How is the Russian Embargo Going to Effect the Urner Barry's Price Quoting For the United States Export Market?

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HOW IS THE RUSSIAN EMBARGO GOING TO EFFECT THE URNER BARRY'S PRICE QUOTING FOR THE U.S EXPORT MARKET?

Steven Lambersky
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School of Graduate Studies

A Graduate Project Submitted to the School of Graduate Studies of Lynn University
In Partial Fulfillment of the Requirements for the Degree of Masters of Professional Studies
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Acknowledgements

I would like to thank Jack Lambersky, Howard Lambersky and Kenny Martin for their cooperation.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Copyright Statement</th>
<th>i</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgements</td>
<td>ii</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>iii</td>
</tr>
</tbody>
</table>

## CHAPTER 1. THE PROBLEM AND ITS SETTING

- Statement of the Problem: 1
- Background of the Urner Barry: 1
- Urner Barry's Price Quoting Philosophy: 4
- Background of the Russian Export Market: 8
- Russia's Poultry Import Embargo: 13
- Assumptions: 19
- Limitations: 19
- Definition of Terms: 20

## CHAPTER 2. LITERATURE REVIEW

23

## CHAPTER 3. RESEARCH METHODOLOGY

26

## CHAPTER 4. RESULTS OF RESEARCH

28

## CHAPTER 5. CONCLUSION

30

## Prologue

33

## References

34

## Interviews

38

## Interview Questions

40
Chapter 1

The Problem and its Settings

Statement of the Problem

How is the Russian Embargo going to effect the Urner Barry's Price Quoting for the United States export market?

Backgrounds of the Problem

The backgrounds of the Urner Barry, the Russian export market and the Russian Embargo must be thoroughly described in order for the reader to comprehend the statement of the problem.

Background of the Urner Barry

The history of the Urner Barry will serve as an introduction to familiarize the reader with facts about how the Urner Barry was created and established.

The Urner Barry Publications Inc., is the oldest commodity market news reporting service in America. Roots of the company date back to 1858, when one of the founders, Benjamin Urner, published the first issue of the "Producers Price-Current."
In 1857, Benjamin Urner was a successful printer in New York City. Among his customers were commission merchants who prepared separate circulars describing the condition of various consigned agricultural goods. Mr. Urner noted discrepancies in the circulars that he was printing. He realized how difficult it must be for shippers to assimilate market appraisals which were often in variance with each other. This led Mr. Urner to the idea of publishing a single, objective market report. Thus, the "Producers Price-Current" was born. (Whitman)

In the early days of market reporting it was possible to regularly visit the primary markets located between Fourteenth and Canal streets in New York City. Interviews conducted each day with merchants insights into what prices were actually being quoted for various agricultural products. (Whitman) Personal relationships with buyers and sellers were very important now and then.

From 1858 to 1876, the "Producers Price-Current" was published by Benjamin Urner. In 1876, Benjamin, his son Frank, and William C. Taber, formed the Urner Barry Publishing Company. The "Producers Price-Current" was established as a daily circular.

Somewhat concurrently, L. Frank Barry in 1873 started the New York Daily Market Report. It covered all produce -
markets and actually became the first such daily. For several years, Urner Publishing Company and L. Frank Barry and Sons successfully coexisted as separate publishing firms. However, keeping up with the demand for service in a rapidly expanding nation became increasingly more challenging for the two separate companies. In 1895, the two publishers merged to form the Urner Barry Company. Primary ownership of the company rested with the Urner, Barry and Taber families until the 1960s.

Ownership of the company changed in the 1960s. By now it was known as the Urner Barry Publications, Inc. The headquarters was moved from New York City to Jersey City. Paul B. Brown, Sr., John M. Carter, and Michael E. O'Shaughnessy joined with Frank Urner as principals of the firm. In the middle 1970s, Frank Urner retired. John M. Carter was elected in charge and retired 1986.

In 1992, the Brown and O'Shaughnessy families saw an opportunity to utilize Urner Barry's expertise to expand its' market reporting base. National Provisioner's "Yellow Sheet" was acquired and now the Urner Barry reports the bulk quote prices of beef, pork, lamb, veal and inedible markets besides the Urner Barry's original price quoting of poultry.

Building on its leadership position in the field, the Urner Barry management has increased the number of services -
- and publications available to the food industry. The company now offers a complete line of phone and facsimile services and publishes eleven newsletters, three directories, ten reference books, and price history guides highlighting all aspects of the poultry, egg, seafood and red meat industries. In addition, the Urner Barry offers research and consultation.

