to work for Montfort also, working with my

Images provided by Colorado Lamb Processors

father as a lamb buyer. I got into sales and eventually got into operations in 2016."

With all this experience, building a new facility should have been easy. According to Quam, they met with the town of Brush in February 2017 and started working on the site development and getting a plan put together. But fast forward to 2020 and COVID threw some obstacles at the team, like delays in construction and labor availability. Even after the facility was built, the staffing process had to be slowed in order to take proper health precautions.

"You just had to kind of roll with the punches and regroup; set your sights on the different date and try to be ready to go then," says Quam.

But despite the COVID-related road blocks, the single shift, harvest only facility was able to open in September. And they're quickly turning live lamb, currently processing 1,200 head a day.

"We receive the live lambs, process them, chill them overnight, get them graded and ship them to customers by truck the next day to the fabricators," Quam explained of their operations.

Colorado Lamb Processors has the ability to process 1,800 per day, but demand is not there just yet. The main factor for the decreased demand of lamb is the lack of foodservice business due to the pandemic. One misconception about lamb that's hurting it at retail is that "it's hard to cook." But according to Rule, there's no need to fear lamb in the kitchen.

"You don't need to be afraid of it. It's just a piece of meat. You cook it like a steak or anything else on the grill. A lot of lamb recipes call for a lot of wild spices but that's certainly not necessary. Salt and pepper and grill and you can have a wonderful experience with it." UB

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60 seconds with...

MICA's *outgoing* Executive Director Laurie Bryant

and *new* Executive Director Steve Sothmann

The Meat Importers Council of America (MICA) was formed in 1962 as a nonprofit trade association of members engaging in the purchase, importation, handling and sale of imported meat in the United States.

Laurie Bryant joined MICA in 2001 and has served as the organization's Executive Director until this year, when he hands the reins over to Steve Sothmann. Urner Barry's *Reporter* had the opportunity chat with Laurie and Steve about the challenges and opportunities for the organization and the industry.

MICA

supporting and promoting imported meat

URNER BARRY'S REPORTER: Laurie, how has the organization and industry changed since you first started with MICA?

LAURIE BRYANT: The most significant organizational change has been a much closer relationship with the North American Meat Institute with the decision in 2015 to contract with the institute to provide management services to the association. While MICA remains an independent organization and is run by a fully independent board of directors this change paved the way for a more robust succession plan as well as providing access to additional expertise. The appointment of Steve Sothmann as my successor is testament to the benefits this relationship has provided. I am confident that he will take MICA forward to new levels as he has already demonstrated that during the time he has worked with me.

UBR: Steve, how did your career path bring you to become MICA's new Executive Director?

STEVE SOTHMANN: I have had the pleasure of working for the meat industry and its many related associations in one way or another for the last decade. I've worked on international trade issues as part of the North American Meat Institute's staff for most of that time, and have also been running the Leather and Hide Council of America since 2013. For the last few years I have had the pleasure of working with Laurie as his "understudy"

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for all things MICA-related. I'm a lawyer by training, and although I didn't have much exposure to farming or ranching while growing up, this industry has gotten into my blood over that time frame.

UBR: What are your goals for the organization?

SS: I intend to follow in the giant footsteps of Laurie (which is no small task!) and continue the strong work of the Association. The imported meat community faces several challenges that are well-known to most in the trade —transportation headaches, a shifting quota and trade policy environment, inspection questions, among a laundry list of other issues. My goal is to continue MICA's long history of engaging the key stakeholders along the supply chain and in government to try and work through these many challenges to find real-world solutions as they arise.

UBR: Do you see any significant changes for importers as the new administration in the White House starts?

SS: The most significant change we might see with the Biden Administration compared to its predecessor will likely be on the trade policy front. The Biden Administration is expected to take a much more multilateral approach to trade policy than Trump's unilateral actions. This may manifest itself in the U.S.' reentry into the CPTPP (the successor of the Trans Pacific Partnership), for example, which would be significant for the MICA membership.

UBR: What challenges to you see in the beef industry in coming years?

LB: There are a number of challenges facing the industry. They all need to be recognized and faced with a united industry front within sectors, between sectors and globally as ultimately all are being impacted to some degree.

Sustainability has become a catch phrase that means different things to different people but it is something that encompasses many of the broader issues including the environment, climate change and the economic health of the sector. Consumers are having an increasing impact on these issues through the retail sector with retailers making decisions on what to put on their shelves based on the news media claims of practices that their customers find abhorrent, irrespective of whether the claims have any foundation or not.

Dietary issues are also going to continue to be a challenge whether driven by the animal rights movement, environmentalists or those who genuinely believe that eating meat is bad for their health. It is pleasing to see that the industry has made some gains in this respect with the demonizing of cholesterol and saturated fat having been increasingly challenged in recent years. However dietary guidelines will continue to be an issue that the industry will need to face.

UBR: Finally, Laurie, what does retirement hold or you?

LB: Retirement is still just around the corner as I am easing into it through the current year by continuing to work part time during 2021. Golf is something I do badly but enjoy as one good shot a round encourages me to come back for more. I also enjoy fishing but have not done much of that in recent years. Hopefully that will be back on the calendar in the future but more important is being able to follow the sporting exploits of my grandchildren. Many live close by and are likely to keep me from moving away from my current location anytime soon.

If the occasional opportunity arises to help out someone in the industry I would enjoy doing that but full-time work is not something I see in my future. UB

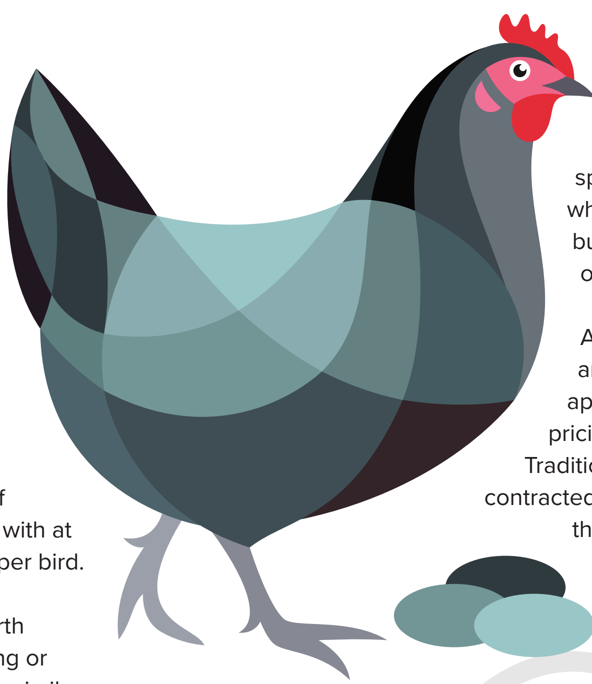
To learn more about The Meat Importers Council of America go to their website www.micausa.org.

Cage-free trends push on through the pandemic...

Legislation looms for U.S. egg market

To say there is never a dull year in the egg industry is likely an understatement, especially considering the volatility we have witnessed in the market over the last decade. Prices hit record highs and lows during that period, motivated by drivers including avian influenza (AI), unprecedented exports, foodservice initiatives, retail promotions, weather events, production highs, and many others. Throw in the current global pandemic—resulting in fresh all-time highs, a historic retail-sales surge, and longer-term foodservice demand destruction—and only one thing is certain when trying to understand the market... and that is uncertainty.

As stakeholders look ahead at what is to come, there is another key factor on the horizon. That is the movement toward broader cage-free demand, put in motion by state legislation and corporate commitments. Most of these timelines extend into 2025, but at the end of the year California's Proposition 12 legislation will mandate that all shell and liquid eggs produced or delivered into the state must come from cage-free housing. In addition to California, shell eggs produced or sold into the state of Massachusetts must come from layers with at least 1.5 square feet of space or more per bird.



Another nine state have already set forth legislation to push for cage-free housing or are pursuing compliance dates within a similar period. This is in addition to corporate commitments from major retail, foodservice, and institutional businesses that spread across the country. Prior to the pandemic, it was estimated that as much as two thirds of total production would need to be in cage-free housing by 2025 in order to meet the demand of individual states and corporate mandates.

Although the demand for cage-free eggs likely will coincide with implementation dates, producers have been ramping up production to prepare for the shift. In the past three years, cage-free layers have nearly tripled, topping 82 million layers and more than 20% of total production. Interestingly, production has been steady to higher in terms of layers, even as the industry pulled out almost 30 million hens between early 2020 and the post-COVID low. The adjustment in layers could also further spur cage-free growth as demand recovers and these birds return.

It appears the industry is well on its way to producing enough cage-free product for the market, but there is still a great amount of uncertainty regarding what customers will do as implementation dates approach. COVID has only made these decisions more complex. Some retail chains have made statements that they will provide the egg their customers want, perhaps giving them an opt-out if there are issues in the supply chain. There is also the question about what the foodservice channel will look like in the future. Chains like McDonald's have pulled their all-day breakfast offering in an effort to streamline operations and speed up the drive-thru. It's anyone's guess when we may see traditional breakfast buffets return to hotels, universities, and other institutional channels, if ever.

As retailers, producers, distributors, and other stakeholders prepare for approaching implementation dates, pricing their contracts is also a pain point. Traditionally, specialty eggs have been contracted on a cost-plus or set price program given the lack of transparency in the spot market due to low overall volume and the premiums associated with marketing these products. Recent advances in production and expected growth have already created a broader spot market. Unfortunately, cage-free surpluses are often moving into conventional markets as conventional eggs, as long as producers forgo typical premiums due to the oversupply in the category.

The egg market has been somewhat of a rollercoaster ride for stakeholders for over a decade. As the industry continues to battle the impact of COVID-19 and international AI issues, corporate and state implementation dates are creeping closer. The shift toward cage-free becoming the predominant production style has begun, and for market participants, it appears to be yet another hurdle to deal with in an already unpredictable market. UB

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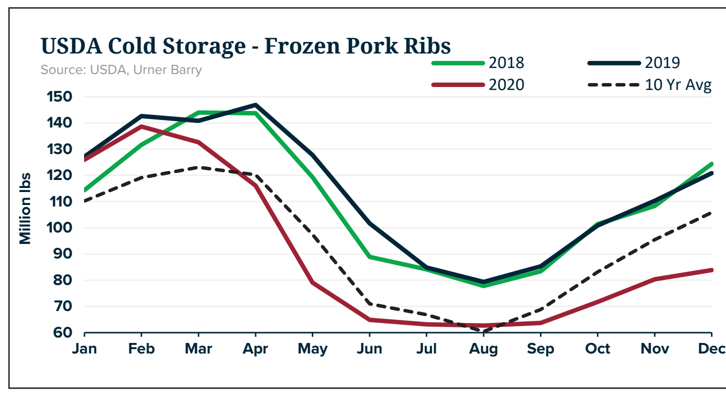
Pork Ribs: Frigid freezer stocks and red-hot prices

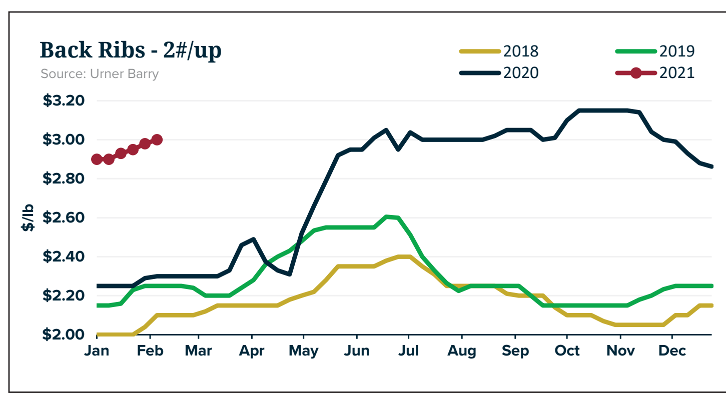
Year in and year out, pork ribs continue to be one of the main sought-after items when the weather warms and the grills fire back up. Spareribs, back ribs, St. Louis style: there is a fan base for every form. Because ribs are so popular during the summer months, the industry utilizes cold storage stocks to compensate for what would otherwise be strained availability of fresh supplies during this peak demand period. However, due to the production disruptions that occurred in April and May of 2020, the industry had been left with low freezer stocks and notably high rib prices for the remainder of the year and into 2021.

When COVID-19 began finding its way into multiple pork plants, the plant downtime and reduced fresh production forced massive withdrawals of product from cold storage in order to satisfy current needs. One of the most affected categories of items when this occurred was that of ribs as Memorial Day and general summer demand was just heating up.

Between February and June 2020, 73.8 million pounds of ribs were pulled from the freezer. This was the largest decline in over 10 years for that window and left a significant deficit of product in cold storage. With the majority of fresh production being utilized through retail or export channels, there was little opportunity to make headway toward filling that void, and thus even by December, stocks in cold storage were 30% under a year ago and 20% under the 10-year average.

When a popular category such as ribs becomes heavily reliant on fresh supplies during the peak demand season, it typically has a bullish effect on price. Looking at back ribs for example, we observed a record setting rally that began during the worst of the production issues in May. Between the consistent domestic retail and export demand, this was a rare instance where prices rallied and then never retraced. As we moved deeper into the year, despite the high prices, selling product into the freezer was a necessity in an effort to build up some of that missing inventory. Without it, the industry would risk compounding what happened this year.





With the spot price of ribs remaining lofty through the end of 2020 and now into the first two months of 2021, retailers could be challenged when the summer demand period approaches. Typically, back ribs receive considerable retail feature activity in the leadup to Memorial Day, but with input costs as high as they have been, what those features will look like and to what frequency they occur will be quite interesting to observe. Certainly, ribs will be available this year, the consumer may just need to work a little harder to find that juicy deal. UB

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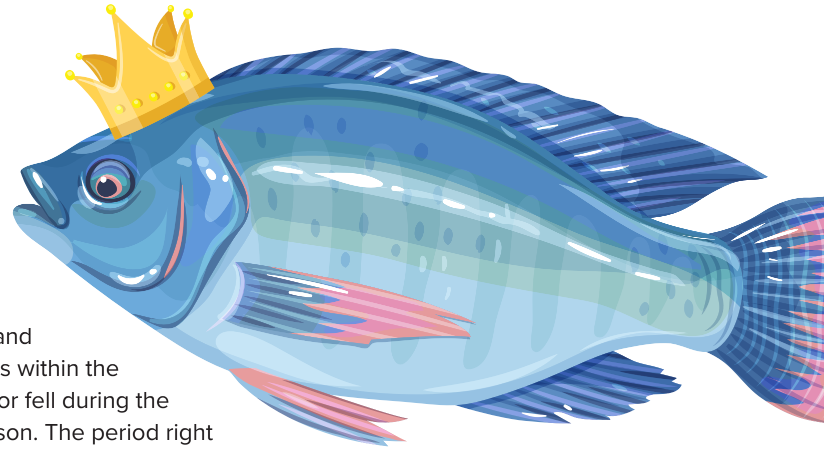
Pandemic, tariffs, and logistical issues can't stop tilapia...

Tilapia reigns at retail



Tilapia frozen fillets is the single largest seafood product imported into the United States from China, making it the fourth most consumed seafood species in the country. So when the pandemic made its way around the globe, it placed about $300 million dollars worth of product in jeopardy. However, unlike many other species who saw import volumes come to a standstill, with market activity either frozen-in-place or offering steep discounts in hopes of enticing sales, the tilapia market remained unchanged and even thrived.

Tilapia's presence within the retail sector flourished in times of quarantine shopping when consumers were looking for value, versatility, and easy to prepare items to stock up on. Tilapia checked off all of those boxes, allowing retail sales to skyrocket throughout 2020. Despite the dramatic fallout from the foodservice and restaurant sectors, tilapia also has a large presence in healthcare facilities and nursing homes so that side of the industry was not a complete wash.

Retail data shows that promotional features of fresh and frozen tilapia fillets within the supermarket sector fell during the 2020 Lenten season. The period right after Lent recorded below the previous 3-year average and stayed that way for much of the remainder of the pandemic year. Tilapia emerged as a competing protein up against chicken, pork, and beef while the U.S. was under quarantine, even without the added push from featured retail promotions. The value, versatility, and ease of cooking within the home are the main reasons consumers continue to showcase tilapia as the seafood of choice on their weekly meal plans.

As far as the outlook for tilapia, the market has strengthened in the first quarter of 2021. The upwards pressure on the market is largely due to logistical issues, including rising freight costs and limited container availability, not to mention the continued weight from tariffs placed on this import species from China. Added pressure stems from product delays as factories overseas shut down earlier than planned prior to the Chinese New Year holiday, with operations expected to remain closed for a certain quarantine period after the holiday. Supply issues are anticipated within the industry through spring 2021, but this is all dependent upon sales activity under higher market prices, as well as Lenten demand. UB

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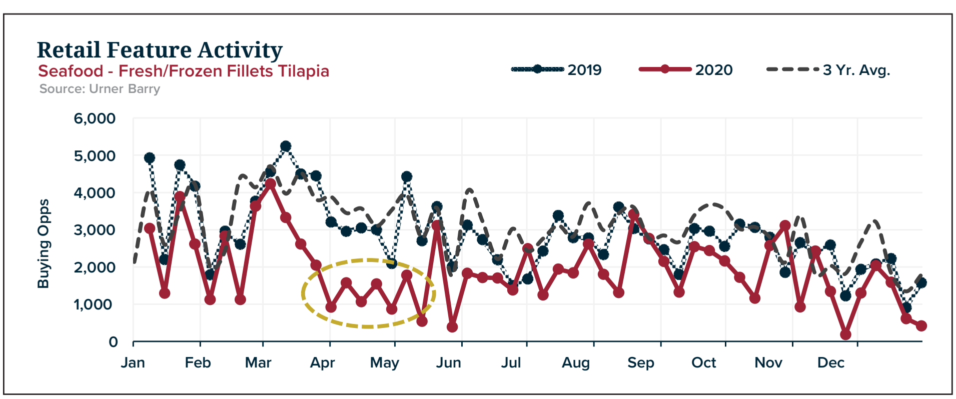

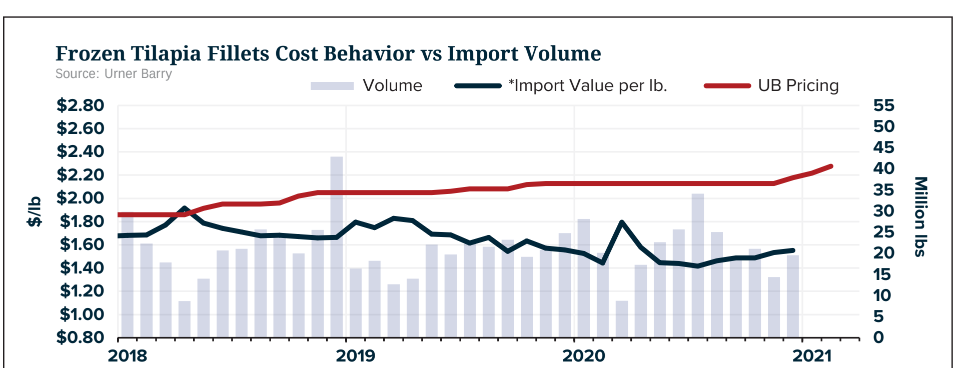

The downward slope continues...

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Lamb and veal production falls to new lows in 2020

Yearly production remained a major factor for both lamb and veal on the domestic front as the 2020 year ended. Lamb and veal rely heavily on white tablecloth dining, and with continued foodservice closures, reports of diminished activity on fine-dining and ethnic-dining have persisted since April 2020.

Veal witnessed an all-time low in production two times in April when plants had to close to stop the spread of COVID-19. After that, veal production continued to stay below or even with 2019 levels and ended the year 13% under 2019. A total average decline of 76% has been observed since 1993 when the USDA began reporting veal.

To end the year, lamb and mutton production was down 63% compared to 1993 and down 6.7% year-over-year when related to 2019. An all-time low on weekly production was witnessed the week beginning November 29, 2020.

Although both lamb and veal have witnessed declines in production, price movement has been minimal compared to previous years due to limited activity in the foodservice sector. Increased activity in the retail sector has helped to counterbalance some excess items in the market, however, even with growth in retail demand, veal cold storage stocks have increased throughout 2020. This can be attributed to most foodservice related items falling flat, leading to an increase year-over-year over 50% for the last four months of 2020.

With the possibility of a COVID-19 vaccine decreasing restrictions and possible foodservice re-openings in several states, there is an undertone of hope for both lamb and veal in the future. UB

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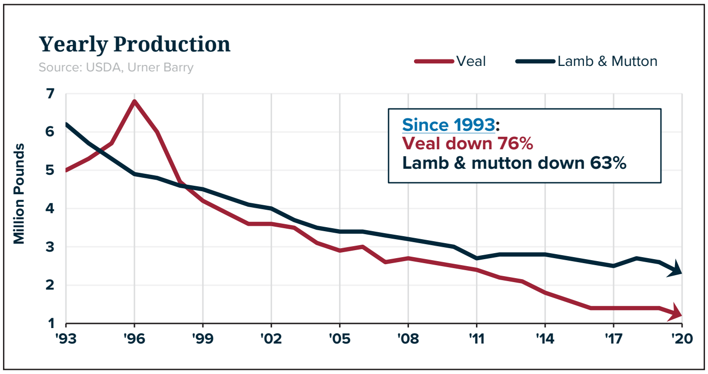

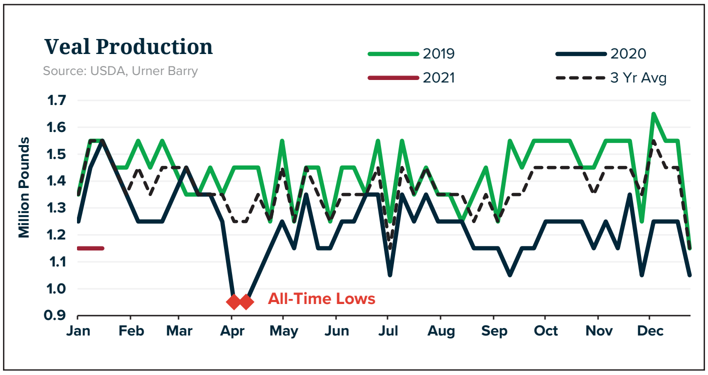

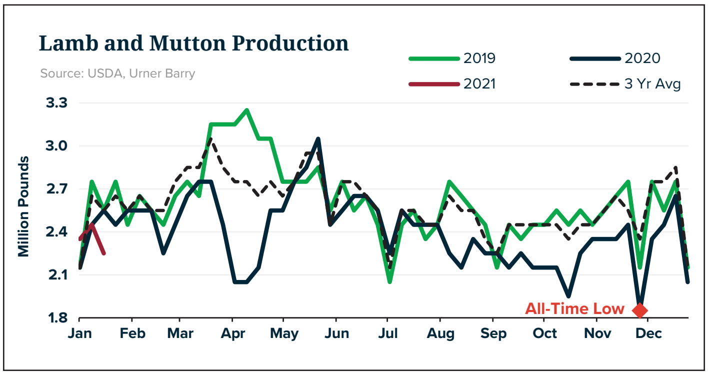

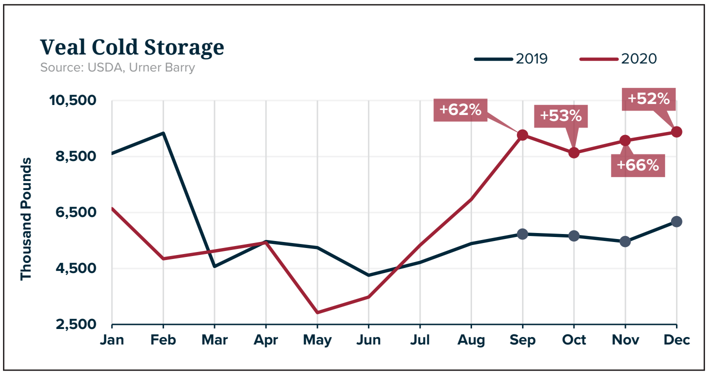

Talking HEMP SEED PROTEIN *with* VICTORY hemp

As consumers increase their demand for food items with "clean label" ingredients and those that are plant-based, organic, non-GMO, and allergen free, plant-based startups rally to provide interesting options that stand out in an ever-crowding space. Over the past several years, hemp has become a common conversational item across rural and urban America, with confusion over its uses, properties, and safety. In the 2014 and 2018 Farm Bills, regulations preventing the production and use of hemp by farmers, businesses, and the American consumer were relaxed, with hemp being removed from the definition of marijuana in the Controlled Substance Act (CSA). Today, hemp seeds, and their associated seed protein powders, have become a popular contender for plant-based food products; even as a main component of meat analogue items like burger patties and nuggets.

A common misconception, hemp seeds do not naturally contain cannabidiol (CBD) or THC, which are compounds found in other parts of the cannabis plant and are regulated under alternative rules by the Food and Drug Administration. The seeds, which boast over 10 grams of protein per 30 gram serving, are high in healthy omega-3 fats, and provide all nine essential amino acids under the generally recognized as safe (GRAS) designation and so are exempted from food additive tolerance requirements. In other words, the GRAS designation allows hemp seeds to be used in formulation of food products.

Victory Hemp Foods, founded after the passage of the 2014 Farm Bill, is a Kentucky based leader in developing high performance hemp-based ingredients. *Urner Barry's Reporter* was fortunate to speak with Chad Rosen, Founder & CEO, Ben Raymond, Director of Research & Development, and Aleah Rouse, Director of Marketing at Victory Hemp Foods, about hemp proteins and their growing use in consumer food products.

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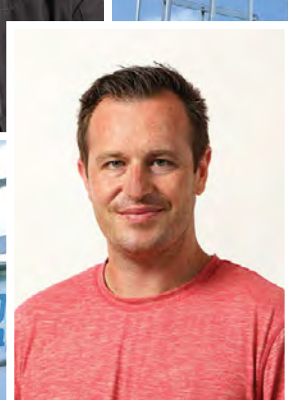

Chad Rosen (left) Ben Raymond (bottom right) with the VHF Facility. Images provided by Victory Hemp Foods

URNER BARRY'S REPORTER: Can you tell us a bit about the grassroots story legalizing hemp seed production and use?

VICTORY HEMP FOODS: There are a few fun stories about how hemp became legal, but in many ways it was a demonstration of the power of grassroots advocacy. Legalizing hemp was an issue that affected political constituents who were in rural areas and desperate to replace some cash crops—in Kentucky, where we're located, that was tobacco. The best show of force came from Kentucky's Commissioner of Agriculture, Jamie Comer, in 2014, when after hemp had been legalized for research through the 2014 Farm Bill, the DEA seized seeds that were bound for legally registered hemp programs in Kentucky. The Kentucky Department of Agriculture, under the leadership of then Commissioner Comer, sued the DEA in federal court and won in the suit, which led to the release and eventual return of the hemp industry in the Bluegrass state.

UBR: What are the main challenges facing the use of hemp seed protein?

VHF: Historically, the main challenge faced by hemp protein has been that the process used to make the product produced an ingredient that overwhelmed the flavor profile. Traditional hemp protein includes the shells of the hemp seed which contain tannins and chlorophyll, contributing to its green color and bitter notes which really limited their adoption in the market by formulators. At Victory Hemp we solved this challenge by developing novel processing that gives us protein from the heart of the seed. The result is V-70™ Hemp Heart Protein which has a very mild flavor profile and a near white color.

As the supply chain scales we expect to reach parity with other high value proteins, which will allow for wider adoption in the market. The other point that needs to be kept in mind is that hemp seeds are oil seeds, so for every pound of protein that is produced an equal amount of oil goes to market. The co-product of V-70™ is our V-ONE™ Hemp Heart Oil which can be used as an ingredient in frozen novelties like plant-based ice cream, spreads, pestos, and dips, as well as in cosmetics and personal care applications and nutritional supplements.

