

Urner Barry's Reporter

the newsmagazine for the food industry professional

VOLUME 17 | NUMBER 4 | FALL 2022 | QUARTERLY



INFLATION
continues to
HAUNT
THE NATION



FROM FARM TO TABLE

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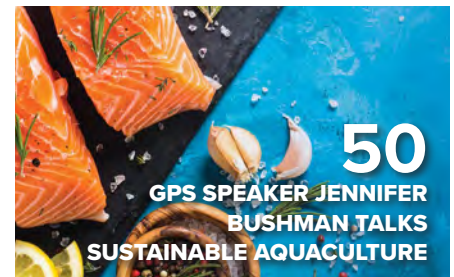
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From the Editor's Desk...

Being at a loss for words is not something that a writer, specifically this magazine's senior editor, identifies with. Therefore, you might recognize the dilemma I was in when recently asked to contribute my thoughts on market volatility and its impact on the food industry; and I stood in silence.

Sometimes a simple word is not so easily defined, and its root can be quite complex. Ask two people what volatility means, and you will likely get different answers, especially in the food industry where agenda driven influences can twist the response in a favorable direction for the individual doing the answering. Volatile trading conditions to a buyer may be very different than volatile conditions for a seller, and an altogether different interpretation may well be offered from the perspective of a trader, broker, importer or exporter. The same is true for market reporters.

To test this theory, I asked about the meaning of volatility to individuals in various food industry roles. My colleague and Urner Barry seafood market reporter, Lorin Castiglione, put it like this, "When I think of volatility within a market, I think of consecutive movements that don't typically follow seasonal trends. Right now, many of my markets are experiencing both upwards influences—supply constraints, rising demurrage costs, for example, and downwards pressure—tempered demand due to inflation and falling freight costs, among others, creating volatility..."

A distributive level buyer had this to say about volatility, "Volatility is what you don't know. The opposite of stable and certain...which you can 'count on.' With volatility, you never know when it is going to surface to challenge purchase decision making."

A "supply partner" to the food industry put it this way, "Volatility is characterized by significant changes (multiple percentage points) to the trading levels over short periods. [This results in] people canceling loads, rejecting loads, and renegotiating loads causing large losses to those stuck on the other side."

Perhaps the most telling response came from a tenured individual in the poultry business who told me, "We know a stagnant market is one characterized by inactivity and lifelessness. We also recognize a red-hot, seasonally driven market as one where demand far outpaces supply and buyers will stop at nothing to get requirements satisfied. But there is a whole lot going on between those two extremes and that is likely where you'll find volatility."

When it's said and done, volatility can assume different shapes and forms depending on circumstance, along with who and what is involved. In the Fall 2022 issue of *Urner Barry's Reporter*, you'll find content filled with insight on how to run your business more efficiently, more thoughtfully and with more knowledge to help navigate these volatile times.



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Urner Barry's Reporter

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FOOD INDUSTRY PROFESSIONAL

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AGRI BRIEFING

Grocery shopping habits shifting...

THE SCARIEST THING THIS SEASON: HIGH PRICES



There is no denying that the pandemic changed the way we shop for groceries. According to the Adobe Digital Economy Index report released in March, in 2020 online grocery sales increased 103% year-over-year to \$73.7 billion. And while it was initially a safer way to shop, it also became a more convenient way to shop. Even when restrictions were lifted, shoppers continued to grocery shop online. But will inflation be sending people back into physical stores?

FMI—The Food Industry Association, released their fifth edition of the U.S. Grocery Shopper Trends 2022 series in late August. And according to the report, rising prices are a big concern for shoppers. 61% of those polled expressed concerns about rising food prices specifically, which FMI says is an increase of eight percentage points since February 2022. But with that said, shoppers said they “feel they have at least some degree of control over their finances, particularly when it comes to their grocery budget.”

Weekly grocery spending totals dropped from \$148 in February 2022 to \$136 in

August 2022. And shoppers are getting creative in order to get everything on their shipping list.

A survey from FullStory, a data technology company that enables businesses to improve their customer experiences across all media platforms, found that 64% of surveyed U.S. customers have cut back on online purchases, while 51% say that they are researching more carefully online before they buy.

For shoppers continuing to take advantage of online grocery, they’re citing that they can better monitor basket size and save on gas. As for those cutting back on online grocery purchases, respondents told FMI that they are able to make adjustments at the shelves when they are in a physical store, and can also save money on shipping and delivery fees.

“Brands need to support consumers in making more considered purchases—and they have fewer chances to get it right today versus just a few months ago,” explains FullStory Chief Marketing Officer Kirsten Newbold-Knipp. “With market dynamics in flux, digital experience success

depends on paying close attention to actual consumer behavior in real time, questioning assumptions, and addressing the unknown unknowns in order to drive engagement and sales.”

Since prices keep rising, some online retailers are even providing a buy-now-pay-later option for their customers. This gives the consumer more time to pay off their purchases, especially if they need it immediately, as is often the case with food deliveries. However, it is not a popular online tactic that people use. According to the FullStory survey, only 13% of respondents use it. Shoppers are more likely to turn to coupons and discount codes, while others are increasing their use of store loyalty programs.

Online grocery shopping is here to stay. But the numbers will certainly be fluctuating due to high prices. [UB](#)

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“...high prices are also changing where consumers shop online.”



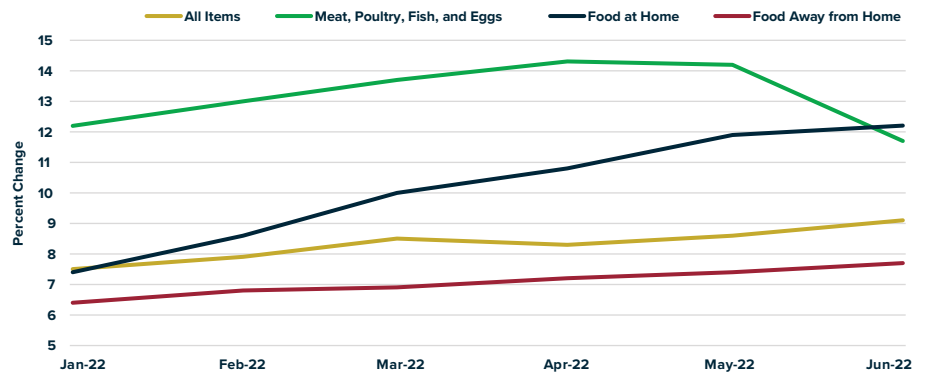
Retail meat nears record highs this summer

The annual U.S. inflation rate came in hot at 9.1% in June 2022, accelerating from the 8.6% annualized rate in May, and above the consensus expectation of 8.8% by economists. This was also the highest recorded CPI number since November 1981. The gains were broad-based with nearly every sector contributing to the reading. Food (+10.4%), energy (+41.6%), new vehicles (+11.4%), used vehicles (+7.1%), and shelter (+5.6%) led the headlines. Even core CPI, which strips out volatile food and energy prices, exceeded expectations, up 5.9%.

The two biggest things on the minds of consumers are how much it takes to fill up their cars and how much money it is when they go to the grocery store since these two activities are highlighted the most in everyday lives. And while the inflation rate came in at 9.1% in the June reading, food at home, a good barometer of retail prices, rose 12.2%. You would have to go back to April 1979 to find a 12-month change higher.

CPI-U 12 Month Change

Source: BLS, Urner Barry

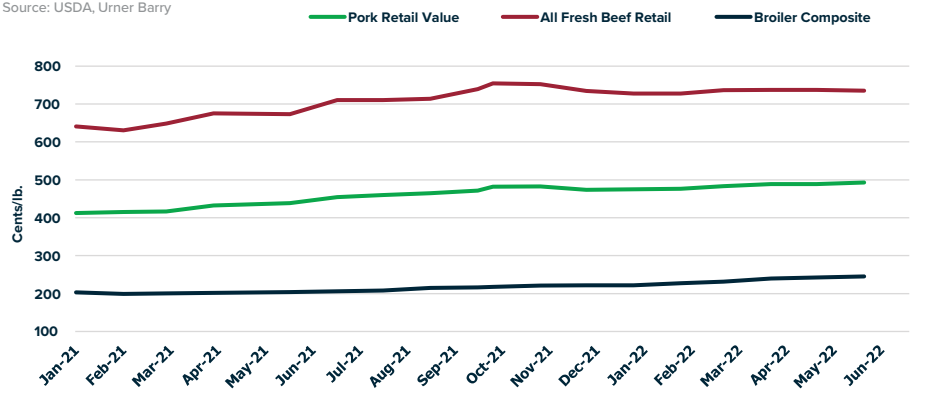


BEEF PRICES

At the wholesale level, beef prices are somewhat softer over the last year. The Urner Barry Choice Beef Cutout is down 5.2% from July 2021 to July 2022. Despite slightly enhanced production, demand from both the export and domestic markets remains relatively solid.

USDA Retail Prices

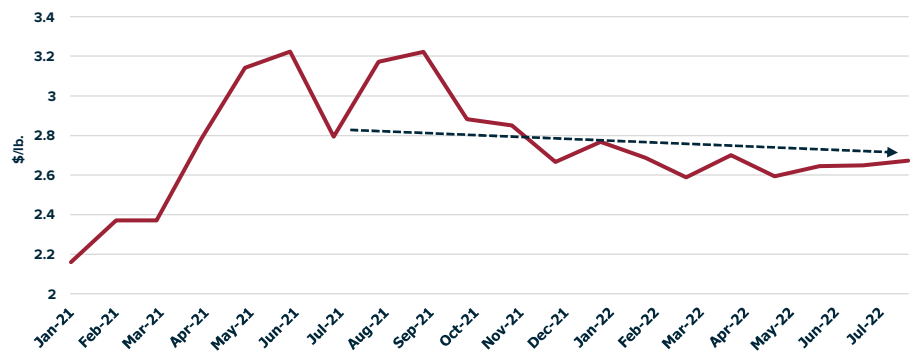
Source: USDA, Urner Barry



“... the USDA All-Fresh Retail Beef price still sits near record highs in June at \$7.35/lb.”

Urner Barry Choice Beef Cutout

Source: Urner Barry



But as we noted earlier, that has not translated to lower prices at the grocery store. In fact, the USDA All-Fresh Retail Beef price still sits near record highs in June at \$7.35/lb. This is just off \$7.55/lb in October 2021. In the 12 months ending June 2022, retail prices are 3.42% higher. This is a full 862 basis point difference between wholesale and retail change.

There are a few reasons that prices consumers see have not followed

wholesale declines. The increased cost structures of trucking and logistics, energy bills, and wage inflation seen are being passed along as all have remained post-pandemic. Customers have a hard time finding any relief as pork and chicken retail prices are sitting at all-time highs.

Despite persistent inflation, the U.S. consumer appears resilient so far. Wages are growing, savings are still higher, and behaviors have been altered. The question

remains if these factors will continue as changes in monetary policy look to cool red-hot price gains without causing a crash landing of the economy. The hope is that wholesale price trends will follow through to the end user. [UB](#)

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Egg replacements are mostly off the menu after this year's bird flu

When highly pathogenic avian influenza (HPAI) began to spread in the spring of this year, so too did concerns about the potential for demand destruction in the egg-products sector. Harkening back to the bird flu of 2015, egg processors were fearful that high prices and a lack of availability would once again prompt food manufacturers and foodservice operators to reduce or remove the amount of egg used in their formulations and menu offerings. Much to their surprise—and relief—that has not been the case. While there has been some measure of demand loss, suppliers say the magnitude is substantially less than what was experienced in 2015.

Roughly 33 million laying hens were destroyed as a result of the 2015 outbreak, putting a sizable dent in the volume of shell eggs available for processing. Consequently, the price of liquid yolk—a key ingredient in the production of dressings, sauces and pasta—soared to a then-record high of \$2.80 per pound. In the second half of that year, yolk values averaged \$2.40 per pound, representing a 258% increase over the comparable period in 2014. After months of absorbing these higher costs, food manufacturers and foodservice providers began looking for ways to curtail their egg usage—not just yolk, but whole egg and whites, as well.

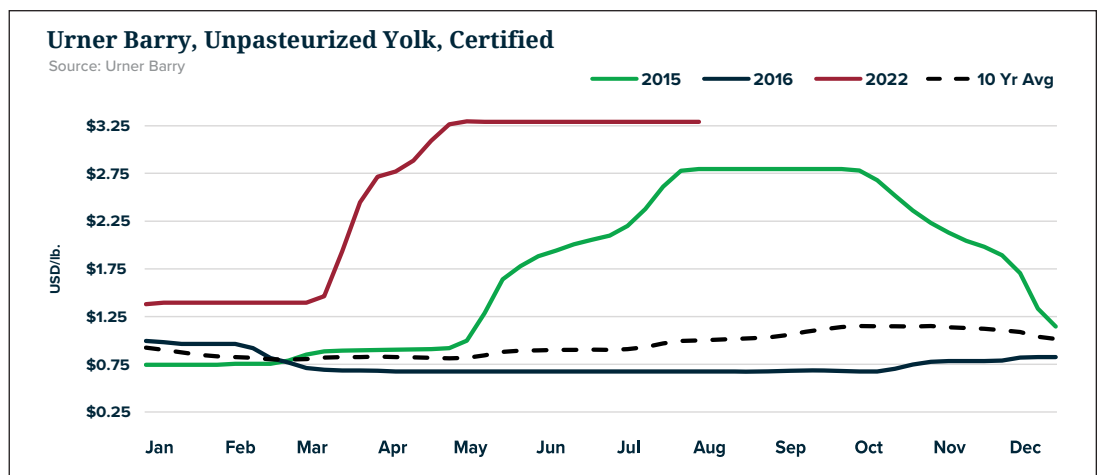
In some instances, the amount of egg used in recipes was simply reduced. In others, it was eliminated entirely, as manufacturers turned to alternative ingredients that were more accessible and affordable—even if less effective. And in 2016, that loss of demand was at least partially responsible for egg product prices retreating to some of the lowest in history. Most of that demand eventually came back though because few—if any—alternatives offer the same level of flavor and functionality in food manufacturing that eggs do.

Even so, further processors were all but certain that many of the consumer packaged goods (CPG) companies would dust off their “playbooks” and revert back to those old formulas at the onset of this year's bird flu—particularly with egg-product prices soaring

past those of the last outbreak—some by as much as 45%. After all, the hard work had already been done. The alternative recipes were written, tried and tested. All they needed to do was put them back in play. But as it turns out, calling an audible in 2022 proved to be more than just a little challenging.

EGGSPENSIVE ALL AROUND...

In the aftermath of COVID-19, when supply-chain issues are seemingly interminable, what food manufacturers have found is that egg replacers are just as difficult to source as the real thing—if not even more so. Most substitutes are not a one-for-one but rather a combination of ingredients, which means buyers are not just on the hunt for one new item, but a whole host of them. And in the improbable event that all of the necessary components are



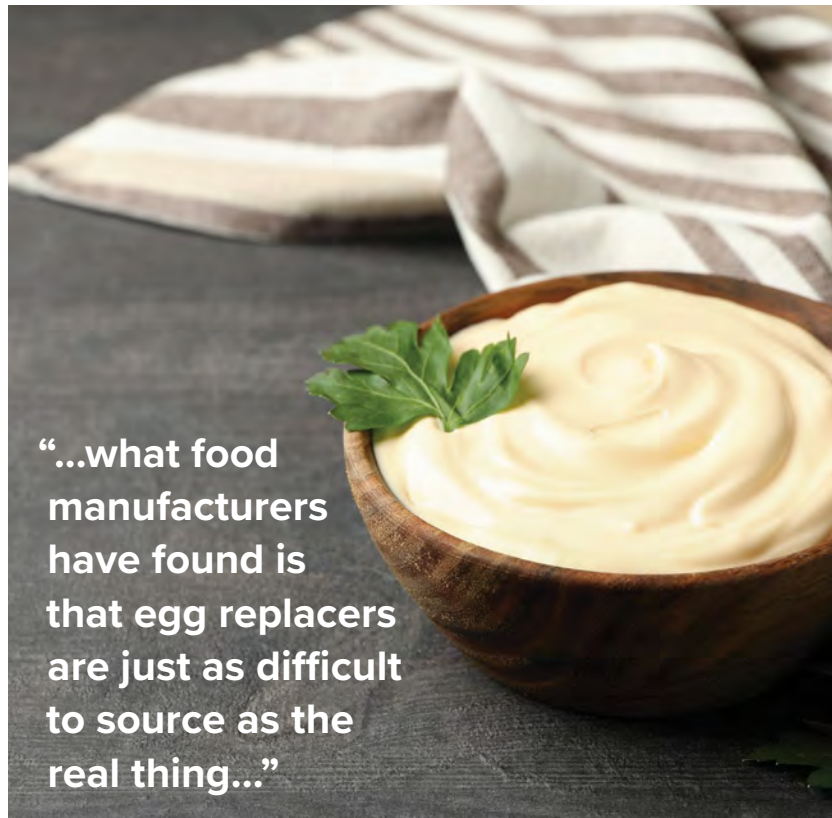
in fact available, they are usually just as expensive. Then there's the matter of branding. If the replacements themselves don't pose an issue, securing new labels and packaging to reflect the updated nutritional data does...because, here too, supply chain issues abound.

It's also worth noting that back in 2015 eggs were pretty much the only item on the slate of ingredients that were cost-prohibitive and challenging to secure. That drew a lot of scrutiny—and, in turn, reformulation. But in this post-pandemic world where both goods and labor are scarce, and inflation is at a 40-year high, these types of challenges now extend to just about every other facet of the production line. The cost of butter on the Chicago Mercantile Exchange, for instance, rose to over \$3.00/lb. in August—up 35%

year-to-date and up 85% year-over-year. Soybean oil was priced at \$75.73/lb. at the start of August—77% higher than the five-year average for the comparable period, data from The World Bank shows.

With the cost of goods up across the board, those in procurement have become somewhat apathetic to price hikes. Most buyers are simply satisfied to have access to eggs, even if they're more expensive than usual. Part of the reason for that is that they've, thus far, been able to successfully pass those costs onto consumers. With prices up for everything from apparel to gas to lumber, shoppers are not surprised to see shelf prices for their favorite grocery or menu items rising. That has allowed food manufacturers and foodservice providers to resolve their bird flu-related supply-side struggles through pricing rather than reformulation—keeping eggs on the roster and demand largely intact. [UB](#)

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“...what food manufacturers have found is that egg replacers are just as difficult to source as the real thing...”

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WHAT IS A RECESSION?

Recession. It's been a topic of conversation for much of the year. Global markets have dealt with a number of shocks, causing concern over the well-being of the economy. Many have alluded to the fact that the economy may be going through a recession. But for market participants, it could be a difficult task to measure the current economic situation. The following are some helpful metrics for evaluating the health of the economy.

FOR STARTERS, WHAT EXACTLY IS A RECESSION?

The “textbook” definition many of us have learned throughout the years explains a recession as a period in time with two consecutive quarters of negative gross domestic product (GDP) growth. However, this isn't entirely true. The National Bureau of Economic Research (NBER) defines a recession as a “significant decline in economic activity that is spread across the economy and that lasts more than a few months.” The Business Cycle Dating Committee at the NBER is a group of academic economists that determine where the economy is in the business cycle. The committee uses a wide variety of metrics to evaluate the health of the economy, not just GDP growth. Defining whether the economy is in recession or not falls in their hands, and due to lagged government data, many times consumers and producers may be in recession without necessarily knowing it.

To better evaluate the economy, market participants must evaluate the entire economic situation, just as the NBER does. Some valuable metrics our team looks at are, but not limited to:

REAL GROSS DOMESTIC PRODUCT

GDP measures the value of goods and services produced by a country within a specific timeframe. Economists tend to look at the rate of growth in real terms (adjusted for inflation) to better understand economic activity relative to prices. The recession caused by the inception of COVID in 2020—the shortest recession in our nation's history—is a perfect example of not following the “textbook definition.” At the time the economy only recorded one-quarter of negative GDP growth. The NBER classified March 2020 and April 2020 as a period of recession due to the contraction in overall economic activity.