**Urner Barry's Price Quoting Philosophy**

Urner Barry's marketing reporting roots date back to 1858 when Benjamin Urner first noticed the wide discrepancies in prices being reported for like or similar products and recognized the need for truthful, unbiased and accurate price discovery.\(^\text{[Whitman]}\) Since the beginning, "Urner Barry's Price Current" has been the standard by which buyers and sellers gauge fair market value for the product in which they are dealing. It became recognized for reporting market news and quotations without regard to rumor or unsubstantiated opinion.

So just how are Urner Barry's quotations established? Each trading day, both solicited and unsolicited information is gathered by the Urner Barry's highly experienced market reporting staff. Buyers, sellers, and brokers are contacted throughout the day to ensure that the Urner Barry's -
reporters are kept current on the trading levels as well as the market's potential direction and movement. All trading participants and their reported information are kept strictly confidential. Data collected includes, but is not limited to, what products have been traded and offered and by whom, shipping dates, and other pertinent information which will aid in the finalization of the quotations. (Whitman). Sales must be verifiable and the product must be of standard cut, weight, grade, packaging, and trim and must be not offered or bought if the product is in off-condition.

The final quotes, forecasts, and market condition summaries which the reporters at Urner Barry arrive at each day are based only on sales, bids, or offers for cash terms. During a period of light demand or weak markets, they must consider what one can expect to pay for product based on supplier asking prices or, when the market is active or firm, Urner Barry looks at what buyers are willing to pay based on bids despite the fact that short supplies have kept sales thin. (Whitman) The quote does not represent every transaction recorded, nor does it represent every high or low ever recorded, but rather the bulk of the sale. Trades completed on a market day of shipment are considered for current market determination but rather -
- as an indication of willingness to buy or sell at a quoted level during a specific time period. They are also used as aid in determining available supplies which have been removed from the market as well as gauging demand which has now been filled. Both of these situations ultimately affect price through elementary supply and demand principles.

Who gives the Urner Barry the right as well as the responsibility of quoting the market each day? According to President Paul B. Brown, Sr., that answer is quite simple "it's our clients! Over the years we have earned their trust. We will never let them down."(Whitman) It is that statement that leads some experts to believe that some clients may be more important than others. The experts believe that some participants in the reporting process are kept confidential and secret for a reason other than for anonymity. Regarding the Russian export market some people in the industry believe that the price quotes for dark meat to Russia, may have been inflated to benefit some key players in the industry. Yet, others believe that the Urner Barry is just a tool used by conglomerates that base their long-term strategy on production and pricing. These allegations are disregarded by the Urner Barry's philosophy of truthfulness, unbiased and accurate price discovery. It is the Urner Barry's -
- recognition and reputation for reporting market news and quotation without regard to rumor or unsubstantiated opinions that have kept their quotations unscrutinized.
Background of the Russian Export Market

After the collapse of the Soviet Union, the United States Government targeted the U.S. poultry industry in an attempt to stimulate the Russian export market. The first big invasion of U.S. frozen poultry came during the Bush administration when Washington provided loan guarantees to American exporters to stimulate the sale of dark meat poultry to Russia. (Gordon) Soon after the first year of exporting to Russia, the market exploded. (see table below)

**Total Poultry Exports to Russia**

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>$ 10.8 million</td>
</tr>
<tr>
<td>1993</td>
<td>$ 80.8 million</td>
</tr>
<tr>
<td>1994</td>
<td>$ 302 million</td>
</tr>
<tr>
<td>1995</td>
<td>$ 505 million</td>
</tr>
<tr>
<td>1996</td>
<td>$ 650 million (est.)</td>
</tr>
</tbody>
</table>

(Source: U.S. Agriculture Department)

After the demise of the Soviet Union, American poultry exports soared. Russian poultry production, meanwhile, fell 40 percent, the result of rising grain prices and declining subsidies. (Gordon) Political and economic change and -
- restructuring of the poultry industry since 1920 have resulted in the loss of as much as half of Russia's poultry genetic resources, according to a study supported by the Russian Foundation for Basic Research and the Russian state scientific program Biological Diversity.

Almost all modern Russian breeds are synthetic, produced by crossing foreign breeds, either with each other or with local chickens. Based on information provided by breeders and fanciers, it seems that there were about 80 chicken breeds. At present the United States poultry industry has over 150 cross breeds of chicken. The Russian's 80 chicken breeds is believed to have dropped to half because of the society's disruption. Destruction of such breeds leads to irreplaceable losses not only of historical agricultural importance but also future disintegration of the Russian poultry industry.

Recent economic disruption continues the pressure on Russia's poultry system. It is estimated by the U.S. poultry industry that at the start of 1995, the total number of chickens included about 207 million egg layers; 115 million meat producing birds and 1.5 million birds of dual-purpose breed. Since 1990, the total number of egg layers decreased by 6.35 percent; the number of meat producing birds decreased by 15.65 percent; and the number of dual-purpose
- breeds fell 6.5 percent. (Pedersen) Importantly, there also has been a drop in production performance. During the same period of 1995, average daily growth performance per meat producing chicken fell from 22.5 grams to 19 grams.