UBR: What makes hemp protein stand out from other plant protein sources like pea protein isolates and soy protein isolates? What makes it a strong candidate for meat analogue products?

VHF: Hemp hearts are tiny, healthy, highly digestible, omega 3 fatty acid and plant protein powerhouses. V-70™ Hemp Heart Protein has some key functional characteristics that make it a great meat analogue ingredient. It's >70% protein on an as-is weight basis. It holds oil and moisture well, helping to create a firm, juicy bite. The proteins coagulate as they are cooked and firm up similar to meat. It's bland and easily flavored, it doesn't require over flavoring or flavor masking ingredients to cover up beany or earthy notes. Consumers are interested in new sources of protein and many are avoiding soy protein. Hemp Heart Protein provides a really great tasting, functional alternative.

UBR: What does a hemp seed protein product taste like if you had to describe it to our readers?

VHF: Our Hemp Heart Protein is bland. That might sound like a poor attribute but it's actually something our customers love because that quality makes it easier to formulate with. It has a really minimal odor and a slightly nutty flavor to match. We made a V-70™ based "burger" recently and it was great. It cooked up nice and juicy and developed the savory, umami flavors we all love.

UBR: We always hear about the sustainability benefits of hemp, could you describe a few?

VHF: Incorporating hemp helps to diversify farm rotations, which encourages a more balanced level of soil nutrients and disrupts established rhythms of pest development.

One of the leading benefits of hemp is that it sequesters carbon. Hemp grows rapidly, creating a significant biomass, and pulls carbon dioxide out of the atmosphere and stores it in the soil. Hemp sequesters upwards of 1.63 tons of CO_2 for every ton of hemp grown, and hemp's deep roots can feed carbon deeper into the soil for long-term storage.

Hemp also helps improve the soil under certain management practices. When a farmer practices minimal-till management, hemp roots provide underground biomass to increase soil organic matter, which in turn increases soil water holding capacity and the farm's ability to withstand drought. Those deep roots also protect against soil erosion caused by monoculture farming, and also loosen the soil for the next crops, which is why hemp is great for crop rotation.

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Hemp is also eco-friendly because the whole hemp plant can be used. The seeds are used for their oil in the food and cosmetic industries; the protein from the seed becomes human and pet food; the straw is used for its strong fibers in agriculture as mulch or livestock bedding. It's also used in the textile industry and is a stronger, more durable option than cotton. In fact, according to The Rodale Institute, hemp seed, oil, and fiber have over 25,000 uses combined.

UBR: What is Victory Hemp Foods' role in the market? What is the outlook for Victory Hemp Foods and hemp seed demand for 2021?

VHF: We straddle a wide section of the value chain. We're improving traits in the seed and developing agronomic guidance that farmers can leverage for productivity and profitability, while developing novel processing and related products. Formulators need to understand how to use the ingredient so we get involved in application development guidance and technical advisory as well. 2021 will be another big year of growth for Victory Hemp as we expand our production capacity three times and help more of our brand partners come to market with products that delight their customers. UB

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BREXIT DEAL REACHED, *BUT AT WHAT COST?*

Following the UK's departure from the single market regime, new year trade with the European Union has been somewhat problematic.

While frustrations have eased somewhat in recent weeks as companies continue to adapt to the new administrative burden, major issues remain.

Despite government efforts to prepare businesses, a wave of post-Brexit paperwork has led to disruptions across supply chains. Described as chaotic customs arrangements, subsequent operational changes have quickly weighed on food exports, with additional costs, export health certificates, and rules of origin creating backlogs at ports.

TIED IN KNOTS

By most accounts, Brexit delays have added another layer of uncertainty on top of existing pandemic-induced hindrances.

While a zero-tariff arrangement bodes well for future trade—as per the establishment of a trade and cooperation agreement—operational changes since the removal from the customs union on January 1 have been significant. Parties on each end of the corridor now trade on a third-party basis with strict new protocols in place. Animal and food exports must clear a host of new checks, including a customs export declaration, health certificate, endangered species permit, common health entry document, storage document and processing statement. In addition to these checks, seafood exports should be accompanied by a catch certificate.

Mixed fortunes continued to be reported across the protein landscape. While some exporters have handled the increased documentation adequately, others have reported that the timeframe in which to produce new documentation does not lend itself to the export of time-critical perishable products such as shellfish and fresh meat.

To protest new red tape and subsequent delays, seafood lorries from Scotland and Devon descended on Westminster in early January. In response, the government hit protesters with fines for breaching COVID regulations.

Integrated supply chains that co-exist across the corridor have also been negatively impacted, which has weighed on the red meat industry. Despite industry calls to resolve groupage issues, lorry drivers have been delayed by several days whilst waiting for the HMRC to process customs documents.

IRISH SEA DILEMMA

Northern Ireland's border with the Republic of Ireland remains a dilemma. New checks and additional paperwork continue to delay the movement of product across the Irish Sea. At the time of this writing, animal-based food checks were suspended at Belfast and Larne ports, with council staff withdrawn from inspection duties amid concerns for their safety. These measures were taken following sinister graffiti messages which described port staff as "targets."

While the once seamless UK/EU trade corridor is now hindered by burdensome paperwork, market sentiment suggests that teething problems will be overcome in due course, though issues such as the Irish Sea dilemma may take longer to resolve than initially anticipated.

Delayed or not, the British will still get their fair share of wine, pasta and olive oil, while Europeans will still enjoy imports of British caught fish and traditionally distilled whisky. UB

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New year, new administration...

POTENTIAL IMPACTS of the Biden administration ON THE PROTEIN INDUSTRY

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As President Joe Biden and his administration begin to gather their footing at the White House, the protein industry sits, eagerly waiting to see what the new leadership in Washington has in store.

Through the early months of the year, Biden has made his picks for key offices public including the nomination of Tom Vilsack as Secretary of the U.S. Department of Agriculture, Michael Regan as the next Administrator of the Environmental Protection Agency, and Katherine Tai as U.S. Trade Representative, alongside other notable nominations.

So far, key industry groups have approved of many of the nominations. The North American Meat Institute (NAMI) applauded the choice of Tai back in December 2020 and the National Pork Producers Council applauded Regan's nomination as head of the EPA.

The nomination of Vilsack will bring a familiar face back to the USDA as he was the secretary for eight years in the Obama administration. With a familiar face in tow, early expectations seemed to be status quo, according to some experts speaking during NAMI's Post-Election Outlook Series at the end of 2020.

"[The USDA, Food and Drug Administration and the Food Safety and Inspection Service] agencies are all led by career employees," Carmen Rottenberg, former Administrator for the USDAs FSIS explained. "These are long-time long-serving government officials who have been carrying out policy for their respective agency and we don't expect to see a big change in those agencies in terms of how they are run."

In regard to Vilsack's upcoming tenure, Rottenberg doesn't expect a "Vilsack part-two" over the next four years. Vilsack could take a different approach when compared to his first stint in the Secretary role.

"I think we are going to see some differences at the sub-cabinet," Rottenberg said. "There was some criticism the last time he was in charge and he will look to build some bridges."

One area many in the industry will be keeping an eye on is Biden's actions when relating to COVID-19 and workplace safety. As of January 31, Biden has kept in place a key action implemented by former President Trump that allows meatpackers to remain open as a part of the country's critical infrastructure.

Democrats have argued that workplace safety in the industry needs to be strengthened, citing multiple outbreaks at meat plants throughout 2020. However, a recent study from the Food and Environment Reporting Network found that COVID-19 infection rates are 60% lower than the general population and have shrunk drastically since May 2020, the early days of the pandemic.

"Meat and poultry workers are substantially less likely to be infected with COVID-19 than the general population as a result of the comprehensive protections instituted since the spring of 2020, when the pandemic's impact on our sector peaked," NAMI President and CEO Julie Anna Potts said. "Meat Institute members are fully committed to continuing these proven measures and moving forward to vaccinate frontline meat and poultry workers as soon as possible and many can even assist in vaccine distribution for all Americans."

Already, Biden has made a few moves impacting the industry, including shutting down a plan to speed up lines at poultry processors, a move being considered by the Trump administration.

Trade is another area where Biden will focus. Early expectations are that the country will take a new approach to trade, which was echoed by Ambassador Darci Vetter, former Chief Agricultural Negotiator, USTR and Global Lead, Public Affairs and Vice Chair in Urner Barry's coverage at the end of the calendar year.

The Phase One trade deal is set to be reviewed by the new administration. White House Press Secretary Jen Psaki said "[the administration] is focused on approaching that relationship from a position of strength, and that means coordinating and communicating with our allies and partners about how we're going to work with China. It means strengthening our economy at home."

Vetter predicted a shift away from tariffs to either show approval or disapproval of China's handling of the trade deal and the potential of the U.S. turning to the World Trade Organization to return to normal trade behavior. UB

Article contributed by **Ryan Doyle**
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State of the Seafood Industry:
AN ANNUAL REVIEW

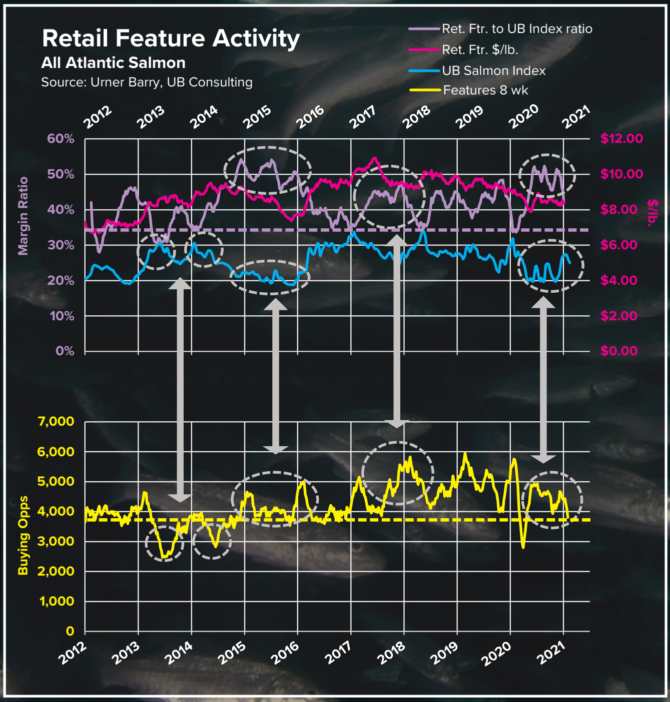
The positives and negatives for the seafood industry out of this pandemic are mostly clear. The exposure from an overcrowded demand at retail was something that many seafood sellers have welcomed despite the painful losses absorbed in the foodservice sector. These losses should not be dismissed, particularly due to the unknown future of the foodservice sector in the near future and in the long term—but neither should the potential stronghold retail presence that many seafood items will be able to retain.

According to IRI data presented during the shrimp panel at the National Fisheries Institute's Global Seafood Market Conference, grocery store sales for seafood on the consumer level grew 37% in 2020 compared to 2019. Further, according to NPD Supply Track data, foodservice sales for seafood declined by about 24%. According to the data presented, seafood sales ended 2020 above 2019 when taking these two data points into account.

These data points on their own have the potential to be misrepresented, so it is imperative to analyze them in additional context. For example, sales in terms of current dollars at retail are for sales to the consumer, which could carry a price margin of 30% or more to the retailer. Also, foodservice sales figures in current dollars cover transactions from broadliners to its operators; this stage is about a step removed from the level of wholesale trade covered by Urner Barry's quotations, and is also removed from the sales captured to the consumer. Therefore, these two points could be very meaningful if adjusted at a comparable trading stage.

In addition, it would be meaningful if we could also compare volume data. For example, according to Nielsen and IRI scanner data, shrimp sales at the consumer level were somewhere in between 415 and 435 million lbs. in 2019. If we apply the growth in U.S. dollars to volume, we would have seen an increase in sales of anywhere between 560 and 587 million lbs., all in commercial net weight. So, at a glance, if we consider total imports of frozen shrimp in commercial weight in 2020 at 1.64 billion lbs. as total supply, (say we do not take domestic landings into consideration, or correct for some margin of error, for simplicity purposes) retail sales in terms of volume would be hovering around 35% of the total.

All of this came in a year where wholesale prices declined for many species, with levels for the main two items—shrimp and salmon—reaching multi-year lows in nominal dollars. While many seafood sellers welcomed the big retail push and exposure, wholesale prices for many items remained subdued. Therefore, it is imperative to point out how the buyer's power strengthened for those in the stage with access to the consumer. We can illustrate this by simply taking two benchmark prices between trading stages. Taking salmon as an example, we can see how average retail feature ad price relative to wholesale prices (UB salmon index, which is a weighted average of UB quotations relative to imports all converted to fillet weight), reached a record high in August and remained hovering around historical highs throughout the year.



Our assessment comes down to basically two assumptions. Many seafood items will benefit from the retail exposure gained from the pandemic as some of that demand will inevitably remain in the long run. We can see this for shrimp, salmon, and other items like pollock, cod, tilapia, and scallops, among others, whose retail sales remained strong after the initial buying rush

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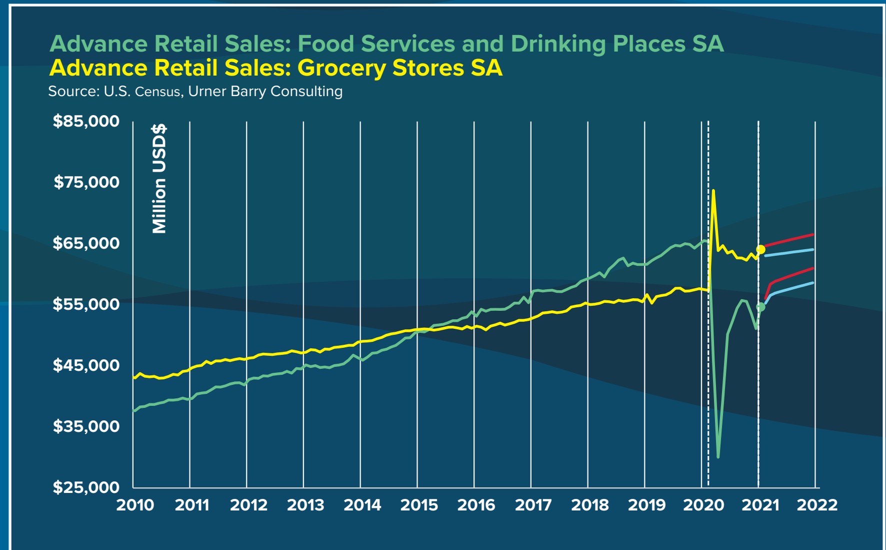
in April, and price elasticity is relatively lower. Secondly, we suspect there will be a swift recovery in the foodservice sector, at least initially and as temperatures across the country warm up. We revised our forecast for these two sectors as recently published data for January threw in figures above our previously published best-case scenario.

Even with some important factors not being very clear—like the likelihood of consumers diverting some of their income into expenditures of other goods and services rather than at the grocery store, or to how restaurant and bar restrictions and capacities will look like beyond the summer—short and medium-term expectations look promising for the seafood industry. This sector's recovery will provide a much-needed demand push not only for the items that were not able to be funneled through the retail channel during the pandemic, but also for those that were already well-established. Consequently, it is very likely that we will see some very welcome price increases at the wholesale level. Yet, we must embrace the possibility of large price swings and their consequences as demand is likely to come back in a shock-like manner. And while this situation is out of the industry's control, many have the opportunity not only to capture old levels of demand, but to also grow their presence in the new channels that emerged due to the pandemic. Since many in this industry rely on those buyers who have access to the consumer, we believe that the role of wholesale prices will be crucial in capturing these opportunities; ultimately, sustained price increases and decreases at the wholesale level are generally passed on to the consumer, and both have long lasting effects with opposite consequences.

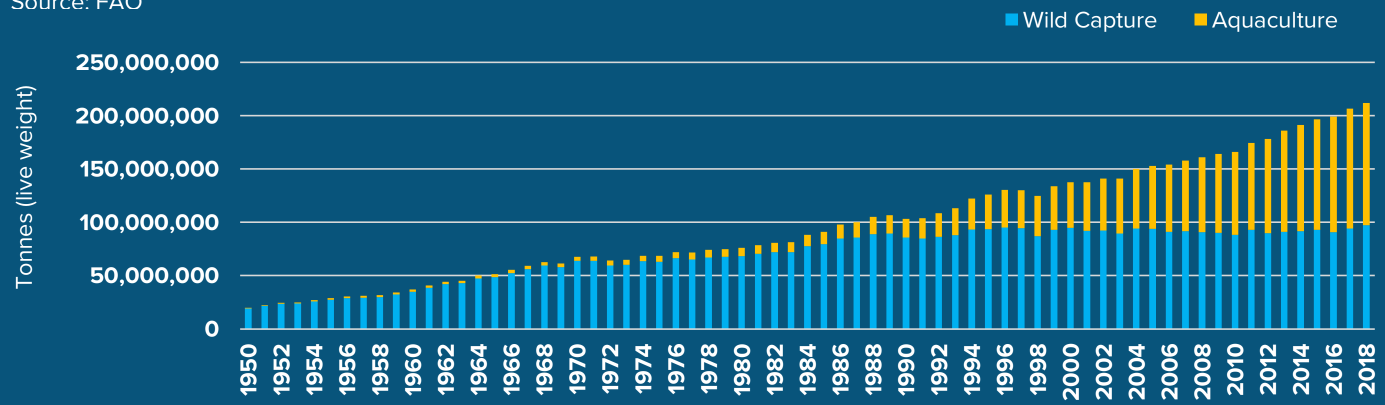


World Trends

Global production of seafood has been growing steadily for decades, reaching 212 million metric tonnes in 2018; double what was produced in 1991. At that time, 82% of total production was wild capture and 18% aquaculture. Since then, wild capture has grown an average of one-half of 1% per year, while aquaculture has grown an astounding 7% annually. The result of this trajectory is that in 2013, aquaculture production exceeded wild capture, and that split now favors aquaculture over wild capture 54 to 46%. The most recent data available from 2018 reveals wild capture production of 97.4 MT versus 114.5 MT for aquaculture.

According to the FAO's 2013 report to the World Bank, global production of seafood is set to increase 23.6% between 2010 and 2030. None of that growth is expected to come from wild capture fisheries; rather, aquaculture is anticipated to grow 61.9% in that timeframe, led by gains in mollusks, carp, and shrimp.

GLOBAL PRODUCTION
Source: FAO



Global Top 10

2018 by Volume

Metric Tonnes
Source: FAO

WILD CAPTURE

	Species	*mt*
1	Marine fishes nei	10,353,236
2	Anchoveta (Peruvian anchovy)	7,044,950
3	Freshwater fishes nei	6,174,877
4	Alaska pollock (Walleye)	3,396,608
5	Skipjack tuna	3,161,308
6	Atlantic herring	1,820,173
7	Blue whiting (Poutassou)	1,711,550
8	European pilchard (Sardine)	1,608,412
9	Pacific chub mackerel	1,557,090
10	Yellowfin tuna	1,458,061

	Countries	*mt*
1	China	14,831,310
2	Indonesia	7,260,640
3	Peru	7,208,409
4	India	5,342,888
5	Russian Federation	5,116,900
6	United States of America	4,756,997
7	Vietnam	3,347,039
8	Japan	3,207,125
9	Norway	2,658,388
10	Chile	2,369,456

AQUACULTURE

	Species	*mt*
1	Japanese kelp	11,448,250
2	Eucheuma seaweeds nei	9,237,530
3	Grass carp (White amur)	5,703,950
4	Cupped oysters nei	5,171,066
5	Whiteleg shrimp	4,966,241
6	Silver carp	4,788,493
7	Nile tilapia	4,525,431
8	Common carp	4,189,524
9	Japanese carpet shell	4,139,157
10	Gracilaria seaweeds	3,454,778

	Countries	*mt*
1	China	66,135,059
2	Indonesia	14,772,104
3	India	7,071,302
4	Vietnam	4,153,323
5	Bangladesh	2,405,416
6	Philippines	2,304,361
7	Korea	2,278,850
8	Egypt	1,561,457
9	Norway	1,355,117
10	Chile	1,287,233

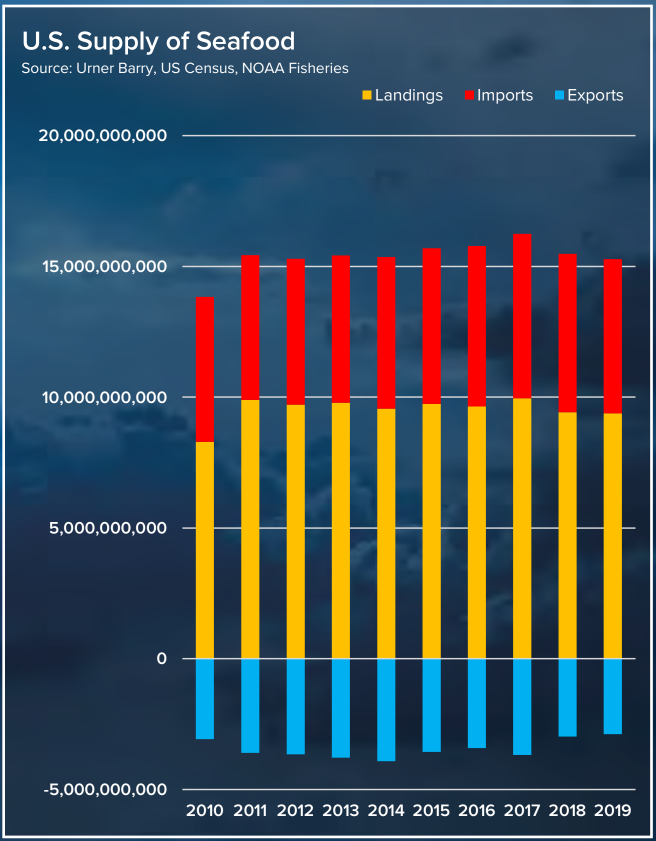
U.S. Trends

There has never been more seafood available in the U.S. than right now. From 1999 to 2019 the net supply has grown 0.73% per annum, which means there was 15.6% more seafood available to the seafood consumer in 2019 than in 1999. Imports have driven most of this growth (+1.86%), but wild capture production (+0.16%) also increased in the last 20 years.

Commercial landings were 9.379 billion pounds, valued at $5.529 billion in 2019—a decrease of 44.19 million pounds (-0.47%) and a decline of $82 million (-1.5%) compared with 2018. The top species in terms of volume was Alaska pollock (3.35 billion pounds) and in terms of value, American lobster ($630.63 million).

Total imports were 6.092 billion pounds, valued at $21.497 billion in 2020—an increase of 195.78 million pounds (+3.32%) but a decline of $515 million (-2.34%) compared with 2019. Shrimp was the most imported item, accounting for 1.649 billion pounds of the total.

Total exports were 2.41 billion pounds valued at $4.205 billion in 2020—a decline of 473.84 million pounds (-16.43%) and a decline of $888 million (-17.45%) compared with 2019. Alaska pollock was the most exported item, accounting for 1.649 billion pounds of the total.



Top 10

2019 U.S. Landings

Source: NOAA Fisheries

VOLUME

1	Pollock, walleye	3,353
2	Menhadens **	1,507
3	Hake, pacific (whiting)	698
4	Cod, pacific	464
5	Salmon, pink	395
6	Salmon, sockeye	290
7	Sole, yellowfin	276
8	Crab, blue	147
9	Rockfish, pacific ocean perch	140
10	Mackerel, atka	127

Millions Pounds

VALUE

1	Lobster, American	$631
2	Scallop, sea	$570
3	Salmon, sockeye	$466
4	Pollock, walleye	$388
5	Shrimp, northern white	$256
6	Crab, blue	$206
7	Crab, dungeness	$205
8	Oyster, eastern	$187
9	Menhadens **	$148
10	Tuna, bigeye	$127

Millions Dollars

2020 U.S. Imports/Exports

Source: Urner Barry/ US Census

IMPORTS

1	Shrimp	1,649
2	Salmon	984
3	Tuna	715
4	Tilapia	421
5	Crab	259
6	Catfish	210
7	Cod	148
8	Lobster	107
9	Pollock	107
10	Squid	99

Millions Pounds

EXPORTS

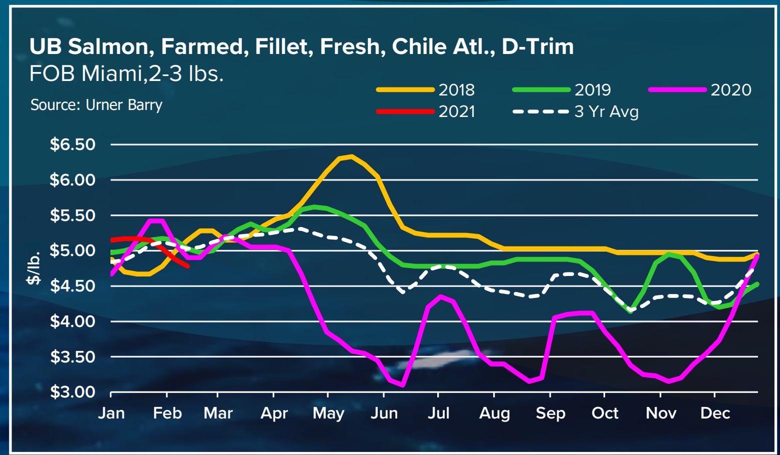
1	Pollock	714
2	Salmon	314
3	Soles	183
4	Hake	170
5	Squid	105
6	Cod	98
7	Mackerel	73
8	Lobster	73
9	Ocean Perch	63
10	Crab	30

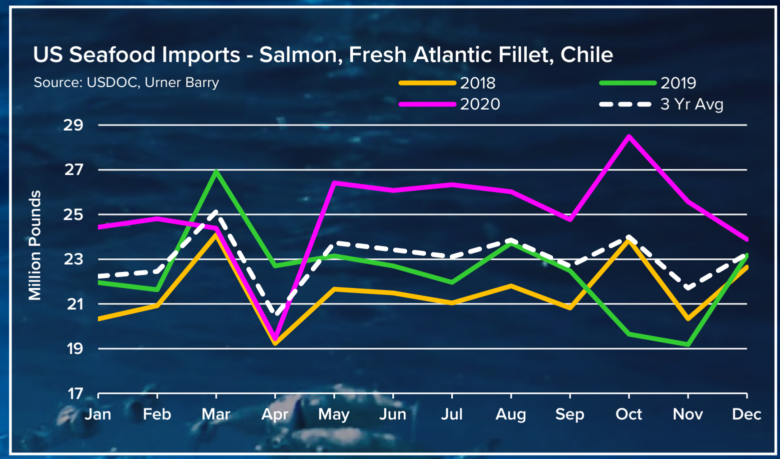
Millions Pounds

FINFISH: Salmon

The start of Lent for the fresh farmed salmon complex was a sluggish one. Severe weather greatly impacted demand for most of the country. Both Valentine's Day and Ash Wednesday were not reported to be as busy as the market has seen in years past. Moving forward, from a historical standpoint, Lent is one of the busiest times of the year for farmed salmon and there is the anticipation that the market will bounce back as weather improves, along with less restrictions on foodservice heading into the spring.

Imports ended the year for fresh farmed whole salmon down 11.1%, with the biggest decreases out of European producing countries—Norway, Scotland and the Faroe Islands. Conversely, Chile was up over 35% in 2020 for fresh whole fish. Fresh farmed salmon fillets saw an 8.7% increase to end 2020, with Chile surpassing 300 million pounds imported into the U.S. market; an all-time high.