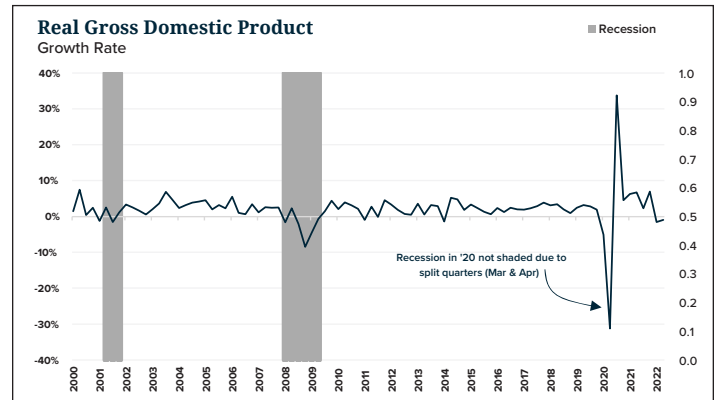


Figure 1. Real Gross Domestic Product Compounded Annual Rate of Change. Source: BEA, FRBSL, UB Consulting, billions of chained 2012 dollars, seasonally adjusted annual rate, quarterly.

Through the first two quarters of 2022 the economy has experienced negative growth rates of real GDP, raising alarms for many market participants following the “textbook” definition. The real GDP rate in Q1 2022 and Q2 2022 was negative 1.6% and 0.9%. On a nominal level, GDP increased 6.6% and 7.8% in Q1 2022 and Q2 2022.

PERSONAL CONSUMPTION EXPENDITURES

Personal consumption expenditures (PCE) are the preferred metric used by the Federal Reserve Bank in calculating inflation due to the fact that they believe they are able to better evaluate consumer spending habits in terms of expenditures as opposed to price movements with the Consumer Price Index (CPI) and Producer Price Index (PPI). With respect to GDP, PCE is the largest component often referred to as “consumer spending.” During the COVID recession in 2020, total real PCE dropped 18% from February 2020 to April 2020 as consumers shifted spending from

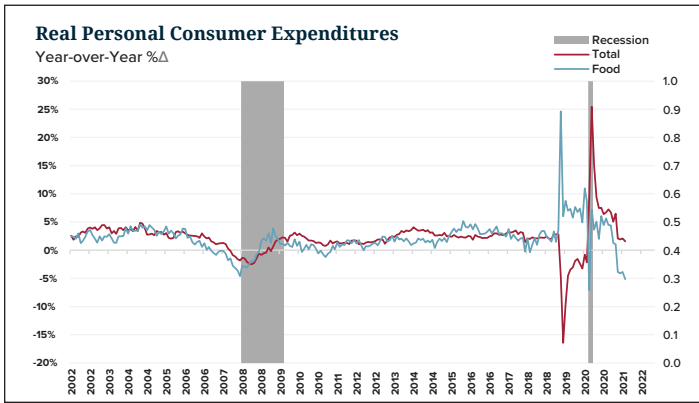


Figure 2. Real Personal Consumption Expenditures, Year-over-Year Percentage Change. Source: BEA, FRBSL, UB Consulting, billions of chained 2012 dollars, seasonally adjusted annual rate, year-over-year percentage change.

services to goods. With respect to food, the PCE increased 24.6% in March 2020 from March 2019. Overall, consumer spending remained strong through the first half of 2022. Total PCE for the first six months of the year was 3.2% higher than the first six months of 2021, and 6.7% higher than pre-pandemic, using 2019 as a barometer.

LABOR MARKET

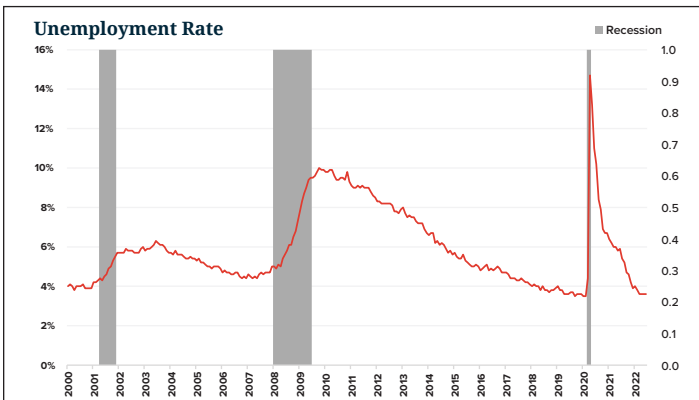


Figure 3. Unemployment Rate. Source: BLS, FRBSL, UB Consulting, seasonally adjusted annual rate, percent.

Indicators through the first seven months of the year have illustrated a rather strong labor market. During times of economic hardships, the unemployment rate would tend to rise. During the COVID recession, the unemployment rate peaked at 14.7% in April 2020. Total nonfarm employees decreased 13.6% from March 2020 to April 2020. During the great recession, the employment rate increased from 5% in January 2008 to 9.5% in June 2006. Currently, the unemployment rate has averaged 3.7% through the first seven months of 2022. Additionally, the labor market has averaged approximately 11.36 million job openings and 6.55 million new hires during the first half of the year. However, the labor force participation rate has averaged 62.2% through the first seven months of 2022, approximately 1.2% below the average labor force participation rate during the same time in 2019.

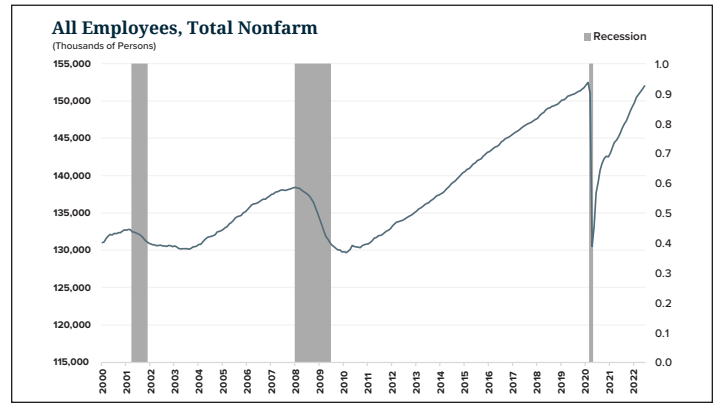


Figure 4. Total Nonfarm Employees. Source: BLS, FRBSL, UB Consulting, thousands of persons, seasonally adjusted.

INCOME & SAVINGS

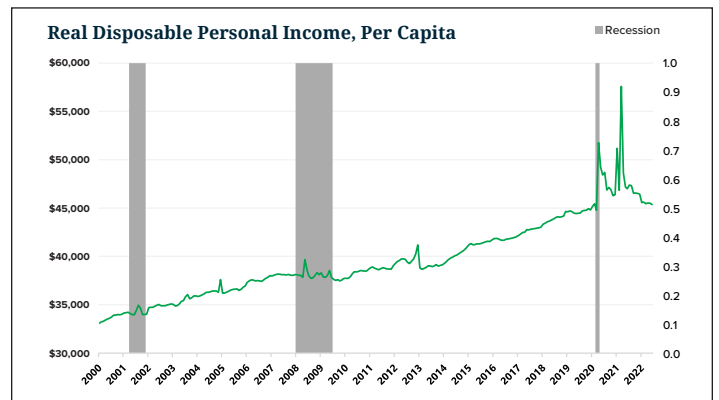


Figure 5. Real Disposable Personal Income, Per Capita. Source: BEA, FRBSL, UB Consulting, billions of chained 2012 dollars, seasonally adjusted annual rate.

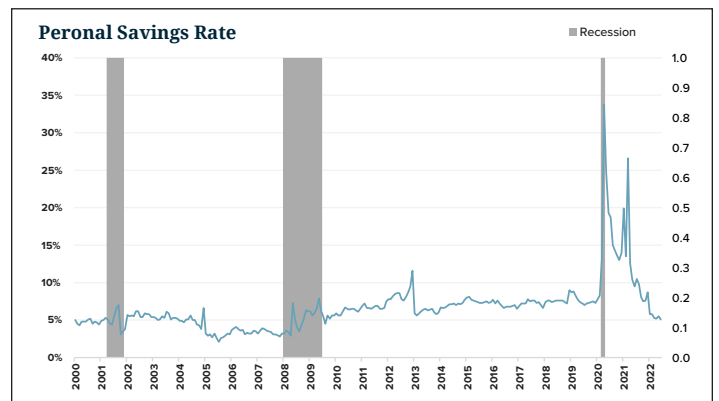


Figure 6. Personal Saving Rate. Source: BEA, FRBSL, UB Consulting, percent, seasonally adjusted annual rate.

With inflation at the producer and consumer levels at multi-decade highs, many economists and analysts have argued that consumers are in a better position to handle the elevated price levels—at least for the short term. With the economy shutting down during the pandemic, consumer incomes increased, leading to increased savings. In April 2022 the personal savings rate reached a historical high of 33.8%. However, since March 2021 we have seen a decline in the savings rate, with rates in 2022 averaging below

Continued on page 12

Recession

Continued from page 11

“As of June 2022 consumers have approximately \$2.55 trillion to combat any additional price increases in the short term.”

pre-pandemic levels. Despite this, many economists argue that consumers could withstand these increased price levels, especially as lower-income individuals continue to see strong wage growth compared to other income groups. As of June 2022 consumers have approximately \$2.55 trillion to combat any additional price increases in the short term.

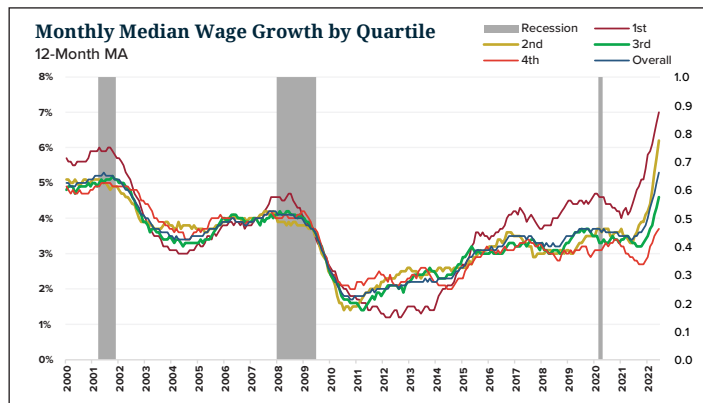


Figure 7. Monthly Median Wage Growth by Quartile, 12-Month Moving Average. Source: BLS, FRBSL, FRBA, UB Consulting, 12-month moving averages of monthly median wage growth.

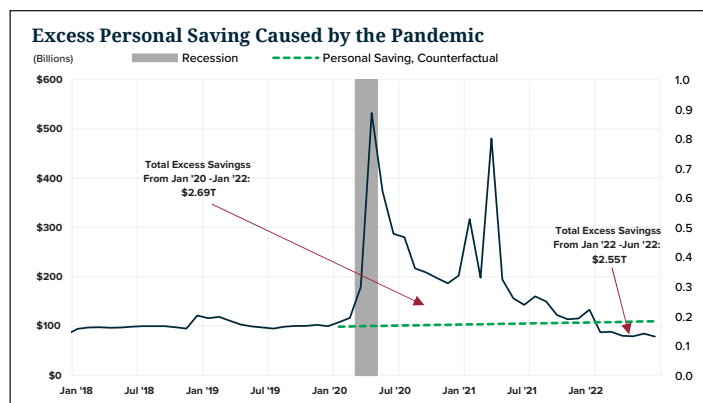


Figure 8. Excess Personal Saving Caused by the Pandemic. Source: BEA, FRBSL, FRBNY, UB Consulting, billions of dollars, seasonally adjusted annual rate.

ENERGY PRICES

A crucial input cost to almost any business, energy prices are monitored very closely by economists. Many would argue the rising cost of energy is a leading indicator of recession. Earlier this year, markets dealt with a major shock due to sanctions on Russian energy sparked by the Russia-Ukraine War. The average monthly price of crude oil and regular gasoline increased 38% and 48.7% during the first six months of the year. However, July 2022 saw some relief with the prices for oil and gas dropping 11.5% and 7.5% from June 2022.

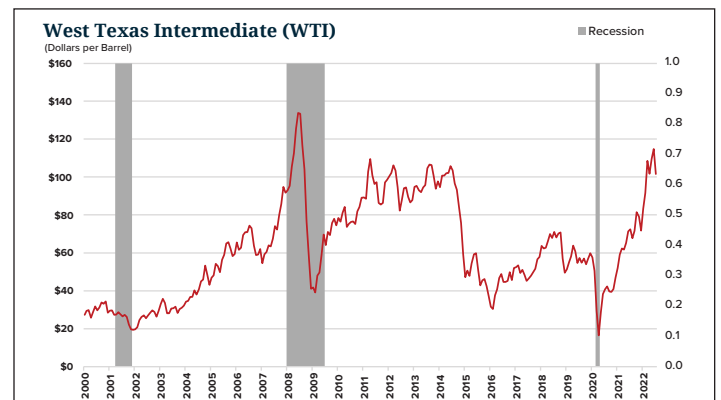


Figure 9. West Texas Intermediate Crude Oil Prices. Source: EIA, FRBSL, UB Consulting, dollars per gallon, not seasonally adjusted.

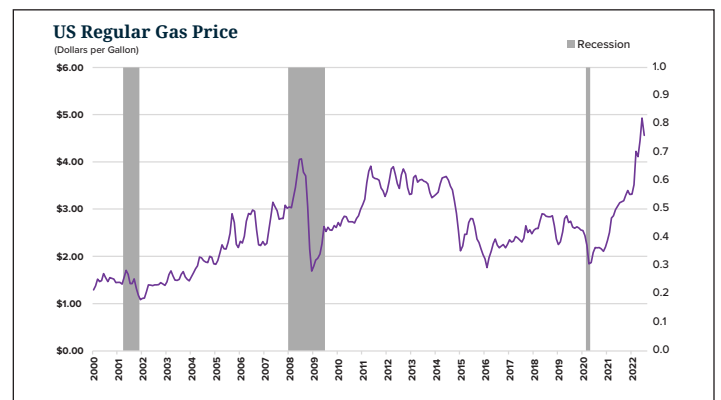


Figure 10. US Regular Gas Price, All Formulations. Source: EIA, FRBSL, UB Consulting, dollars per gallon, not seasonally adjusted.

THE IMPACT ON PROTEIN COMMODITIES

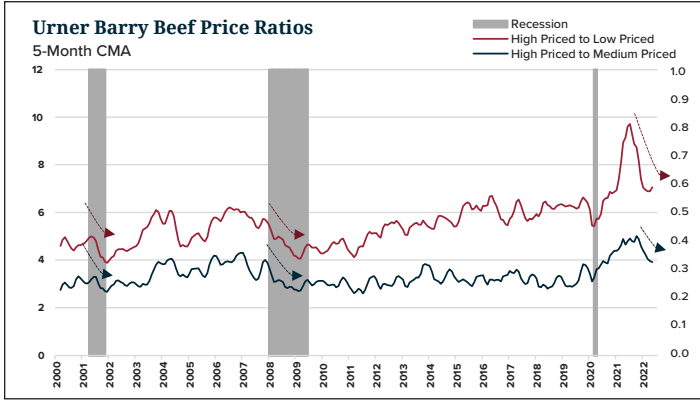


Figure 11. Urner Barry Beef Price Ratios, 5-Month Centered Moving Average. Source: UB Consulting.

With respect to protein commodities, consumers during times of economic hardship would typically switch to inferior goods. An inferior good would be a certain cut or trimming that would increase in demand when consumer income decreased. Many would agree that chicken and egg products are inferior goods, as opposed to filet mignon and lobster. However, the re-emergence of highly pathogenic avian influenza (HPAI) has blurred the quantitative impact inflation has had on demand for poultry and eggs. Through the first seven months of the year we have seen some corrections in higher-priced cuts and trimmings, but many

remain at historically elevated price levels. When analyzing price ratios between high-priced beef cuts (NY strips, filet mignon, and ribeyes) to medium-priced cuts (boneless strip loin, flank steak, and skirt steak) and low-priced beef items (ground beef), during times of recession you see the ratio invert in favor of medium and low-priced cuts due to demand shifting from higher priced cuts to lower ones. Our assessment as of early August continues to suggest that while a shift has somewhat taken place, a significant switch to lower-priced proteins hasn't fully occurred. However, it might be a matter of time as consumers adjust their budgets.

Currently, the economy is sending mixed signals in determining if we are in fact in recession. Of course, the indicators mentioned here are not the only ones followed closely by economists in determining where the economy is in the business cycle. Additional indicators analyzed by the Business Cycle Dating Committee include real personal income excluding current transfer receipts and metrics focused on industrial and manufacturing production and sales. Many analysts would argue that inversed yield curves would lead to recession, like 10-year versus the 2-year treasuries. Others would claim consumer confidence and sentiment as stable barometers. Indicators will always be debated by economists and market analysts. But understanding that not one indicator overpowers another is crucial when evaluating the state of the economy. [UB](#)

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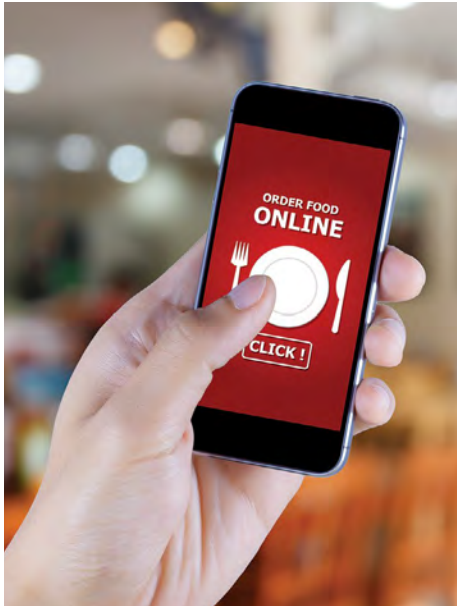
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Amazon may be Grubhub's *saving grace*



"Since the announcement of the partnership, Grubhub shares have jumped nearly 15%."

Just Eat Takeaway's U.S. meal delivery business, Grubhub, has struck a deal with Amazon—and this partnership could change the company's business for the better.

Just Eat Takeaway bought Grubhub last year for \$5.8 billion in shares. But the deal hasn't been all roses and sunshine. Because of the pandemic, Grubhub had lost sales due to its competitors like Uber Eats, Instacart, and Doordash taking the spotlight. Reasons for this vary, but a study from Citi states some of the reasons were due to lower fees and faster delivery speeds.

Ultimately Just Eat Takeaway's stock fell 70% this year, leading shareholders to demand that the company either find a partner or sell Grubhub. The new partnership with Amazon Prime is expected to give Grubhub a lot more business.

Prime users will now get a free year of Grubhub's membership program, Grubhub+, meaning that, for one full year, consumers can take advantage of unlimited \$0 delivery fees from thousands of restaurants, as well as other membership rewards. This deal also states that Amazon will collect Grubhub's warrants that are equivalent to about 2% of Grubhub's equity.

"I am incredibly excited to announce this collaboration with Amazon that will help Grubhub continue to deliver on our long-standing mission to connect more diners with local restaurants," Grubhub CEO Adam DeWitt said in July. "Amazon has redefined convenience with Prime and we're confident this offering will expose many new diners to the value of Grubhub+ while driving more business to our restaurant partners and drivers."

Amazon Prime has more than 200 million members, so this partnership gives Grubhub a new platform of customers and service. This also allows Prime subscribers,



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who are new to Grubhub, to see what the food delivery service is all about. Since the announcement of the partnership, Grubhub shares have jumped nearly 15%.