Russia's diminishing poultry flock and out-dated poultry technologies is causing Russia's poultry industry to steadily deteriorate.

At the expense of Russia's failing poultry industry, the American poultry industry has continually grown because of increased production due to the deteriorating Russian poultry industry's inability to produce for the Russian consumers.

The Russian poultry industry could not produce a quality source of animal protein domestically and turned to the cheapest source of animal protein which was American dark poultry meat. The preference for poultry dark meat overseas has provided a balance for American producers, which otherwise would be swamped with dark meat poultry parts. (Moore) More than half of all meat imports into Russia is less expensive poultry, which is supplied by the United States. The price of chicken legs from 1991 quoted from the Urner Barry sold as low as 19 cents and in 1995 price has escalated to highs of 49 cents. The price increase has attributed to growth in the American poultry industry.
As a result of the surge of Russian exports, the American poultry industry has flourished. (see table below)

**Impact of Russian Exports on U.S. Companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
<th>Stock Price (ending)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tyson</td>
<td>1991</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Tyson</td>
<td>1992</td>
<td>15</td>
<td>+4</td>
</tr>
<tr>
<td>Tyson</td>
<td>1993</td>
<td>20</td>
<td>+5</td>
</tr>
<tr>
<td>Tyson</td>
<td>1994</td>
<td>24</td>
<td>+4</td>
</tr>
<tr>
<td>Tyson</td>
<td>1995</td>
<td>26</td>
<td>+2</td>
</tr>
<tr>
<td>Wampler</td>
<td>1991</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Wampler</td>
<td>1992</td>
<td>9</td>
<td>-2</td>
</tr>
<tr>
<td>Wampler</td>
<td>1993</td>
<td>16</td>
<td>+7</td>
</tr>
<tr>
<td>Wampler</td>
<td>1994</td>
<td>18</td>
<td>+2</td>
</tr>
<tr>
<td>Wampler</td>
<td>1995</td>
<td>20</td>
<td>+2</td>
</tr>
</tbody>
</table>

These stock earnings represent how the Russian export market effected these two companies that exported the majority of the dark meat poultry to Russia. The production of poultry for these two companies jumped 20 percent because of the demand of dark poultry meat.
Some experts believe that the Urner Barry price-quotations have not reflected the true-market value of dark meat poultry. Experts believe that the price quotations for dark meat poultry was artificially inflated to benefit certain U.S. poultry businesses. Many poultry industry insiders do not believe in any such theory rather that the Urner Barry was quoting true-market value prices. Simply, the Urner Barry was just quoting whatever prices the market could bear.

**Poultry Dark Meat (legs) Price Quotations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>.19 cents</td>
</tr>
<tr>
<td>1992</td>
<td>.23 cents</td>
</tr>
<tr>
<td>1993</td>
<td>.31 cents</td>
</tr>
<tr>
<td>1994</td>
<td>.40 cents</td>
</tr>
<tr>
<td>1995</td>
<td>.49 cents</td>
</tr>
</tbody>
</table>
Russia's Poultry Import Embargo

As of February 1, 1996, Russia has imposed a temporary ban on all poultry imports from the United States. The chief of Russia's Veterinary Department, Doctor V.M. Avilov will not lift the embargo until he is satisfied that the United States is in compliance with the requirements of Russian veterinary certificates for poultry.

Russia's veterinary chief has stated he has stopped issuing import permits and will not resume until these issues are resolved. Dr. Avilov and members of the United States Department of Agricultural (USDA), have had negotiations in Moscow since the beginning of February to no avail.

Dr. Avilov cited three areas of primary concern; disease control, residue testing and salmonella. Dr. Avilov has cited that the USDA is not properly complying with conditions specified on Russian export certificates.

USDA officials in Washington have been attempting to explain to the Russians the United States system of inspection, which structures around sound business practices utilizing well-trained USDA inspectors which are considered in the United States as expertly trained individuals in the area of proper health standards and inspection procedures. The United States government is trying to convey that the -
United States food industry’s greatest concern is for the image of their industry and the industry’s concern for safe handling and sanitary procedures for the benefit of public safety and health. The Russian veterinarians, however, come from a nation long noted for centralized decision-making and strong government control. The Russians possess the attitude that if the United States government does not mandate certain standards or procedures, there is no reason for the industry to take action.

Five Russian veterinarians and one epidemiological specialist charged with inspecting all United States poultry slaughter, processing and cold storage facilities arrived in the United States in February. The group will select specific companies that have exported dark poultry meat to Russia for inspections.

There are ten areas of concern that the Russian inspection team will scrutinize. The areas of concerns:

1. Flock/Animal Health

   One of the chief areas of concerns being addressed during their reviews is the control of flock health and disease transmission.