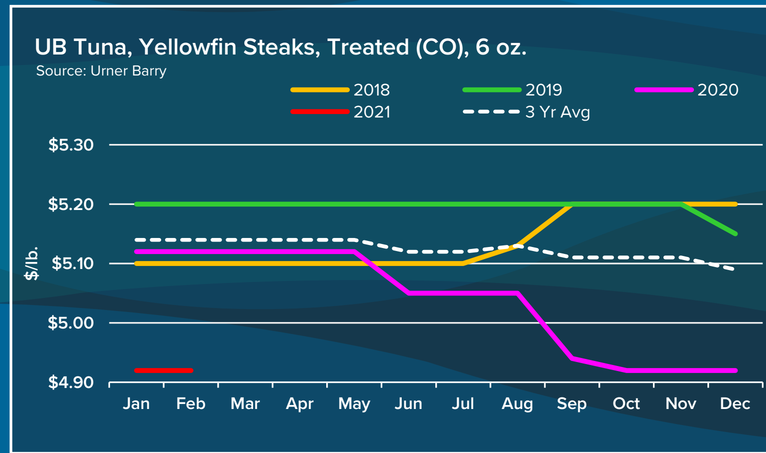


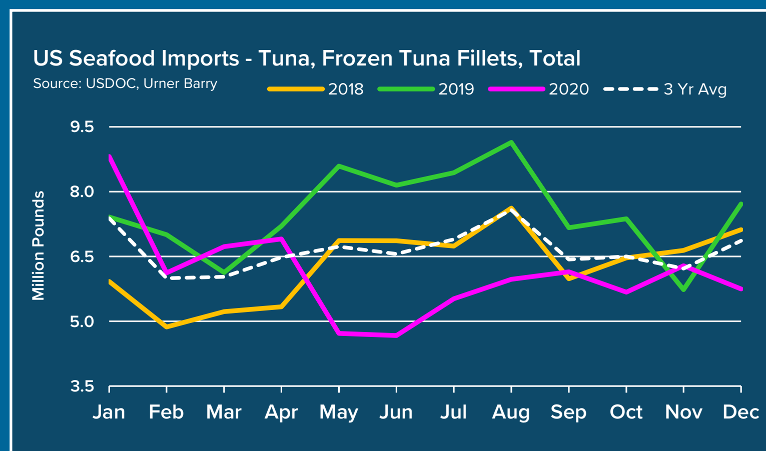


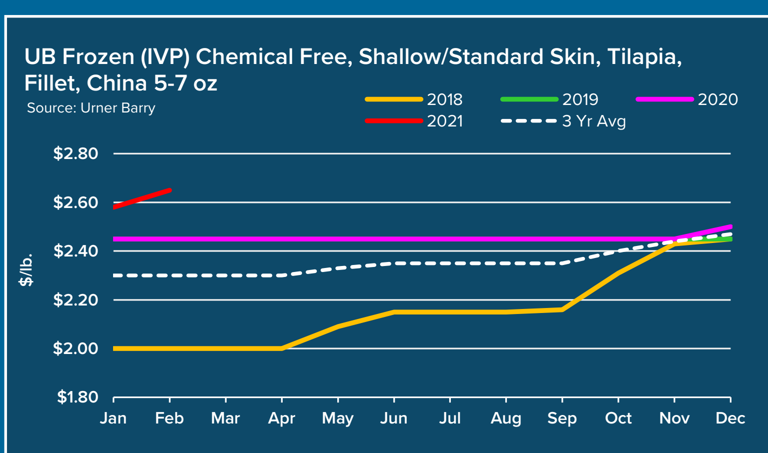
Tuna

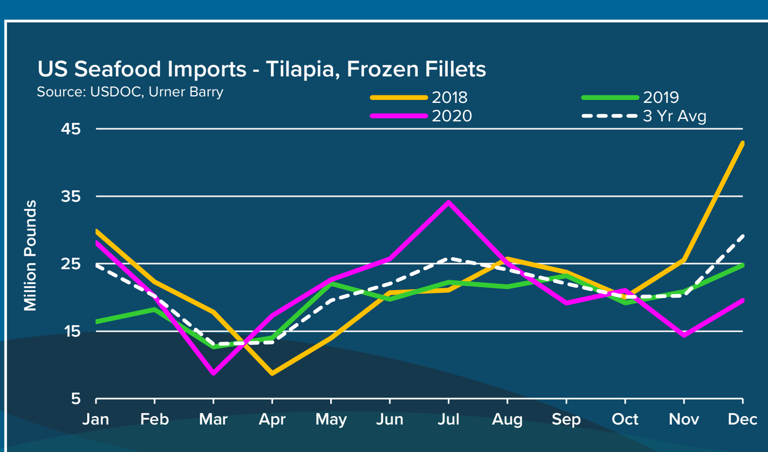
The frozen tuna market is steady after adjusting to the downturn in demand from the foodservice sector. Early in the pandemic, importers wished to reduce burdensome inventories and offered discounts to thin holdings. Market prices for frozen 6 oz. steaks are trading 4% lower than this time last year. At these levels, volume sales are reported to both the retail and the re-emerging foodservice market.

Total frozen imports from all countries for calendar year 2020 registered 73.3 million pounds; 18.5% less than the record import volume year 2019. Although imports trended lower year-over-year, 2020 was the third highest year in terms of volume. Even with a healthy supply, demand has kept pace. Many traders in the U.S. have reported steady to improving sales, largely helped by steady prices. Orders are being placed to secure product and build inventories for the second half of the year. Rising freight costs, shipment delays and lack of raw material in Vietnam have resulted in higher replacement costs overseas, however, these factors are currently being absorbed by the market.









Tilapia

Tilapia is seeing upwards pressure that began in Q4 of 2020 when freight costs skyrocketed with little to no container availability as the market was edging closer and closer to seeing the supplying country prepare for their Chinese New Year holiday. Final shipping dates prior to the holiday were moved up somewhat unexpectedly as 14-day quarantines for workers returning home caused factories to close earlier than anticipated. There were also expectations of the holiday to be extended for additional quarantine measures on the way back to work.

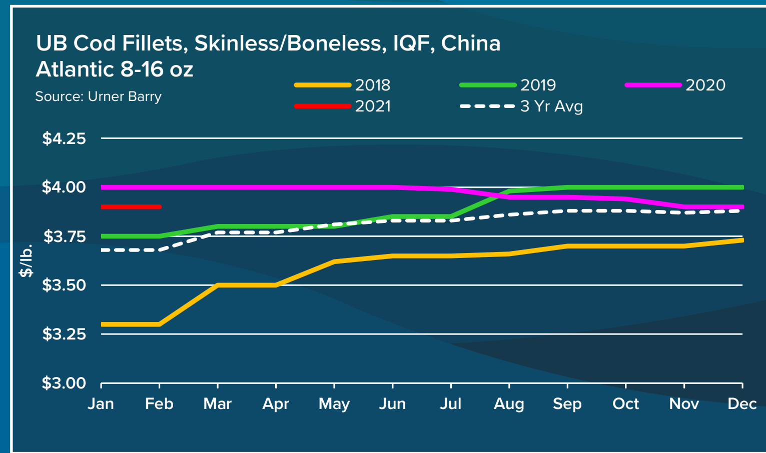
Farmers reportedly harvested the ponds prior to their holiday leave, with the industry anticipating a shortage of fish through late spring or early summer while waiting for the next harvest in June, thus, the increase in price. Supply issues stemming from a shortage of raw materials—as well as not getting out all orders prior to closing early for the holiday— are expected to be seen through May and even June.

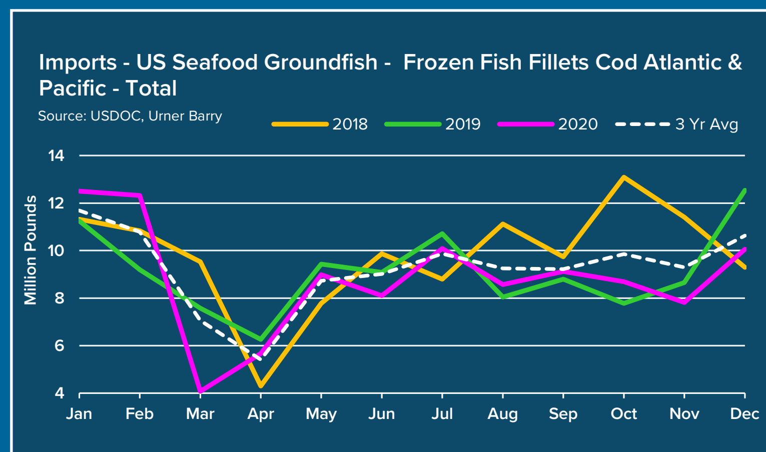
FINFISH: Cod

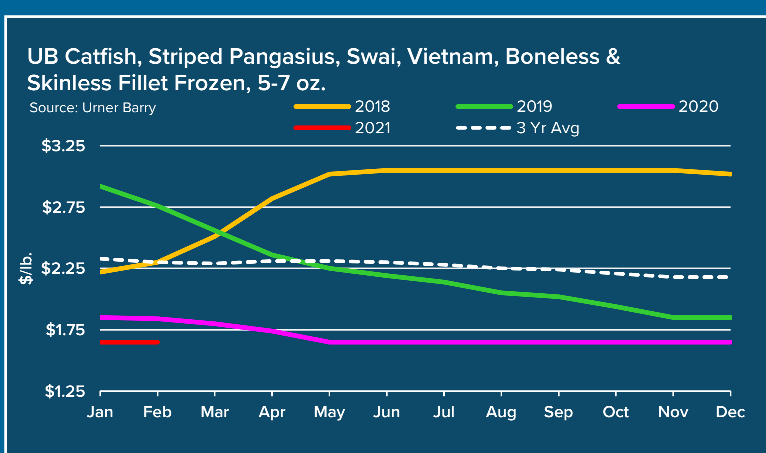
As of the start of the Lenten season, the market for imported, twice-frozen Atlantic cod remains steady after a gradual weakening throughout 2020 with the sudden fallout from foodservice.

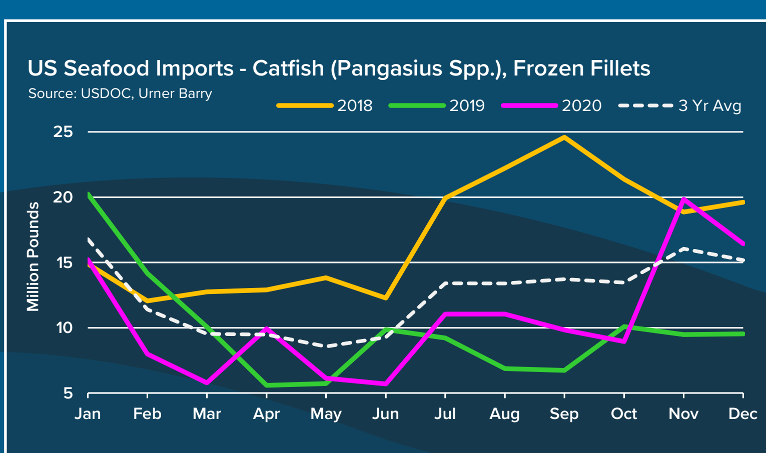
The 2021 Atlantic cod quota for Russia and Norway is seeing a 20% increase totaling 885,600 metric tons to be split between the two countries, as well as others. With a lackluster catch from these major supplying countries, firm prices are currently supported. The determining factor on price movement in the weeks and months ahead will depend upon recovery here in the U.S., whether retail demand continues strong, or if out-of-home dining gradually increases.

Overall, frozen fillet imports of cod have been trending down since 2017. Total 2020 imports report 106 million pounds, falling 6.7% below the previous 5-year average or by 7.7 million pounds.









Pangasius

The market for Vietnamese pangasius is still in a rebuilding phase after boasting record high wholesale prices through 2018 when farming of the species increased and U.S. imports were strong. With higher volumes in inventory, and reports of consumption trailing off, prices fell to record lows and inventory levels became burdensome. Importers began dumping product to take advantage of lower replacement prices overseas. Then COVID-19 hit and foodservice demand came to a halt. 2019 and 2020 import figures were the lowest we have seen since 2010.

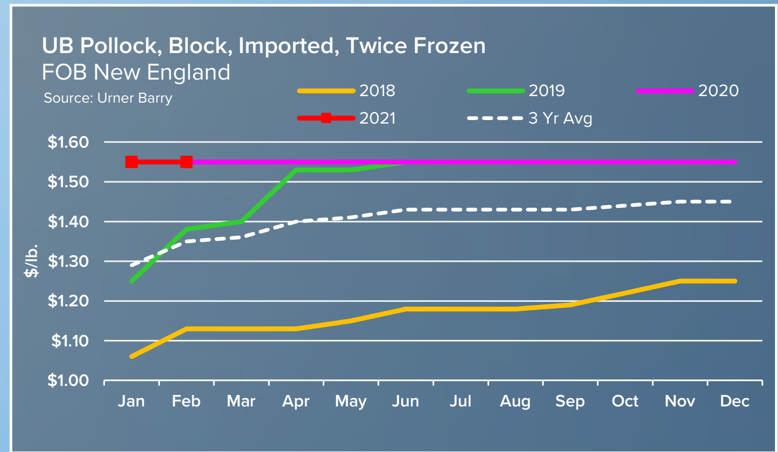
Although the market is slowly strengthening, along with a slight uptick in demand in the past few months, the market remains mostly steady, not passing higher prices along to the consumer until the market can secure more upwards positive movement on the sales and demand side. The industry continues to be cautiously optimistic with an expectation of the foodservice sector rebuilding into the coming summer months.

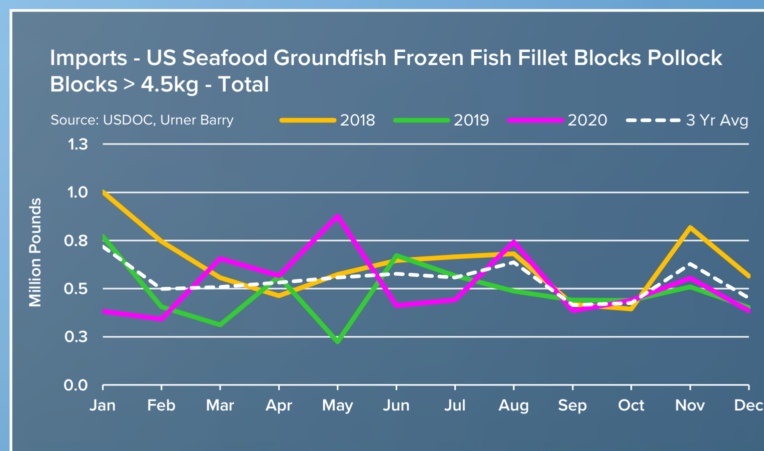
Pollock

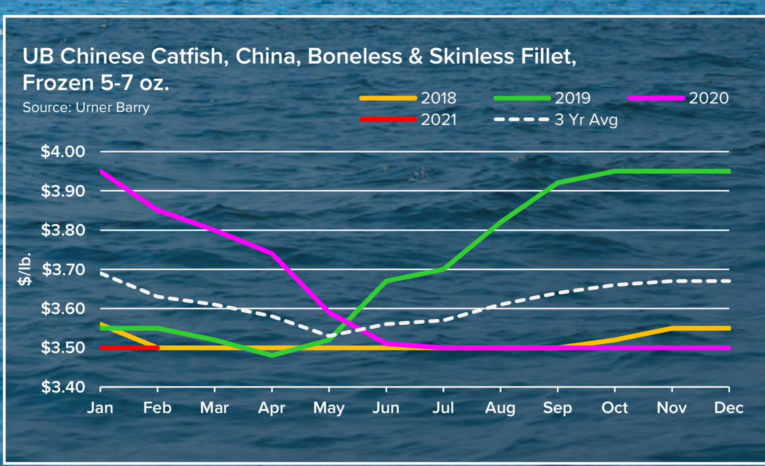
Processed pollock fish blocks are seeing record high pricing leading into the 2021 Lenten season. Supply issues stemming from changing fishing patterns, including smaller, younger fish classes into the fishery, fish moving farther into FAO 61 area, as well as the pollock not traveling in tightly knit schools, have all been factors in production slowdowns and supply issues. The 2020 quota was not met—which is a first in eight years—laying the groundwork for supply issues to follow into 2021.

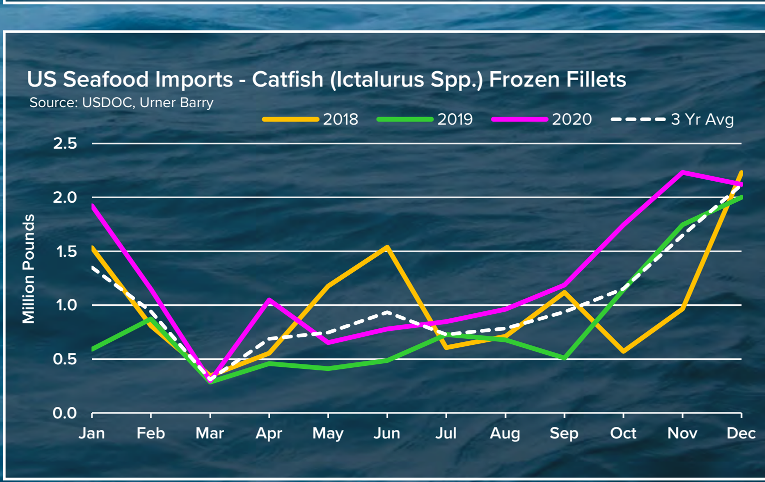
The Bering Sea total allowable catch for 2021 is 1.3 million metric tons, 3.5% less than the 2020 total allowable catch. Due to coronavirus setbacks, the January 20 start of the 2021 A season has had a rocky start, only seeing a portion of the vessels out fishing, while others are waiting on extra quarantine measures for their crew before embarking.

With global demand intact and constrained supply, the industry is eager to see how the 2021 A season shapes up.









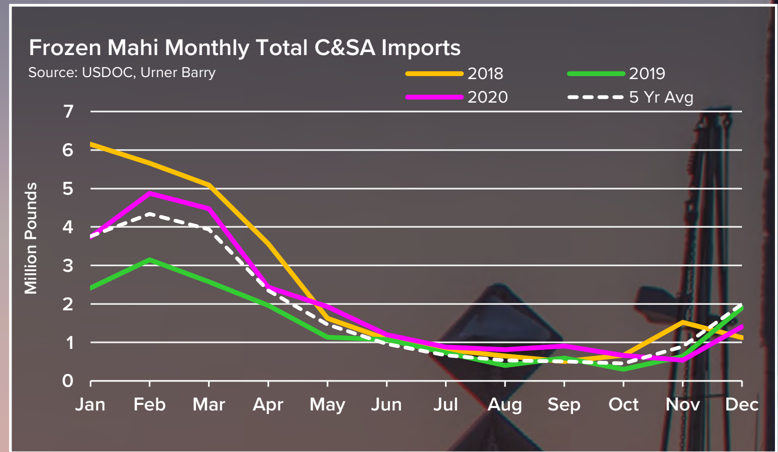
Catfish

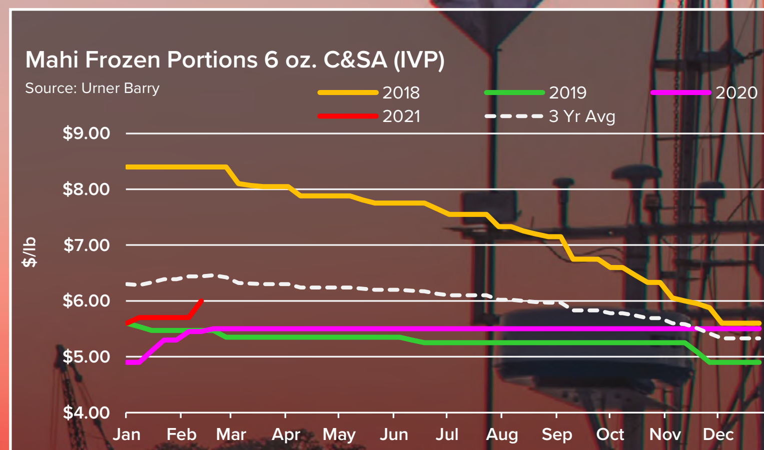
Chinese catfish, which holds a much smaller market share within the U.S. than tilapia, is priced at a premium and has managed to remain steady in the wake of recent rising costs seen on tilapia. Increased costs, such as a rise in freight, typically affect less expensive species first and have a larger impact compared to premium products. While Chinese catfish is experiencing rising freight costs, with steady sales and continued supply into the market, wholesale prices have remained unchanged. However, a close eye remains on the market as these factors are building upwards pressure. If costs continue to escalate, or higher outside prices continue to put pressure on the market for a longer period of time, increased wholesale prices are likely.

Mahi

The 2020-2021 mahi fishing season in C&SA has gotten off to a slow start. Imports for the season year-to-date (Oct.-Dec. 2020) from C&SA registered 2.6 million pounds, down 8.45% compared to the same time last year and trailing its 5-year average by 22%. During this time Ecuador shipped 1.7 million pounds compared to 1.48 million pounds for the previous season; a 16.9% increase. However, Peru struggled, shipping 763,708 pounds; 31.10% less product than the 2019-2020 season. This is the lowest import volume from Peru for the start of the season since 2007.

Low catches in Peru and Ecuador have driven replacement costs from this region higher. The U.S. frozen mahi market has firmed as those with thinning inventories raised prices to hold on to available supplies and to ensure commitments are fulfilled. Prices for 6 oz. C&SA portions are trading at an average price of $5.76; 5.2% higher than this time last year. Importers are closely monitoring their current inventory, adjusting their buying decisions as they weigh current production and demand.

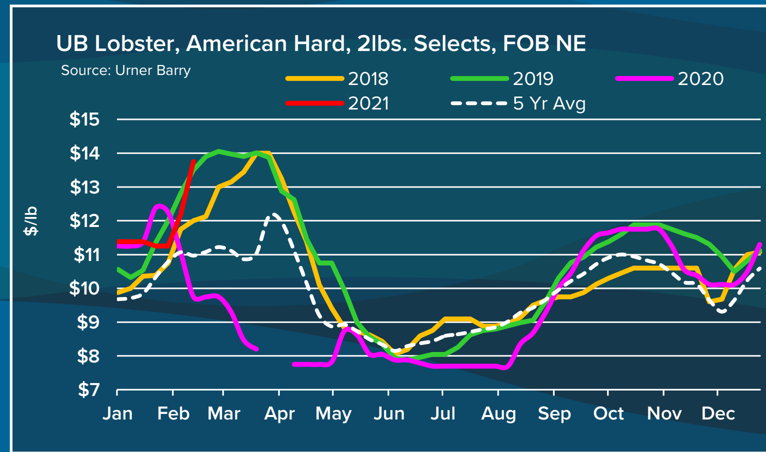


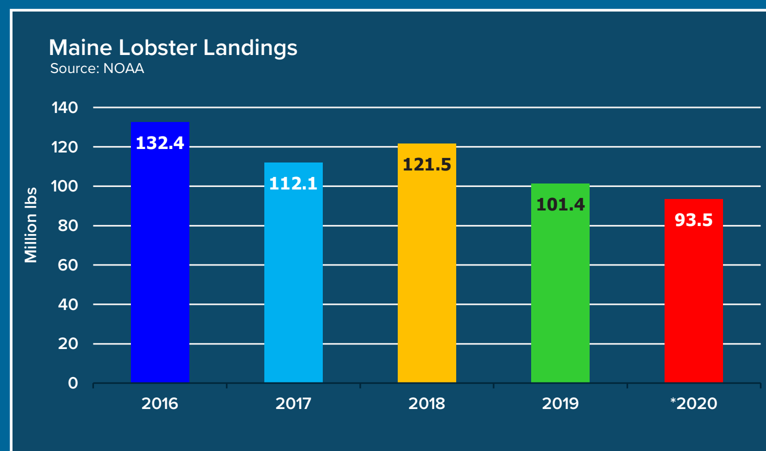


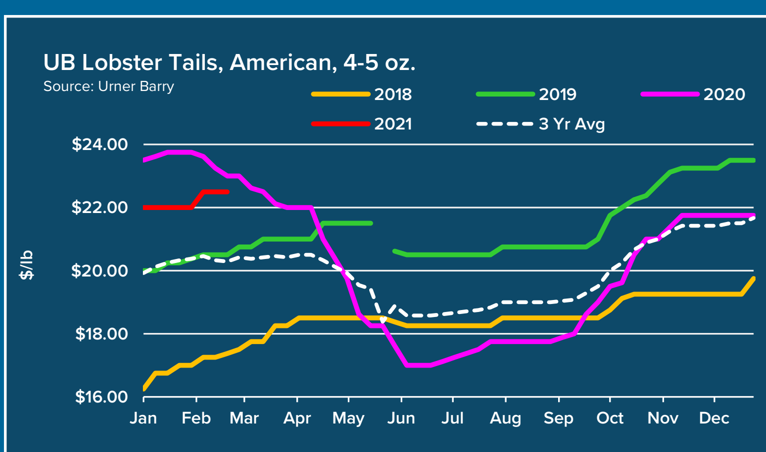
SHELLFISH: Lobster

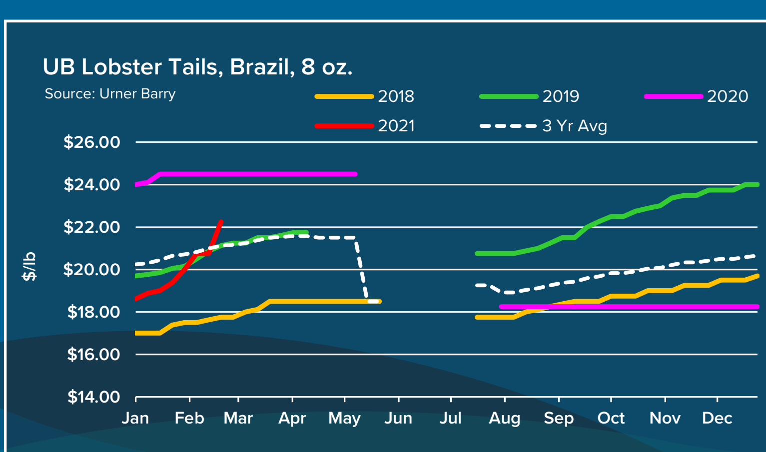
According to NOAA, preliminary Maine landings for 2020 are estimated to be 93.5 million pounds; down 7.15% compared to 2019, with Q4 landings 15% lower than Q4 2019. Winter weather delayed the opening of the Canadian fishing season in December and has continued to limit the days at sea. As a result, acquisition pricing remained robust through the end of the year and into 2021.

As fishing efforts and landings in the fall began to diminish, product availability remained tight heading into the Chinese Mid-Autumn festival and the Christmas holiday. Competition from shippers, processors, and the live market resulted in firm market prices in Q4. NE hard shell select prices outpaced its 5-year average in Q4 by 5.8%. The tight supply scenario has continued into 2021 as demand for Valentine's Day and the Chinese New Year coincided. Since the beginning of the year, average market prices for NE selects are trading 10% higher than its 5-year average. Limited pounded product that bridges the gap until the Canadian Spring season is tight.









Frozen Lobster

Frozen lobster products were expected to be one of the most negatively impacted markets by the pandemic. To a degree it was. All markets corrected after an initial period of shock, but at somewhat different paces; about 20-25%. After the price action the markets ranged from stable to firm. In addition to constrained supplies and somewhat restricted replacement, an attractive price point and the rapid adoption at retail resulted in the markets exhibiting strength through Q4 and into 2021.

Imports of all lobster products declined 11% in 2020; 106.8 million pounds compared to 119.9 million in 2019. That shortfall was created almost entirely by a decline in shipments from Canada.

Imports from Canada totaled 91.1 million pounds; 12.2% less than in 2019. All categories were lower year-over-year: live (-9.3%); in-shell products (-12.5%); meat (-14.3%); and prepared (-42.8%). Imports of warm water lobster tails in the year amounted to 12.6 million pounds; a 9.2% increase from 2019. Imports of cold-water lobster tails from other countries declined 7.5% in 2020.