However, Grubhub still has obstacles to face, especially with the food-delivery business itself. Food delivery was booming during the pandemic, but now expansion is slowing. Wall Street Journal analysts have said that even though bigger orders are coming in, there are less transactions being made. According to analysts, “it remains unclear whether food-delivery companies can turn consistent profits in the post pandemic period, especially in a downturn.”

Grubhub’s own surveys have found that “more than half (53%) of adults and nearly two-thirds (64%) of millennials admit that purchasing takeout and delivery food is ‘essential’ to the way they live.” And with the new partnership offering free delivery for a year, factoring in the rising prices of food as well, this could be a lifesaver for customers and allow them not to break the bank when ordering out. [UB](#)

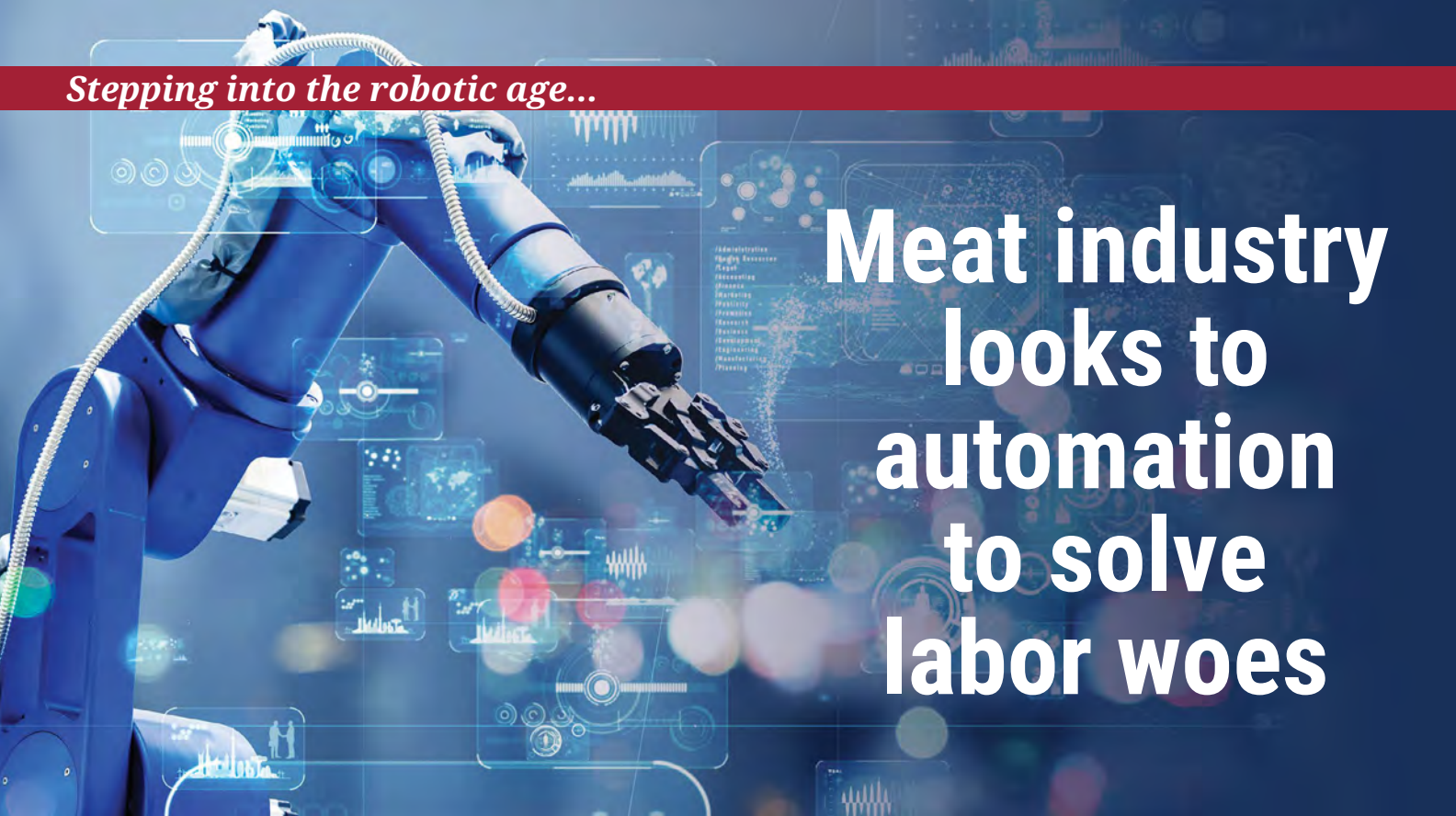
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Meat industry looks to automation to solve labor woes

Players within the poultry industry have certainly had their fair share of challenges to contend with over the past two years. While inclement weather, cyberattacks, disease, along with rising feed and freight costs, have undoubtedly resulted in some sleepless nights, one variable which continues to rattle just about every processor and plant manager is the dreaded “L” word...labor. As the country gradually recovers from the pandemic, the national unemployment rate has begun to taper as well. July’s figure, for instance, came in at 3.5%, which is among one of the lowest levels achieved in recent history. While encouraging from an economic standpoint, this scenario hasn’t provided much relief on the poultry processing front. In fact quite the contrary. The large majority of companies continue to wrestle with plant worker absenteeism, high turnover rates, and an underwhelming pool of prospective applicants to choose from. This comes in the face of generous sign on bonuses, improvements in worker benefits, and proactive leaps forward in worker safety and employee recognition initiatives. But with little indication that employee availability and consistency will improve, what are processors to do?

Increasingly companies are turning to novel and bold strategies in an attempt to quell the challenges associated with the most labor-intensive aspects of production, while at the same time improving yield and keeping prices at competitive levels. As part of the shifting paradigm, companies such as Tyson Foods have recently announced plans to invest \$1.3 billion in capital towards new automation capabilities over the next three years. In the same breath, Tyson plans to double down on efforts to upskill their current workforce. Conagra follows suit. Dubbed the “Fuel for Growth” initiative, this company plans to deliver \$1 billion in cost savings over the next three years as it works to update its existing supply chain. Conagra plans to reduce the amount of distribution

centers by 50% while partnering with logistics operators to provide automation, which will help facilities run 24/7. This will ultimately help to optimize service to customers while minimizing overhead costs. Other poultry processors, such as Pilgrim’s, announced in their second quarter earnings report that recent investments included funding for operational excellence improvements via automation throughout their U.S. footprint. Fabio Sandi, Chief Executive Officer of the company, went on to state: “Investments in automation and in our hourly team members and their communities led to significant progress in net staffing levels, enabling our operations to realize the benefits of strong market fundamentals.”

It is undeniable that the prospect of automation is making waves, especially given the unrelenting challenges associated with in-person labor post-COVID. This begs the question: With so many front-end investments being made towards the streamlining of production via robotics, what does this mean for the poultry market landscape moving forward? Although the road to the future remains hazy, some players suggest that the industry’s call for in-person labor will not dissipate, but rather refocus on the technical skillsets and training necessary to maintain, troubleshoot and calibrate the new production equipment. In terms of supply, it could be reasoned that automated deboning efforts could eventually result in additional availability of popular front and back half lines, including thigh meat, leg meat, boneless breasts, and tenders. Although the path forward appears to already be set into motion, players continue to keep close tabs on ancillary complications, such as chip shortages, which continue to stymie robotic manufacturing efforts. [UB](#)

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Will AB5 spread across the U.S.?

The trucking industry has taken its lumps over the last several years be it due to the COVID-19 pandemic, lack of drivers, chaos at ports due to ongoing supply chain issues, and other factors. Now comes the potential impact of a bill that has been around for a couple of years and is finally starting to make significant waves in California, the state where it was enacted. It's called Assembly Bill 5 or AB5.



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What exactly is AB5? This bill, also popularly known as the “gig worker bill,” went into effect on January 1, 2020, and requires companies that hire independent contractors to reclassify them as employees—with a few exceptions.

The most immediate implication of AB5 and its faceted approach is that it has or will change independent contractors into employees. AB5 somewhat relies on an ABC test, a three-part guideline with the B prong saying an independent contractor must perform “work that is outside the usual course of the hiring entity’s business.”

Interestingly, a series of court actions kept AB5 from being implemented in California’s trucking sector since the law went into effect. However, a Supreme Court decision in late July let stand an appellate court decision that ordered AB5 to become law in the trucking industry which ended its exemption from the law.

Keep in mind that California’s ports handle about 40% of container goods that enter the United States, so this could have a major impact on the ports and supply chain issues that keep hampering flow, putting another wrench in the works. Thus, truckers immediately let their voices be heard.

“It all came down to a head with protests in Los Angeles/Long Beach and subsequent protests in Oakland. [It’s] not a good look for the Port of Oakland as the port has sued truckers and others related to the AB5 protests. The port really has no control

over AB5,” noted Matt Schrap, CEO of the Harbor Trucking Association.

Schrap says that some reasonable amendments have been brought forth, but “we still need better direction from the State of California on how to maintain your independent owner/operator status. There’s a tremendous amount of legal questions floating around on how this is going to be enforced from a state-wide level, and what kind of fallout we can expect from the plaintiff’s attorneys and other entities involved.”

“These men and women are entrepreneurs who like to be their own bosses, and AB5 has removed that ability from them,” added Schrap. “They’re back to square one. What do I do? How do I comply? It’s a guessing game. You ask five lawyers the same question and you’ll get five different answers.”

It will also be interesting for trucking companies in the future as they will now be obligated to provide benefits and have each trucker on their payroll. It’s important to point out that many of the contractors do work part-time for the trucking companies and this will be a big change as these owner-operators will have much less flexibility with their work weeks.

One company has a potential solution to make this major transition a bit less chaotic. TransForce Group, a major national provider of Commercial Driver’s License (CDL) jobs, has a plan that could be compliant with AB5 while still allowing

drivers who own trucks to be independent. TransForce calls it its “two-check solution.”

Under the TransForce two-check system, the driver continues to operate under the motor carrier authority of the trucking company, which would be a continuation of the current independent contractor model. A driver would become an employee and be paid by that company as a full-time employee, and the flexibility of independent contractor status would remain. The driver, as a TransForce employee, could work for other companies serviced by TransForce, which has about 3,500 W-2 drivers. The two-check system isn't a new idea and versions have been used over the years, so time will tell if this proposal makes it through all of the legal red tape.

“If you have a company and a bunch of owner/operators you have a choice to make because they are going to go in and they are going to go after some companies and make an example out of them,” said Gerard Coyle, Managing Partner of Meridian Consulting. “They are going to fine the heck out of them and potentially put these people out of business to get everybody in line.”

In terms of how AB5 will play out, Coyle believes companies have some options.

“You can exit California or fold up all together,” said Coyle. “Start a company, buy some trucks, hire some people. You could do a two-check system. The long-term play is that organized labor ultimately wants control of the ports. You're talking 25-30 million containers and they would have the power to close the whole thing down if they establish a national union.”

Regarding the enactment of AB5 or other similar legislation, Coyle believes that this will certainly have a shot in New Jersey, Illinois, and other states, such as Massachusetts.

“I don't think much will take in the south; Norfolk, Virginia on down doesn't have much of a chance.”

“These men and women are entrepreneurs who like to be their own bosses, and AB5 has removed that ability...”



On August 29, a lower court officially lifted the injunction that had left California's AB5 contractor law out of the trucking sector. But the case is not over. The arguments put through motion during the injunction are expected to proceed to a full

court procedure with other injunctions a possibility along the way. [UB](#)

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Sockeye: A season to remember

What an incredible year for sockeye. Many thought when the harvest forecasts by biologists were first put forward that it may have been a bit over the top and more than likely would not be hit. Sure, maybe it will be a great year...but 75 million? These guys and gals must be out of their mind. Well, they weren't. As of this writing 72.8 million sockeye were brought in out of Alaska, most of which came out of Bristol Bay. This figure is 40% higher than the 5-year average of 52.6 million. But with a record-breaking year like this, hard work and careful planning needed to take place.

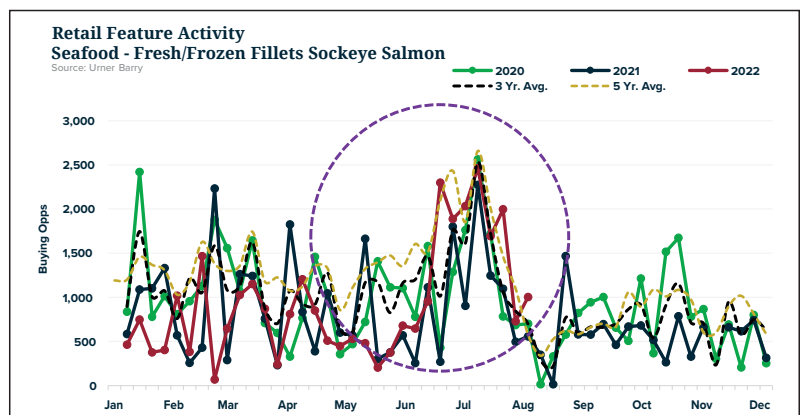
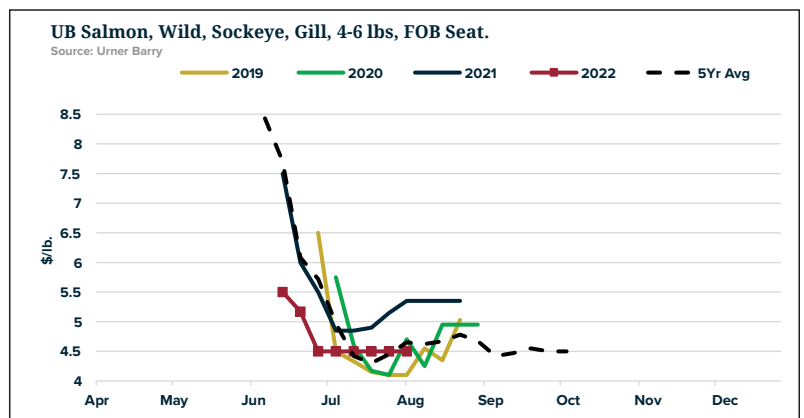
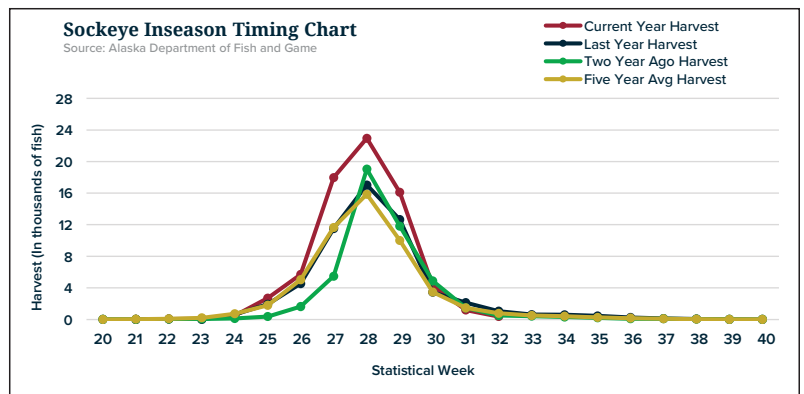
For a jaw-dropping 20 days in a row, Bristol Bay's fishermen and processors brought in, on average, more than 2 million fish a day. That peak has been realized in the past for a few days in a row, but nearly three weeks at that intensity is something to ponder. July 4, the historical peak of fishing for Bristol Bay, was true to legend and saw over 4 million fish harvested and processed in 24 hours. The build-up to that started on June 23 with the first more than one-million-a-day harvest, and grew from there as the surge of red salmon came in. The daily catch reached 3.6 million on June 30, the same the next day, dropping to 2 million, then 2.6 million before July 4. The daily harvest didn't drop below 2 million per day until July 15.

An inspiring effort by all, long hours and tremendously hard work made this incredible machine run smoothly. Another positive to the record run besides the obvious was the escapement totals. As of this writing the cumulative escapement total was 17.7 million fish, already 31.5% over the 13.4 million projected. However, there were some snags along the way. Statistical week 30 saw a shortage of refrigerated containers with some reports of fishermen having to go on limits. Luckily these instances were sporadic, and the majority were unaffected.

Pricing for 2022 on fresh whole fish has been relatively steady this year. With such a storied run and ample supply, the market seemed to have found its footing and settled in for a while. The season started off in mid-June at \$5.50 per pound FOB Seattle, well under the last five previous years openings. This figure may be attributed to the record breaking forecast and strong fishing right out of the gate. By the end of June it settled in around \$4.50, where it remained right into the end of July. A large factor in keeping the pricing steady was the simple fact that once the price landed around that level any excess carryover went directly into freezing efforts. With an ample supply throughout most of the season that scenario played out for many weeks.

As of this writing, year-to-date buying opportunities for sockeye are 3.7% higher than 2021. Many features in stores are as low as \$9.99 /lb. around the Fourth of July holiday. There was another spike in August as product continued to come in, which is the historical norm. Finally, with back to school ramping up in late August, retail features fell off as we traditionally see during that time of year.

One thing is certain, this sockeye season was one for the books. With strong escapement numbers and the knowledge gained by fishers and processors during this record-breaking season, many will be looking to hopefully do it all over again in 2023. [UB](#)



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Are domestic lamb prices actually weak, or is it all relative?

Heavy lamb carcass prices, on a monthly basis during 2022, decreased just under 25% from January through August. Normally a decrease like that would be shocking, but when looking at historical Urner Barry pricing, even after that decline prices are higher than nearly every month on record pre-2021...dating back to 2004!

First and foremost, a major reason for carcass prices being elevated is due to the overall inflationary environment. Input costs have risen and thus naturally pushed costs for carcasses higher. Along with strong interest during 2021, reduced slaughter and production figures helped support price levels.

Although demand for lamb appears to have dwindled as the years have moved on, prices for the item have been strong since spring 2021. A return to foodservice from the early days in the pandemic resulted in more white table cloth restaurants experiencing a strong demand for premium items like lamb. Also, when looking at

the frozen stock of lamb over the last five years during the month of June, which is the most recently reported month, 2021 and 2022 levels were relatively low, resulting in a tight supply that in turn helps support price levels.

As we currently sit (this article was written in mid-August), carcasses, loins, and all leg items that Urner Barry quotes are at 52-week lows. But similar to carcasses, if we removed 2021 from the equation these would be all-time high price levels going back to the 1980s and 1990s. Overall demand has recently been called lackluster, though that is only relatively speaking. With shipping disruptions and port congestion, the supply of imported lamb is on the tighter side as well, giving domestic cuts a layer of support. Overall, domestic lamb pricing currently has a weaker bias, but that is only when comparing it to 2021. [UB](#)

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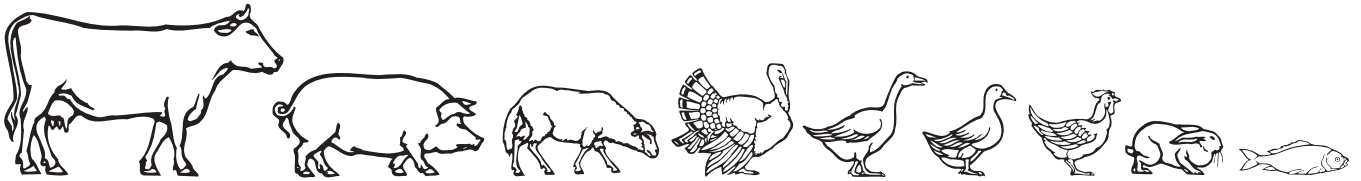




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Celebrities influence consumers to eat plant-based through social media campaigns



When brands are considering their target market, how to get their products in front of those consumers is always top of mind. In the case of plant proteins, primary consumption is evidently done by younger shoppers, particularly those between the ages of 18 and 44. Upon closer examination, Packaged Facts reported that the 18-24 age group comprised of members of Generation Z and Millennials born in 1996 are 22% more likely than the population as a whole to eat plant-based meat, poultry, or seafood products. Meanwhile, Millennials age 25-34 and members of Generation X are even more likely to partake. Additionally, these groups tend to be more active on social media compared to older generations, and typically support companies that highlight efforts including sustainability and transparency. So, what famous influencers have the power to help brands reach consumers and promote plant-based products through social media marketing? Enter the Kardashians.