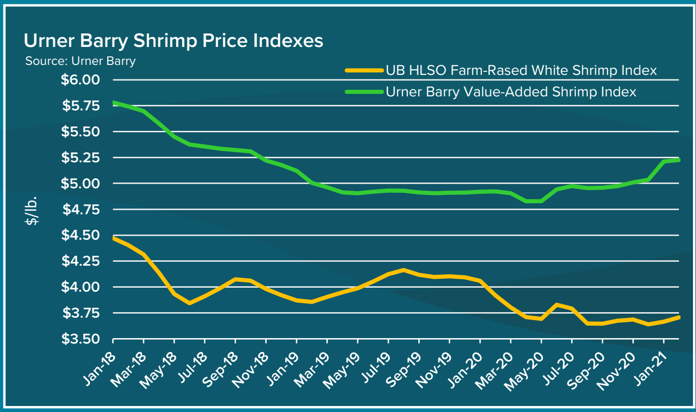
SHELLFISH: Shrimp

U.S. shrimp imports set another record in 2020, marking the sixth straight year. 1.65 billion pounds of shrimp was imported in 2020, an increase of 106 million pounds or 6.3%.

Our top five trade partners remained unchanged, but India (-3.8%) and Thailand (-4.3%) shipped less, while Indonesia (+20.7%), Ecuador (+51.5%), and Vietnam (+9.4%) shipped more, filling the void where the former failed to do so.

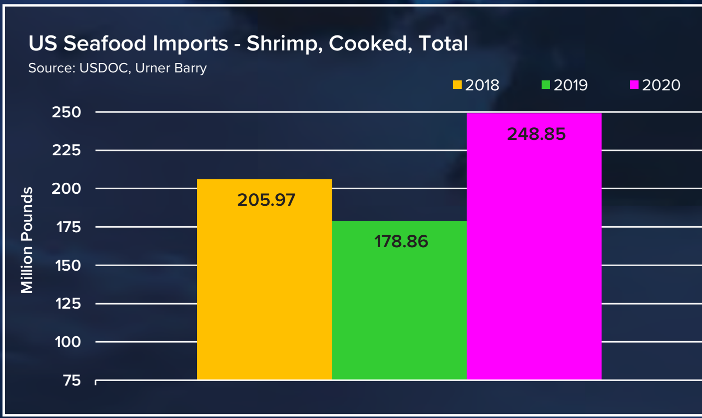
In terms of product form, the U.S. imported more headless shell-on, which includes easy peel (+9.6%), cooked (+39.1%), and breaded (+0.2%), but less peeled (-2.8%).

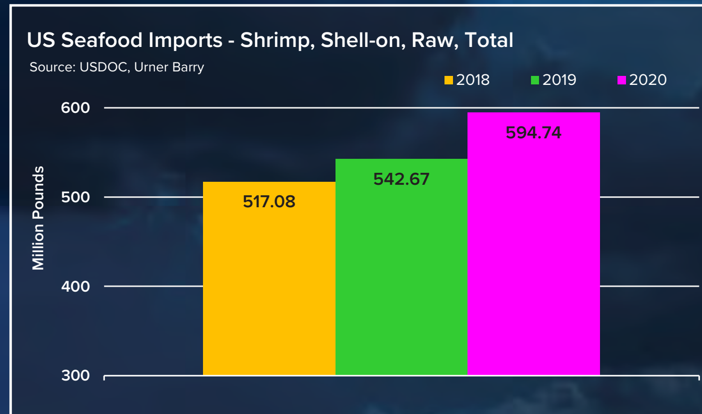
The pandemic had a material effect on the market and the products imported. HLSO was diverted to the U.S., who became a willing trade market when Ecuador was unable to ship to China. Cooked shrimp provided convenience for consumers and became demanded by retailers. Peeled production was impacted due to COVID-19 in producing countries.

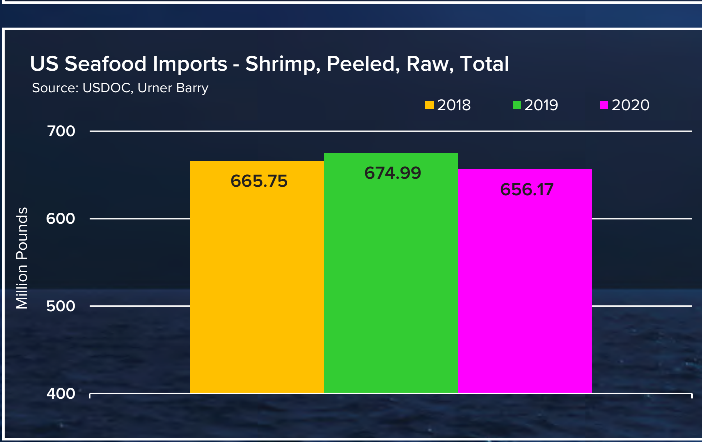


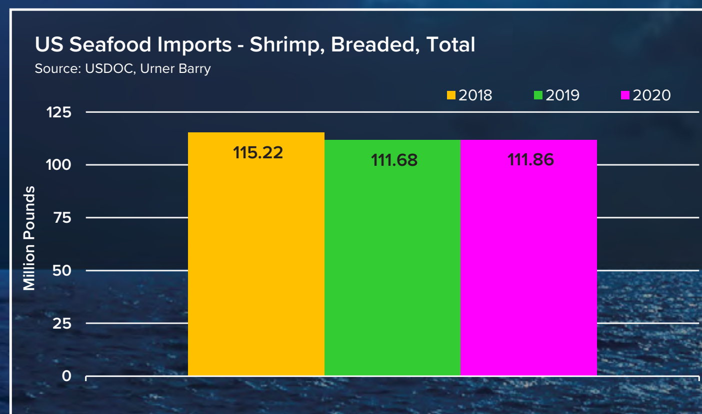
As the focus shifted from foodservice towards retail, size became a major factor in demand. There was a clear line between 16-20 and 21-25 count shrimp and how the markets were impacted; the larger suffered due to loss of dine-in opportunities while the smaller flourished at retail and takeout.

The white shrimp index, which measures the relative strength or weakness in the overall white shrimp market, fell to multi-year lows in 2020. A similar index which measures the relative value of value-added shrimp experienced similar. Despite increased interest, prices fell under the weight of increased supplies.


US Seafood Imports - Shrimp, Cooked, Total
Source: USDOC, Urner Barry
2018
2019
2020
Million Pounds
250
225
200
175
150
125
100
75
205.97
178.86
248.85

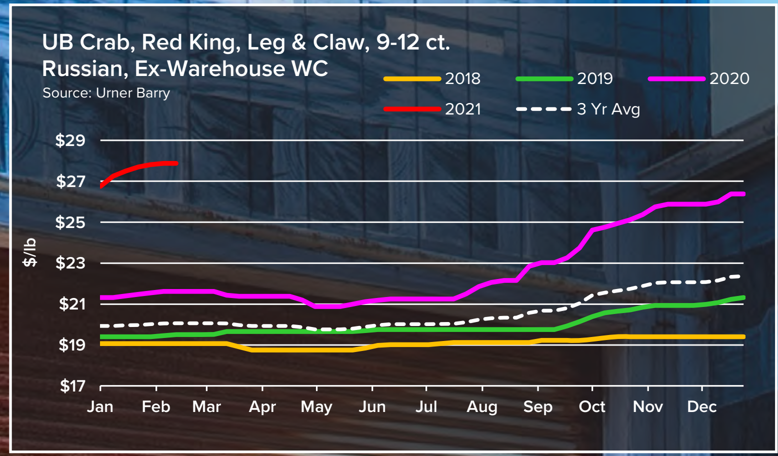

US Seafood Imports - Shrimp, Shell-on, Raw, Total
Source: USDOC, Urner Barry
2018
2019
2020
Million Pounds
600
500
400
300
517.08
542.67
594.74

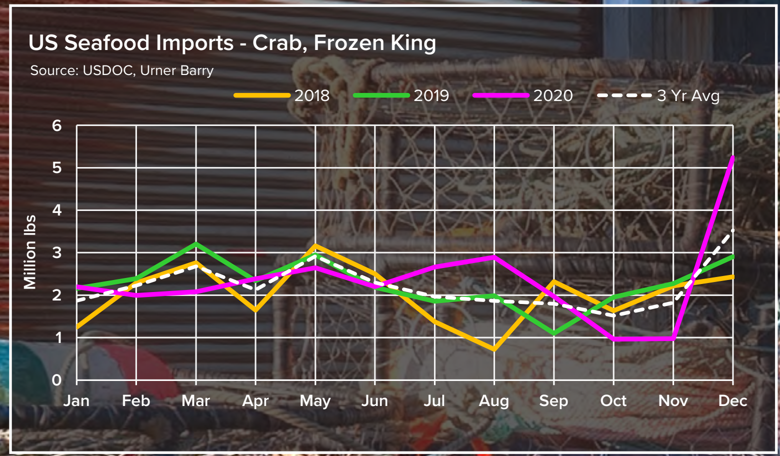

US Seafood Imports - Shrimp, Peeled, Raw, Total
Source: USDOC, Urner Barry
2018
2019
2020
Million Pounds
700
600
500
400
665.75
674.99
656.17


US Seafood Imports - Shrimp, Breaded, Total
Source: USDOC, Urner Barry
2018
2019
2020
Million Pounds
125
100
75
50
25
0
115.22
111.68
111.86

SHELLFISH:

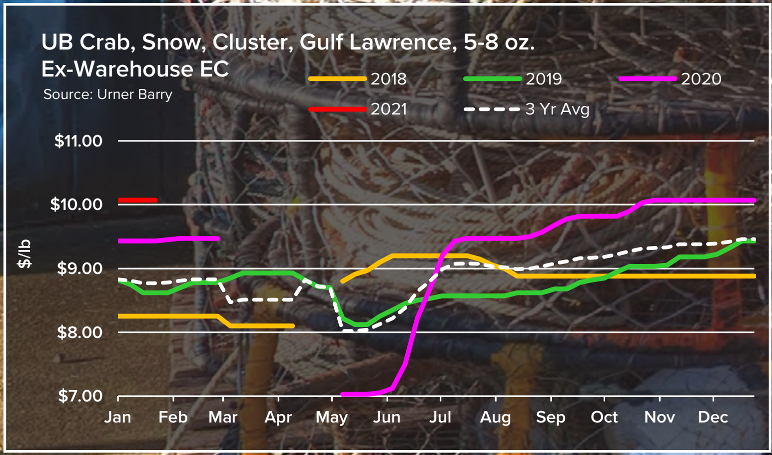
King Crab

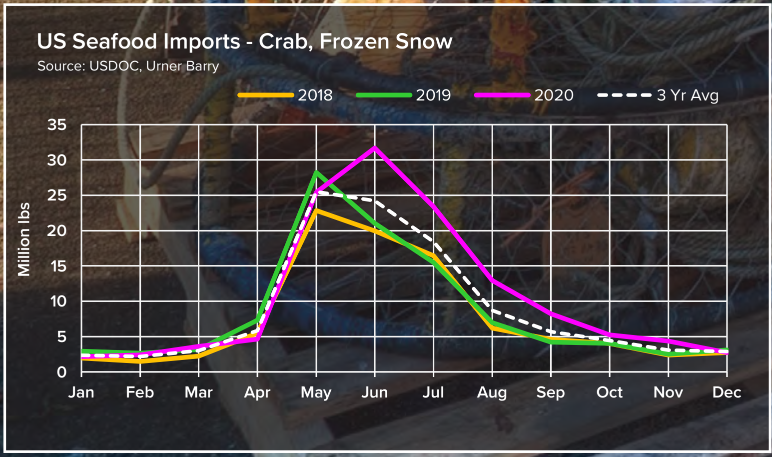




The king crab market in the U.S. saw a strong end to 2020 with December imports up 437% in comparison to the previous month, and year-to-date imports up 3.3%. Russia, the main driver in the category, imported 25.3 million pounds in 2020, which is 2% higher than the previous year.

Despite the global pandemic, the entire crab complex has been extremely strong these past several months and leading into the early spring of 2021. All sizes of Russian red and golden king crab are at all-time highs, with supplies of larger sized crab extremely tight. Inventories across the category are thin and many market participants report they are allocating product.



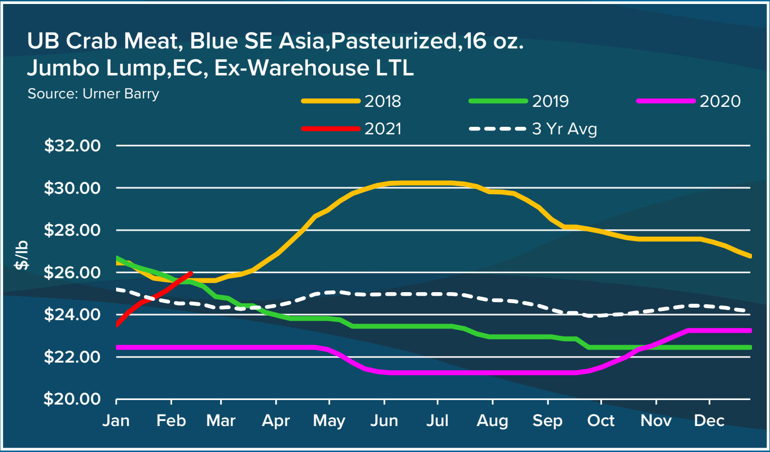


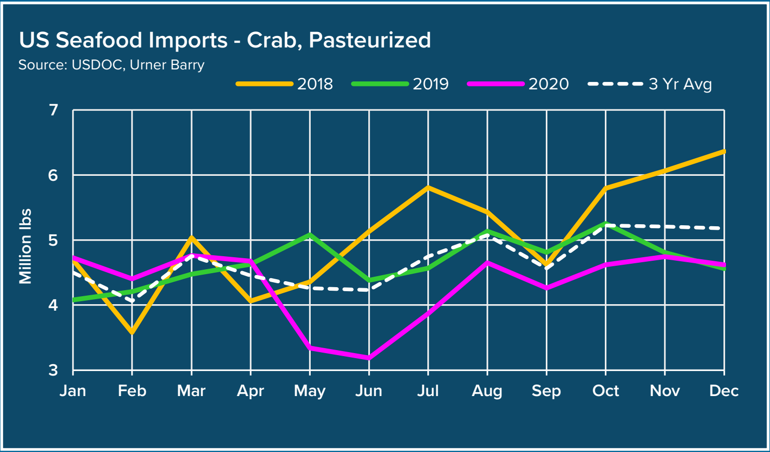
Snow Crab

The overall snow crab market, much like the king crab market, is firm. Pricing out of Canada, the dominant supplier to the sector, is unquoted due to the fact that there is no product to report on in the spot market. This is a phenomenon not seen in the past 15 plus years where Urner Barry quotations were removed so early in the year. 5-8 Gulf crab were last quoted at the end of January 2021 and new season product out of Canada is not expected to hit the spot market in the U.S. until May 2021. As of this writing, Russian snow crab is available, however inventories and supplies are lean even with 2020 imports ending the year up 80%. Overall supplies of snow crab year-to-date are up 24.6% and still market participants report robust demand even with crab at all-time highs in regards to price.

Crab Meat

Much like the balance of the premium shellfish sector, blue swimming crab meat, along with red swimming crab meat, is firming significantly each week. Supply limitations in Asia due to COVID and logistic constraints due to a lack of containers and shipping delays has helped to create supply and inventory shortages across the U.S. During the last three quarters of 2020, imports of crab meat trended well below the three-year averages, ending the year down 7.4%. All sizes of blue swimming crab meat are at 52-week highs. On the red swimming crab meat side, pricing is trending higher and some market participants report customers starting to substitute red swimming crab meat for blue in some applications. We saw this trend back in 2018 when blue swimming crab meat pricing was at all-time highs. Many market participants report a strong demand at retail and club store businesses and many anticipate a continued robust demand into the spring and summer of 2021. Replacement pricing continues to rise overseas and many participants are competing heavily for raw material.

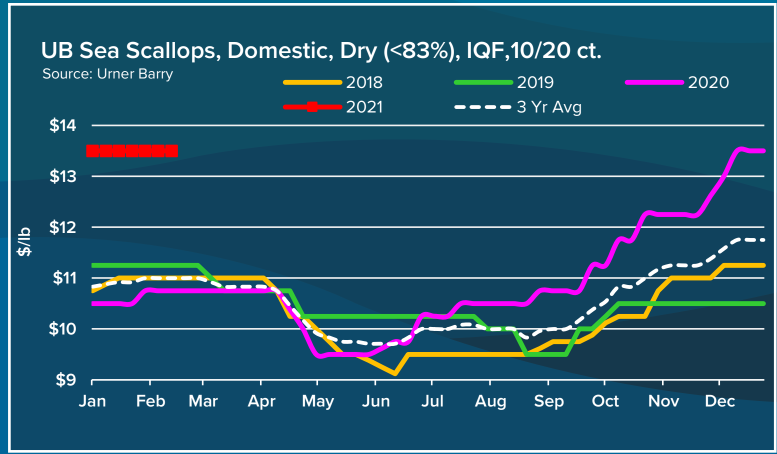


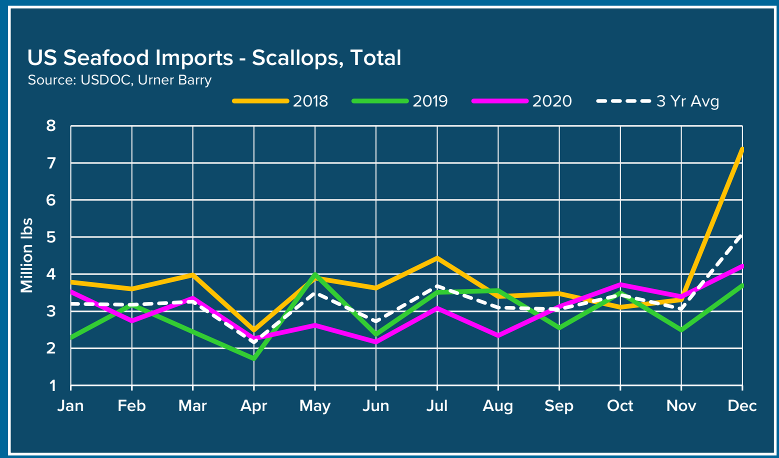


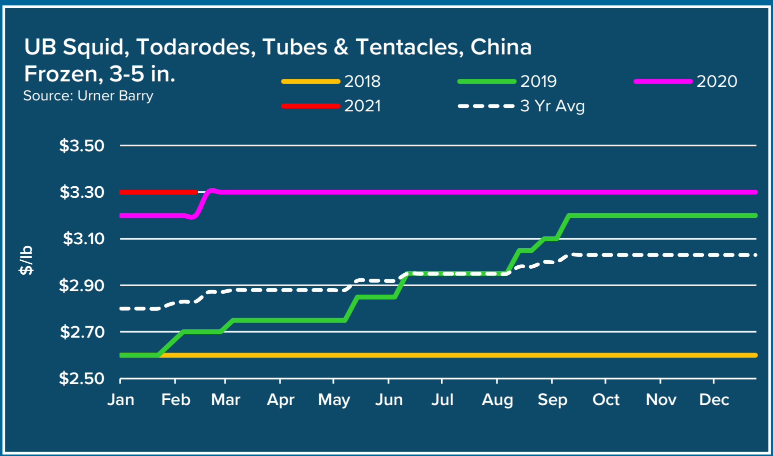
Scallops

Wholesale pricing for U/10, 10/20, and 20/30 count Atlantic sea scallops across all moisture categories are boasting either 52-week or all-time highs at the start of the 2021 Lenten season. With a new season beginning April 1, 2021, fishing efforts and inventory levels are dwindling under winter conditions, laying the groundwork for added upwards pressure on a market already seeing supply issues for larger sized scallops. However, with uncertainty remaining surrounding foodservice, typical end of season behavior could derail if demand slows down again.

Looking forward to the 2021 season, the projected catch is about 40 million pounds, 23% below the 51.6 million pounds projected for the 2020 season. A smaller size mix, similar to what the industry saw throughout the 2020 season, is expected again with the most pressure on U/10 and 10/20 size counts.







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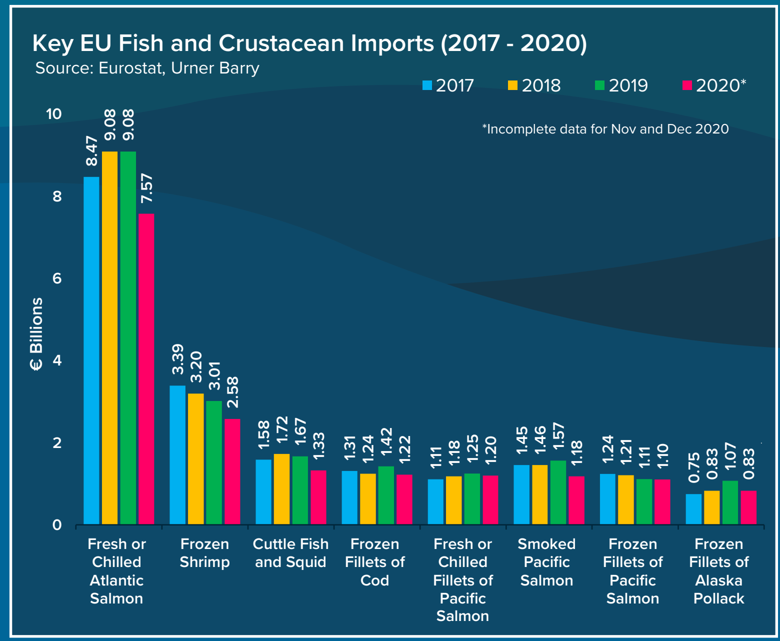
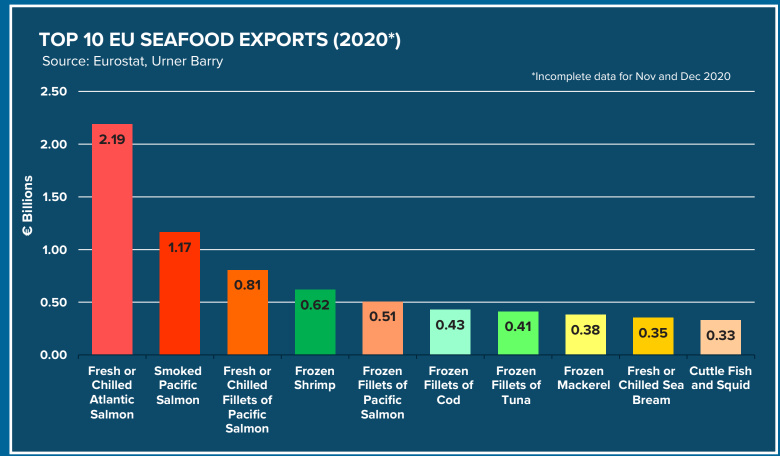
Squid

Despite fallout from the foodservice and restaurant sectors, prices on imported squid remained steady in the wake of elevated replacement costs overseas due to the strain on the raw material supply coming into the market, as landings across many origins have been lackluster. Product from China, which is the leading supplier of squid into the U.S., remains under pressure from tariffs on the market as well.

Total imports have fallen drastically from the previous year, down 30 million pounds, with China exporting 25.8 million pounds less product into the U.S. compared to 2019. The market remains firm with a continued strain on supply. Additionally, with an optimistic outlook on the return to out-of-home dining options, industry players expect demand to strengthen within the market, supporting firm and possibly strengthening costs upon the squid market for much of 2021.

Europe





Mimicking several trends across the globe, the European seafood market has been reshaped by the unwavering pandemic.

Buying behavior began to shift in March last year as Europeans increased their basket size whilst taking fewer trips to their local supermarket. Alongside the closure of schools and uptick in remote working, in-home cooking remains a positive trend for seafood sales, particularly frozen items. Despite these gains, increased volumes at retail are yet to fill the void left by lackluster foodservice.

CONSUMPTION

Aggressive e-commerce activity is a trend that is likely to remain post-pandemic, with major European retailers reporting websites crashing under the strain of online demand during the second and third wave of lockdowns.

According to mirrored data from Global Trade Tracker, the EU (Including the UK) imported a total of €9.12 billion worth of seafood items during Q3 2020 compared to €9.74 billion in Q3 2019, a decline of 6.4% year-over-year in value terms. Between July and September of last year, Norway accounted for 15.9% of seafood imported by other European countries, while the largest contributor outside of Europe was China, accounting for just north of 4%. The U.S. accounted for 2.5% of seafood imports.

Atlantic salmon, Pacific salmon and frozen shrimp accounted for the highest value for seafood imports; 22.79%, 10.67% and 8.88%, respectively.

On the export front, Pacific salmon (smoked, fresh or chilled and frozen fillets) was the most traded product in 2020, accounting for a combined total of €2.48 billion, followed by fresh Atlantic salmon, accounting for €2.19 billion. Frozen shrimp exports and frozen fillets of cod amounted to €617.67 million and €430.60 million, respectively.

NEW PLAYING FIELD

With the UK's departure from the single market regime now a reality, trade across the channel has already weighed on seafood exports, with additional costs, export health certificates and rules of origin creating backlogs at ports.

While the continuation of tariff free trade was a positive development, problems came thick and fast once the UK left the customs union. Norwegian salmon producers reported delays of up to four days before product reached clients in the UK, while confusion over paperwork delayed haulage from the UK to European customers, with fresh product ruined in the process.

Early frustrations have somewhat eased, but issues remain. Market participants continue to report that the timeframe needed to complete new documentation does not lend itself to the export of fresh items such as live shellfish.

In addition to cumbersome paperwok, new catch allowances are set to alter the manner in which seafood is traded across the channel and the Irish Sea. By the end of the transistion period, the Republic of Ireland will lose an estimated €43m ($52.3m) or 15% of its quotas by 2026. According to the Department of Agriculture, Food and Marine, 26% of its western mackerel quota share will be lost over the next five years, the largest Irish fishery, a reduction in value estimated at €27.5 million. France is the only country that will suffer more loss in value terms, losing an estimated €52 million or 8% of its quota share by 2026. The Netherlands is expected to lose an estimated €40 million or 10% of its quota share over the next five years.