With over 326 million followers on Instagram and 73 million followers on Twitter, it comes as no surprise that Beyond Meat appointed Kim Kardashian to be the brand's first Chief Taste Officer. As a long-time fan and consumer of the brand, Kim was chosen to be featured in the company's campaign to promote its plant-based products to consumers on social media.

"As an icon synonymous with impeccable taste in food, fashion, beauty, and more, Kim will highlight the brand's delicious, nutritious, and sustainable product portfolio with her signature recipes and engaging creative content," Beyond Meat stated in a press release. She also joins a growing list of celebrities that are ambassadors for Beyond Meat, which includes Kevin Hart, Shay Mitchell, and Snoop Dogg.

Through Kim's social media accounts, she can be seen cooking and enjoying Beyond Beef tacos with her family and showing off her fridge and freezer which are fully stocked with Beyond Meat products. She also shares her favorite items from the brand in Beyond Meat's newsletter that incorporates exclusive offers and recipes.

While Kim promotes plant-based options regularly, she is not the only Kardashian partnering with meat alternative brands to encourage consumers to try these products. Kourtney Kardashian and her husband, musician Travis Barker, recently partnered with Daring Foods for a campaign to stimulate interest in chicken alternatives. The duo can be seen sharing different plant chicken recipes created by Daring Foods at Chateau Marmont in West Hollywood, where consumers are taken on a journey with the couple as they exit a limo with mass amounts of the plant-based breaded chicken in hand. The products are currently available at over 400 restaurants and 9,000 retailers across the country including Sprouts, Erewhon, Whole Foods, Walmart, Kroger, and Target. Also, Monty's Good Burger, the vegan burger restaurant of which Barker is an investor, launched Daring Plant Chicken Tenders at all locations in June.

Although the glamour of social media may make these products appealing to younger consumers, some shoppers are left scratching their heads when they get to the grocery store. According to the National Chicken Council, consumers are frustrated with having to dissect product labeling on plant-based poultry products, and support clearer packaging along with separate store placement for items that are not real meat. A survey found that about 21% of American consumers have accidentally purchased a plant-based product, believing it was real chicken. Meanwhile, about 62% of chicken consumers along with 80% of vegetarians or vegans feel that chicken and



“With over 326 million followers on Instagram and 73 million followers on Twitter, it comes as no surprise that Beyond Meat appointed Kim Kardashian to be the brand’s first Chief Taste Officer.”



RIGHT: Kourtney Kardashian and Travis Barker. Photo credit: Ellen Von Unwerth (PRNewsfoto/Daring).
LEFT: Kim Kardashian. Photo credit: Beyond Meat.

the plant alternative should have their own distinct sections at the grocery store to help eliminate confusion.

Despite the questionable labeling, Technavio reported that about 40% of plant-based meat market growth is anticipated to originate in North America over the next five years. Growth of the alternative beef segment will be the most significant, with an increasing number of product launches and innovations driving development here. Celebrities like the Kardashians can aid in product loyalty as well if consumers feel influenced to try these products based on their social media posts. According to Acosta, about 64% of plant-based buyers purchase these items several times a month, with 57% of buyers stating they intend to consume plant alternatives throughout their lives. Therefore, with just one Instagram post or tweet, a consumer could be hooked for life. [UB](#)

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A conversation with Daniel Russek, CEO of Atarraya the company behind the Shrimpbox

Back in March, the seafood industry returned to Seafood Expo North America. At the time, the show represented a return to normalcy and a chance for an entire industry ready to meet face-to-face again for the first time in two years.

In the middle of the show floor sat a blue shipping container. No, this wasn't a booth featuring a company involved in shipping seafood. Rather, it was a company producing seafood.

The booth was home to Atarraya, an Oaxaca, Mexico-based shrimp farmer that is looking to provide a more sustainable answer to shrimp farming, particularly in the United States. The company's CEO Daniel Russek has spent the last decade attempting to find the best way to farm shrimp in the United States.

Russek went through various forms of shrimp farming that ultimately led to the creation of the Shrimpbox, an aquaculture system that fits into a shipping container.

Atarraya and its Shrimpbox farming method aims to address sustainability concerns that come with wild-caught fisheries and modern shrimp farming methods. Russek mentioned the environmental impacts that destroy critical mangroves and habitats for wildlife.

Russek said many companies have attempted to grow shrimp in the U.S. After speaking with farmers that attempted to serve the U.S. market, the Shrimpbox was born.

The top three issues for those attempting to farm shrimp in America was labor, energy and the complexity of building farming operations, Russek explained. He believes Shrimpbox addresses these issues thanks to the science behind the modular farm.

Atarraya's vertical integration could be key if it turns into a success story in the U.S. Atarraya has its own broodstock, it makes its own larvae culture with a nursey and sell its products under its Agua Blanca brand.

"We are 100% integrated. We design our hardware, we develop our software. We even manufacture the shrimp boxes through a joint venture with a company," Russek broke down.



Top three images provided by Atarraya. Bottom two images and opposite page taken by Urner Barry at Seafood Expo North America 2022.

The technology allowed for Atarraya to build its Shrimpbbox in the middle of the Boston Convention Center in just two days.

Russek said that the size of the exhibition center is roughly 10 acres or 5 hectares and there are ponds that size in Ecuador. He compared that size with the amount of Shrimpbboxes that could match that production and he estimated that it would take just five to seven Shrimpbboxes to match.

Atarraya's technology is also shareable. Russek explained that he wants to empower new farmers. He wants to provide farmers in the U.S. an alternative and allow them to diversify the products they offer.

"The Shrimpbbox is different because it is leasable," Russek noted. "If you want to get involved with us, you have to make a down payment and if you don't find success, you can keep your property and we can take the Shrimpbbox to the next person."

Over the summer, Atarraya seeded its first nursery Shrimpbbox in Indianapolis, Indiana. Its facility is in a warehouse and the first harvest is expected to be completed in November 2022.

"Our farm in Indiana serves the purpose as a proof of concept that shows out technology works so we can reliably grow shrimp in landlocked areas," Russek said.



Alongside its eyes for the U.S., Russek noted that it has maintained its operation in Mexico for research and development purposes.

"Our end goal is to grow shrimp in the United States that is cheaper than the imported commodity," Russek said.

The company's Oaxaca facility has the capacity to produce 150 tons per year. By 2023, the company is hoping to have 250-300 Shrimpbbox units ready which would jump its capacity to 300 tons per year. The five-year goal is to reach 5000 tons per year, which Russek described as its first significant production milestone. [UB](#)

Article contributed by Ryan Doyle | rdoyle@urnerbarry.com

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The historic ride of pork back ribs

The pandemic has caused more abnormal price behavior across the protein market than just about any prior singular event. Record highs, massive spreads, complete shortages—we've seen it all over the last two years. However, few items have experienced the extremes that pork back ribs have over just the last several months.

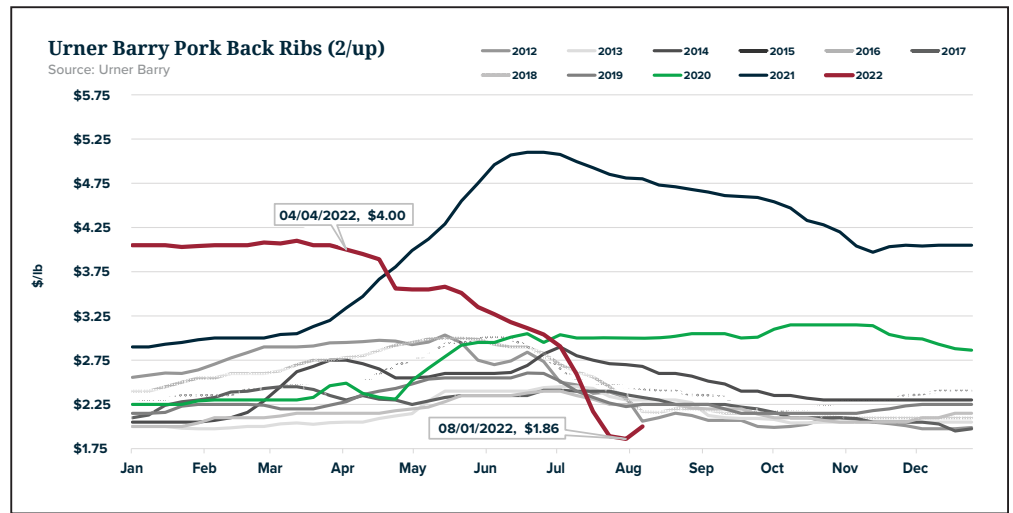
Since the beginning of 2021, heavy back ribs have been trading at record year-over-year levels. Low cold storage stocks, labor-related conversion issues, and the general public emerging from the pandemic with pent up retail and foodservice demand all combined to send back ribs on an unprecedented rally. This culminated in a peak during June 2021 of over \$5.00/lb., or roughly an entire \$2.00/lb. over the next highest June on record, in 2020.

While prices did retreat in 2021 following that June peak, the correction failed to bring values below \$4.00/lb. for the remainder of the year, which for reference is roughly just short of double the price of a pre-pandemic November or December. The price held just above \$4.00/lb. as we turned over to 2022 and remained there until the end of March. This is important to note because it is during this typically slow demand period of Q3 through Q1 when the bulk of ribs enter the freezer.

As we progressed through the early parts of 2022 with back ribs trading at close to double their typical price for roughly a full year and the freezers now holding a sizable amount of expensive product, a test was shaping up as the summer neared. Would

demand and a modestly lower slaughter negate the possibility of price exhaustion among foodservice operators and retailers? Could the market sustain itself at these levels and post a rally similar to 2021? As soon as we entered April, the answer became a clear and resounding “no.”

In fact, starting in April 2022, back ribs have been the poster child for the adage “high prices kill high prices” and the downward pressure has been strong enough to not only buck seasonal trends that have been in place for decades, but also completely ignore hog prices which have extended into all-time highs. Buyers unwilling to jump into a declining market and participants who



were forced to release costly frozen ribs when it became clear that the market was not going to rally into the summer resulted in a confluence that sent values of heavy back ribs from about \$4.00/lb. in the beginning of April to below \$1.90/lb. by the end of July. For perspective, that's a four-month span where back rib prices went from the highest April on record to the lowest price in the Urner Barry database, which extends back to 2000.

Moving forward (this article was written in mid-August), back rib prices have fallen to levels that should be intriguing for buyers, particularly ahead of Labor Day, as they currently present the best value that we've seen in at least 22 years. However, cold storage is a concern. June's inventory of nearly 109 million pounds of ribs in the freezer represented the largest June figure on record. This, combined with ongoing uncertainty around the consumer's reaction to inflation and the rising dollar's effect on international trade have made predicting future price action particularly difficult. The next few months will be of great interest and should provide some clarity on the future of this traditional summer favorite as we close out the year and look toward 2023. [UB](#)

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“... that's a four-month span where back rib prices went from the highest April on record to the lowest price in the Urner Barry database...”



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Can U.S. mariculture help fill the protein void?

What exactly is mariculture? According to the National Oceanic and Atmospheric Administration (NOAA), marine aquaculture, or mariculture for short, refers to the breeding, rearing, and harvesting of aquatic plants and animals such as fish, mollusks, and crustaceans. Farming can take place in the ocean in cages, on the seafloor, suspended in water columns or on land in tanks and ponds. Most aquaculture is produced in freshwater systems but farming in a marine environment is becoming more attractive as competition for land and water resources increase.

The ocean covers more than 70% of the earth's surface, yet wild fisheries and marine aquaculture produce only 2% of the global food supply. Aquaculture operations in the marine environment typically have a smaller carbon footprint, use less land and fresh water, and are more efficient at converting feed than beef, pork, and poultry. The many benefits of aquaculture include food production, habitat restoration, wild stock replenishment, and population regrowth of endangered species, which can be done in both fresh and marine water. Whether it is plant or animal farming, the end product is a source

of protein that can aid in the production of products such as pharmaceuticals, food additives, and cosmetics.

Aquaculture is not something new. In fact, fish farming can be traced back thousands of years to ancient China. However, within the last century the pace of expansion and adoption of practice has advanced. New innovative technologies have turned aquaculture into the world's fastest growing food production sector. According to MarketWatch, the global aquaculture market was valued at \$204 billion in 2020 and is expected to reach \$262 billion by the end of 2026.



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Worldwide food insecurity is the catalyst for aquaculture expansion. Providing adequate nutrition is a growing challenge. As the world's population explodes, with estimates to reach 9.7 billion by 2050, incomes are also on the rise. An expanding, wealthier population will mean unprecedented demand for protein, often making it less available for export to countries like the U.S. Heart healthy seafood is an important source of protein and nutrients, yet wild caught seafood has remained stagnant, despite improved fishery management. In contrast, aquaculture now supplies over half of all seafood consumed globally.

The U.S. currently plays a small part in the aquaculture sector and is currently ranked 18th worldwide in terms of production. Much of the growth we have seen in aquaculture has been largely outside the United States. The U.S. imports more than 70% of its seafood, more than half of which is from aquaculture, a trend that continues

“New innovative technologies have turned aquaculture into the world’s fastest growing food production sector.”

to increase. Reliant on imports, our national seafood trade deficit has grown to \$17 billion in 2020. Asia dominates the global aquaculture market, accounting for nearly 75% of the market in terms of both volume and value. Fishes account for 66% of the market, followed by crustaceans and mollusks. As we have seen during the pandemic, dependence on imports can be precarious. Shipping issues, delays and increasing transportation costs are a few of the problems that can arise. In addition, there is the risk of sourcing from overseas farms that do not engage in sustainable fishing practices.

Mariculture in the U.S. is poised to become a bigger player in the supply chain. Geographically, the U.S. is situated for marine production in terms of water depth, current speed, and infrastructure. We have the technology, capital interest and regulatory bodies that can move this fishery forward in a responsible way. However, aquaculture in a marine environment is not without its challenges. Poor production practices have led to conflicts with wild capture fisheries and risks of environmental impacts. Time, money, technology, and a concerted effort between state and federal agencies to streamline policy is needed to move mariculture firmly into the 21st century. [UB](#)

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U.S. total cattle inventory is at lowest level since 2015

The nation's total cattle inventory continued to decline in 2022 as ranchers responded to ongoing drought, high input costs, and inflationary pressures.

According to USDA's latest mid-year cattle inventory report, the nation's total beef cow herd as of July 1 was down 2% from a year ago at 98.8 million head. This was at the lowest level for that date since 2015 and marked the fourth straight year of decline, largely the result of ongoing drought in major cattle producing regions.

The report also showed that beef replacement heifers totaled 4.15 million head, down 3% from 2021 and the lowest figure since 2014. The 2022 crop, or the number of calves born during the year, was down 1% from a year ago at 34.6 million head.

The data confirmed ongoing contraction efforts and suggested that an expansion in the nation's herd is unlikely in the immediate future.

Cow and heifer slaughter so far this year is continuing at an aggressive rate, adding to beef output in the near term. However, this will reduce supplies out ahead since less females are being retained for breeding. Beef cow slaughter was up 1.5% on the year through mid-July and outpaced the respective year-ago total by 5.5%

Year-to-date cattle slaughter through July 30 was 1.2% above year-ago levels. The increase was mostly from beef cows being liquidated. Beef production for the same period was 1.1% above 2021.

Steer and heifer weights were at near-all time or all-time seasonal highs throughout the first two quarters, contributing to record large beef production for any six-month period during the first half of 2022.

Despite record production, beef cutout values during July outperformed seasonal expectations and reflected positive beef demand in the face of rising food inflation.

According to the Bureau of Labor Statistics, inflation for food at home in June rose 12.2% annually compared to the prior year, the largest 12-month increase since April 1979. Among the proteins, beef registered the smallest gain with a 4.1% increase from June 2021-June 2022. Pork came in at 9% and chicken was at nearly 19%.

While some grocers may have struggled to move higher priced beef cuts as consumers reacted to squeezed budgets, beef sales at retail were strong overall post-Independence Day, when the cutout normally undergoes some seasonal pressure.





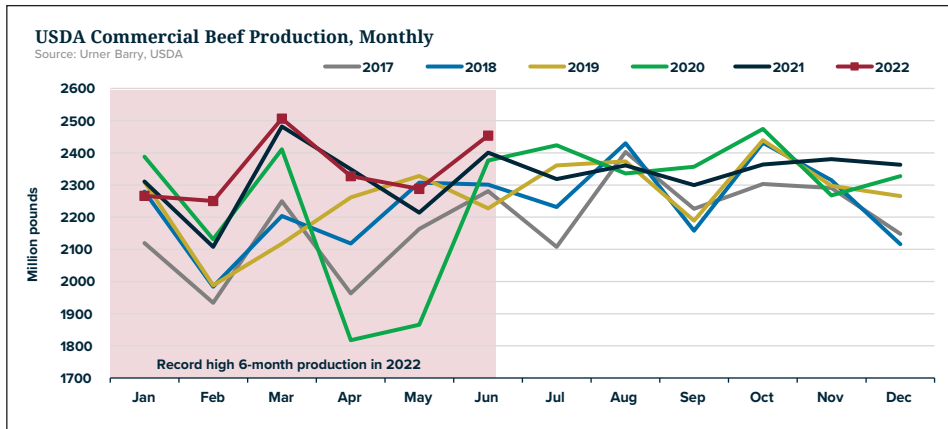
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“Cow and heifer slaughter so far this year is continuing at an aggressive rate.”

Meanwhile, U.S. beef exports set new volume and value records in May, topping \$1 billion for the fourth time in 2022, according to data released by USDA and compiled by the U.S. Meat Export Federation.

For January through May, beef exports increased 4% from a year ago and was valued at \$5.14 billion, a 34% increase. The top three destinations for U.S. beef were South Korea, Japan, and China/Hong Kong.

Cattle prices are trending at the highest levels since 2015, boosted in part by a tightening supply picture. USDA's five are direct steer price for the week ending July 31 at \$139.83 per cwt, up from \$121.68 per cwt the year prior.



If beef sales continue to perform well domestically and globally, cash cattle prices could maintain upward momentum in the months and years ahead as the nation's overall cattle inventory shrinks.

The long-term outlook for the cash cattle market is higher, but ranchers must navigate rising input costs and poor pasture conditions. Iowa State University estimated feed costs for producing a 1,300-pound steer at \$362.01 per head in June, up 16% from the start of the year.

With the current cost of feed and energy, achieving a positive margin on the producer side could be an increasingly difficult endeavor. [UB](#)

Article contributed by Courtney Shum
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Grocery shopping habits changing due to inflation

Trips to the grocery store have become costlier than ever as inflation has forced producers to pass costs onto consumers.

The latest Consumer Price Index Data from the U.S. Bureau of Labor Statistics showed that the price for food at home jumped 12.2% over the last 12 months ending June 2022, the largest 12-month increase since the period ending April 1979.

Specifically, prices for meat, poultry, fish and eggs for at home consumption has jumped by 11.7% when compared to June of last year. NielsenIQ Bradbank released a study which found that 93% of households linked the rise in cost of living directly to grocery bills.

A June Harris Poll found that 90% of Americans are concerned about food prices, with the Harris Poll managing director Abbey Lunney stating, “groceries have become the No. 1 concern for Americans.”

The poll also provided insight into how Americans are handling grocery store trips. Over half said they are making less trips. Others are buying more generic brands, while some shoppers have decided to buy in bulk to save a few bucks.

PENNY PINCHING

As of August 2, Urner Barry’s Weekly Retail Summary shows various fresh/frozen chicken parts sitting well above last year’s mark. Boneless skinless chicken thighs and breasts are up \$0.96 and \$0.82, respectively, compared to the same week last year.

Urner Barry poultry market reporter Dylan Hughes noted that chicken prices have also been driven up due to feed costs,

ongoing plant labor complications, material shortages, and limited freight availability, to name a few.

“Despite a more recent downward price correction on boneless breasts and thigh meat, current quotations remain situated at some of the loftiest seasonal levels in recent history,” Hughes explained. “Both lines have sustained record seasonal price points throughout Q1 and most of Q2.”

The *Wall Street Journal* wrote about how consumers are opting to purchase whole chickens and carve it up to save a few extra dollars. The publication also highlighted rotisserie chicken and how it could be a saving grace for consumers.

“It’s the one dependable thing at the grocery store right now,” *WSJ*’s Annie Gasparro said on The Journal podcast. “Food packages are getting smaller. The selection’s getting smaller. Prices are going up. So just seeing those chickens spinning on the spigot in the back of the store, just like they always have been, it’s really one of the only things that hasn’t changed since the pandemic, since the inflation, when everything else seems to be getting more expensive.”

KEEP IT IN THE CART

Although some outlets and market participants across the protein space report pushback from consumers, staple products



like bacon continue to end up in shopping carts even at increased rates.

Urner Barry pork market reporter Ryan Hojnowski said that despite consumers finding it hard to swallow the higher costs at times, retailers don’t feel forced to drop the price as it remains a must-buy for many Americans.

“Retailers have increased the price of bacon at grocery stores amid rising costs of hog feed, production, packaging and transportation,” Hojnowski explained. “Still, the American consumer wants their bacon and continues to buy it despite the price tag.”

Chicken and pork aren’t the only protein items bitten by the inflation bug. Eggs are up with the average price for a dozen large eggs reaching \$3.52 as of August 2, above the \$2.95 during the same time in 2021. Meanwhile, according to Urner Barry data, multiple fresh ground beef varieties are all up. [UB](#)

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# The cage-free expansion continues, pushing producers to meet stringent requirements

This fall, Nevada and Arizona will be expanding cage-free egg production parameters. Layers will now be required to have 144 square inches of space, when prior they had to have 67 square inches. This shift is quite the expense for egg producers to make, and few, if any in these areas have production that currently meets these standards.

Nevada became the ninth state to go cage-free, and law passed by Governor Steve Sisolak last June will give layers twice as much floor space. The bill also requires that any commercially produced egg sold in the state of Nevada come from

a cage-free facility. Since Nevada sources a large quantity of its eggs from neighboring states, this change in legislation will impact birds beyond the state's border as well. These standards are expected to be met in Nevada by January 1, 2024.

Arizona was the 10th state to enact cage-free legislation. Similar to Nevada and most states enacting these policies, this law also includes all eggs sold within the state. While Utah and Rhode Island only ban the production and not the sale of eggs from caged layers, other states like Colorado, Michigan, Washington, Oregon, California, and Massachusetts ban both.

Fortunately for producers in Arizona, in April they were granted an extra 20 months to prepare for the new state law. Following protests by egg producers in the state, the agriculture department pushed the deadline back to January 1, 2025. Under the new guidelines, beginning October 1, 2022, through the end of 2024, layers must have a minimum of one square foot of floor space. After this timeframe, the cage-free mandate will be in effect in its entirety.

According to the USDA's Agricultural Marketing Service, approximately 71% of U.S. hens must be in cage-free production by 2026 to meet projected demand from



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retail, foodservice, and distribution that have made commitments to transition to cage-free eggs. With demand for eggs from cage-free systems increasing along with updated production parameters, states like Nevada and Arizona may need to bring in cage-free product from markets like California.

However, this need could tighten California's supply, as some states are reluctant to convert to cage-free systems given the expense. Since California switched to cage-free systems in the beginning of this year, the state can be used to somewhat monitor transition progress. Retail demand has remained seasonally average overall, with foodservice movement remaining positive. [UB](#)

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Falling quotas, rising prices...

# SCALLOP MARKET UNDER PRESSURE

April 1, 2022 marked the opening of the 2022/2023 Atlantic sea scallop fishery that operates along the Atlantic coast from the Mid-Atlantic region, up to the U.S.-Canadian border. Framework Adjustment 34, which namely projects 34 million pounds of Atlantic sea scallops to be landed this season, is a 15% reduction to the 40 million pounds projected last year. This is almost half of the 62.5 million pounds projected just three years ago in 2019, and the lowest level projected since 2014.

Lackluster biomass survey findings are contributing to the continued quota reductions. NEFMC reported in the 2021 Survey Season Overview that while the Atlantic sea scallop resource is healthy and not overfished, biomass in the Mid-Atlantic Access Area is down substantially as survey teams did not see signs of another strong incoming year class.

Market movements on domestic scallops this season have largely been dependent upon size. Larger size counts have been the most constrained, boasting higher premiums further into the season than compared to more widely available smaller sized scallops. Here a typical seasonal trend has been followed more closely, softening shortly after successive volume harvests were reported at the New Bedford auction in Massachusetts a few weeks into the new season.



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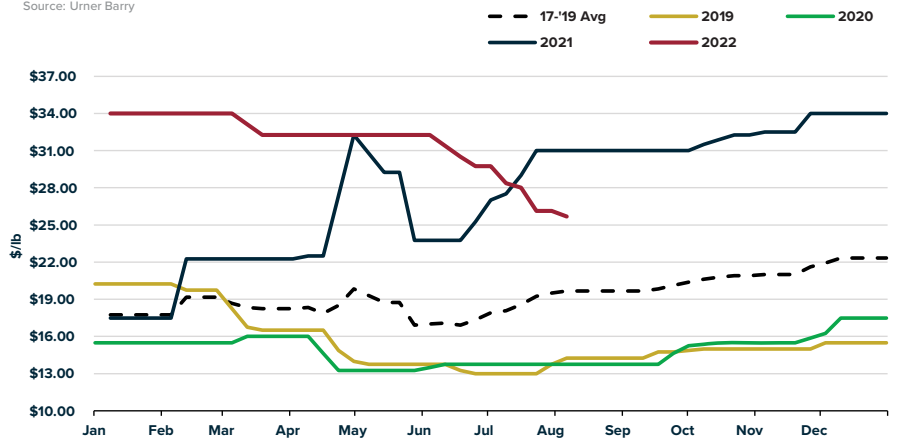
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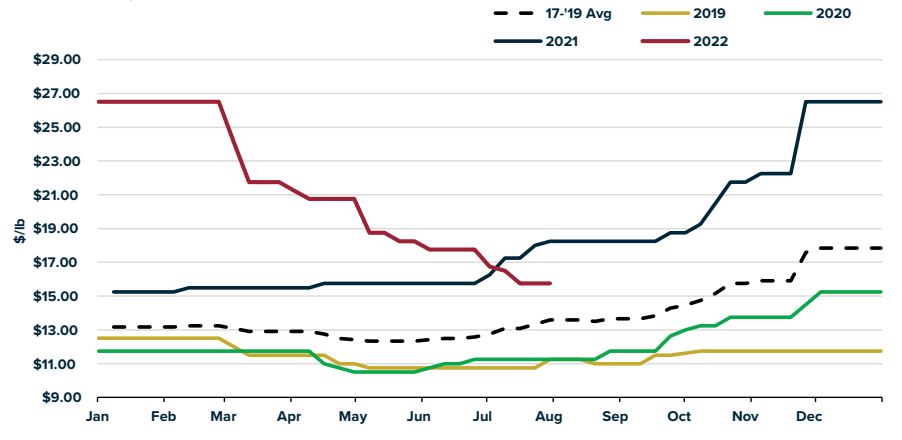
Scallops, Domestic, All Natural, U10

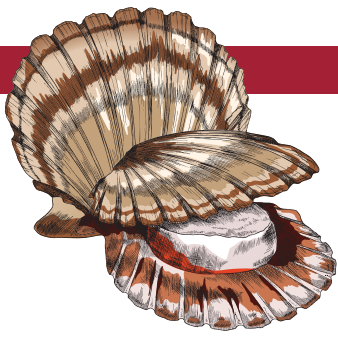
Source: Urner Barry



Scallops, Domestic, All Natural, 10/20

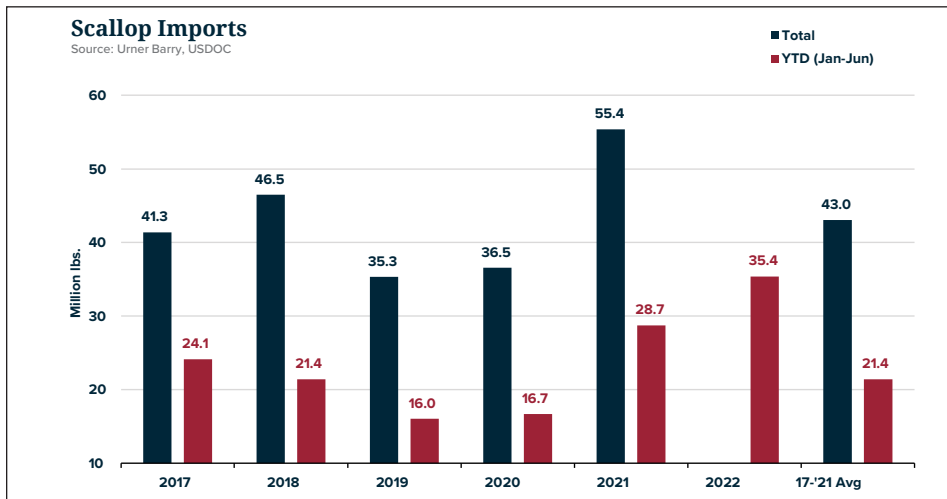
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Long lived premiums have been the result of consecutive seasons producing falling landings. This has led to a constrained supply. Coupled with periods of active demand from both the retail and foodservice sectors leading into the summer months, these combined factors have allowed wholesale prices to remain well above historical averages and disrupt typical seasonal trends. However, with continuous fishing efforts in the peak of the new season, pricing has softened, and in some instances, even fell below 2021 levels.

Wholesale pricing into the beginning of August and four full months into the 2022 fishing year for all-natural U/10 sized scallops, which are typically reserved for foodservice and restaurant applications, are demanding an average of \$25.25 per pound. This is \$5.75 lower in price than the same time last year but still well above the previous 5-year average of \$17.12 per pound. 10/20 count sized scallops, which is a common retail size but due to supply constraints of larger sizes is lending itself to the foodservice sector, have also demanded a record high premium of \$15.75 per pound, about \$2.50 per pound lower than a year ago, but \$3.30 per pound above the previous 5-year average.



Imported scallops on the other hand are seeing increased volumes into the U.S. to help offset the constraints seen on domestic product. On a year-to-date basis, imported volume recorded from January through June 2022 is reporting 35.4 million pounds for this timeframe. Meanwhile, the previous five-year average for the first six months of the year is 21.4 million pounds, a 65.4% increase. Countries exporting more scallops into the U.S. compared to last year are China, Canada, Japan, and Argentina, to name a few. Despite an increase in volume, imported product is also demanding premiums due to freight costs, labor shortages, logistical issues, as well as strong demand reported out of Europe, allowing replacement costs to remain elevated.

Looking ahead, as the summer buzz has dwindled and the back-to-school season is well underway, there is potential for the industry to see demand subside as October is typically the slowest month for seafood sales. However, if harvests continue to report lackluster landings, as anticipated by some key industry players, supply constraints could factor into a firm undertone into the fourth quarter. This is a time when prices typically strengthen into the end of the season due to diminished fishing efforts from shortened wintered days and seasonal storms hampering time at sea and inevitably supply. 2022 fourth quarter price action has the potential to mimic 2021, creeping back into the record-high territory. However, if a year of inflation causes consumers to tighten up their purse strings this holiday season, the scallop market will once again follow the unbeaten path, going against previous years' seasonal trends. [UB](#)

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# ECUADOR CONTINUES GROWTH IN U.S. MARKET

Ecuador is hurtling towards world domination—when it comes to shrimp. In 2021 the country exported around 1,855 million pounds of shrimp, representing \$5,078 million dollars. And while China has always been a large market for Ecuador, in recent years the industry has been shifting much attention to the U.S.

The country has consistently been at the number two spot when it comes to shrimp imports into the U.S., dominated only by India. For the first half of this year, January through June, the U.S. imported 225,943,750 pounds of shrimp from Ecuador, a 13.5% increase from the 199,009,146 pounds YTD in 2021.

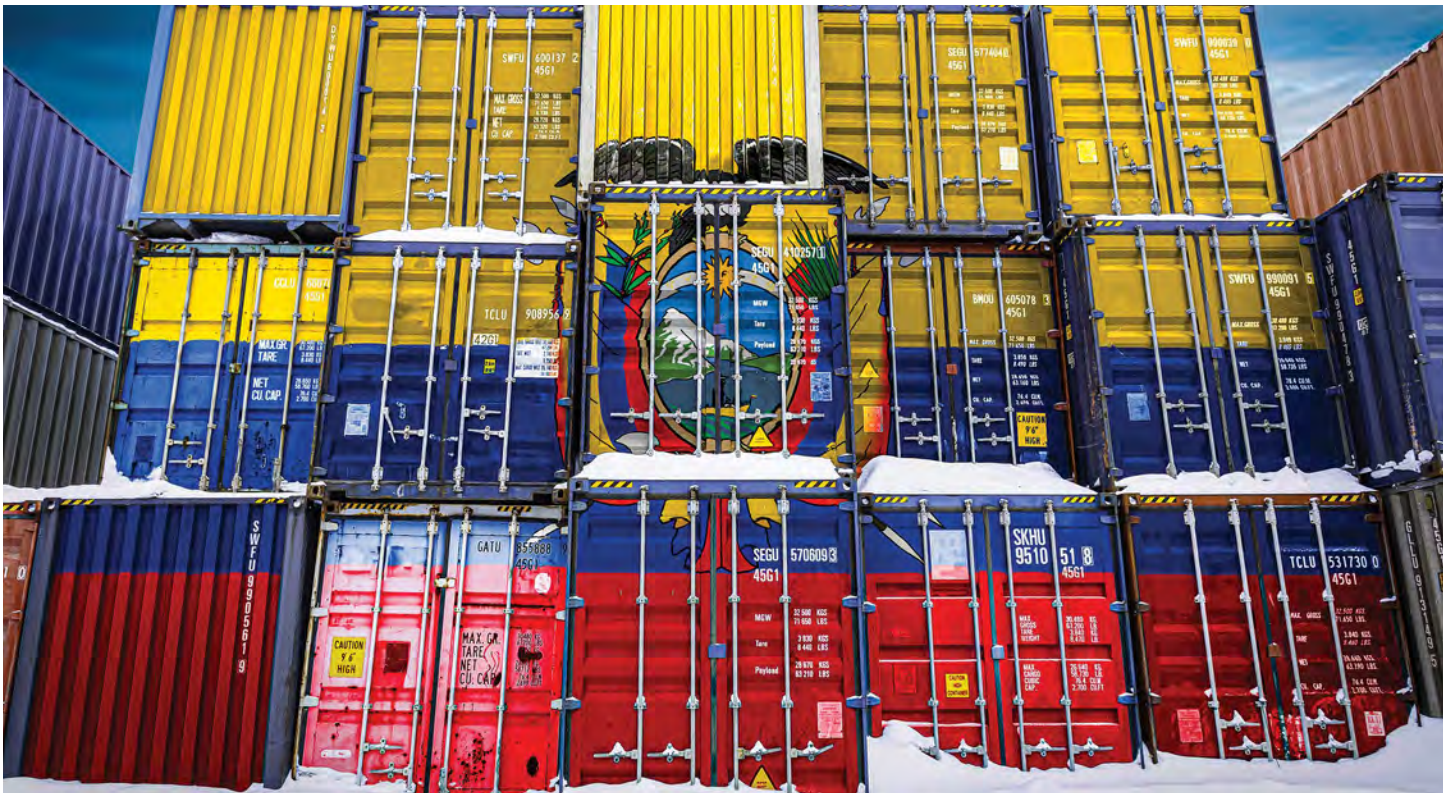
Looking back at 2021, Urner Barry market reporter Gary Morrison reported that Ecuador shrimp exports to the United States smashed the short-lived record from the year prior. The 405.3 million pounds was 46.1% higher than 277.4 million pounds in 2020, which was significantly higher than the last high in 2014 of 203.5 million pounds. And if Ecuador stays on track this year and doubles what they've already exported to the U.S. in the first half of the year, we could be looking at more than 450 million pounds of shrimp in 2022.

This path towards “world domination” really shouldn’t come as a surprise. The industry has been going through great lengths


to highlight their aquaculture practices and prove that they are a constant and reliable supplier of Vannamei shrimp. This past July the Ecuadorian initiative Sustainable Shrimp Partnership (SSP), together with the international shrimp certification Aquaculture Stewardship Council (ASC), even organized a “Shrimp Seminar and Field Visit,” where they brought out more than 20 representatives of supermarket chains and foodservice companies from North America to “experience first-hand commitment of Ecuadorian shrimp producers to comply with the highest standards of quality, social and environmental responsibility required by the ASC certification.”

“Ecuadorian farmers are definitely proud of their shrimp,” explained SSP Director Pamela Nath. “They have shown a great capacity to adapt to the needs of the market, but always prioritizing the well-being of consumers and collaborators, as well as the conservation of the ecosystem. These are people who are committed to reliability, food safety, sustainability, traceability and are determined to incentivize change in the global industry by showing that it is possible to produce premium quality and safe shrimp.”

And while many eyes seem to be on the U.S., China still has a stronghold on the industry. According to Ecuador’s National Chamber of Aquaculture, China remains their first destination for







**“The country has consistently been at the number two spot when it comes to shrimp imports into the U.S., dominated only by India.”**

shrimp exports with a 46% share of its total sales. This is despite the strict COVID-19 testing that China has implemented for frozen aquatic products. The country has continually suspended shrimp imports from Ecuadorian companies if the packaging tests positive for the coronavirus. But the suspensions haven't kept Ecuador from claiming the title of China's number one supplier of sea products. Last year Chinese imports of seafood from Ecuador increased by 27% year-on-year to USD 2.187 million. Shrimp imports reached 379,000 tons, the highest value to date.

China may still be an important market for Ecuador, but during COVID they found a willing trade partner in the U.S. and were able to avoid the many logistical challenges of sending containers to Asia. Now, Ecuador wants to invest in that relationship. In an effort to continue and expand their supply of shrimp for the U.S. market, SSP says that many processing plants are making investments into value-added presentations, like headless, peeled and deveined shrimp, which are preferred among U.S. consumers.

With some significant investment in Ecuador, we can only expect increased production from the world partner. [UB](#)

Article contributed by **Amanda Buckle**  
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# Fighting hunger in America



Many of us go through life without the worry of where our next meal will come from, but this isn't the case for everybody. This reality has become more evident in the past couple years between the COVID-19 pandemic and inflation causing budgets to shrink overnight. The need for food banks has never been greater.

As of 2021 a report published by the Charitable Food Participation Estimate found that more than 53 million people (1 in 6) were utilizing food assistance from the charitable sector and the Feeding America network, which is comprised of food banks, food pantries or meal programs. The report stated that this was more than a 1/3 increase in the number of people using some sort of meal program prior to the pandemic. There have been a number of factors leading to the increase of use in food assistance programs, namely inflation across food, gas, and other necessities, alongside a war abroad which has cut off the world from one of the largest grain exporters.