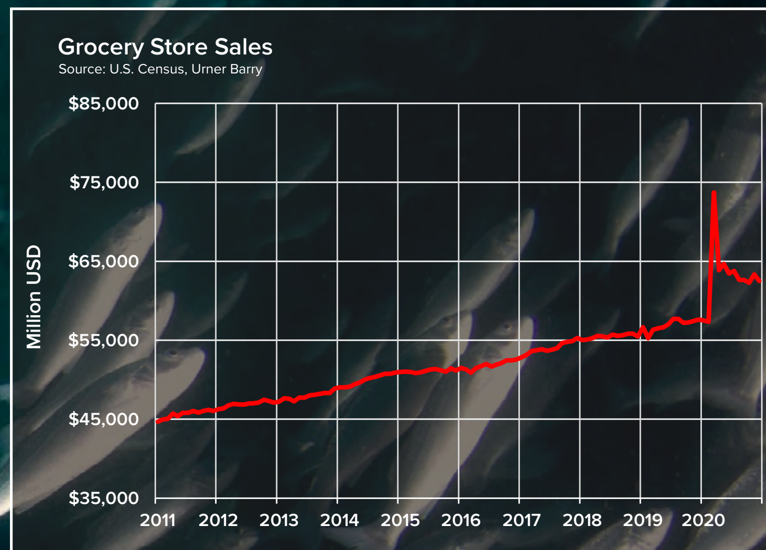
Retail

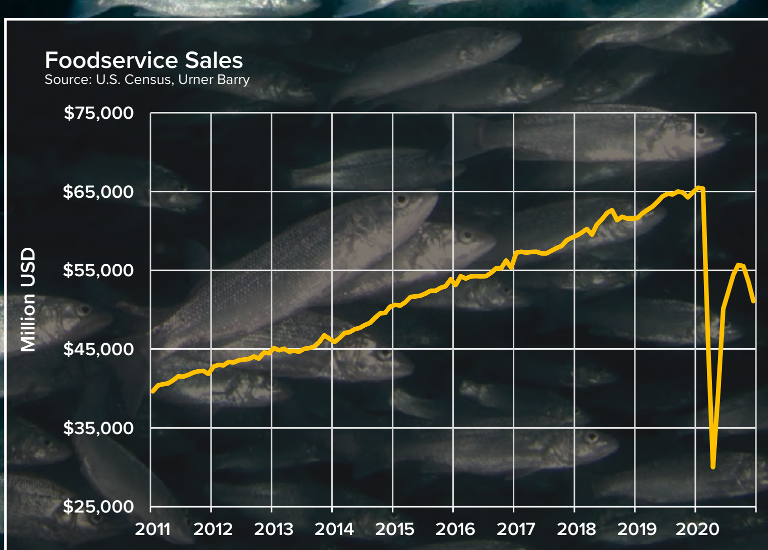
2020 was a record-setting year for seafood at retail. Anne-Marie Roerink, citing data from IRI Worldwide at NFI's Global Seafood Marketing Conference, suggested retailers posted record seafood sales in the year. Frozen led all gainers, but there was all around strength. She reported sales of shelf stable increased 20.3% to $2.8 billion, frozen 35.3% to $7.0 billion, and fresh 24.5% to $6.7 billion. She added, and interesting to note, is that sales of frozen overtook fresh in the year given the acceleration in the frozen foods department.

In terms of what products led the categories higher; tuna (+18.9%), salmon (+30.3%) and clams (+27.1%) all grew in the shelf stable category; frozen fish/seafood (+34.3%), cooked shrimp (+25.0%) and raw shrimp (+47.8%) led frozen; and random weight shellfish (+38.8%) was the big gainer in the fresh category.

The top 10 species in terms of dollar sales in the year are salmon ($2.2B), crab ($1.3B), shrimp ($898M), lobster ($447M), catfish ($239M), tilapia ($217M), cod ($207M), scallops ($132M), tuna ($90M) and trout ($87M).

The top 10 species in terms of dollar sales growth in 2020 are crab (+62.9%), lobster (+56.1%), snapper (+41.5%), crab/seafood cakes (+32.5%) and halibut (+32.1%).





Foodservice

The foodservice sector was undoubtedly the most negatively affected by the pandemic. Mike Seidel, referring to data supplied by NPD Supply Track at NFI's Global Seafood Marketing Conference, suggested that sales of frozen shellfish and finfish declined 24% year-over-year; shellfish sales fell 20% and finish 26%. Shrimp sales into the foodservice channel declined 20% in the year; a decline that equates to $318 million in lost revenue.

Sales performance varied by sector. Food stores and quick serve outlets fared well, while categories like lodging (-50%), college (-44%), business (-43%), fine dining (-33%), family style (-26%) and casual dining (-24%) all suffered. Unfortunately for seafood, the most impacted categories are those that are the traditional avenues for distribution. Still, there were a few bright spots. Sales into ethnic outlets increased 22%, quick serve seafood was up 19% and quick serve burger increased 11%.

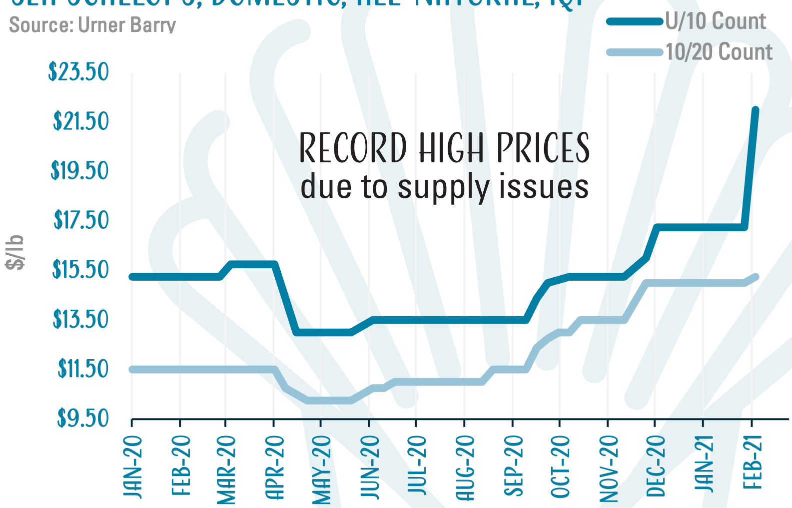
More recently there has been a renewed sense of optimism among those that participate in the sector. There seems to be a recovery underway. Buyer interest has improved and optimism is growing along with the loosening of dine-in restrictions.

SEAFOOD SNAPSHOT

Compiled by **Lorin Castiglione** | lcastiglione@urnerbarry.com

SEA SCALLOPS, DOMESTIC, ALL-NATURAL, IQF

Source: Urner Barry



2020 TOTAL SHRIMP IMPORTS

mark **6th** straight year of gains to record levels totaling **1.645 BILLION POUNDS**

HEALTHIER

New Year's resolutions key factor attributing TO SPIKE IN **FARMED SALMON SALES Q1 2021**

HIGH REPLACEMENT COSTS + LOW-INVENTORY LEVELS + GROWING RETAIL & CLUB STORE DEMAND

= STRENGTHENING blue swimming crab meat market

KING CRAB

OVERSEAS DEMAND & PRICES **UP**

Making purchasing additional raw material DIFFICULT FOR U.S. IMPORTERS

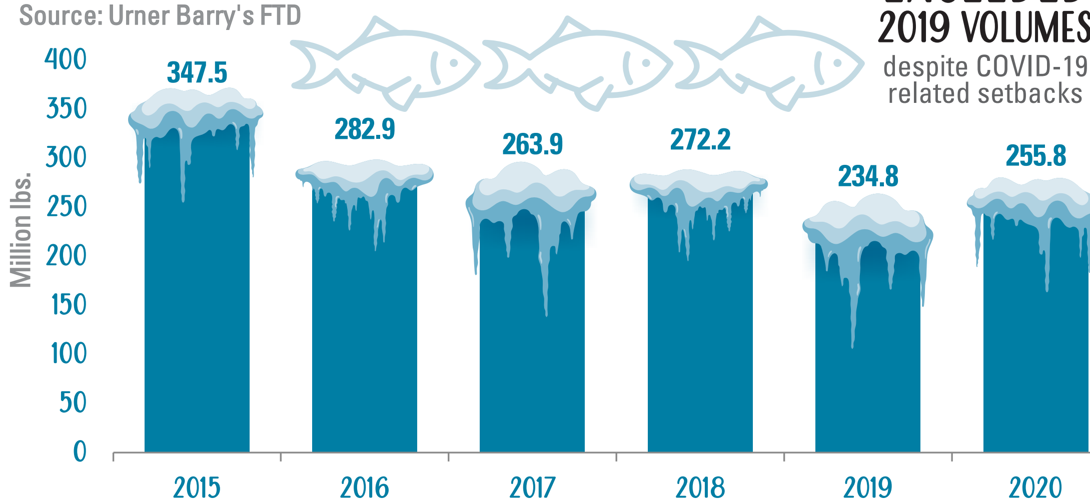
RETAIL SECTOR LOBSTER SALES

JUMPED **87%** YOY

TOTAL IMPORTS TILAPIA FROZEN FILLETS

Source: Urner Barry's FTD

EXCEEDED 2019 VOLUMES despite COVID-19 related setbacks



The demise of the salad bar…

How the pandemic helped Sally the Robot get her wheels off the ground

Meet Sally, a 6-foot tall, 750 pound salad dispensing robot. She's the creation of Chowbotics, a California start-up company that markets robots to the foodservice industry. According to the company, this $35,000 robot uses precision robotics that allow customers to select from up to 22 ingredients to make custom salads, each sealed for safety and freshness in an airtight refrigerated container. With each selection, Sally provides instant nutritional information, including calories, carbs, fats, and proteins.

Photo credit: Chowbotics

This next generation salad vending machine has found initial success in hospitals, college dorms and airports; settings in which a standard salad bar would not be feasible. These niche markets demanded healthy, convenient, fresh food choices, 24 hours a day. Now, due to the heightened safety concerns brought on by COVID-19, buffets, salad bars and other self-serve counters are closed for the foreseeable future. This void is creating a new growth opportunity for Chowbotics, and for Sally.

According to Bloomberg, over 90% of supermarkets had salad bars in service prior to COVID-19. Most remain empty to this day, which begs the question—will they ever make a return? According to IRI, in-store salad bar sales by volume have been decreasing for the last few years. Even prior to the pandemic, consumer attitudes were shifting, deeming salad bars unhygienic, while moving toward salad focused fast food restaurants. As you stroll through your local grocery store now, you may have come across the empty salad bar, now stacked with things like prepacked foods, liquor and in some cases toilet paper.

Retailers are looking for alternative ways to maximize this selling space while still offering salads that are healthy, hygienic and with minimal contact. Hello Sally. This salad vending machine operates in a 3'x3' space, and can produce a salad in two minutes, roughly 30-35 an hour. Food service workers prep ingredients and load them into Sally once a day, reducing waste. In keeping with consumer preferences, the company has introduced an app that enables contactless ordering.

Chowbotics chief executive officer, Rick Wilmer, says demand for Sally has skyrocketed since the pandemic hit, particularly in grocery stores that have removed salad bars due to safety concerns. Sally has launched with three of the top five grocers in the U.S., with more deals in the pipeline. As of this writing, Sally is in over 350 locations worldwide.

There is no question that COVID-19 has changed consumer behavior and their preferences. Only time will tell which changes remain. However, both retailers and consumers agree that safety and reducing risk will remain a top priority. Increased automation will help create a safer and more enticing shopping environment. We may be seeing more Sally's in our future. UB

Article contributed by **Liz Cuozzo**
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So little Select beef, so few care

Article contributed by Miranda Reiman, **Certified Angus Beef®**

The grading no one talks about: Select vs. No-Roll spread

"It's hard to argue there's ever been true demand for Select, rather than simply a price point for those indifferent to quality," says Paul Dykstra, of the Certified Angus Beef ® (CAB®) brand.

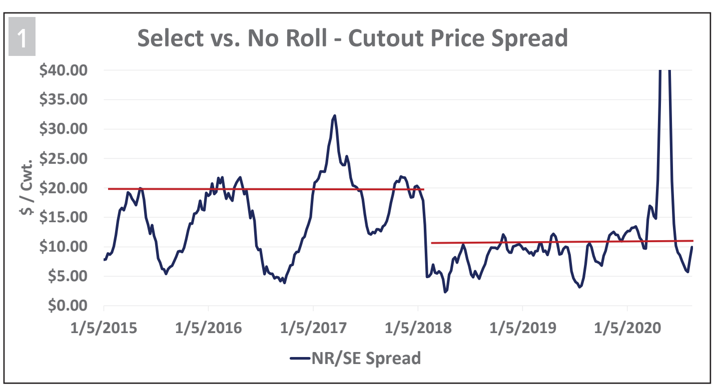
But indifference has left the market.

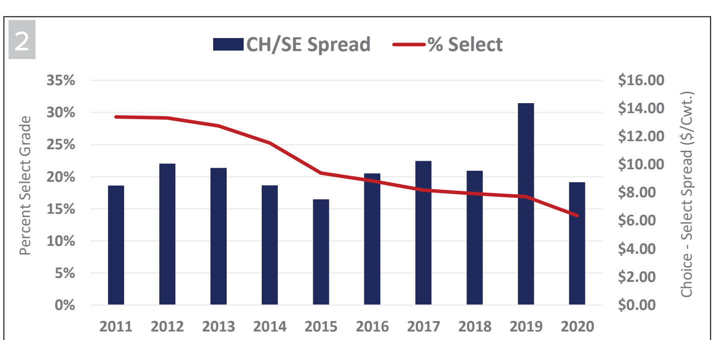
The Choice-Select spread has sent the message to cattlemen for decades, says the CAB assistant director of supply management and analysis. A wider spread signals strong demand for marbling, while a narrow spread suggests weaker demand for the same.

It gives a roadmap of what the market wants, but price married with quantity provides the complete picture.

During the last decade, Select carcass production fell 50% in relation to Choice and Prime. Last year, the Select proportional average was 13.9% of fed-cattle carcasses, down from 16.9% in 2019. The Select grade typically comprised nearly half of fed beef 15 to 30 years ago.

"Supplies have dramatically decreased, and so we might assume scarcity would spur prices higher, given healthy demand," Dykstra says, "but the numbers tell a different story."





Charts and image supplied by Certified Angus Beef

A two-year snapshot of the spread between Select and No-Roll (ungraded, practically devoid of marbling) shows a narrowing trend, with the exception of the erratic markets this past May (Figure 1). The value difference between No-Roll and Select typically hit its highs at $20 per hundredweight (cwt.) from 2015 to 2018, but those peaks dropped to $12/cwt. since then. The lows were also slightly lower in recent years.

On the flip side, the Choice-Select spread showed a widening trend (Figure 2), even as Choice supplies increased and Select decreased.

"There's less demand out there for Select beef. Retailers have embraced higher marbling, in part because it's easier to procure," Dykstra says.

Choice has surpassed 70% of the fed-cattle supply. CAB often makes up 20% of the total, while Prime reached as high as 12% last year.

In 2020, the share of fed cattle reaching premium Choice and Prime came to more than 40%. CAB hit its fifth year of sales above a billion pounds. Yet, Dykstra says, "Based on the CAB-to-Choice cutout, demand is exceptional. That happened while a significant portion of foodservice and international business was sidelined due to COVID-19.

"As demand for quality continues to increase, both domestically and abroad," he adds, "Select starts to find itself in a bit of a 'no man's land.'"

It's no longer the low-price option compared to product from other countries such as Mexico, Brazil and Australia, and it lacks the quality and performance compared to domestic Choice and Prime.

"With Select product devalued to this extent and representing a shrinking category, we need to embrace the change," Dykstra says.

Low Choice is no longer a premium product, just the low-water mark once anchored by the Select grade.

"The market gives us a pretty clear picture of where it's headed," he says. UB

MEET URNER BARRY'S MIDWEST ACCOUNT MANAGER

Brandon Guenther

Brandon on a visit to Kraft Heinz in Chicago

Brandon Guenther, a graduate of Stockton University, joined the Urner Barry sales team as an Account Manager in 2017. He's responsible for looking over the Midwest region, along with parts of Canada, Australia and New Zealand.

Brandon's strong focus on attention to detail, drive and growing leadership lead to his promotion to Sales and Operations Specialist. In this role he maintains his Account Management responsibilities while also giving him the additional responsibility to improve sales work flows and processes, along with CRM functionality.

Brandon grew up in a big family with three older brothers and one young sister. This is where his inner competitive nature derives from, as well as his love for sports, gaming and spending quality time with family.

Playing beach volleyball with family, friends or competitively continues to be a large part of his life outside of the office. Urner Barry has been a second home for him as he continues to grow his young career and could not be more grateful to be a part of an outstanding organization. UB

I have a proposition for you…

Ready or not, Proposition 12 is coming in 2022

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Although set to begin in 2022, the potential impact that Proposition 12 could have on the red meat market is a topic of concern today. In November 2018, California voters approved the legislation, a ballot measure that prohibits the sale of pork which is not produced according to the state's production standards. The ballot text establishes minimum requirements for confining certain livestock and prohibits the sale of meat and egg products from animals in a caged environment. For example, starting December 31, 2021, each sow whose offspring is intended to be sold into California must be allotted at least 24 square feet in the group pen. To comply with Proposition 12, farmers will need to invest now, if they have not already, to be prepared for the implementation date.

According to the National Pork Producers Council (NPPC), Proposition 12 imposes unscientific animal housing standards that reach outside of California's borders to farms across the United States. The Council noted that California does not have any significant commercial hog production and is seeking to regulate how farmers in other states operate, imposing regulations, inspection and permitting requirements, and highly prescriptive measures on livestock farmers.

"To comply with Proposition 12, farmers will need to invest now, if they have not already, to be prepared for the implementation date."

"Currently, less than 1% of U.S. pork production meets Proposition 12 requirements, a troubling statistic since California represents 15% of the U.S. pork market, with large Latino and Asian populations which have long-standing cultural preferences for pork," noted the NPPC.

In the pork market, Proposition 12 continues to befuddle most participants, unsure what areas will be changed at farms and what cuts of pork will be covered by the new act. As mentioned above, increased square footage per breeding animal will be implemented in 2022. Currently, under 40% of the combined small and large farms have group housing for sows, which allow them to stand, walk freely, turn around, and fully extend their limbs. The other implementation of Proposition 12 is removal of the breeding stalls, not the farrowing stalls. Sows can be confined in a stall for short-term periods for animal husbandry purposes, a maximum of six hours in any one day. They can also be confined for breeding or treatment, and a total of 24 hours in any 30 days. There are several exceptions to the rules that are covered for the stalls, such as doctor visits, transportation, slaughter, exhibitions at fairs and programs, and farrowing or nursing.

Whole pork meat in California will be regulated for any uncooked cut of meat—bacon and ham included—that are seasoned, cured, and preserved, and require further cooking. Items that will be excluded from the act are pre-cooked or ready-to-eat items, including re-frozen, canned meat, deli meats, and smoked or cured items. Pork items that are also combined with another will be excluded, such as hot dogs, soups, and sandwiches.

For veal, Proposition 12 began in 2020, including milk-fed calves used for veal, while excluding calves raised for beef and calves utilized for the dairy industry. Also excluded are any items that are not considered "whole veal cuts," such as combination items, offals, or pre-cooked items.

As of 2017, around 80% of veal farmers innovated their buildings to group housing for calves, costing the industry $150 million. Proposition 12 requires 43 square feet per calf, regardless of age and size, almost doubling the current American Veal Association (AVA) goals met in 2017. Estimates of an increase in carcass prices around 30-35%, or an average of $90 to $100, could be expected for each head due to the diminished capacity for each veal farmer adhering to Proposition 12.

According to AVA President, Dale Bakke, "Proposition 12 will dramatically increase prices on milk-fed veal meat going to California. The challenge is that the mandated floor space requirement is for the entire calf even if only a few cuts from each calf are sold in California. As a result, this proposition increases meat prices for the entire country, not just California, which I am convinced was the goal of the activists that sponsored Proposition 12."

In 2019, the NPPC and the American Farm Bureau Federation filed a legal challenge to Proposition 12, citing that the ballot imposes animal housing standards that reach outside of California's borders.

"Proposition 12 will force hog farmers who want to sell pork into the populous state to switch to alternative housing systems, at a significant cost to their business. U.S. pork producers are already fighting to expand market opportunities overseas. We shouldn't have to fight to preserve our domestic market too," said the NPPC.

"The best way to protect animal well-being is to allow farmers to make farm-specific and animal-specific decisions on animal care. Proposition 12 will deny them that ability while driving up their costs. The hardest hit will be family farms, especially smaller independent farms. That means Proposition 12 will also lead to fewer family farms and greater consolidation in the pork industry," the American Farm Bureau Federation stated.

In December 2020, the North American Meat Institute (NAMI) also took action to challenge California's Proposition 12 and received key support from the federal government and 20 states with the filing of two amicus briefs.

"The support from the United States government and 20 states underscores the significance of our case against Proposition 12," said NAMI. "Proposition 12 is unconstitutional and not only hurts consumers with higher prices for pork, veal and eggs, it is costly for the federal government's programs designed to help those facing hunger, including the Emergency Food Assistance Program and the Supplemental Nutrition Assistance Program. At a time when so many are turning to this critical assistance during the pandemic, Proposition 12 hurts those most in need."

According to the state of California, consumer prices will likely increase as producers will be required to spend money to expand or construct new animal housing. NAMI said California acknowledges it may take years for farmers to comply, resulting in a decrease of supply and increased prices for consumers.

Shortly after NAMI filed suit, the U.S. Court of Appeals for the 9th circuit rejected the challenge of Proposition 12 and rejected NAMI's request for a rehearing by a full panel. However, the legal challenge brought by the NPPC and American Farm Bureau Federation is ongoing and is likely to continue as these groups attempt to prevent one state from setting standards for the entire country. UB

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** This information is based on preliminary communications of Proposition 12, however, final rules have yet to be written.*

Leadership Means Showing Up, BOLDLY

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

We are now well into the new year, and while we're not out of the woods yet, the egg industry has good reason to be confident about the future. Come what may, we're more adaptable, resilient and determined than ever to rise above and beyond. Grit, after all, is nothing new to egg farmers.

We have immediate and looming concerns, to be sure, but our success as an industry has always hinged on how well we play the long game. The pandemic hastened changes in a world that was already rapidly changingc driven by technological innovation, shifts in how we live and work, and evolving consumer needs and preferences. Consider that since the pandemic's outset last March:

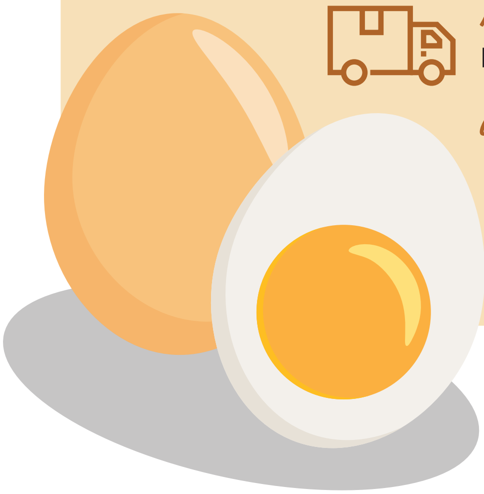
Technological mediation in our daily lives increased dramatically as consumers became comfortable with and proficient in technologies like Zoom almost overnight. Similarly, online grocery shopping increased 25%.

A new generation of home chefs sprung up as consumers experimented in the kitchen out of necessity and boredom. Trends in cooking, including hacks, online cooking shows, cooking like their ancestors and variety, flourished. As did trial of new products and foods, overall.

Demand for easy, healthy meal solutions after a long day of working and schooling from home drove further adoption of meal delivery services. Meals kits saw a significant spike.

Consumer demand for sustainability intensified and evolved during the pandemic, with three-fourths of Americans now associating sustainability with:

Safety	Recyclable / reusable packaging	Economic viability of food production	Less food waste	Environmental protection
77%	77%	76%	76%	75%



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It's abundantly clear that business as usual will no longer suffice. The future of our industry will be defined by bold ideas, the courage to meet challenges head on and a healthy tolerance for and willingness to take calculated risks.

No one understood this better than Blair Van Zetten, president of Oskaloosa Food Products, who passed on January 18 at age 68. History is made by those who show up, and no one showed up more often or better than Blair. One of the egg industry's great advocates, leaders and friends, Blair led and served passionately in many of our organizations and institutions, to great effect. Notably, Blair was a great champion on and for the AEB, serving America's egg farmers for nearly 22 consecutive years in

Blair Van Zetten

key leadership roles including treasurer, secretary, vice chairman and chairman. He left an indelible mark on our checkoff through his servant leadership.

Leadership qualities for enduring success

Blair's leadership was characterized by a commitment to the greater good, vision—both foresight and an uncanny ability to see the bigger picture—and by a lack of reticence when confronted with a choice between the status quo or driving in a promising, necessary, new direction. Never satisfied with what is, Blair always challenged us to rethink what could be possible.

One of the hallmarks of true leadership is courage, and Blair exemplified this trait. Blair was a straight shooter who met challenges head on. For example, it was at Blair's urging that the AEB initiated a foodservice recovery program to help our foodservice partners as they grappled with COVID-19. And it was Blair who further pushed for dedicated resources to support smaller foodservice operators—because it was the right thing to do for them and for us.

An ambitious agenda for a new year and beyond

Blair recognized the need to change as an industry to secure a prosperous future for egg farmers, and with his support, the AEB is now changing in dramatic ways. As part of our new Strategic Vision & Five-Year Plan, we've restructured—how we are organized, how we budget, how we engage our stakeholders—and we're moving aggressively against ambitious goals.

Among several initiatives we're undertaking, Blair's enterprising spirit is especially pronounced in the AEB's new strategic focus on industry-led innovation. We are now in the early stages of creating an innovation hub to pressure test ideas for products, packaging and production techniques and take risks, safely, on behalf of the entire industry.

That the AEB would serve as the egg industry's pre-competitive "safe space" for disruption, invention and action was something that Blair got on board with immediately and enthusiastically, and I'm pleased to report we are well underway in making this vision a reality. We have already identified and secured preliminary resources needed and are currently recruiting talent to fill new internal positions to support the hub with new insights and expertise.

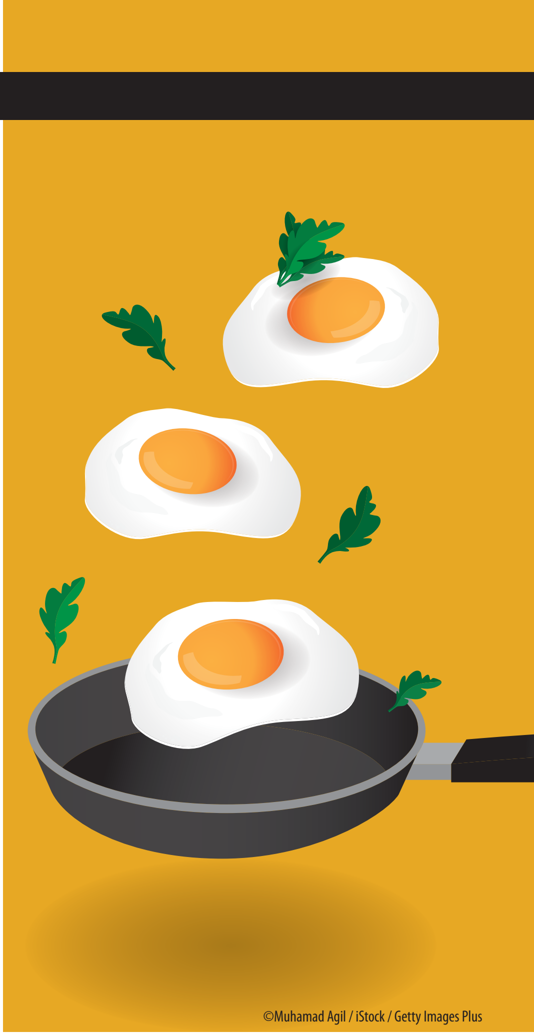
In terms of next steps, there are important strategic questions to be answered via research that will guide where we place our innovation bets. In the coming months, we will carefully weigh options and identify potential partners and the best value opportunities—balancing between driving short and long-term results—while developing and implementing the processes needed. Flexibility will be baked into those processes, enabling us to accommodate a wide range of projects and partners. We expect much of 2021 will be devoted to research, exploration and planning.

Building tomorrow's checkoff, today

While we're making significant progress, we have much to do and a long road ahead. One thing Blair knew was that meaningful, enduring change of this magnitude doesn't happen overnight.

We aim to repay his service and to honor his legacy at the AEB by setting the standard for a modern agricultural checkoff—one that dreams big and delivers a new level of business value to its members and partners.

Emily Metz may be reached through the American Egg Board by email at aeb@aeb.org. UB



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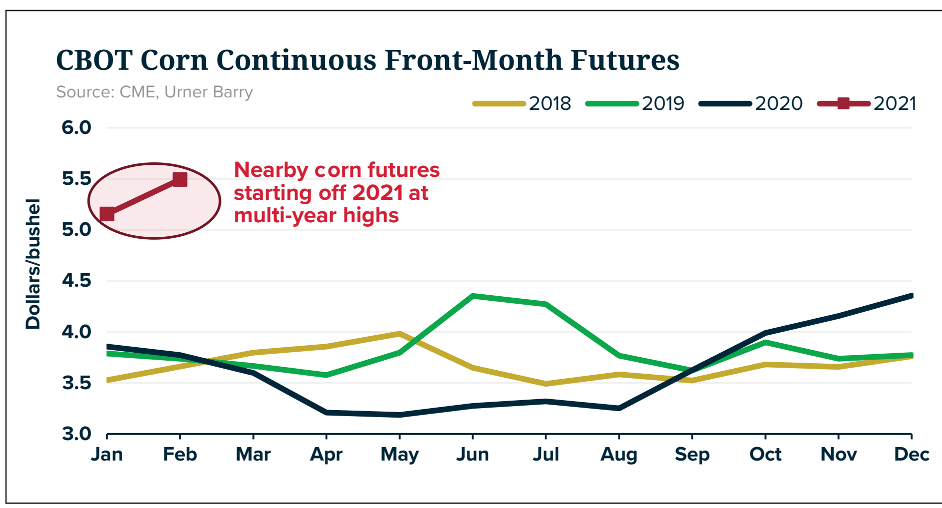
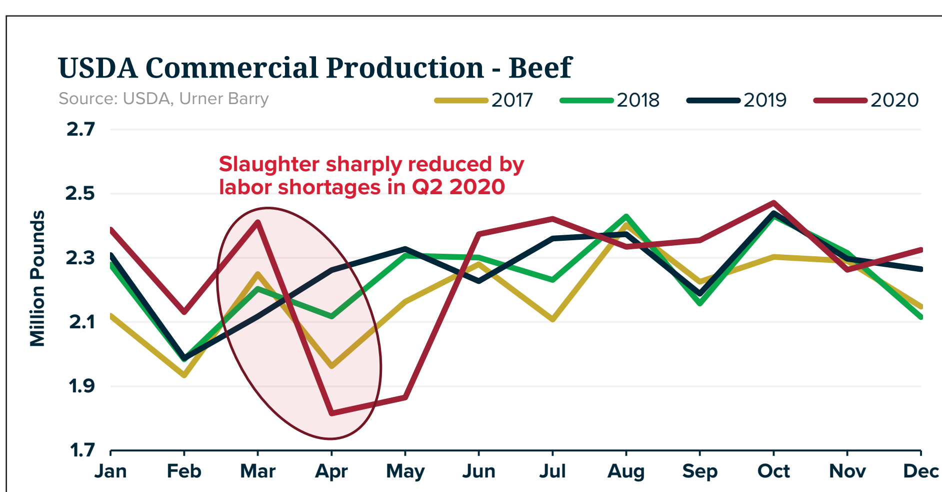
Cattle feeders brace for continued volatility in 2021

The United States cattle industry welcomed 2021 with hooves outstretched following a turbulent year of processing disruptions, labor shortages, and supply backlogs—to name a few. While many in the industry are relieved to leave 2020 in the shadows, 2021 presents another round of challenging circumstances that will influence market direction in the months ahead.

To boot, grain and oilseed prices kicked off the new year trading at multi-year highs. During the first full workweek of January, nearby corn futures eclipsed the $5.00/bushel benchmark price for the first time in six and a half years. Bullish fundamentals, including limited supply from South America, tightening U.S. stocks, and strong demand from China, are rapidly accelerating grain prices.

Higher feed prices may translate to poor returns for cattle feeders, lighter carcass weights and less tonnage out front. In 2020, beef production totaled 27.2 billion pounds, nearly





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even with the year prior. Meanwhile, total federally inspected cattle slaughter in 2020 was about 2.3% less than the year prior. Even though the industry processed less cattle last year due to the pandemic, record high carcass weights created by a backlog of front-end supplies largely offset the decrease in slaughter levels.

Seasonally, carcass weights peak in October and November before resuming a downward trend and hitting its annual low around late April into May. So far in 2021, carcass weights are at unseasonably high levels. The increased tonnage could result in larger than anticipated beef production in the first quarter. As of the week ending January 16, average carcass weights are 20 pounds above a year ago. Meanwhile, beef production during that same period was recorded at 550.8 million pounds, 28.3 million pounds over the year-ago figure.

A recurrence in processing plant disruptions continues to pose a threat to beef production in the new year. Union representatives and the nation's largest meat processors are pressing for food and agricultural workers to receive high priority for vaccinations, who are recommended by the CDC to receive the COVID-19 vaccination under Phase 1b.

It is crucial that chain speeds remain operating at near or full capacity since beef demand is expected to remain robust following a strong year in 2020. Last year, U.S. beef exports through November were up 6% from 2019, according to data released by USDA and compiled by the U.S. Meat Export Federation. Export value climbed 8% year-over-year to $707.5 million.

While the outlook for global beef demand in 2021 is optimistic, the viewpoint for domestic demand is more uncertain since foodservice continues to be severely dampened by COVID-19 restrictions.

Despite this, boxed beef prices are off to a spectacular start. Fueled by a demand-driven rally, Urner Barry's Choice and Select quotes climbed by about 12% and 11%, respectively, during the month of January. On February 1, the UB Choice price was quoted at $233.81/cwt, the second highest level for that month in history.

Looking ahead, analysts are hopeful that a potential recovery in foodservice demand mid-year or beyond will help underpin the robust demand seen so far in early Q1.

Turning to the cash cattle market, the annual price for live steers in the 5-area marketing region in 2020 averaged $108.51/cwt, 7% below the year prior. The backlog of supplies created by the Q2 and Q3 plant disruptions in 2020 sharply reduced packers' needs to acquire cattle in the negotiated markets. As production levels normalized heading into the fourth quarter, cattle prices recovered but continued to trail well below year-ago levels.

So far this year, live steer prices in the 5-area marketing region for the last week of January were reported at $112.44/cwt, nearly $10/cwt below a year ago. The industry is contending with record high front-end cattle supplies in the first quarter of 2021, which is expected to limit the upside potential for cash prices in the near-term. However, sharply reduced fourth quarter placements in 2020 may allow price levels to rebound heading into the second and third quarters of this year.

Meanwhile, industry participants are closely monitoring indications of herd expansion or contraction. The latest USDA bi-annual Cattle report confirmed that beef cow numbers peaked in 2019. As of January 1, 2021, the U.S. beef cow herd has been in decline for three years following five consecutive years of expansion. Meanwhile, the calf crop in 2020 was down 1.3% from the previous year.

A smaller calf crop suggests fewer marketings out ahead. This could result in improved producer profitability should packers be forced to compete for a thinner availability of slaughter-ready supplies in the future.

Article contributed by **Courtney Shum**
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WITH CHINA BACK IN THE PICTURE, U.S. ENJOYS BOOST IN EXPORT VOLUME & VALUE

It almost goes without saying that just about every segment of the agricultural industry has experienced its fair share of hurdles throughout the past year. This is especially true for players on the export side of the business who have had to contend with a seemingly endless number of internal and external curveballs which ranged from dramatic fluctuations in exchange rates, to port closures, along with shipping container shortages and stringent bio-security checkpoints. With most market participants working around the clock for the better part of a year now, they're finally beginning to realize the fruits of their labor.

According to the USDA's most recent trade data, the U.S. exported a total of 155.85 million metric tons of agricultural products during 2020, which is up 19% year-over-year. In terms of value, the U.S. Ag industry raked in $145.7 billion in sales. This is not only a 7% increase from 2019, but it is also the second highest figure on record. While many of our well-established trade partners such as Mexico, Canada, the EU and South Korea aided in last year's success, perhaps the most notable change was our renewed trade partnership with China, which in retrospect, came right in the nick of time. With African swine fever continuing to impact China's food chain, U.S. processors, who were dealing with their own fair share of challenges associated with a lack of foodservice demand due to COVID-19, were quick to answer that call.

On the chicken side of the business, demand from China has exceeded some players' expectations. During USAPEEC's Winter Meeting back in December, Nan-Dirk Mulder of Rabobank highlighted that, although we have moved into a period of declining global meat consumption, poultry demand continues to expand. USAPEEC President Jim Sumner furthered that point, stating: "While we expected [renewed trade with China] to be a tremendous opportunity for chicken paws, it went well went beyond that for our industry. About 42% of our exports were paws, which meant that 58% of our exports were for products other than paws such as dark meat. This was tremendous and was beyond our expectations."

"…the U.S. Ag industry raked in $145.7 billion in sales."

Trade with our long-lost export partner is not without its challenges, however, especially when considering the widespread implications of the pandemic. Sumner went on to describe the strict importing guidelines of China, which includes testing imported packages for residue of COVID-19 and the 1-4 week suspension on imports from any facility that tests positive. He also emphasized the importance of scientific based testing: "Without gene sequencing, there is no way of knowing whether the virus is live or not, it could get worse if we're not able to distance ourselves from this issue."

So, with 2021 now upon us, will U.S. agricultural exports to China be able to build off of last year's gleaming success? According to the USDA's 2021 Fiscal Year forecast, which ranges from October 1, 2020 to September 30, 2021, agriculture exports are looking quite positive and are projected to come in at $157 billion; up $5 billion from November's forecast. This uptick is largely rooted in oilseed and grain exports, which are expected to top $38.3 billion by the end September thanks in large part to demand from China and upward-trending prices associated with these items. Grain and feed exports are also projected to rise $7.8 billion above last year, bringing 2021's annual forecast to $37.8 billion; certainly no small task and one which will be heavily dependent on the this year's harvest. According to USDA Chief Economist Seth Meyer: "If one assumes that we have normal planting weather, we will have an increase in total planted acres…Forecasted prices would further incentivize expanded acreage. Corn and soybean area is expected to be a combined record of 182 million acres."

When it comes to livestock, dairy and poultry, the most recent data suggests a more modest but still commendable $1.2 billion increase from 2020, which pushes this segment's annual forecast to $32.6 billion. Like with crops, red meat and poultry tonnage is projected to increase by about 1% to 107.6 billion pounds as a result of record beef, pork and broiler meat production. UB

Article contributed by **Dylan Hughes** | dhughes@urnerbarry.com

DESPITE CHALLENGES, RED MEAT EXPORTS STRONG AND MOSTLY DRIVEN BY CHINA

The U.S., not unlike many others around the world, had significant production challenges across proteins during the height of the initial part of the COVID-19 pandemic. This came at a time when demand from domestic consumers was also high to meet stay-at-home orders. These two factors combined to slow a hot start to exports. Trade flows were also interrupted given labor constraints, logistical questions, and a shift in demand patterns.

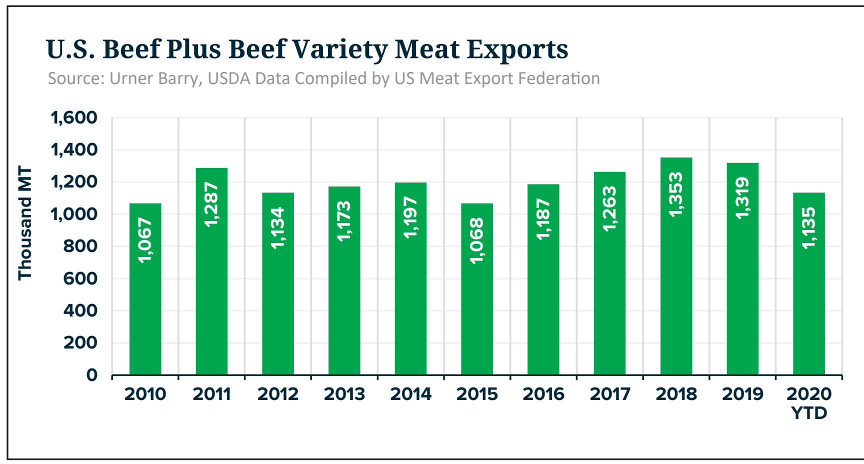
Through November 2020 U.S. beef and beef variety exports are 6% lower than the same period last year. There was 1,208,004 metric tons in 2019 versus 1,134,864 metric tons in 2020. The value of exports also slipped to the tune of 7%.

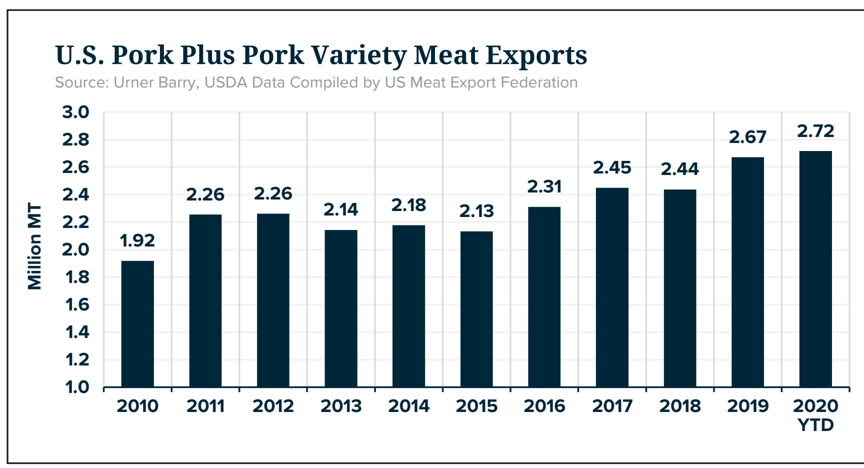
If we look at the pork market, exports for 2020 are nearly 14% higher to 2,716,910 metric tons. The value increased 13%, only marginally slower than the growth in volume.

The torrid pace seen in the beginning of 2020 returned towards the end of the year, primarily driven by China. The country is still bouncing back from ASF, which decimated hog herds and meat supplies for their population.

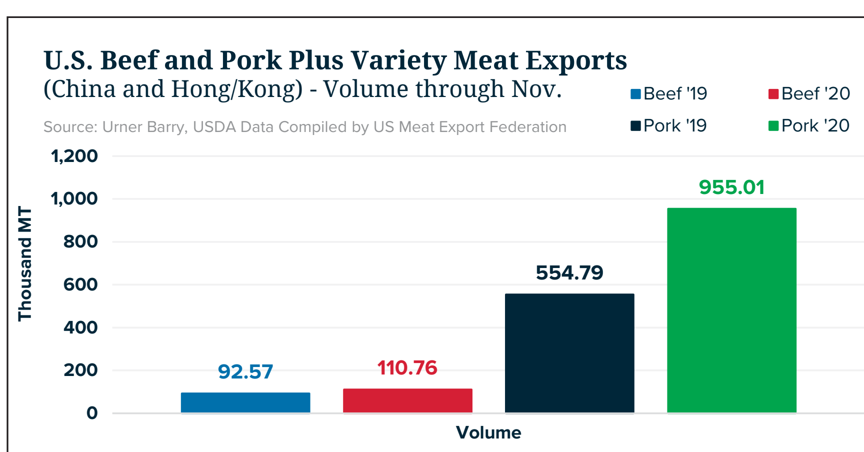
If we look at 2019, the China/Hong Kong region was the fourth largest trade partner by both volume and value for U.S. beef and beef variety meats, and second by volume, behind Mexico, and value, behind Japan, for U.S. pork and pork variety meats.

They have increased year-to-date volume for both beef (+19.65%) and to a much greater extent pork (72.14%). Their appetite for the latter is the driving force as the Chinese market is the number one producer and consumer of pork in the world. So far they have already exceeded total 2019 exports with one month left. Without domestic supplies, they are trying to fill the void with trade, and if that can't satisfy the needs, with other proteins like beef and poultry.



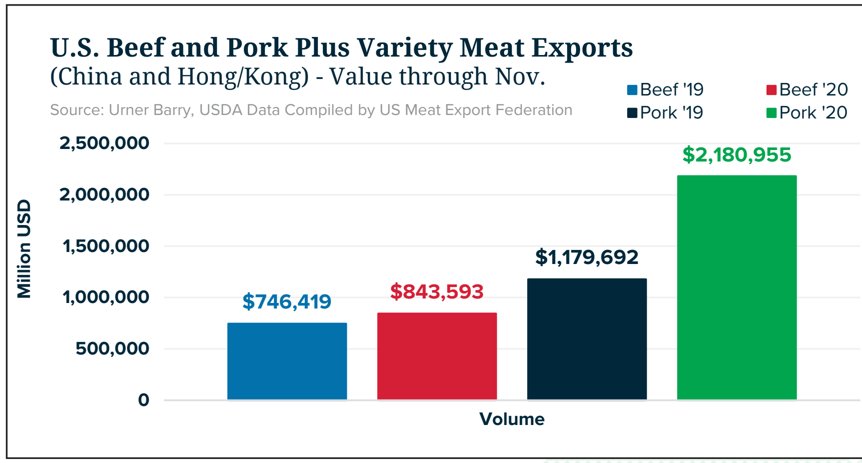


"The elephant in the room has always been China..."



The increased need for protein translated into greater dollars being sent to U.S. producers. The value of beef exports to China/Hong Kong so far in 2020 is at $843 million; 13% higher. For pork, values gained nearly 85% to $2.181 billion through November.

While COVID-19 put ASF in the background, it has not gone away. The elephant in the room has always been China because of the amount of protein needed there for their population. It has been exaggerated by the ASF crisis and while they have bounced back faster than expected, there is still a void. If trade flows return to more normalized levels, look for them to be active buyers again. UB



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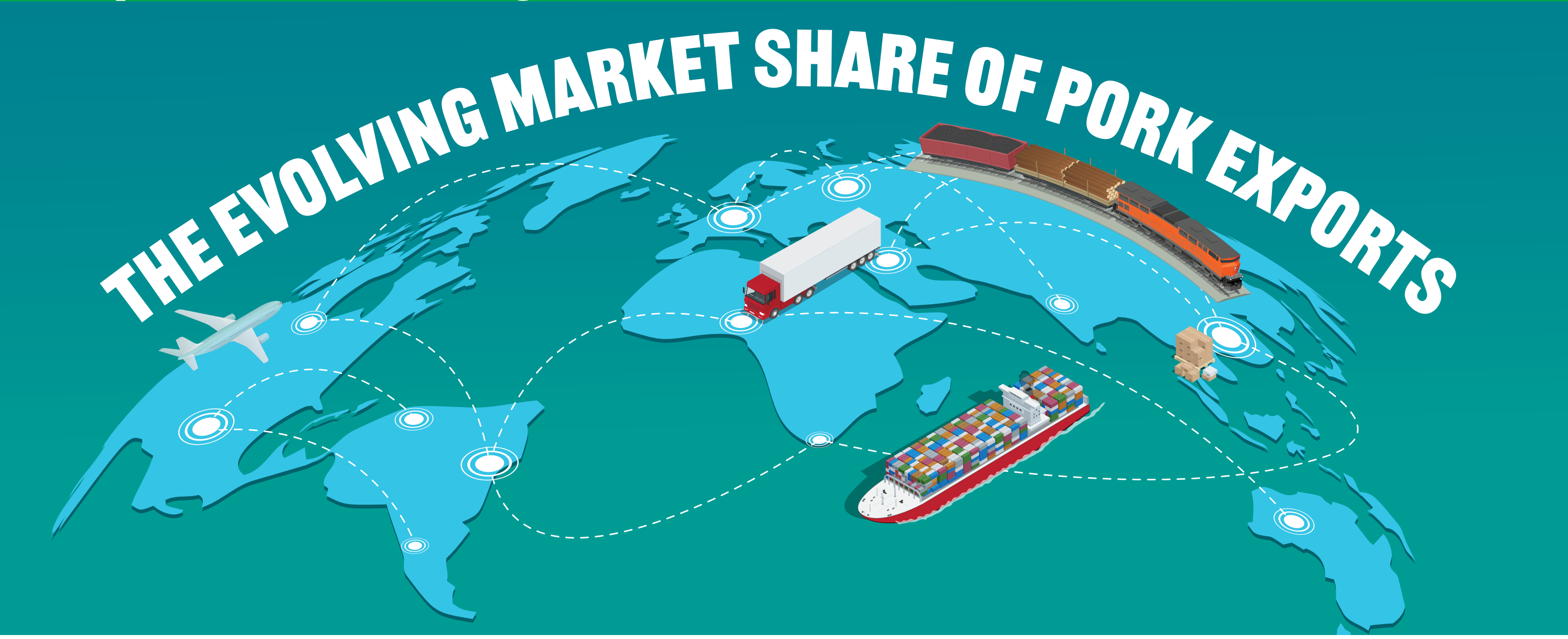
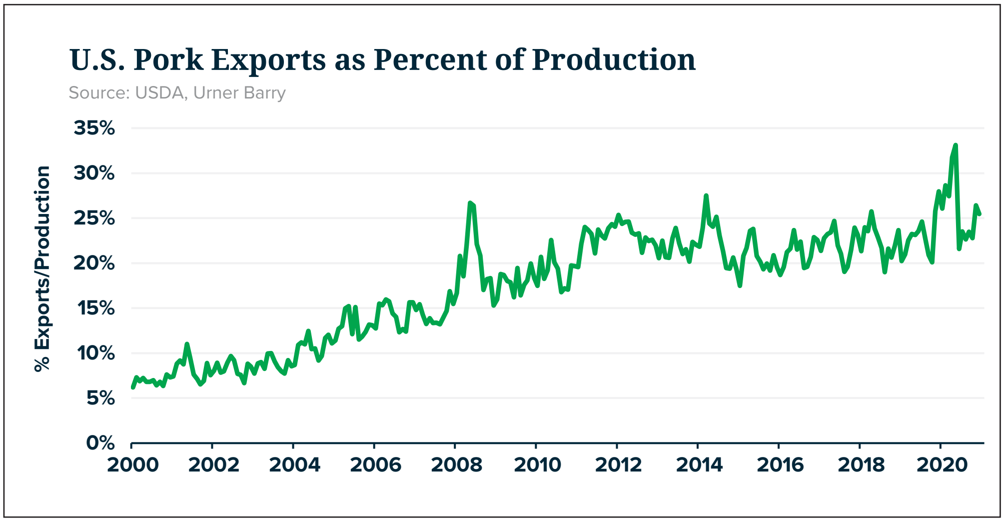
Export markets booming...

THE EVOLVING MARKET SHARE OF PORK EXPORTS



As the pork industry expands processing capacity, the reliance on healthy export demand also continues to grow. To understand this dependence on international trade, all we have to do is look at the trends in pork production and total exports over the last 20 years. Comparing 2000 to 2020, federally inspected pork production has risen by a substantial 51%. However, that value pales in comparison to the nearly 470% gain in pork export volume over the same period.



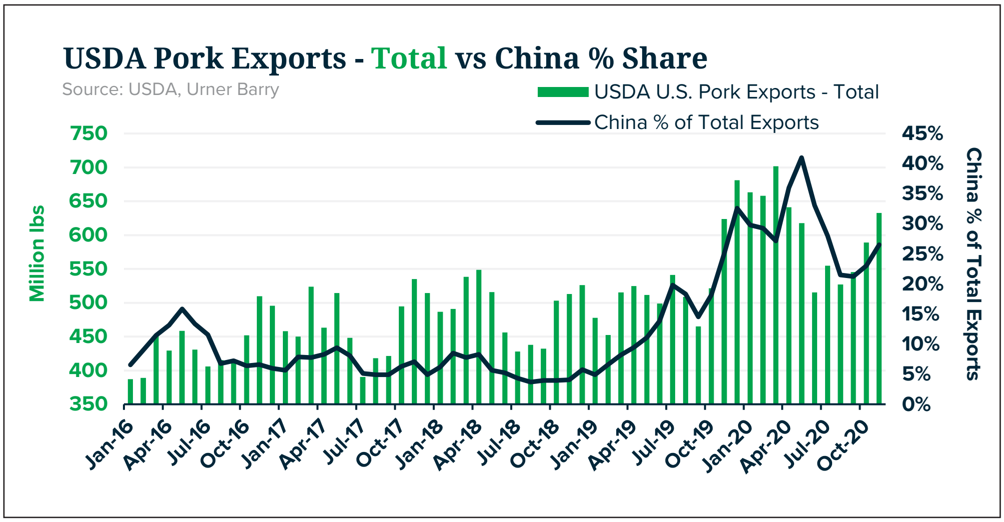
This disparity equates to a significant increase in the exports as a percent of production ratio. In 2000, roughly 7% of the United States pork production was exported. That figure expanded nearly 4-fold by 2011 and has remained in a 20 to 25% range since that point. Simply put, for the last nine years, the industry has operated under the assumption that close to a quarter of domestic production will be exported.

The composition of the importers of U.S. pork has changed dramatically over the years. In 2000, Japan dominated the list of pork importers, receiving roughly 45% of all U.S. pork exports. Despite having imported 70% more pork in 2020 than they did in 2000, Japan's market share of U.S. pork exports has declined precipitously, coming in at only 14% this past year.

We have seen a steady increase in demand for U.S. pork from a multitude of countries. While the population of Japan is aging and in gradual decline, that of Mexico, South Korea, China, Central and South America and many others are all expanding—and so is their desire for higher quality protein.

“By 2020… China grew to be the number one recipient of U.S. pork at nearly 28.5% of total exports.”

Looking at the countries individually, we see a trend of very impressive growth in imports of U.S. pork over the last 20 years. South Korea is up 1060% since 2000, Mexico 400%, Central America 1100%, Australia 3925%, South America 2165% and so on. However, none of these nations come close to the 22,390% expansion that China has undergone. In 2000, China represented less than a percent of total U.S. pork exports. By 2020, thanks in large part to their explosion in demand for outside pork due to the losses incurred during the African swine fever (ASF) outbreak, China grew to be the number one recipient of U.S. pork at nearly 28.5% of total exports.



Moving forward, the composition of export market share will continue to evolve. China has put an emphasis on recovering their hog herd, and thus lessening their dependence on imports from the United States and elsewhere. While that rebuilding phase could take multiple years, ultimately there is a chance that China’s market share declines closer to pre-ASF days. However, with so many other nations continuing to expand in their demand for American pork as their populations grow and economies develop, that sweet spot of 20 to 25% of production as exports could hold despite a decline in demand from China. UB

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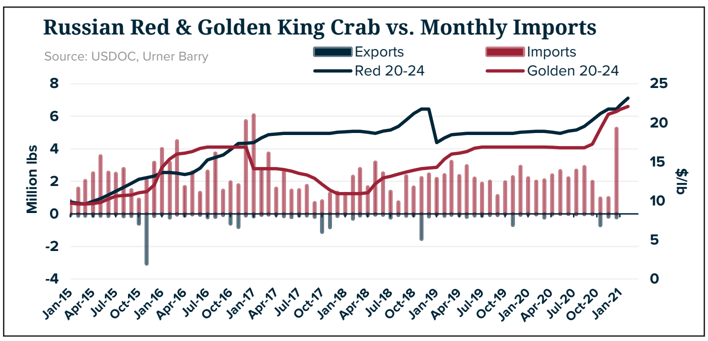
Crustacean craze to continue into 2021...

December 2020 imports soar; Russian snow crab imports up 80% in 2020

Premium shellfish is thriving during the pandemic; demand is robust and seemingly continuing to grow into 2021. Even with Russian King Crab imports soaring in December 2020, inventories currently remain thin and are expected to stay that way.

Crab was a rock star at retail and club stores during 2020, with what looks to be an insatiable demand for product. But with a supply that is constrained by quotas and a robust live demand in Asia, the competition for supply is fierce.