According to Feeding America, "each year, 108 billion pounds of food is wasted in the United States. That equates to 130 billion meals and more than \$408 billion in food thrown away each year." Another figure to shock you is that the nonprofit organization says that "nearly 40% of all food in America is wasted." And it's not just food waste in our homes. Food waste in homes makes up about 39% of all food waste, or about

41 billion pounds of food waste. But there is food waste at every stage of food production and distribution—from farmers to packers and shippers, from manufacturers to retailers to our homes. Looking at commercial food waste, that makes up about 61% of all food waste or 66 billion pounds of food waste.

With its nationwide network of more than 200 food banks, Feeding America is focusing on reducing food waste on farms and in food service, manufacturing, and retail. So, as you can see there is a real need for these numbers to shrink as hunger continues to be one of the issues facing everyday Americans on a regular basis.

As these programs have become more seasoned through the years, there has been one glaring issue, and that's not only providing food, but providing high quality and nutritious foods as this is the backbone for human growth. Center of the plate proteins have become one of the more highly sought-after food groups as the nutritional output is unparalleled. Companies and food assistance programs all over the globe are stepping up to meet this ever-growing demand in a world where the disparity between the "haves" and "have nots" continues to grow. Recently, companies such as Cargill and Sysco have made millions of dollars' worth of donations to the Feeding America network to meet these demands.



Just some of the Urner Barry employees who have donated time at the local foodbank.

Another advocate for combating hunger is the non-profit organization SeaShare, which takes on the role of providing seafood to food assistance programs through generous donations from fishermen and processors around the country. This program originally started with bycatch from Alaska fishermen. Instead of throwing those fish overboard, that bycatch could go into hunger relief programs.

So how can you help? Well, there are many avenues to take, from monetary donations to volunteering time to help at local food banks, and of course donating food directly. Urner Barry contributes to Fulfill NJ, the local food bank for our hometowns of Monmouth and Ocean County, New Jersey. Fulfill has an extensive network of 289 food pantries, soup kitchens, shelters, day programs and group homes. Urner Barry employees can volunteer time throughout the week to help this organization with any needs it may have. [UB](#)

Article contributed by Todd Unger  
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# Young engineers enter can sculpture contest to benefit families in need



For the past five years, the American Council of Engineering Companies of New Jersey (ACECNJ) has held its can sculpture contest to benefit Fulfill NJ, whose mission is to alleviate hunger and build food security in Monmouth and Ocean Counties, and to make sure that all people, at all times, have access to enough nutritious food to maintain an active and healthy life. The event has become one of the most meaningful and special things that ACECNJ does each year.

Up to 10 teams, mostly made up of young consulting engineering professionals, enter the contest to create whimsical sculptures out of canned food...and they take the competition seriously. Many of these teams begin meeting months in advance to discuss designs and approach. This year's theme is "Engineering at the Movies." Afterwards, all of the cans are donated to Fulfill NJ. In previous years ACECNJ has been able to donate over 26,000 cans of food to Fulfill NJ, where they are then distributed to families and individuals in need via a network of 289 food pantries, soup kitchens, shelters, day programs, group homes, and more.

Project teams will be on-site December 4 at Forsgate Country Club in Jamesburg, New Jersey, to bring their designs to life. A special panel of guest judges will choose the winners, and awards will be presented on December 5 as part of the group's annual Holiday Open House event. Winners will be announced to a packed ballroom of ACECNJ member firms, friends, and guests.

Anyone can make a monetary donation to FulfillNJ at any time at [www.fulfillnj.org](http://www.fulfillnj.org). UB

Article contributed by Gabrielle Liguori, Manager, Membership Services ACECNJ



Photos provided by Gabrielle Liguori.





# No pandemic can hold Schramm's Shellfish down



A boat ride one night in the summer of 2017 to watch “The Oyster Farmers” documentary ended up changing Ryan Schramm’s life.

As a mate on a private boat, fishing and seafood was a big part of Ryan’s life. But after watching the film that sheds a light on New Jersey’s lost oyster culture, Ryan knew that he had found a new calling that would keep him on the water, yet close to home. What followed was a ton of research—from looking into the permitting process, to talking to other farmers—until finally, in the fall of 2019, Ryan found himself applying for a lease in Little Egg Harbor bay and waiting on a water test.

The state scheduled the test for January 2020. But with a road trip to Montana already booked, Ryan requested that they push the water test until after April 1. Then COVID hit. It wasn’t until November 2020 that the state was finally able to do the water test. And unfortunately for Ryan, it didn’t get any easier after that.

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"[My wife] Julia and I spent the whole next year filling out paperwork and quitting, then coming back to it," says Ryan. "Deciding it wasn't for us, then coming back to it. You know, the highs and lows of it...thinking I'm never going to be able to get through this paperwork and then coming back to it the next day to get a couple more things done. We finally got all of our applications approved in April 2021."

From there things did start to go a little smoother thanks to some fellow local oyster farmers. Matt Gregg of Forty North Oyster Farms and the Barnegat Oyster Collective helped Ryan get his first batch of seeds and by May 2022 Schramm's Shellfish had their first marketable product—

Violet Sky Oysters, described as a medium brine, clean and earthy. These oysters are on the smaller size, which as Ryan explains is due to "a little bit more tumbling," but they have a deeper cup and are easier to open. He's planning on doubling his output this year.

Ryan jokes that at times it seems like running an oyster farm is a "nightmare." But for him there is no greater pride than seeing Violet Sky Oysters on the menu at a restaurant or for sale at a local retailer. [UB](#)

Article contributed by **Amanda Buckle** | [abuckle@urnerbarry.com](mailto:abuckle@urnerbarry.com)

Photos provided by Ryan Schramm



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# Top 3 things feed leaders are worried about

**FEEDINFO** Article contributed by FeedInfo, a sister publication of Urner Barry

The Feedinfo Leaders' Network gathered recently to discuss the key issues impacting businesses in the industry ahead of the Feedinfo Summit, taking place September 26-27 in Barcelona.

Three of the key areas that our C-suite leaders wanted to discuss included the impact of the war in Ukraine, improving the image of our industry, and the emergence of alternative food proteins:

## HOW THE WAR IN UKRAINE IS IMPACTING THE FEED SECTOR

Leaders of businesses operating in Ukraine have seen huge challenges in ensuring staff are safe and supported effectively. For those without offices or factories within the country, input costs have been dramatically impacted due to the conflict, with energy

costs and raw material supply and security being affected dramatically.

For those in the animal nutrition and feed industry, it was felt we need to support our customers effectively in this challenging climate. We also need to look at our supply chains to reduce dependency on certain regions to ensure we are future-proofing

ways of accessing resources. With costs next year set to remain high, livestock and aqua producers are going to have to find a way to optimize diets, and we must continue to help them through this turbulent time.

## IMPROVING THE IMAGE OF THE FEED INDUSTRY

Following the discussions Feedinfo Editor-in-Chief Simon Duke has had with a number of film and TV producers to encourage the media to share the stories of our sector, the leaders felt that this was a vital area of focus for the industry. These producers asked for more transparency from the sector to enable them to tell the world what we are doing to create the food the entire planet requires.

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**FORECASTING FOR THE MEAT AND POULTRY INDUSTRY**

Telling the story from the perspective of the farmer is deemed important by the leaders as they are the heroes of our sector and the general public often do not know what goes into producing their food. Also, the circularity of our businesses is something consumers are not always aware of and would show our sector in a positive light. In the animal nutrition and feed industry, we must be seen to be part of sustainable solutions through these types of good news stories.

### SHOULD WE BE CONCERNED ABOUT THE EMERGENCE OF ALTERNATIVE FOOD PROTEINS?

With even more plant-based and cell-cultured protein products on the horizon, the group felt we need to help educate farmers about what is coming so they can begin to prepare for the disruption these markets could cause to traditional animal protein value chains. In the animal nutrition and feed sector, we also need to think about what the impact could be on us and what we can do to futureproof our industry.

While our leaders felt plant-based and cell-cultured proteins had a place in the market to help us feed the planet, how consumers feel about them and their market penetration needs to be monitored. It was strongly felt that cell-cultured protein would not be seen as a threat in the short term due to the slow development of the technology, but the leaders did not rule out development in their lifetimes. It was raised that we could see more hybrid products emerging and understanding what that means for livestock and aqua sectors would be important.

The Feedinfo Summit brings together senior leaders from the global animal nutrition and feed sectors to openly talk about the industry and help shape its future. This two-day event fosters a community that aims to be the voice of change for the global industry, offering attendees the chance to discuss the sector's biggest challenges and share ideas on the strategic focus and priorities of businesses. This year's event will take place September 26-27, at the Hilton Diagonal Mar in Barcelona. Find out more information at [summit.feedinfo.com](https://summit.feedinfo.com). [UB](https://www.ubprint.com)



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# AVIAN INFLUENZA: AFTER THE STORM

From October 2021 through May 2022, Europe was hit by the deadliest episode of highly pathogenic avian influenza (HPAI). The damages caused by the disease this season reached levels never witnessed before. In total, 46 million birds had to be culled in the EU to stop the spread of the contagious virus. In the egg sector, this means around 12 to 15 million laying hens lost. The countries most impacted by far were France and Italy, with respectively 4 and 5 million less layers. Germany, Poland and the Netherlands were also heavily impacted. Farmers are now facing several options to repopulate the barns, but in a particularly difficult context, all market conditions must be considered. With the high levels of inflation brought in by the post-pandemic era, the elevated cost of grain due to severe draught, and expensive energy bills caused by the war in Ukraine, avian influenza was just one additional factor depressing farmers' profits this year.

In the month of July, the quietest period of the year in terms of retail and industry demand, most egg producers usually operate seasonal flock rotations to prepare for the peaks of retail foot traffic in fall and all the way to the end of the year celebrations. Egg producers who lost their flock to eradicate AI must also repopulate their farms with young pullets. But instead of planning to run at full capacity as historically practiced, they must

carefully evaluate the size of flock needed to break even. Across the entire EU, the repopulating efforts are operated with caution in an unpredictable market.

First there is a degree of uncertainty about how the elevated inflation across Europe (and particularly energy bills) is changing consumer shopping habits in terms of food, and how eggs and egg products are impacted. Even if the egg is the winner of the most affordable proteins, an important key to success is in the hands of supermarkets, which are sometimes reluctant to pass on producers' costs to consumers.

Secondly, the most important factor impacting the repopulation of farms is the egg production cost, with the largest part dedicated to layers' feed. The cost of wheat more than doubled between May 2021 and May 2022 from 245 to 494 euros per MT. This is due to severe draught worldwide in 2021, which pushed China to import grain. And in 2022 Ukraine exports plummeted 40% due to the Russian invasion. By the end of July 22, the price of grain slightly declined with a good summer harvest in many European countries. In addition, Russia signed an agreement to allow export corridors and let Ukraine—which produces a quarter of the grain in the world—sell their huge inventories.

Next, comes the additional costs of production linked to the energy (mainly needed to control barns temperature), feed additives, cost of labour, fuel for transport and plastic for the packaging. It was reported that the overall cost of producing 1 kg of cage eggs stands at around 1.50 euro per kilo. With such elevated output costs and uncertainty on the selling prices, farmers can only plan ahead with extreme care, as the risk of bankruptcy already threatens many of them in smaller structures with less resources.

## EU-27 ANNUAL CHANGES IN FOOD CONSUMER PRICES

PERCENTAGE

JULY 2022 COMPARED TO JULY 2021

Source: EU Commodity Price Dashboard, 2022-07

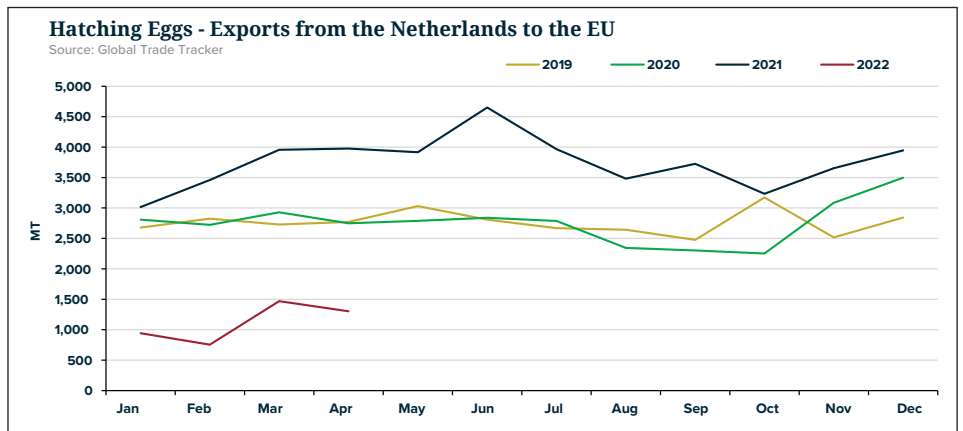
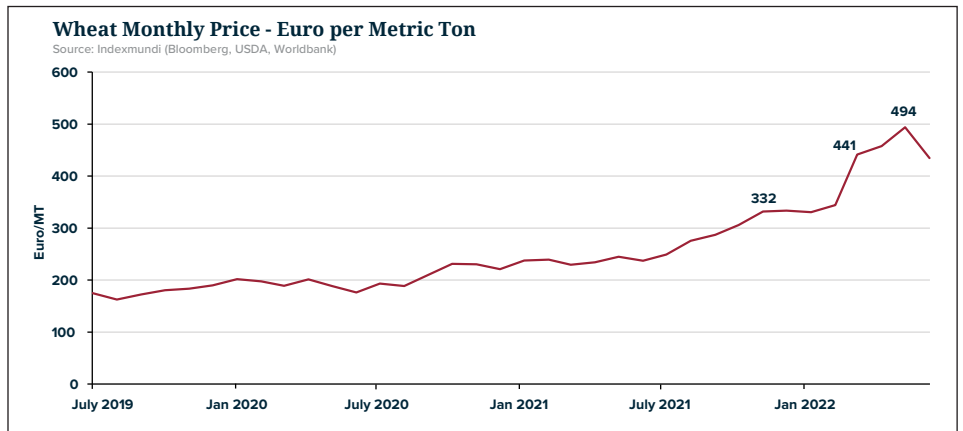
| All Items                                     | 9.8  |
|-----------------------------------------------|------|
| Food                                          | 13.2 |
| Bread / Cereals                               | 15.3 |
| Meat                                          | 13.5 |
| Fish / Seafood                                | 11.6 |
| Milk / Cheese / Eggs                          | 17.3 |
| Oils/Fats                                     | 31.6 |
| Fruit                                         | 6.4  |
| Vegetables                                    | 10.1 |
| Sugar / Jam /Honey / Chocolate /Confectionery | 7.7  |
| Food Products n.e.c.                          | 10.7 |

## AGRICULTURE COMMODITY PRICES - JULY 2022

Source: EU Commodity Price Dashboard, 2022-07

| AGRICULTURAL COMMODITY | EUROPEAN UNION 27 |               |                | WORLD            |       |               |                |
|------------------------|-------------------|---------------|----------------|------------------|-------|---------------|----------------|
|                        | Monthly Average   | Annual Change | Monthly Change | Monthly Average  |       | Annual Change | Monthly Change |
| CEREALS <sup>1</sup>   | EUR/T             | %             | %              | USD/T            | EUR/T | %             | %              |
| Soft Wheat             | 346               | 68.5          | -10.8          | 311 <sup>2</sup> | 305   | 23.7          | -18.2          |
| Durum Wheat            | 516               | 87.7          | -0.4           | 383 <sup>3</sup> | 376   | 31.5          | -16.7          |
| Maize                  | 325               | 24.6          | -3.5           | 306              | 301   | 9.8           | -8.8           |
| Barley                 | 299               | 51.3          | -13.6          | 319              | 313   | 50.5          | -15.2          |

Changes in world prices are based on prices expressed in USD. [1] EU cereal quotations: soft wheat and barley (delivered Rouen), durum wheat (Port-La-Nouvelle/La Pallice) and maize (Bordeaux). [2-3] US Soft Red Winter Wheat and US Hard Red Winter Wheat.



Last, breeding chicks and pullets is usually a separate business, so most egg producers must purchase new hens to repopulate their farms. The hatchery is in a different location than the breeding farm to avoid disease contagion, so only very large egg producers have these facilities. Following a strict EU vaccination program, the pullets get multiple vaccines, so it is a guarantee for the buyer to get healthy birds. The cost of vaccination is also significant. Farmers purchase pullets that are 15 to 18 weeks. They must plan their orders with hatcheries in advance and wait another three to four weeks after delivery before the young hens start producing eggs. The availability of pullets is also an issue. The Netherlands are the first producer of hatching eggs. Their export to the EU from January to April 2022 dropped 63% compared to the last three-year average. [UB](#)

Article contributed by  
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# Global Protein Summit speaker Jennifer Bushman talks sustainable aquaculture

This year's Global Protein Summit in Chicago will be the first year that Urner Barry is introducing seafood to the agenda. With this in mind, we are glad to welcome Jennifer Bushman, Chief Marketing Officer at Kvarøy Arctic and sustainable aquaculture expert, to our sustainability panel, featuring professionals from across the protein industry. *Urner Barry's Reporter* sat down with Jennifer recently to preview this year's conference, as well as discuss the state of sustainable aquaculture and the growth in protein demand that aquaculture will play a huge part of.

**URNER BARRY'S REPORTER:** Thank you for joining me, Jennifer! Tell me a little about how the team at Kvarøy Arctic is contributing to sustainable aquaculture?

**JENNIFER BUSHMAN:** Kvarøy Arctic is a third-generation family-owned farm. We are located in the Arctic circle at 66 degrees N and 13 Degrees E. Our close-knit island community shares a worker's lifestyle and a grand vision: to evolve open water salmon farming into a sustainable practice that protects the environment and promotes animal welfare while providing a healthy source of protein for a growing world. Our island is made up of only 80 people, nearly a third of which work on the farm.



Photo provided by Jennifer Bushman



**“At a time when the earth is under tremendous strain, it is important for all of us to recognize how we can support a greener BLUE economy.”**

Photo provided by Kvarøy Arctic

Some facts about Kvarøy include:

- Kvarøy was the first company to have a sustainable feed model that utilized micro algae as a key feed ingredient to deliver long chain Omega 3's without depleting the oceans of feeder fish, such as anchovies, herring and mackerel.
- We were the first to use AI technology to uniquely identify each individual fish on the farm to understand each individual fish and what it needs to be well cared for.
- We were the first to integrate robotic fish to monitor the fish growth and welfare on the farm.
- We have been granted the first ever license to grow seaweed and salmon on the same farm and we have invested in a seaweed snack company based on our island to support seaweed as part of the future of our food system.
- We were the first in our industry to utilize blockchain technology in an effort to give access to pure, unaltered data collected directly from the source to allow people to buy what they truly want and to eliminate industry fraud.
- We have partnered with groups like Google to develop a market tool that helps buyers research farmers in order to assure them that their dollars meet the values that their companies have set.

**UBR:** With an increase in population leading to an increase of protein demand, how will seafood play a role in that, while doing so sustainably for the betterment of the planet?

**JB:** At a time when Earth is under tremendous strain, it is important for all of us to recognize how we can support a greener BLUE



economy. At Kvarøy Arctic, we contribute and amplify “blue foods”—sustainable foods from the water, both on land and in the sea—and the role that they play in global food systems now and into the future. Aquaculture has become the world’s fastest-growing food-production technology and Kvarøy Arctic has been lucky to be a part of this movement. More than 90% of the world’s aquaculture production takes place in developing countries, where it contributes to food security directly through consumption or indirectly as a source of income. In 2022, Kvarøy Arctic is at the forefront of policymaking in an effort to propel change in the policies and practices that will shape the future of blue foods both within the industry and outside in the retail and foodservice space. We have done this by specifically working with organizations such as the Culinary Institute of America to introduce sustainable regenerative aquaculture as one of the C.I.A.’s 2022 topics through its Menus of Change program in collaboration with the Harvard T.H. Chan School of Public Health. We have collaborated with partners such as Jose Andres World Central kitchens to bring an aquaculture track into its Food Producers Network. This is specifically designed to fund grants to water farmers whose operations have been destroyed because of climate change disaster. The funds are granted with a commitment by the farmer to participate in education in an effort to build a more climate change resilient farm.