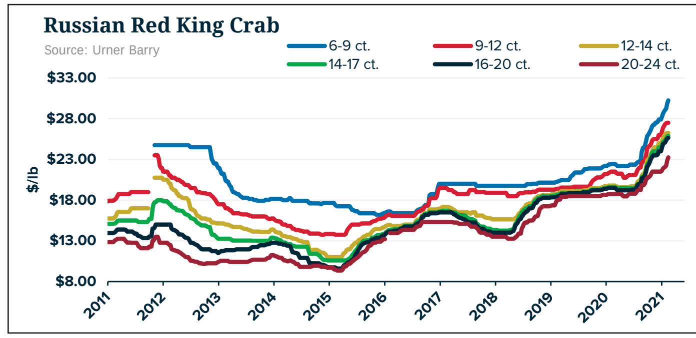


When looking at monthly imports throughout 2020, imports peaked in August and then dropped significantly in October and November, followed by a massive increase in December. Why such an increase? As discussed at the National Fisheries Institute's Crustacean panel during the Global Seafood Marketplace Conference (GSMC) webinar series, delays in shipping times are a constant; it looks as though deliveries were late off the fishing grounds in Russia, tramper vessels were limited, and capacity was constrained. Moreover, there was port congestion at Busan, South Korea, where the crab fisheries deliver crab for shipping to the U.S. In addition, there were vessels from Russia that were not allowed to offload at Busan and were turned around to disinfect back in Russia before returning for shipment.

However, even with the massive increase in imports in December, the market is still starved for king crab. Many of the shipments on the water were presold and many market participants report sales are all hand-to-mouth and on allocation.

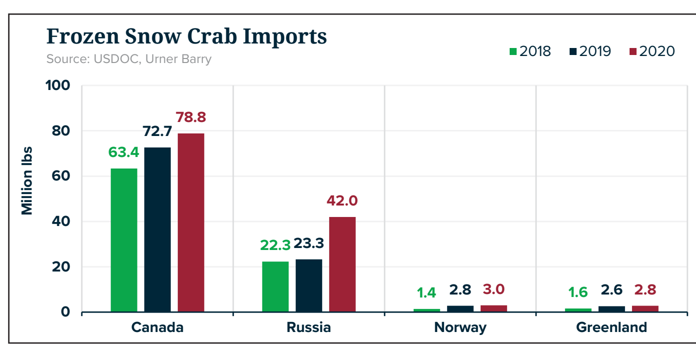
In addition to a barely adequate overall supply for red Russian king crab, there is also a limited amount of larger red king crab out of Russia and the market is starting to see the largest sizes trend higher at a quicker pace. All sizes are currently at all-time highs and as of this writing still climbing.

The Alaskan red king crab season is complete with 100% of the quota caught in Bristol Bay. With only a 2.6-million-pound quota, much is expected to be sold directly into negotiated contracts and not hit the open spot market. As of this writing, Urner Barry has not been able to establish quotations due to the lack of available supply and trade within the spot market.



SNOW CRAB

As reported by SeafoodNews, Trident's plant in Alaska had to temporarily shut down due to COVID-19 cases. This halt in processing of Alaska's snow crab quota, which is set at 43 million pounds, a 36% increase in the 2020/2021 season, has caused delays as to when the lower 48 states could see a new supply of snow crab. It is not unheard of that the market does not see Alaskan snows until March, but as the delays build, the market could see a bulge of snow crab potentially in May and June as discussed during the GSMC webinar on February 17. Canada's snow crab season is set to begin in late April if weather permits. Canada has the largest volume seen in the U.S. of snow crab with a market share of 62%. However, this is down from a market share of 71% in 2019; the biggest contributing factor being Russia's rise in snow crab imports. 2020 Russian snow crab imports were up 80% and with the Russian quota increasing almost 35% into 2021, there is anticipation that even more snow crab from Russia may be available for the U.S. market.



As the calendar turns to the spring, many eyes will be watching how the snow crab season unfolds. One trend that seems to be proven is the resiliency of the crab category throughout the pandemic and market participants look to be preparing for that consumer demand to stay in the future. UB

Article contributed by **Janice Schreiber**
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SNOW CRAB
KING CRAB
SHRIMP
ICY OCEAN
THE BBQ BAY GRILLING CO.
Ready to Grill Seafood
GRILLING
JUMBO
DIRECT
SOURCE
SEAFOOD
WWW.DIRECTSOURCESEAFOOD.COM
WHOLE KING CRAB

A brighter year ahead for hog producers?

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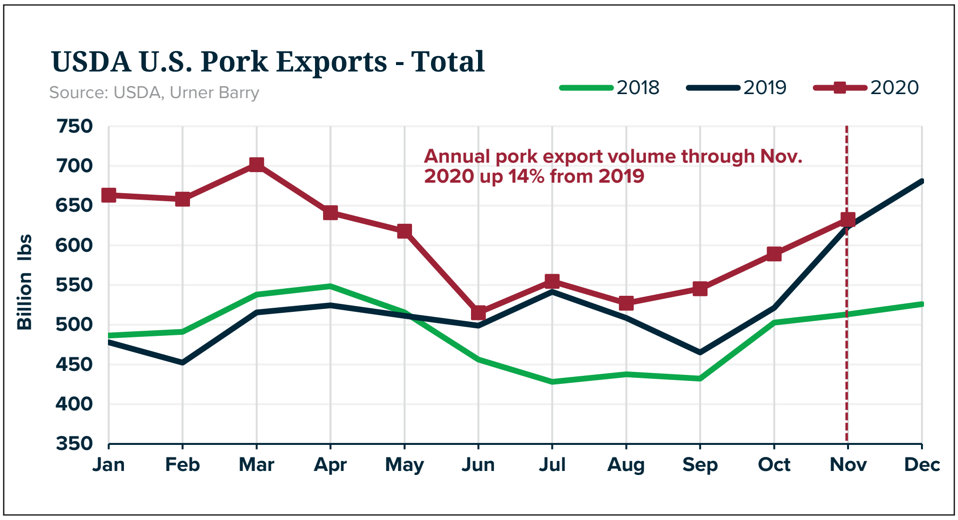
Following an unprecedented year of price swings, production cutbacks, and shifting demand, hog producers have had to quickly adapt to unpredictable circumstances while proactively preparing for a new set of challenges in 2021.

While the new year presents bearish boundaries, including uncertainty surrounding herd health, profitability, and demand patterns, there are supportive fundamentals that spark optimism for improved producer margins. Among them is historically tight levels of pork in cold storage.

Frozen pork stocks have been more than 20% below year-ago levels for seven consecutive (and counting) months, dating back to the end of May 2020. Strong demand, especially on the export front, reduced frozen pork stocks for end of December 2020 to 408.4 million pounds, the lowest level in more than two decades.



Robust global demand for U.S. pork, boosted by the ban of pork from Germany to markets including China, Japan, and South Korea due to African swine fever concerns, is moving product through the pipeline and keeping frozen inventory at tight levels from a year-over-year perspective.

According to data released by the USDA and compiled by the U.S. Meat Export Federation, January through November 2020 pork exports set new annual records for both volume (2.72 million mt, up 14% from 2019) and value ($7.03 billion, up 13% year-over-year). China/ Hong Kong were the largest destinations for U.S. pork in November, but increased interest is noted in other markets including Japan and Mexico.

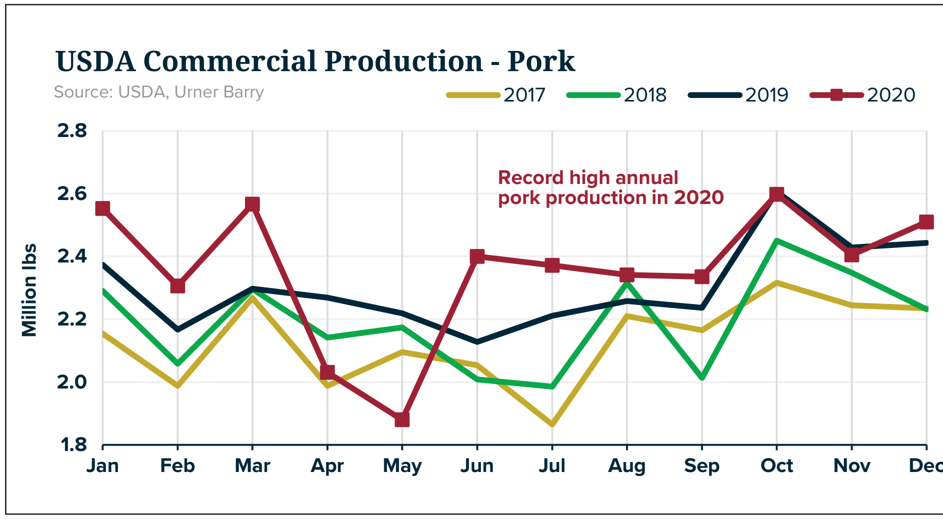
Low pork stocks in the nation's freezers are impressive given that 2020 was a record-setting year for hog slaughter and pork production. Despite significant cutbacks in labor due to the pandemic, federally inspected hog slaughter last year totaled a record 130.8 million head, 1.2% above 2019. 2020 marked the fifth consecutive year of record high hog slaughter amid ongoing industry expansion following the PEDv epidemic in 2014. Meanwhile, commercial pork production in the United States was a record 28.3 billion pounds in 2020; up 2.4% from the year prior.

USDA is forecasting 2021 to be another record-setting year for pork production at nearly 29 billion pounds, but indications of herd contraction in the latest quarterly Hogs and Pigs report could point to tighter front-end supplies down the road. The December report indicated a 3% year-over-year decline in the breeding inventory at 6.276 million head, the smallest level since 2018. The rapid increase in feed costs will likely encourage producers to keep a lid on herd expansion in the near-term.

Corn prices in January 2021 are trading at over $5/bushel for the first time since September 2013. Concerns of tightening U.S. and global stocks along with dry weather in South America are providing underlying support to the grain markets.

Corn and soybean meal are the largest inputs in hog feed costs. When the cost of feed is high, producers are more inclined to send their marketings to slaughter at lighter weights, thus resulting in an initial spike in market-ready supplies.

Generally, lean hog futures prices will decline in response to the increased levels of slaughter-ready supplies. However, futures are anticipating a return to a normal seasonal pattern for hog prices in 2021. The board is pointing to a price peak in July before resuming a seasonal downturn heading into the fall and winter months.



> **"There is no shortage of factors for those in the hog industry to consider when navigating the ongoing challenges presented by the pandemic."**

Along with rising feed costs, industry sources are noting increased talk of diseases affecting the nation's hog herds. Currently, some producers are experiencing a PRRS, or porcine reproductive and respiratory syndrome, outbreak. PRRS is a viral disease that can result in reproductive failure and respiratory disease in pigs of any age. PRRS has the potential to depress the cash hog market should herd health and performance be negatively impacted for a sustained period.

There is no shortage of factors for those in the hog industry to consider when navigating the ongoing challenges presented by the pandemic. If 2020 is any indication of the remarkable resilience demonstrated by our nation's farmers, hog producers seem poised to tackle the new year with more resolve than ever. UB

Article contributed by **Courtney Shum**
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A 2020 snapshot...

A MEXICAN BEEF *overview*

The Mexican beef market continues its expansion led by global demand and domestic expansion. 2019 versus 2020 total beef production was up 2.5% year-over-year. Last year, Mexico benefited from record high peso exchange rates and seized the opportunity to export more to the United States during peak COVID-19 impact. Plant closures in the United States led to a supply gap that its neighbor, Mexico, helped to fill. Exports took off during this time. But during the last quarter of the year, Mexico's peak demand season, exports retracted to fall below imports.

This year started off on a quiet tone for the Mexican market, as is expected seasonally. Currently, Mexican packers report an improved undertone for the domestic and export markets. COVID-19 remains prevalent in Mexico with its capital, Mexico City, experiencing the most impact. The Mexican government website states that there are 56,691 confirmed active cases, 157,103 suspected cases, and 174,657 deaths as of February 15, 2021. Percentage of cases that recover is estimated at 77.9%. UB

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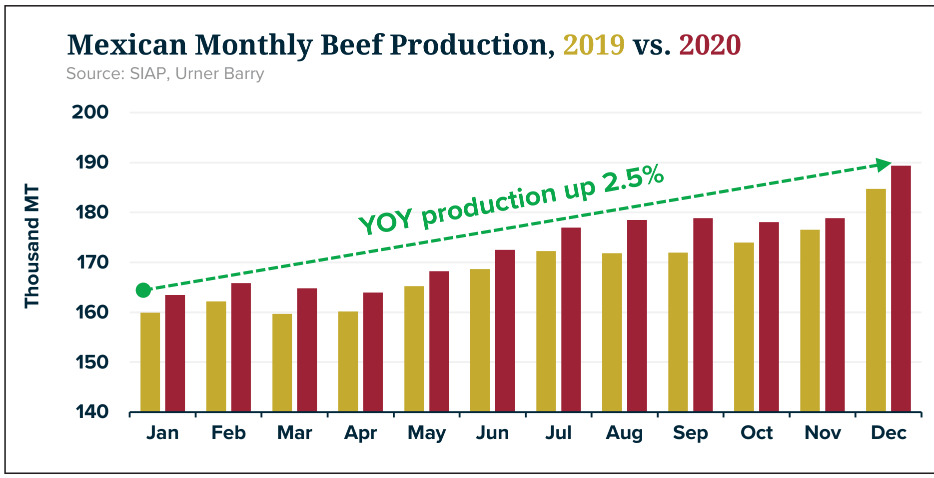

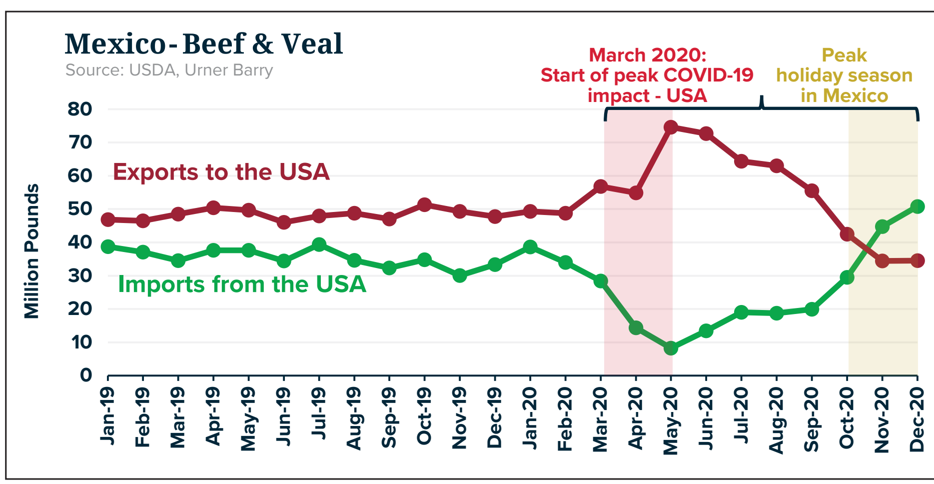

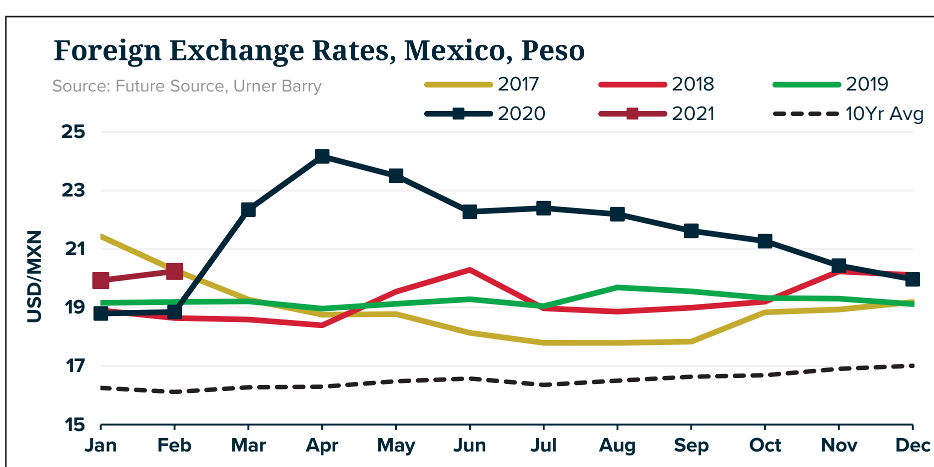

Hopping into another alterative protein...

Mexican UNAM students develop a grasshopper-based burger

You've heard of plant-based burgers... *but have you heard of insect-based burgers?*

In Mexico City, three students from the National Autonomous University of Mexico, or UNAM by its acronym in Spanish, launched "Chapi," a start-up company based on this insect-based trend. Initially, the idea was a product of a Hultz Price University entrepreneurship program competition. Alfredo Díaz Cano, Raymundo Lozano Retiz, and José Eduardo Cedillo García all met there and developed this insect-based product. The name "Chapi" is derived from the word "Chapulines," which means grasshoppers in Spanish. The term is specific to Mexico and Central America. "Chapi" produces burgers and other foods made out of grasshoppers, like sausage, falafels, burritos, and more.

"...edible insects contain high quality protein, vitamins and amino acids for humans."

Eating grasshoppers is nothing new in Mexico as they have long been a part of Mexican cuisine. Since 2003 the Food and Agriculture Organization has been working on topics pertaining to edible insects in many countries worldwide and recognizes that "edible insects contain high quality protein, vitamins and amino acids for humans." Another benefit of grasshopper-based products, as stated by one of the founders, Alfredo Díaz Cano, is that "grasshopper farming is less polluting, uses less land, water and emits less carbon dioxide." Currently these entrepreneurs have a grasshopper supplier in the state of Oaxaca but want to build their own farm. The founders of Chapi have previously stated that one cubic meter is enough to grow five to 10 kilograms of grasshoppers.

Each one of these grasshopper-based burgers costs 80 pesos, which would be an equivalent of about $3.92USD. Chapi burgers were originally sold at small markets in Mexico, but due to the pandemic the company had to adapt. Since August 2020 the products have been sold online through Instagram and through local home delivery platforms.

Would you hop on this new burger trend? UB

Article contributed by **Jocelyn Garcia Rojas**
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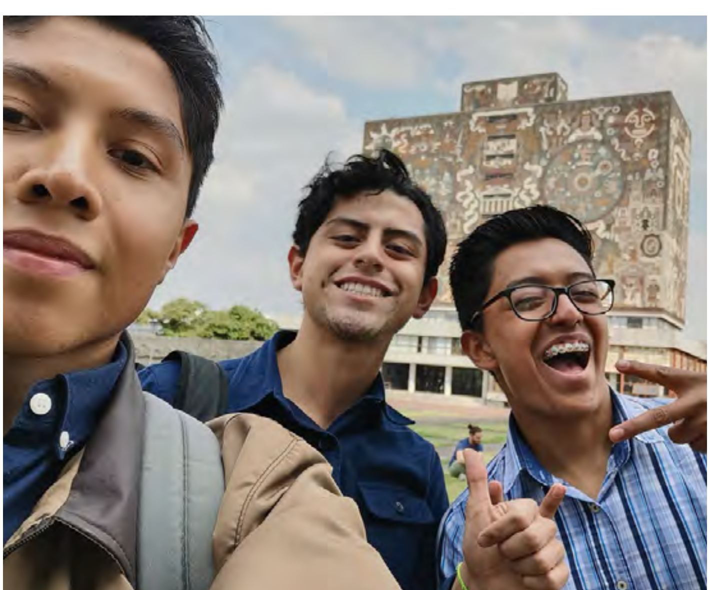

Pictured from left to right: Raymundo Lozano Retiz, Alfredo Díaz Cano, and José Eduardo Cedillo García. Images provided by Chapi.

How Premier Catch got started during a global pandemic

Many businesses closed their doors during the coronavirus pandemic. Between lockdowns, restrictions, labor shortages and other issues, the costs of staying open was too heavy for some to handle. Launching a new business during a global pandemic would seem like a crazy idea. But that's exactly what Ashley and Joci Besecker of Premier Catch did.

Ashley and Joci are sister-in-laws who married into the seafood industry. Their spouses, Tyler and Jeff Besecker, are the sons of Dana Besecker, the owner of the Dana F. Besecker Company. Dana started his one-man company in the 80s, and is now a global seafood wholesaler and processor, selling to 54 countries. His family has enjoyed the incredible seafood he sells, but the company never sold directly to consumers. So when COVID-19 hit last spring, Ashley and Joci realized that they had an opportunity to share their "amazing resource" through a new retail brand called Premier Catch.

"We put our heads together," explained Joci. "Our kids are doing school from home and we're both working from home. [We] decided to launch a retail brand. We designed our logo, we designed a website. We spoke directly with our fishermen and said, 'Hey, can we portion this out? Can we pin bone out all of these? Can we individually vacuum pack them?' Our main goal is quality and convenience for families and for people eating at home. And so that's kind of how it launched. We just started local in our Seattle area community, bought a freezer van and decided to do seafood pop-up shops."

Sisters-in-laws Ashley and Joci Besecker. Images provided by Premier Catch.

That's right, while most of us were experimenting with baking sourdough bread or binge watching *Tiger King*, Ashley and Joci were launching a business. The Premier Catch owners borrowed parking lots from local businesses, parked their van and sold seafood out of it.

"We like to joke that you put two strong female moms in charge of doing something and 'bam,' it gets done," laughed Ashley, who, by the way, is also a full time registered dietitian who works with professional athletes.

Thanks to their spouses, the two sister-in-laws have been immersed in the seafood world for years. But Premier Catch is different for them.

"Ashley and I now have this direct connection to consumers, to the people that are actually buying an 8 oz. portion of our King salmon and cooking it for their children that night," said Joci. "We hear the stories and we hear the needs and the satisfaction out of the product that we're providing. I love the full circle part of it. We meet the fishermen, we see it on the boat. They send us videos when they're out fishing. And then we actually go pick it up in our van and then we're able to literally hand it to people. Then they send us pictures and tag us on our Instagram...the full aspect of when the fish is swimming until it is on the plate and in somebody's belly is really fun to see and really fulfilling."

Premier Catch only sells wild and sustainable seafood from the Pacific Coast. And while initially working out of the Seattle area, Ashley and Joci realized that there was a need for fresh seafood outside of their community. They started doing pop-up shops as far as a couple hundred miles away in eastern Washington. Then they started rolling out shipping.

PREMIER CATCH
SUSTAINABLE · WILD · SEAFOOD

"As we grow as a company we're really excited to be able to ship all over the U.S., so that's going to be our next big thing that we're working on this year," continued Ashley. "This summer [we'll be] really fine tuning that and making it available to everyone, so that people in Florida can get wild Alaskan seafood, and some good recipes and all of that stuff. So shipping is going to be awesome for us this year."

"And we're moving to a 3PL company," added Joci. "That's giving us more flexibility with what we ship. Right now we're offering all of our finfish in a 5-lb. pack. You have to kind of buy that in bulk right now. So we'll be able to roll out more custom orders. You'll be able to mix and match products more and get smaller quantities of things. We're excited to expand what people can buy at one time. So lots of good changes are coming."

Ashley and Joci Besecker shared the full story of Premier Catch on the SeafoodNews Podcast on February 16. You can check out the podcast interview on Spotify, Soundcloud, or wherever you listen to your favorite podcasts. UB

Article contributed by **Amanda Buckle**
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A virtual cart is the new reality...

Kroger advances online grocery shopping capabilities as the pandemic continues

> **"Ocado has seen sales soar this year as the COVID-19 pandemic has generated unprecedented demand for grocery delivery."**

Photo credit: The Kroger Co.

Through its partnership with Ocado, Kroger has expanded its online shopping capabilities as the coronavirus pandemic continues to impact consumer concerns about contracting the virus.

Kroger entered into an agreement with Ocado in 2018 to develop 20 highly automated customer fulfillment centers throughout the United States. To accelerate these technological advancements and meet consumers needs, Ocado, a company that provides solutions for online groceries to retailers across the globe, acquired two U.S. start-ups.

In November 2020, Ocado agreed to acquire San Francisco-based Kindred Systems and Las Vegas-based Haddington Dynamics for $262 million and $25 million, respectively. Ocado stated that the deal would enhance its robotic manipulation capabilities and accelerate the commercial delivery of robotic picking for Ocado Smart Platform clients.

Kindred Systems is described as an advanced artificial intelligence-powered robotics company that designs, supplies and services piece-picking robots for e-commerce and order fulfillment. The company uses deep reinforcement learning, which improves the learning process of handling delicate items like those in grocery.

"Their robotic picking solution is proven, currently live for customers within the general merchandise and logistics sectors," Ocado stated. "This represents a large and fast-growing new segment for Ocado Group."

Haddington Dynamics is a research and development company specializing in the design and manufacture of lightweight, low-cost robotic arms.

"We consider the opportunities for robotic manipulation solutions to be significant, both for Ocado Smart Platform clients and across the fast-growing online retail and logistics sectors," said Ocado CEO Tim Steiner. "Given the market opportunity we want to accelerate the development of our systems, including improving their speed, accuracy, product range, and economics."

In addition to these robotic advancements, Kroger has expanded customer fulfillment centers, pickup locations, and delivery locations. According to financial results for the third quarter released by Kroger in December 2020, the grocer expanded to include 2,213 pickup locations and 2,468 delivery locations. That expansion covered about 98% of Kroger households.

Kroger announced another customer fulfillment center will be constructed with Ocado in Romulus, Michigan. The new facility will measure 200,000 square feet. Kroger will also be collaborating with Ocado on in-store fulfilment capabilities with a planned rollout across stores beginning in 2021.

The customer fulfillment center model, incorporating state-of-the-art automation and artificial intelligence, will be used to expand Kroger products to a larger footprint.

“Kroger continues to accelerate the expansion of our national network to redefine the customer experience,” said Gabriel Arreaga, Kroger’s Chief Supply Chain Officer. “Our partnership with Ocado is and will continue to be rooted in our ability to deliver a value-added customer-centric solution that brings fresh food to customers through our seamless ecosystem.”

As part of its accelerated growth plan, Kroger is also investing and innovating to optimize in-store fulfillment technology and processes. Kroger and Ocado are collaborating to leverage their in-store fulfillment capabilities with the best of Kroger’s technology and digital solutions to support the rapid growth of pickup demand across Kroger stores nationwide. Ocado’s in-store fulfillment solution includes software that supports associates’ efforts to assemble orders and makes it efficient for them to find products when filling customer pickup orders.

“In the long term, we know that winning online in grocery means having the best customer service, underpinned by the best operational economics,” said Luke Jensen, CEO of Ocado Solutions. “In leveraging the wide range of Ocado fulfillment technologies, Kroger is accessing the best customer offering for online grocery in the world, proven in the UK, one of most developed and competitive markets for grocery online.”

Ocado has seen sales soar this year as the COVID-19 pandemic has generated unprecedented demand for grocery delivery. In the United Kingdom, online grocery shopping has doubled its share of the market to nearly 14% since the pandemic began. Ocado predicts that it could reach 30% over the next few years. With this forecasting in mind grocers can anticipate that a virtual grocery cart, an emerging trend accelerated by the pandemic, will become the new reality for the food shopping experience. UB

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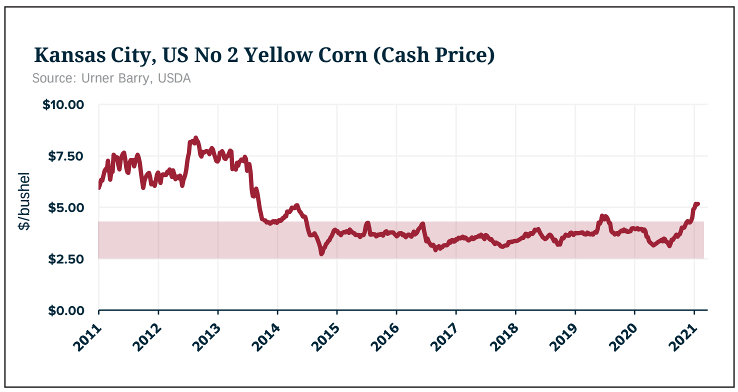
After of years of relatively low prices, grain prices now moving higher…

Feed cost inflation on the radar of packers for 2021

The dynamic in the grain sector shifted in a volatile 2020. This appeared to alter a corn and soybean market that had been beneficial to packers for nearly the last eight years. Supply seemed to be setting records on almost an annual basis, keeping prices in a tight, low, and comfortable range.