**UBR:** *In regards to sustainability, what can we expect from seafood and aquaculture companies in the future?*

**JB:** Given seafood’s critical role in feeding the world’s rising population—which could reach 10 billion people by 2050—we need to take a step back and address the common divides in our industry. To feed this many people, we will need to produce record quantities of food. No one resource will be enough to take care of all that we will need, and we must evolve past the “us vs. them” mentality.

As wild catches decline, aquaculture production needs to more than double to meet a projected 58% increase that is needed for the food supply. This requires improving aquaculture productivity and addressing fish farms’ current environmental challenges, including conversion of wetlands, use of wild-caught fish in feeds, the high freshwater demand and water pollution. Actions to take include selective breeding to improve growth rates of fish, improving feeds and disease control, adopting water recirculation and innovating in spatial planning to guide new farms and expansion of marine-based fish farms.

Ethical aquaculture will allow sustainable fisheries to continue their important work and maintain the fishing heritage that is critical to so many communities. By sustainably and ethically farming the water both off-shore and on-land, aquaculture continues to be one of the most important and viable solutions to meet the protein demands.

In fact, research suggests there is space on the open ocean for sustainably farming essentially all of the seafood humans can eat. Only 2% of all of the protein we eat comes from our ocean, so there is room to grow if it is done right.

We have to support sustainable water farmers who:

- Practice restorative aquaculture. This mean they are farming shellfish, seaweed, and kelp, which support the health of the water and sequester carbon!
- Use sustainable feeds that reduce or eliminate the use of wild fish to feed farmed fish.
- Use feeds that incorporate algae, insects, and microbes.
- Sustainably manage their farm with practices that keep fish healthy without antibiotics or hormones.
- Exist in harmony with the oceans, waterways, and wildlife—these are operations that are committed to being careful stewards of the environment.
- Work with approved NGOs such as Seafood Watch, the Aquaculture Stewardship Council (ASC), Trace Register, and Fish Choice.

Plus, by buying frozen fish, you would also reduce carbon emissions by 90%!

**UBR:** *What do you believe are the biggest barriers to developing sustainable fish and seafood products?*

**JB:** There are several barriers that have been identified through different studies. The first is access. Depending upon how you define it, we import between 70% and 90% of our fish and seafood in the U.S. The transportation costs alone mean that the prices are higher than average as compared to land-based proteins. We need to produce more fish and seafood at home. That will take growth in the responsible aquaculture sector. To do so we must build a consensus on the state of the science, addressing knowledge gaps with well-monitored and on-the-water pilot projects, identifying practical governance options, learning from stakeholders, and integrating community knowledge into a strong, science-based regulatory framework. The Environmental Defense Fund has been working on exactly this type of advocacy and policy.

*Continued on page 52*



# Jennifer Bushman

Continued from page 51

We cannot bring poorly reared fish into communities, but rather best in class farms that truly set the table as a new food system never tackled in the U.S. When we do this with provenance, reverence and honor, we can rebuild coastal communities and get over the hurdle of consuming only 17.5 pounds of fish and seafood per capita per year in the U.S., a number that has not grown significantly in decades.

Fish, seafood, aquatic plants and algae are the most nutritious foods on the planet. They are essential as we look at an overconsumed planet, climate change and more.

**UBR:** You are joining us for our sustainability panel at the Global Protein Summit. This is a big year for us as it's the first year we are introducing seafood to the agenda. What are you excited to talk about for your sustainability panel?

**JB:** To provide and inspire visionaries, thought leaders and the industry with the knowledge and materials to help protect and participate in a responsible blue food system. I want to shine a light on new pathways, new dialogue, new perceptions, and new HOPE. Hope that in the face of what can seem like an insurmountable

crisis, we continue striving to restore a bountiful resource that can nourish us in unimaginable ways.

**UBR:** Are there any other agenda sessions outside of yours that you are excited for?

**JB:** Of particular interest to me are the sessions on market insights, such as the protein buyers panel. Our world has an incredible amount of volatility in these sectors that are shared among the various proteins covered at GPS. It is important to recognize and connect the dots in an effort for us all to align. The future of food will not be one sided. It will take all inputs to feed a hungry and growing planet. [UB](#)

Article contributed by **Chris Fastiggi** | [cfastiggi@urnerbarry.com](mailto:cfastiggi@urnerbarry.com)

Come see Jennifer and other experts at this year's Global Protein Summit, taking place October 17-19 at the Drake Hotel in Chicago, Illinois. Tickets can be purchased at [urnerbarry.com/GlobalProteinSummit](http://urnerbarry.com/GlobalProteinSummit).

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# 5 things to do in Chicago

## WHILE AT THE GLOBAL PROTEIN SUMMIT

Urner Barry's Global Protein Summit has built up a reputation for being jam-packed with information, incredible speakers, and networking opportunities. But before and after long days brimming with an unmissable agenda, attendees are often looking for the best spots to explore or meet for a great meal. Luckily, the area surrounding the Drake Hotel is populated with a variety of restaurants, attractions, and shops to spend any extra time.



### Freshly baked breakfast

**HENDRIKX BELGIUM BREAD CRAFTER**  
100 E. Walton St.

With croissants, muffins, quiche and cakes on the menu, Hendrixx is the perfect spot to grab a bite for breakfast. Just a minute's walk from the Drake, this bakery is a convenient and delicious place that opens early enough to stop by before the speakers hit the stage on Tuesday and Wednesday. Don't forget to snag some of Hendrixx's incredible Belgian chocolates to take back to your room or as a gift for someone at home. Too busy answering emails to stop by? Hendrixx is also available on Grubhub.



### Take in the skyline

**360 CHICAGO, TILT**  
875 N Michigan Ave,  
94th Floor

With breathtaking views of Chicago day or night from the 94th floor of the John Hancock Building, 360 Chicago is the perfect adventure. Situated 1,000 feet over the Magnificent Mile, the windows of the observation deck give visitors a chance to take in the sights, including the beautiful Lake Michigan. Feeling a bit braver than usual? Try TILT, the thrill ride built right into the windows that will push your stay in Chicago right over the edge...literally.



### Never too early to shop

**BLOOMINGDALE'S CHICAGO**  
900 N Michigan Ave.

The Bloomingdale's of Chicago is a taste of New York City shopping right in the Windy City. With the winter holidays fast approaching after the show, it's a good idea to get a head start for the special people in your life. With six floors of a variety of dazzling displays, you can shop, browse, and then venture out into Aster Hall for a quick pick-me-up. Open until 7 p.m., Bloomingdale's is the perfect spot to hit before your dinner plans.



### Take your clients to a show

**JAMES M. NEDERLANDER THEATRE**  
24 W Randolph St.

With 64 award nominations and 33 wins, *Wicked* is a show everyone should see... twice. Luckily, this unforgettable musical is being shown during the week of the Summit. Less than 10 minutes away from The Drake, this theater's décor alone is worth a look with its ornate, far-east inspired mosaics and sculptures. Book tickets in advance and take your colleagues or customers for a memorable evening of entertainment.



### Night caps for the night owls

**Z BAR**  
108 E Superior St.

Named after hospitality industry influencer Maria Zee, Z Bar is a culturally rich experience in music, food, and mixology. With music described as casual and soulful filling the air and handcrafted cocktails in hand, patrons of this immersive lounge can truly let their hair down. Open until midnight during the week of the Summit, Z Bar is the perfect spot to end the evening. [UB](#)

Article contributed by  
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# IS THIS THE FUTURE OF DINING?

Non-fungible tokens (NFTs) have become one of the latest fads to take over American culture and they have made their way into the restaurant industry.

Various eateries have popped up involving NFTs. And one of the most recent entrants into the NFT restaurant space is Vinyl Fish Club (VFC). This restaurant concept will be located in Palm Springs, Florida, and is described as part-social club and part-restaurant, featuring sushi from Kazuo Yoshida, known as the "Sushi Boss."

VFC explained that only 50 memberships are available, and the price tag is \$1851.98.

When guests land a membership, the NFT acts as access to the social club. The NFT is a digital piece of art, stored in a blockchain, the database that encrypts and authenticates all NFTs, per VFC.

The token which provides access to the social membership can be traded and the VFC explains it provides both tangible and potential growth value.

The club member invests in ownership via a token. Welcome applicants for membership are NFT collectors and novices in the market. The latest collaboration with VFC features art from Miami-based artist Miguel Peredes.

Members will also have access to attend VFC events in New York City and Palm Springs, including intimate chef-driven gatherings.

VFC said the space features both audio and visual elements designed to stimulate moods. The Palm Springs location is in the heart of downtown and its summer dinner party series will feature rotating

activations Thursday-Saturdays and on occasion Sundays.

"The vibrations fuel your senses as you delight in the taste of an eclectic menu, including Omakase, the Executive chef's passion," VFC wrote in a press release. [UB](#)

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




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Photo credit: Vinyl Fish Club  
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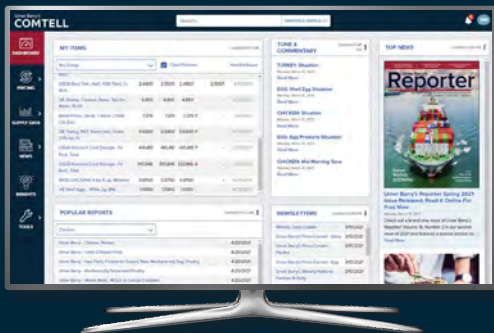
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# Tapping into the power of influencers

The summer months have long represented a slower demand period for eggs. As such, we elected to focus on these months (specifically, May – October) as prime territory for a catchy campaign aimed at opening the eyes of consumers to all that eggs can do in an effort to prop up demand. Enter #CrackItWithAnEgg: a campaign aimed at showing consumers how the egg can “crack” all your mealtime dilemmas. Need something quick? Turn to eggs. Looking to spice up a tired dish? Turn to eggs. Any food-related, or drink-related, or really any problem that you may have, an egg can crack it. The egg is the ultimate hack and consumers are here for it.

With the premise decided on and creative nailed down, the last part of any successful campaign is being sure to get your message in front of the desired audience. Enter the “Influencer”. A brief (and incomplete) definition of an Influencer would read something like “someone whose opinion is respected and influences people to take a certain action.” Celebrities pitching products on billboards and during commercials of your favorite sitcom have been around forever. It’s not a new concept. However, the data has shown for years that traditional media is on the way out. Print media has seen a stark decline and streaming networks have eliminated the need for commercial breaks. On the flip side, social media usage has continued to surge.

And with that surge, so has the prowess of the social media influencer. Popular platforms such as TikTok and Instagram have seen a rapid rise in usage in recent years. Instagram has 500M daily active users and there are 4.2B Instagram likes per day. TikTok garnered more web traffic in 2021 than Google. GOOGLE!! For Gen Z, the short-form video platform has morphed into an alternative search engine. In search of travel tips and hacks? There’s an influencer for that. How about clothing reviews and recommendations? There’s an influencer for that. Or, better yet, in search of meal and recipe inspiration? There is most definitely an influencer for that. It stands to reason that if our consumers are choosing to spend their time in this space that we need to be spending our time and devoting our resources there as well.

The social media influencer comes with a pre-existing audience that trusts what he/she has to say. An audience that is engaged in the online conversation and is curious to know what the influencer is going to say next. People that consumers trust posting content that is heartily being consumed by a curious and engaged audience? Seems to be a realm that AEB should be playing in. Thus, the impetus to pivot to an influencer-centric consumer marketing strategy to amplify the message(s) of the American Egg Board, and specifically the #CrackItWithAnEgg campaign.

A creative and engaging campaign around the core message of the egg’s versatility is great. That same campaign in the hands of an authority on food is better. Our campaign kicked off with the appointment of internet/celebrity chef Josh Elkin as the organization’s Chief Cracking Officer (CCO). Josh boasts over 2.1M followers across TikTok and Instagram. That’s 2.1M engaged and curious followers that are interested in what he has to say, especially about food. Over the course of the campaign, Josh and 11 other influencers will continue to feature eggs in new and exciting ways. Exposing their audiences to messaging and ideas that they might not have seen otherwise and cementing the notion that there’s nothing an egg can’t crack.



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



By arming our “CCO,” or some other influencer with our messaging and allowing them to share our call to action (buy/use more eggs) for us, we can reach the consumer on a scale that just isn’t feasible on our own. Not only are many of Social Media Influencers capable of reaching more people, but their message also resonates better. It’s one thing for the American Egg Board to talk about how great the egg is in hopes consumers will buy more eggs. But, we’re supposed to do that. Consumers know that and it can come off as disingenuous. Having an authority that they respect take up our call to action, using our messaging, strikes a very different chord and can drive the conversation in a way that we cannot.

**“Enter #CrackItWithAnEgg: a campaign aimed at showing consumers how the egg can “crack” all your mealtime dilemmas.”**

Aligning ourselves with social media influencers also allows access to audiences that maybe we didn’t have previously. A follower of Josh, for instance, may not think of eggs beyond their morning scramble. They’re probably not seeking out mealtime inspiration from the Incredible Egg social media channels. However, if our CCO is posting about eggs and espousing its virtues, and a consumer sees that post, they just may pick up an extra carton of eggs to give something they saw online a shot.

At the end of the day, our sole mission is to build demand for eggs and egg products. In other words, our brand is eggs. Building that brand takes the voices of many, and through our influencer engagement strategy and creative campaigns like #CrackItWithAnEgg, we’re harnessing those powerful voices for good. Good eggs, that is. UB



Photos provided by the American Egg Board



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# USING PLASTIC IS BEGINNING TO TAKE ITS TOLL

While it's no secret that everything is increasing in cost, what many may not have expected is an additional fee when they receive their final bill at a restaurant.

Foodservice owners have dealt with credit card processing fees internally for as long as accepting cards has been an option. But with the recent surge in expenses, some have begun to pass this additional cost onto the consumer as they look to stay afloat during these challenging times. What they haven't considered—or maybe they have, and they have been left little to no alternative—is that at a certain point, the cost of going out to eat will outweigh what consumers are willing or able to pay.

Much of what we hear in the news and around the water cooler lately has been associated with higher expenses and how everyone is feeling the squeeze in one way or another. As reporters in the perishable commodities sector, my colleagues and I have been fielding reports related to this for the better part

of a year. But now, seemingly no one is immune and restaurant owners have begun to look for any way to stop the bleeding. With raw materials remaining at noticeably high price levels and labor not coming cheap, the next obvious cost-cutting move has been something many consumers have taken for granted. Generally speaking, these fees range from 1.5% to 3.5% depending on the card carrier. And as a high-volume business, these charges can end up costing restaurants well over \$100,000 per year. Some states have begun legislation to require restaurants and other sellers to notify would be patrons of this extra fee. For example, New Jersey introduced a potential bill that calls for merchants to put signage either in the entryway or on the menu notifying patrons of the new fee.

But as mentioned above, the gamble many have taken appears to be coming at another cost—foot traffic. According to the latest data from the National Restaurant Association's Monthly Restaurant Performance Index, otherwise known as RPI, restaurant owners

**“...restaurant owners have begun to look for any way to stop the bleeding.”**



reported a net decline in traffic for the first time since February 2021. In fact, the overall index, which measures both current and forward-looking indications, fell to its lowest level in 16 months. When measuring the outlook six months from now, less than half of operators expected their sales volume to make gains compared to last year. Their optimism surrounding the economy in general was also somewhat bleak, with only 20% expecting the current economic conditions to get any better.

Interestingly enough, some other data painted a more optimistic picture. 64% of operators reported an increase in same-day sales when compared year-over-year. Capital spending for the business overall was higher as well, with just under 70% stating an expenditure for equipment, expansion or remodeling has taken place in the last three months. When taking all these figures into account, it wouldn't come as a big surprise if these higher costs seen at many restaurants stay in place, as overall sales and currently high overhead don't appear to be going away anytime soon. [UB](#)

Article contributed by **Matt Busardo**  
mbusardo@urnerbarry.com



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# Cash hog prices lifted by snug supplies, strong pork demand

Negotiated cash hog prices during the first half of the year climbed to near record highs, rivaling the levels seen in 2014 when a porcine epidemic diarrhea virus (PEDv) outbreak led to short supplies that year.

Like 2014, disease pressure is the driving factor behind the advance in cash hog prices this year. The dominant virus currently impacting U.S. hog operations is porcine reproductive and respiratory syndrome (PRRS).

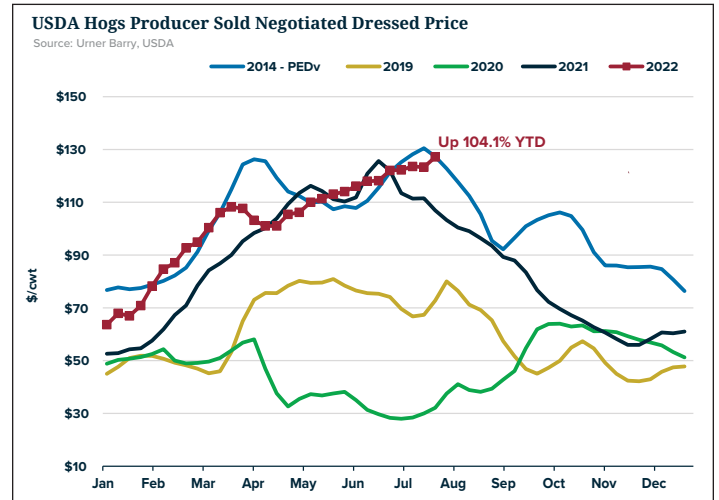
PRRS typically peaks in the fall and winter due to the low temperatures and low humidity. However, the current 1-4-4 strain is difficult to treat and persists year-round. This has tightened domestic hog supplies and supported the cash hog market.

During the summer months, the cash market saw an additional boost from seasonal factors including slowed daily weight gains because of the hotter temperatures. Through the end of July, USDA's national weighted average for negotiated hog prices advanced by 104.1% year-to-date.

Estimated pork packer margins for operations that purchase most or all of their supply needs were slim or negative since late-spring and throughout most of the summer since hog prices outpaced the gains in the wholesale prices.

However, margins for vertically integrated plants remained in the black and encouraged packers to maintain adequate slaughter schedules.

Lean hog futures have been volatile as traders assessed the various fundamentals influencing the livestock markets. The August lean hog contract gained nearly 19% from the start of February to a March 31 peak of \$123.65/cwt. Following the tops



made in March, hog futures saw a correction before moving higher again in July.

The deferred months are anticipating a seasonal decline to around \$88/cwt to \$97/cwt this fall and winter. However, some livestock dealers and market managers suspect this decline may be overstated. A seasonal increase in supplies, which normally occurs during the fall and winter, is expected to be less pronounced this year due to disease pressure.

The pork cutout performed stronger than seasonal norms post July 4th, indicating strong domestic demand despite the dog day of summer—a normal sluggish period for meat sales. Urner Barry's cutout gained nearly 16% from Independence Day to the tail end of July. Although retail pork prices are generally higher than a year-ago, several pork cuts have maintained a competitive advantage over some beef and chicken items.

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While cash hog prices have been on the rise, so have production costs amid decades-high inflation. Increases in both feed and non-feed related input costs are raising farmers' breakeven levels.

According to Iowa State University, estimated feed costs for a farrow to finish operation in June totaled about \$131.00 a head, up from \$105.73 per head at the start of the year. Non-feed costs were nearly \$62.00 in June, compared to \$59.01 in January. Total profit was estimated at \$29.11 a head, a drastic improvement from negative \$2.88 per head in early 2022.

Meanwhile, operations including wean to feeder and feeder to finish operations were experiencing negative returns around the onset of spring, according to Iowa State University.

By mid-summer, livestock producers saw some reprieve from skyrocketing feed costs, which have been on the rise due in part to trade disruptions sparked by the Russia-Ukraine war. Grain futures on the CME underwent a steep downward correction in July.

Hog supplies are likely to remain tight in the near term. USDA's quarterly hogs and pigs report, released in June, confirmed that the industry remains in contraction mode.

The data showed the total herd down 1% from June 2021 and a nearly 9% decline since the record June total at 79.6 million head was achieved in 2020. The breeding herd was down 1% from last year, but up 1% from the previous quarter.

High input costs, disease issues, and uncertainty surrounding demand for U.S. pork following China's continuing efforts to rebuild their swine herd have all contributed to the ongoing contraction efforts.

As we usher in a new year, factors including the pandemic, global unrest, and inflationary pressures will continue to impact the food chain and consumer behavior for the foreseeable future. [UB](#)

Article contributed by Courtney Shum  
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**“While cash hog prices have been on the rise, so have production costs amid decades-high inflation.”**

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# NTF flocks to D.C. for 2022 Leadership Conference

Article contributed by Beth Breeding, National Turkey Federation

Advocacy is all about advancing a cause. For the turkey industry that means federal legislation and regulation that support an environment where turkey producers can successfully achieve their goal of delivering a high-quality, nutritious, safe protein source to consumers.

The National Turkey Federation (NTF) serves as the industry's collective voice in Washington and works daily with lawmakers and federal agencies on key issue areas ranging from food safety to trade. But just like in a turkey flock, the gobble is much louder the more turkeys you have in the barn. Each year, NTF hosts an opportunity for members to come to together in Washington to help advance industry priorities. In mid-July, 120 NTF members arrived in the nation's capital for the 2022 Leadership Conference, ready to put advocacy in action.



PICTURED TOP: Christy Puffenbarger (Aviagen Turkeys), Bill Mattos (California Poultry Federation), Rep. Jim Costa (D-CA), Jihad Douglas (Aviagen Turkeys) and Mike Altomare (Agregom, Inc.).

TOP RIGHT: Rep. Ralph Norman (R-SC) and Ronnie Parker (Circle S Ranch, 2022 NTF Chairman).

BOTTOM LEFT: Carl Wittenburg (Protein Alliance) and Rep. Kelly Armstrong (R-ND).

PHOTO CREDIT: National Turkey Federation.

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Over the course of just two days, NTF members conducted more than 60 meetings with lawmakers and staff on Capitol Hill. These meetings included representatives from 16 states and spanned both sides of the political aisle! Given its impact on the turkey industry this year, the highly pathogenic avian influenza (HPAI) outbreak was the main focus of conversation. NTF members used this forum to share about their business' experiences with the virus and highlight the need for congressional support for HPAI response and more research and science to help better understand the virus.

Participants also highlighted calls for an expanded wild bird surveillance program across all major flyways, which serves as an early warning indicator of HPAI in the environment. As Congress begins consideration of the 2023 Farm Bill, NTF members urged lawmakers to support the National Animal Disease Preparedness and Response Program, which was created in the 2018 legislation, and opportunities for enhancing animal disease prevention, detection and response.

During the Leadership Conference, NTF's newly formed HPAI Task Force met with officials at USDA's Animal and Plant Health Inspection Service (APHIS). This agency is tasked with leading the federal HPAI response in coordination with industry and state agencies. In addition to reviewing the overall virus response, industry leaders discussed exploring new international rules that would encourage the use of vaccines to eliminate an outbreak, enhancing biosecurity and expanding indemnity coverage for growers.

If it sounds like a busy event, it was! When industry stakeholders have the opportunity to share their perspective with policymakers, the impact is even greater. This jam-packed meeting schedule led to many meaningful discussions with lawmakers and a better understanding of HPAI's impact on the turkey industry and the larger economy. From meetings with lawmakers to in-depth discussions on the threats of animal disease, the results of this event will help guide policymakers as the federation works to advance industry priorities and advocate on behalf of the U.S. turkey producers. [UB](#)



# Japanese consumers set to pay more for pork

With the Japanese Yen weakening against the U.S. dollar, it is no wonder that exports are well under year ago levels on a monthly basis for 2022. When evaluating the Urner Barry pork carcass cutout in U.S. dollars, the first week of August shows the cutout 0.30% lower than the all-time high for the week. But when evaluating in terms of Yen/KG, it is at an all-time high by 19.8%.

The USD to Yen exchange rate is at nearly 20-year lows due to a confluence of factors. In the U.S., the dollar has appreciated by nearly 9% so far this year as global economic uncertainty push investors throughout the world to move out of risky assets in favor of holding dollars. In Japan, weakness in the economy and their goal of keeping interest rates low has negatively impacted the Yen.

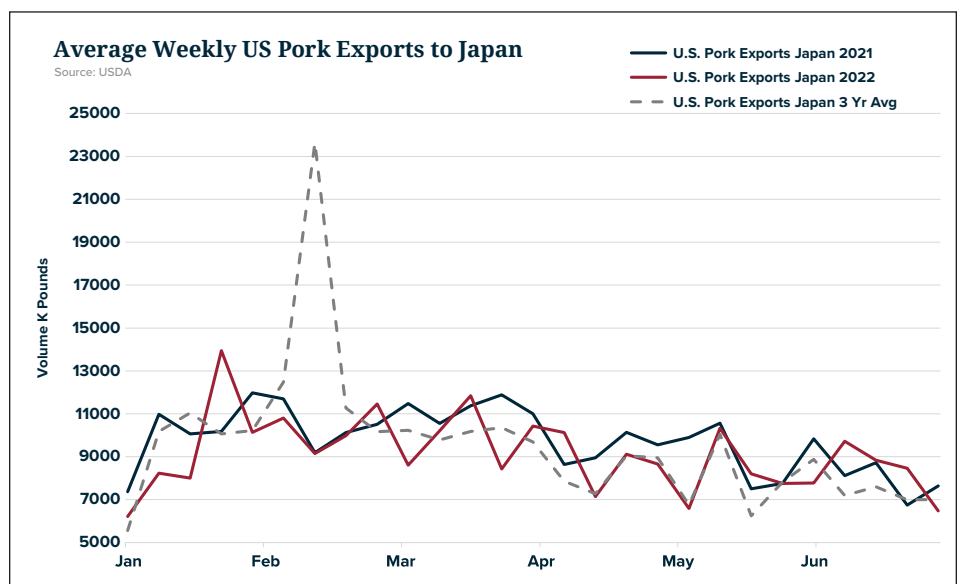
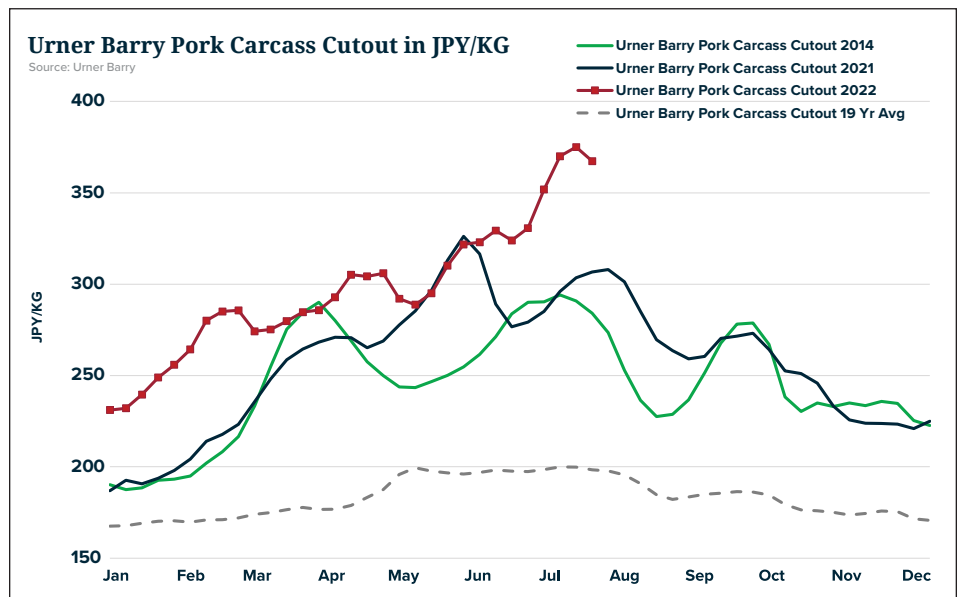
As this degradation of the exchange rate occurred, U.S. pork prices were consistently seeing support, further raising the cost of pork for Japanese importers to record, or near record levels. It is also important to note that when examining Japan's domestic pork production and consumption figures, we can see that in 2021, Japan consumed 109% more pork than they produced.

Taking a look at monthly average price levels when converting USD to Yen, the 23/27 bone-in ham during July was ¥327.86/KG, an all-time high. The ¼ inch bone-in pork butt experienced a similar situation with a monthly average price of ¥544.83/KG, which was an all-time high being 5.4% over the next highest month on record, June 2021. ¼ inch bone-in loins were at a monthly average price of ¥396.76/KG during July. If we remove the month of May 2020 from the equation, during the early days of the pandemic, this price would also be an all-time high.

So, what does all of this mean? Japan is paying extremely elevated prices to import pork from the U.S., which has had a notable impact on their import volumes. Although these figures represented here are from the month of July, indications from August show little to no change in the U.S. or Japanese economic situations. However,

despite these lofty levels, there is still a hopeful angle to consider. Pork remains competitively priced versus other proteins. It is a staple food in Japanese culture, and Japan can only meet a fraction of their demand with domestic production. [UB](#)

Article contributed by Ryan Hojnowski  
rhojnowski@urnerbarry.com





# Here's what's happening with Urner Barry's COMTELL

Q2 turned out to be another highly successful quarter with exciting headway on the development of several key elements from the 2022 COMTELL product roadmap. Here are some of the highlights from the last few months:

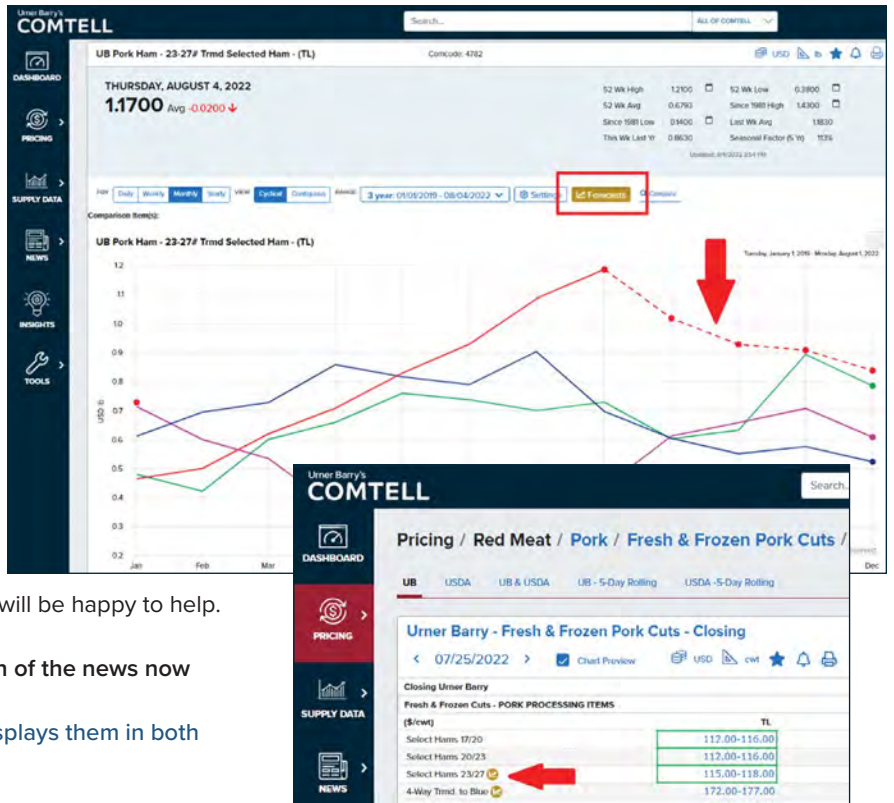
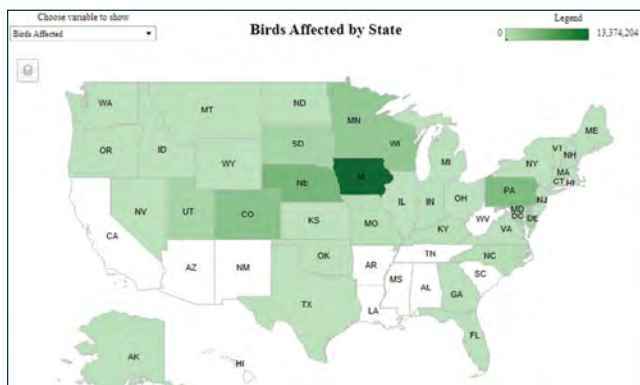
In response to numerous requests from COMTELL Advisory Board members and customers, OBSONO and other sources of forecasting such as Urner Barry Consulting have been integrated into the history charts within COMTELL!

We know that having everything you need in one interactive site will save you time and optimize your workflow. So now it's time to leave behind static PDFs and access your favorite Urner Barry Consulting and Obsono forecasts right from item history charts where projected values will be conveniently overlaid. Identifying which items in a market report offer a forecast is as simple as looking for the gold, upward trending arrow icon (see image right). This icon indicates that at least one item in that row contains a forecast.

Keep in mind that the forecasts offered require a subscription if you don't already have one. Looking for beef, pork, or poultry? Ask your Account Manager about Obsono to gain access. Interested in eggs? Check out the Urner Barry Consulting forecast. Either way, you can email [sales@urnerbary.com](mailto:sales@urnerbary.com) or call 732-240-5330 and we will be happy to help.

The highly pathogenic avian influenza (HPAI) section of the news now includes an HPAI dashboard.

- Tracks confirmed detections of the virus and displays them in both chart and map formats.



Added 40 new historical market items and made the following changes:

- New 80% and 90% BONELESS Frozen Beef items - Mexican Beef
- Added South Atlantic to Gulf Shrimp Stats
- Dressed Equivalent Basis Updates - Index
- Updated Foreign Exchange Rates - Added Danish Krone
- Updated US BEEF and VEAL Exports - Added Costa Rica, Guatemala, Colombia, Chile, and China

Also in development is a complete overhaul of the Retail Features section on COMTELL to bring more value and utility to that area of the website. This involves a complete redesign of the interface and includes data from a 3rd party provider in order to bolster our overall retail coverage. The goal of the redesign is to provide an improved user experience, streamline navigation, and feature additional and more complete data.

Urner Barry welcomes any feedback and suggestions on how to provide the most value to our customers and improve our customer's experience on COMTELL and all our services. [ub](mailto:ub)

Article contributed by Sarah Hartig | [shartig@urnerbary.com](mailto:shartig@urnerbary.com)

**Existing OBSONO and UB Consulting subscribers will have the ability to view the forecast as an extension of the historical data.**

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# Nothing delicious lasts forever...

In the last issue of *Urner Barry's Reporter* magazine we highlighted the glorious return of Taco Bell's beloved Mexican Pizza. But while the fast food chain resurrected the discontinued menu item this year, some other popular (and delicious) products on the market weren't so lucky. This issue we say goodbye to some of our fallen foodie favorites.

The McDonald's burger is iconic. The McPlant... not so much. In October 2021 McDonald's announced that they would be jumping on the plant-based trend by testing out the McPlant at eight select restaurants across the U.S. Co-developed with Beyond Meat, the release of the plant-based burger was expanded to approximately 600 participating locations in the Dallas-Fort Worth and San Francisco Bay Area in February 2022. By late July McDonald's ended the test run of the McPlant. And they reportedly have no plans of making it a staple on their menu. JP Morgan analysts say that the reason the fast food chain has ended the test is because the McPlant "did not sell well enough."



Photo credit: McDonald's



Photo credit: Honest Tea

HONEST Tea was founded in 1998 by Seth Goldman and Barry Nalebuff. The duo wanted to create a drink that had less sugar but didn't sacrifice flavor. By 2011 the drink brand was bought by Coca Cola, which allowed them to continue as an independent operator with the soft drink giant's oversight. Fast forward 11 years and Coca Cola announced in May that they would be phasing out the HONEST Tea product line by the end of 2022. The company said that while the HONEST Kids portfolio is "quickly growing and will remain a successful part of the business," they plan on having Gold Peak and Peace Tea anchoring their ready-to-drink tea strategy in North America.

What's not to love about a new breakfast sandwich offering? Well, unfortunately Starbucks introduced and then quickly discontinued their new Chicken, Maple Butter and Egg Sandwich before anyone could add it to their morning routine. While the sandwich was only supposed to be a seasonal item, it wasn't even on shelves for a week before Starbucks issued a voluntary "stop sell" on June 26 because it did not meet their standards for quality.



Photo credit: Starbucks



Photo credit: Klondike

The year was 1983. Ronald Reagan was in the White House and "Dallas" was the number one show on TV. It was a simpler time. A time when the Choco Taco, a sugar cone shaped like a taco shell, stuffed with ice cream and topped with chocolate and nuts, would be created and distributed to the masses.

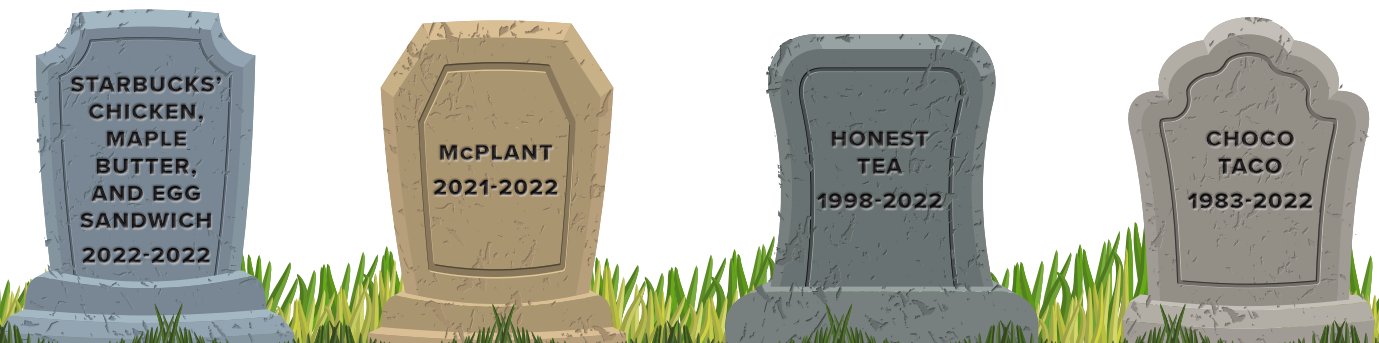
The Choco Taco was created by a man named Alan Drazen, a manager at Jack & Jill in Mooretown, Pennsylvania, who was inspired by the rise in popularity of Mexican food. Jack & Jill turned to Gold Bond, the contract manufacturer for the ice cream company, to help make the novelty ice cream a reality. Gold Bond modified one of their cone machines to make the folded shape necessary for the taco cone and filled it with ice cream at one of their other facilities. The Choco Taco was distributed by Drazen, Jack & Jill and Gold Bond to ice cream trucks until 1989 when Good Humor and their parent company, Unilever, bought Gold Bond and the license to manufacture and distribute the Choco Taco.

33 years later Unilever dropped a bombshell on ice cream lovers: They would be discontinuing the Choco Taco. The company explained that over the past two years they have "experienced an unprecedented spike in demand" across their portfolio and had to make "very tough decisions" to ensure availability of their full portfolio nationwide.

Needless to say, ice cream lovers were devastated. But then a miracle happened. After hearing multiple complaints, the official Klondike Twitter teased that they are "hoping to bring this favorite treat back to ice cream trucks in the coming years."

At least it's only goodbye for a little while." [UB](#)

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