SUPPLY

It seemed coming into 2020 that the growth in supplies would continue as farmers were expected to plant the largest corn area in almost a decade. But the coronavirus led to other plans, and supplies shrunk significantly in the year with estimates into next year upwards of 10% below initial calls.



"Corn and soybean stocks are expected to remain tight…"

The United States is not the only supplying country where this is happening. Global corn production is also falling. There are weather issues causing disruptions in South America and Ukraine. Argentina has also decided to halt exports to ensure domestic needs are covered; further tightening global supply.

USDA projected ending corn stocks at 1.552 billion bushels. Corn production was estimated at 14.182 billion bushels, down 324 million on a 3.8-bushel reduction in the corn yield. This was the largest reduction by USDA in a quarter-century.

Soybeans had much of the same fate as a competing grain for acreage. A wetter 2019 and falling prices, albeit not to the extent of corn, fed into the fear of planting a large crop.

Soybeans ending stocks were projected at 140 million bushels, down 35 million from the previous forecast. The export forecast was raised by 30 million to a record 2.23 billion bushels.

DEMAND

Global demand for U.S. corn is robust as competing producers like Brazil and Argentina contend with dry weather. Furthermore, China's need for corn and soybean meal, components of livestock feed, is increasing as the country ramps up its hog production. China buying is prompted by a recovering hog herd that was decimated by African swine fever.

According to USDA's Foreign Agricultural Service, for the period January 1-7, corn exports of 1,464,300 MT were up 43% from the previous week and 41% from the prior 4-week average with destinations primarily to China.

Brazilian exports of soybeans were boosted by a weaker local currency, drawing stocks to some of their lowest levels in years.

Grain markets reacted favorably to the latest USDA World Agricultural Supply and Demand Estimates (WASDE) report released on January 12. Prior to the report, soybean and corn prices were already trading at six and a half year highs due to bullish fundamentals, including concerns of tightening U.S. stocks and dry weather in South America.

Shortly after the report's release, nearby soybean futures rose by nearly 50 cents a bushel, while corn futures traded with limit 25 cents gains to eclipse $5 a bushel, a level not seen since 2014.

Corn and soybean stocks are expected to remain tight in the near-term, prompting industry concern about rising feed costs for cattle ranchers and hog producers. Higher grain prices often cause producers to market their livestock at lighter weights. Consequently, reduced packer competition due to increased offerings maintain pressure on the cash market.

Higher costs of feed and a subsequent increase in breakeven levels can result in financial losses for cattle and hog producers. Producers may respond to higher feed costs by cutting back their herds, thus reducing livestock supplies down the road.

Ultimately, a decrease in front-end supplies could lead to higher livestock prices which can help offset the higher costs of feed.

The shift in dynamics came swiftly and almost unprecedented. For now, it will take time for the livestock industries to adjust to $5+/bushel corn. Higher grain prices, coupled with ongoing demand uncertainty due to COVID-19, may encourage producers to maintain a cautious stance on herd expansion. It could also incentivize farmers to plant more, which could aid in prices. UB

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How one restaurant is finding a *way* to grow in uncertain times

It's no secret that the restaurant industry has changed dramatically since COVID-19 first made landfall one year ago. Volatile consumer demand patterns, challenges with labor availability and state-issued dining restrictions have since forced some businesses to downsize in an attempt to better weather this storm. Others have substantially restructured their menu offerings, as well as their internal operating procedures, in an effort to accommodate the unique challenges associated with quick dining, delivery and takeout demands. But amidst these trying times, one brand is attempting to capitalize off of the shifting dynamics within the restaurant industry: HOA Brands.

Photo credit: Hoots

HOA Brands operates over 400 Hooters restaurants around the world. After identifying the growing success of smaller, delivery and takeout-oriented restaurants, as well as the national unfulfilled demand within this segment, HOA brands recently announced the expansion of their fast casual Hooters spinoff, "Hoots."

Some of our readers might be familiar with the restaurant, as HOA Brands first rolled out the Hoots concept in Chicago back in early 2017. It featured a dynamic menu which revolved around their famous chicken wings and the numerous rubs and sauces which go along with them. Front-end costs associated with the restaurant concept were kept low thanks to the relatively limited amount of kitchen equipment required to tackle their staple menu items. On the consumer facing side, the restaurant was structured in a way which allowed it to adapt to the ever-changing ebbs and flows in delivery, catering and take-out requirements. In retrospect, this proved to be a major strength for the restaurant throughout 2020, where high-volume orders of wings became the norm amongst consumers who were craving the taste of normality following regional lockdown measures. After the proof of concept was deemed a success, several other restaurants opened their doors in Illinois, Florida and Georgia, with more expected to come online in the months ahead. Recently the brand launched an opportunity for franchisees to join the team at Hoots. Benefits include training, marketing support, location analysis and supply chain access. The brand is planning to roll out 17 additional locations in 2021 and is counting on 35 additional locations to enter into the mix throughout 2022.

With takeout and delivery business continuing to expand and, in many cases, displace in-restaurant dining, it is no surprise that brands like HOA are stepping up to the plate in an effort to satisfy the shifting needs of consumers. Wings, which have been a staple food throughout the pandemic, also stand to benefit from seasonal demand associated with college basketball, and Hoots will be standing by to satisfy the call. But that's not all, their menu selection also includes two customizable buffalo and grilled chicken sandwiches. Could this mean that there is a new contender in the sandwich war? Consumers will be the judge of that one! UB

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CHECK OUT THE LATEST UPDATES TO Urner Barry's COMTELL

It goes without saying that we have been faced with many challenges and setbacks over the past year. However, through the dedication, hard work, and perseverance of the team at Urner Barry throughout such a difficult time, there were also many moments of achievement and success. Specifically, in relation to Urner Barry's premier market intelligence platform, COMTELL.

The transition into its brand-new adaptation took place at the beginning of what turned out to be an interesting year to say the least. Change can be difficult for many, although without the support and patience from COMTELL customers, the platform could not have made such great strides as it has. Based on popular requests and valuable feedback from such customers, there has not been a shortage of new developments and enhancements.

Some of those improvements that have occurred on COMTELL over the last few months include:

- Enhanced search functions to aid in filtering results by category and date.
- A user messaging system that posts a banner on the site to alert users of holiday closures, site status, etc.
- The ability to bypass chart previews with an on/off toggle on each Market Report & My Items. With quicker access to data tables and charts, COMTELL users can spend more time focusing on tasks that make an impact on their business.

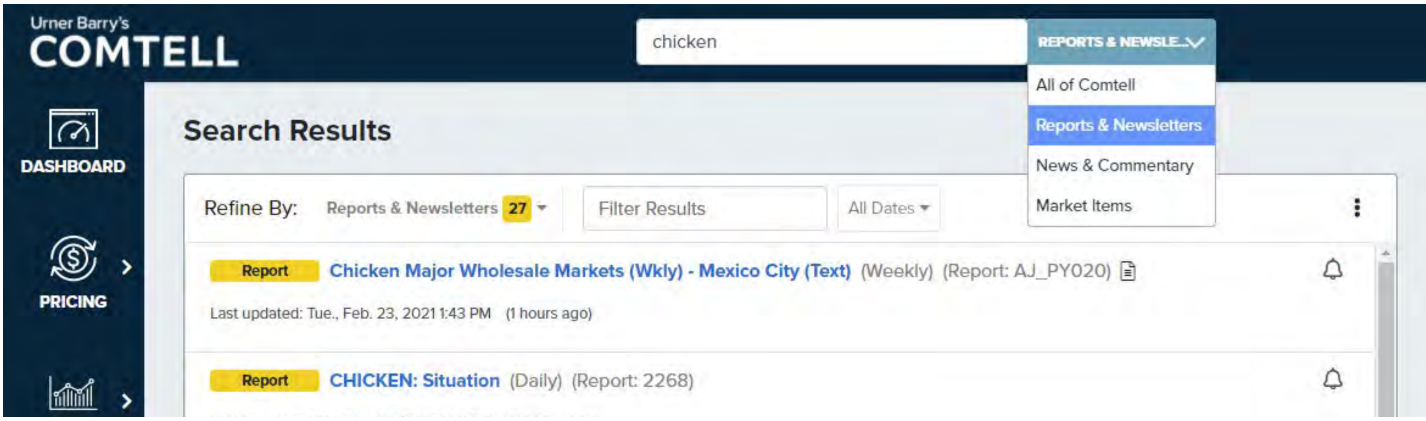
Additionally, during 2020, a glut of new data has been added to the site including:

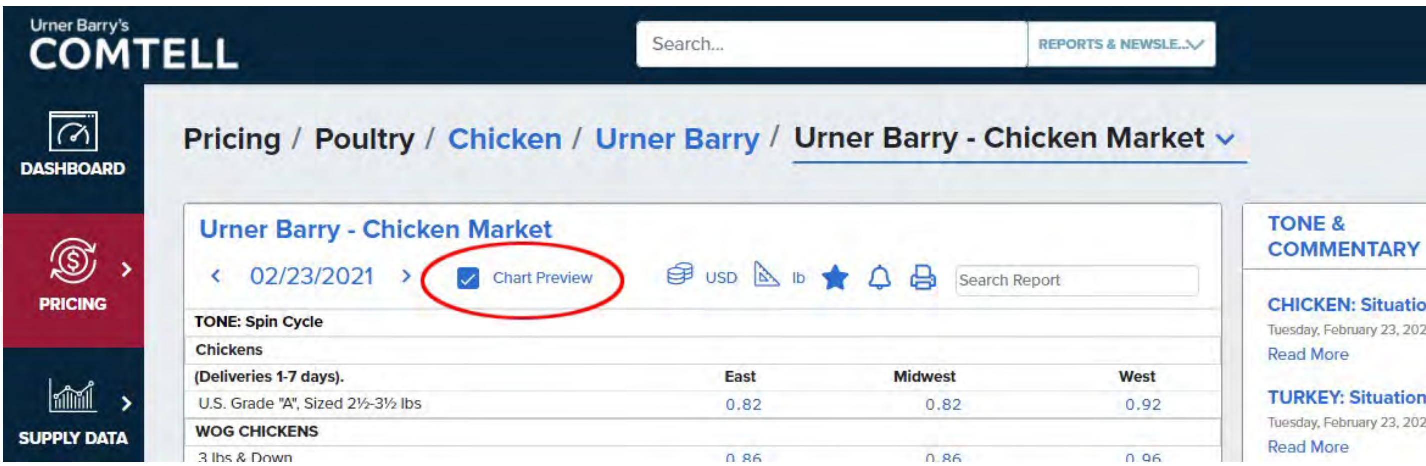
- 950 new history items.
- 18 new interactive tables.

The fourth quarter of 2020 marked the inception of the COMTELL Advisory Board. This board, consisting of a number of engaged COMTELL users, was created in order to achieve a higher level of customer engagement in terms of planning future developments for COMTELL. The objective of this board is to gain insight into the user experience and prioritize the focus of our resources and the rollout of new functionality based on actual customer needs and requests.

The COMTELL product roadmap continues to expand, and there are many impending projects within each quarter of this year which will continue to increase the value of the platform. Initiatives have been divided into three categories: New Features, Market Development, and Customer Service.

"With quicker access to data tables and charts, COMTELL users can spend more time focusing on tasks that make an impact on their business."





Key pieces of the COMTELL product roadmap for 2021 include:

- A brand-new API product offering, which will allow customers to access Urner Barry's database without having to login to COMTELL.
- An entirely new section of COMTELL called "Insights," that will host a variety of digital content, webinars, and white papers. (See page 74 for more details.)
- Plant protein market coverage, which continues to expand and is inching closer to the release as its own offering.
- An initiative to enhance our "hands-off" aid, which will include short how-to videos and pop-up information text blocks around the site.

The team here at Urner Barry takes pride in promoting the success of its clients and will continue to research and develop the powerful tools that are crucial to achieving more value and efficiency in the service than ever before. UB

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Get more "Insights" through Urner Barry's latest COMTELL innovation

Plus, updates on Urner Barry's 2021 events line up

INSIGHTS

Urner Barry has a new offering—and people are pretty excited. (So are we!)

Launching in March 2021, "Insights" is coming exclusively to COMTELL. This largely digital offering will allow subscribers and, occasionally, outside guests to WATCH, LISTEN, and READ impactful market content in a way like never before.

Through Insights, our expert editorial team, market reporters, analysts, and curated guest contributors will be generating unique content for the protein industry. This in-depth coverage will be available to COMTELL subscribers 365 days a year.

- **WATCH webinars, in-depth interviews, webinars, market videos, and content from guest contributors.**
- **LISTEN to our Market Digest and SeafoodNews podcasts.**
- **READ in-depth interviews, white papers, and content from guest contributors.**

Be on the lookout for themed launches throughout the year where we will focus on topics such as risk management, future-proofing the supply chain, the post COVID-19 consumer, and more. Similar to a live or digital event, these features will include keynote-type sessions and other live presentations.

"2020 will go in the books as one of the most challenging years for our businesses," noted Urner Barry COO Jim Kenny. "As we start the New Year, we are optimistic that we can provide new opportunities for our customers, contacts, and industry stakeholders and create a plan to revisit some of the traditional experiences you have all come to rely on and enjoy. Many of you have expressed challenges in growing your business through this unprecedented time, motivating our team to develop opportunities for you to CONNECT, LEARN, and ADVANCE in 2021. "

Plus, Urner Barry is pleased to announce their 2021 event line up! They are tentatively scheduled for the back half of the year as follows:

EXECUTIVE CONFERENCE
The Venetian | Las Vegas, NV
September 26-28, 2021

GLOBAL PROTEIN SUMMIT
The Drake Hotel | Chicago, IL
November 1-3, 2021

We look forward to seeing you in person when the time comes!

Whether you are in search of relevant content to keep a pulse on developing trends, are a supplier looking for a highly targeted audience, or need new ways to consume information, Urner Barry has exciting things in store for you in 2021. UB

Article contributed by **Jamie Chadwick**
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WOMEN
in FOOD & AGRICULTURE

Be a part of the conversation: The WFA Community is now LIVE!

Big news for industry professionals looking to maximize diversity and tackle the biggest issues facing our industry—Women in Food and Agriculture has launched an online platform for members of their community to learn and interact with each other! The WFA Community is a year-round content and networking hub for members of the Women in Food and Agriculture movement. (P.S. It's not just for women!)

WFA Community is a place that brings together people who support gender diversity in food and agriculture—and it's the place where you'll have the chance to be part of a movement that is striving to make a change in the industry.

Women in Food and Agriculture is an organization promoting diversity and inclusion in the food and ag industry. Providing a unique opportunity for leaders to connect and women to share their stories, the WFA Summit has now grown to become the industry's leaders' year-round platform to empower their workforce, innovate, and promote the food and ag industry as an employer of choice to the next generation.

WFA hosts a Summit in December every year where both men and women come together to work towards change. It's an experience unlike any other, with attendees lauding the content, networking, and of course, the mission.

For those who want to experience the WFA Summit day in and day out, WFA Community will let members discuss the biggest challenges facing the sector, work towards improving diversity and network with members of this growing group.

As part of WFA Community, members will have the chance to join new interactive content sessions including workshops, training, and roundtables, as well as take part in structured networking sessions and one-on-one networking with members using the specialized AI matching tool, all through a user-friendly app.

"Due to the incredible engagement at the WFA Digital festival in December, we realized how much our members (women in food and agriculture and others who support diversity in our industry) value interaction with each other," says Elisabeth Mork-Eidem, Campaign Director for WFA. "With the COVID-19 pandemic reducing the opportunities we've all had to speak face-to-face this year, we wanted to create a new initiative to address this."

"We are so excited about WFA Community as it truly fulfills a need for our supporters by offering a continuous opportunity for access to networking and content. This platform will become a year-round extension of the WFA Summit, which will be held in December, where members will be able to bring together the ideas talked about throughout the year and meet the people they have been communicating with on WFA Community face-to-face."

To find out more about WFA community please visit www.wfasummit.com. UB

Article contributed by **Jamie Chadwick**
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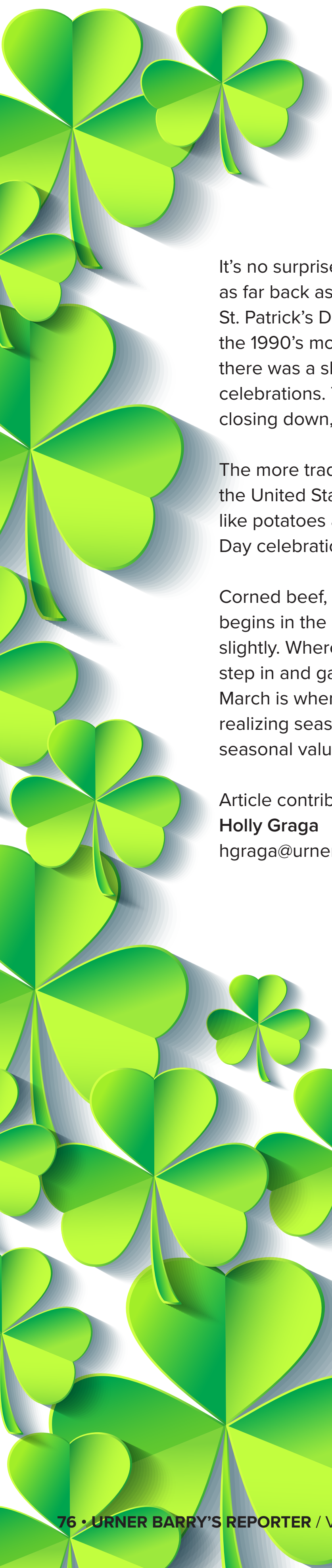

St. Patrick's Day, the Irish way

It's no surprise that St. Patrick's Day piques consumer interest around the world. St. Patrick's Day celebrations date as far back as the late 1700's. However, instead of being the social holiday it's now known as, up until the late 1900's St. Patrick's Day was a religious holiday to commemorate the life of Saint Patrick, the Patron Saint of Ireland. Before the 1990's most of the country of Ireland was closed to celebrate the holiday. But due to tourism in the country there was a shift and guidelines began to change. This is when most of the festivities became focused on food and celebrations. The country of Ireland knew they had a lot to offer and show off surrounding the holiday and instead of closing down, they used the day to showcase and share the Irish culture.

The more traditional Irish meals consist of roasted lamb, Irish brown bread, Shephard's pie, and even salmon. But in the United States, St. Patrick's Day celebrations are made up of corned beef and cabbage, along with other fixings like potatoes and carrots. So, how did corned beef and cabbage become the go-to meal in the U.S for St. Patrick's Day celebrations? We have immigrants to thank, who were looking for something affordable but enjoyable.

Corned beef, typically made from a beef brisket, is the meal of choice for St. Patrick's Day in the U.S.. Buying usually begins in the mid-to-late summer when the bigger participants begin placing orders. This pushes the market up slightly. Where briskets begin to see real seasonal strength is after the first of the year. This is usually when buyers step in and gather the rest of their needs and place prices. From mid-to-late January until about the first week in March is when this cut finds its seasonal support. With this year being an exceptionally different year and many items realizing seasonal highs, briskets have trended below the three-year average at around \$2.40/lb to \$2.60/lb. Previous seasonal values have been seen in the \$2.70/lb. to 2.80/lb. range. UB

Article contributed by
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ADVERTISER INDEX

Irish Braised Corned Beef Brisket

Ingredients

- 1 (3½ to 4-pound) Certified Angus Beef® corned beef brisket flat
- 2 teaspoons ground coriander
- 1 teaspoon caraway seeds
- 1 teaspoon coarse ground black pepper
- 1 teaspoon dried thyme leaves
- ¼ teaspoon ground clove
- 2 tablespoons canola oil
- 1 pound carrots, peeled and cut in 1-inch chunks
- 2 onions, cut in 1-inch chunks
- 6 peeled garlic cloves, cut in half lengthwise
- ½ head cabbage, cut in 8 wedges
- 4 bay leaves
- 1 cup beef stock
- 2 tablespoons coarsely chopped fresh parsley (optional)

Instructions

1. Preheat oven to 325°F.
2. Remove corned beef from package, rinse and pat dry; cut into two equal pieces.
3. In a small mixing bowl, combine coriander, caraway, black pepper, thyme and clove; set aside.
4. Heat oil in a large skillet over medium-high heat. Sear brisket until browned, fat side down first, 3-4 minutes per side.
5. Transfer brisket to a large roasting pan or Dutch oven. Evenly coat all sides of brisket with spice blend. Spread carrots, onions, garlic, cabbage and bay leaves evenly around and on top, add stock and cover tightly with foil or lid. Place in oven and braise 3½ hours until tender. Turn off heat and leave corned beef in oven for 30 minutes.
6. Slice thinly against the grain and serve with vegetables and broth, garnished with parsley.

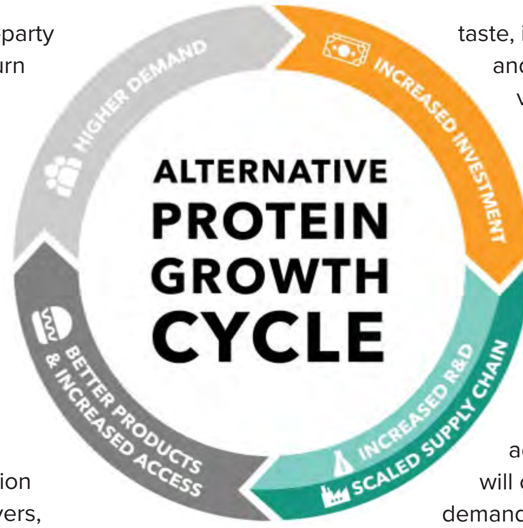
Serves 8-10 • Recipe & image provided by Certified Angus Beef®

Building the alternative protein flywheel

Article contributed by Zak Weston,
The Good Food Institute

Jeff Bezos' recent announcement that he will be stepping away from his role at Amazon is a timely opportunity to consider just how rapidly new startups and novel technologies can disrupt the established way of doing things. While Bezos' legacy as a leader is mixed, he built a company that relentlessly leveraged software innovation and real-world infrastructure to change the way the world shops.

Amazon's success came from many factors, but one of the most powerful ideas that drove Amazon's early growth arose at a 2001 company retreat with Good to Great author Jim Collins, where Bezos and Amazon's leadership outlined their "flywheel," or self-reinforcing growth loop. Bezos and the Amazon team realized that as lower prices drove customer visits, those additional customers attracted fee-paying third-party sellers, who in turn would increase product variety and throughput. This increased volume would enable Amazon to more effectively utilize infrastructure such as distribution centers and servers, creating an improved cost structure that would make it possible to lower prices still further and close the loop.



This formulation helped Bezos and the Amazon team recognize that by improving any part of the flywheel, they could accelerate their growth loop. This insight helped lead to Amazon's phenomenally successful investments in programs and infrastructure such as Prime membership, the Amazon Web Services platform, and their fulfillment program for third-party sellers, all of which helped transform Amazon from an online bookseller to the retail juggernaut it is today.

At The Good Food Institute (GFI), we think there is a similar industry growth flywheel for plant-based meat, egg, and dairy, along with other alternative protein products that replicate the sensory experience of animal proteins. Over the past few years we've seen strong consumer enthusiasm for plant-based products—even with premium pricing and early-days product quality—that demonstrates pent-up demand for meat, egg, and dairy alternatives that are taste and price-competitive with their animal protein counterparts.

This demand is driving investment from global governments, investors, and existing companies into R&D and scaling the supply chain for higher production output. Research is creating innovations that are improving product quality—better taste, improved functionality and versatility, increased variety— and the scaled supply chain increases the quantity of products produced, lowering prices and expanding availability for consumers. Improving product quality and making those products more accessible to consumers will continue to increase demand, completing the cycle and creating an ever-accelerating feedback loop.

GFI is working to help channel resources and efforts in the right direction. Investors, government, and existing industry players can fund needed technical research, and as breakthroughs are achieved, help disseminate those insights as rapidly as possible by commercializing and scaling promising new technologies that enable sensory and price parity with animal alternatives. As the industry mobilizes and train a new workforce, investments will allow suppliers and producers to scale needed intermediate processing and manufacturing infrastructure. As economies of scale will enable lower product prices and R&D innovations drive product taste and functionality improvements, distribution and sales partners can benefit from increased consumer category recognition, building category loyalty and completing the flywheel loop.

Much as Amazon discovered, improving any part of this flywheel accelerates the whole industry, creating exciting opportunities for companies new and old at every step of the value chain.

While animal proteins are about as inexpensive, delicious, and efficient as they are ever going to get, the plant-based and alternative protein flywheel is just getting started. UB

THE GOOD FOOD INSTITUTE

Graphic provided by GFI

Fish or cut bait: Urner Barry's voyage in seafood market reporting

Illustration: Glenn Juszczak

When compared to some of the relatively tenured proteins in the perishable commodity market, the seafood industry can seem fledgling in comparison. The truth is that the business of selling seafood is well documented and has been around since biblical times.

Although established for more than 50 years now, seafood reporting at Urner Barry was not always the well-oiled machine we know it as today. In fact, far from it.

Back in the day, seafood reporting was largely a one-man-show out of a small West Coast office in California. While this certainly got Urner Barry's "fin" in the door, there was a clear need for reinvigoration of the reporting process.

Former Urner Barry president and seafood market reporter Paul B. Brown, Jr., credits his father Paul Brown, Sr., with picking up the seafood reporting ball and running with it. And run he did. Paul Brown, Sr. very soon found himself strolling the aisles of the Philadelphia Food Terminal, much like Urner Barry founders Ben Urner and Frank Barry did back in the 1800s when they regularly visited primary markets located between 14th and Canal Streets in New York City. The daily personal interviews Paul conducted with merchants provided insight into what prices were being paid. Paul Brown, Jr. tells us that, with the help, guidance and networking capabilities of the father-in-law of long time Urner Barry employee Lynn Dekovitch, who himself was in the seafood merchandising business, Paul, Sr. would drive to Philadelphia in the wee hours of the morning to get his feet wet in the seafood industry. A true greenhorn, once at the market Paul found himself not necessarily accepted, but tolerated thanks to the seafood buyer accompanying him.

In time and with effort, Paul himself became so familiar with the buyers in Philadelphia that he began solo excursions. It was on the return from one of these solo excursions that catastrophe was narrowly averted. Although the tale has become unclear in the years since, it was a dark winter's morning and the ride home through New Jersey's remote and largely unpopulated Pine Barrens was treacherous. Paul was driving his son Rick Brown's 1966 Volkswagen Beetle and hit some ice (or fell asleep at the wheel depending on who is telling the story), went into a multiple 360-degree spin, and ultimately winded up snug against a big pine tree. After "waking" from the ordeal and otherwise uninjured, Paul simply continued on his way, notes in hand and fish in the back seat!

Not long thereafter, Paul Brown, Jr. took the helm of seafood reporting. Among his initial adventures in the business were trips to the infamous Fulton Street Fish Market in New York City. Paul has "fond" memories of Fulton Street and told Urner Barry's Reporter that "Seafood reporting certainly has a long and storied past …" He clearly recalls how difficult it was to get anybody to speak with you in the early days of Fulton Street and "…it was a really long and storied process."

So how to get that needed clout? Well, that answer came in the form of a directory of all things. Urner Barry's *Who's Who in the Fish Industry* was published and provided Urner Barry the visibility so fervently pursued. As the industry itself matured, and Urner Barry's credence as the recognized source for seafood market prices and information solidified, the business continued to change. According to Mr. Brown, once aquaculture began to develop and farmed salmon and shrimp came along, a lot of the "Wild, Wild West element of the seafood industry disappeared." Uniform standards, accountability, product labeling, regulatory oversight, and a push for sustainability, among others, have all slowly replaced the days of questionable dealings and characters. UB

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