2. Temperature Records

   Copies of temperature records should be made available to the Russian vets at time of review for the scalding -
tank (holds boiling water for de-feathering livestock), chiller (area where poultry is refrigerated), and processing room. The Russians are very concerned that the water temperature in the chiller brings the product temperature down to the required 40 degrees Fahrenheit. The Russians also seem to be concerned about the temperature of the processing room because they feel that if the temperature is too warm, then the product temperature will increase and cause the product to become off-condition.

3. Antibiotic and Pesticide Residue Analysis

Plants should incorporate a frequent analysis of antibiotic and pesticide residues. The results of such tests should be provided for import certificates into Russia.

4. Documentation of the "Cold Chain"

What is meant by the "cold chain" is the process of controlling and monitoring the temperature of the product in order to maintain the wholesomeness and integrity of the product. In other words, the Russians want United States poultry companies to strictly control and monitor the temperature of the product.

5. Temperature Trail

The Russians are very concerned about being able to track product temperature from the time the product is produced until leaves the establishment. It is imperative-
- to have clear and consistent documentation, including date, time, and temperature of product upon arrival to the freezer and date, time and temperature of the product when it is released. Russian management practices are based on a tradition in which there is no such thing as unnecessary record-keeping. The Russians are also interested in tracking product which is frozen in an off premise freezing facilities. Russian inspectors are also going to be interested in the temperature of the freezer, storage area and dock.

6. Temperature Checks

The Russians are concerned about the temperature during the handling of the meat.

7. Refrigerated Trailers

The Russians are concerned about the refrigerated trailers that used in the United States. The Russians are interested about the deterioration of the product while it is being transported. Also, they are interested in the level of attention given to sanitary inspection of product and trailer upon arrival and departure from any facility.

8. Off-Condition Product

The Russians want any written policies, procedures and or checklists that can explain any off-condition product that come from the responsible facility.
9. Housekeeping Practices

The Russians will definitely be interested in a plant's housekeeping practices. The team will be looking for plants that exhibit a clean and neat housekeeping procedures.

10. Production of Product Destined for Russia

It is expected by the Russians that the facility being inspected be producing product destined for Russia. The perception by the Russians is meat that is destined for Russia is often overlooked by our USDA inspectors.

The poultry health issue is Avilov's most critical area of concern. He is demanding documentation guaranteeing that all poultry exported to Russia is certified by the government to be free of all diseases listed on the Russian export certificates.

Dr. Avilov states "no politics involved in his decision to ban imports." (Moore) James H. Sumner, President of the Poultry & Egg Export council finds "... that the claims of improper handling and poor inspection systems by the Russian government are very difficult to believe." (Sumner) But the real agenda, American producers contend in defense of this embargo, is old-fashioned protectionism.

Agitated Russian producers, whose birds, Russian consumers say, have no match for their American competition in terms of quality and price, have repeatedly complained-
that the United States is trying to destroy the Russian poultry industry and capture the market. And now American companies fear that the Russian poultry industry has asked their government to stop American poultry imports by using political loopholes. "We are treating it(embargo) as a trade issue, rather than as an inspection or food safety issue," said Toby Moore, a spokesman for the United States Poultry & Egg Export Council. Moore also states "We (industry) firmly believe that there is a political motivation behind it.(embargo)"

In response, Dr. Avilov has continually disregarded any allegations of political involvement. Dr. Avilov believes that "United States experts do not make necessary analyses that would guarantee the product's quality, which why Russian consumers take risks when buying the (American) poultry."

The American poultry industry insiders believe that the embargo, in part, represents a misunderstanding of how the capitalist world raises and processes meat.(Gordon) And that this particular action may jeopardize Russia's bid to join the World Trade Organization. Currently, America sells poultry to 57 other countries and none of them have ever expressed Russia's concerns.
Assumptions

1. The first assumption is that the Russian embargo is an attempt to lower prices.
2. The second assumption is that the Urner Barry's price quotes reflect unbiased and truthful price reporting.
3. The third assumption is that the Urner Barry indirectly benefits the American poultry industry by simply following basic principles of supply and demand.

Limitations

1. This study focuses only on dark meat poultry (chicken legs).
2. This study only focuses on the Urner Barry's price quotations for dark meat poultry (chicken legs).
3. This study only focuses on frozen dark meat poultry that is exported to Russia.
4. This study focuses only on the specifics of the Russian embargo.
5. This study only focuses on the Russian export market.
Definition of Terms

1. Urner Barry - Commodity market news reporting service.
2. USDA - symbol for United States Department of agriculture.

Definition of Market Tones

1. Firm- Demand exceeds supply, prices moving higher.
2. Full Steady- Demand readily clears supply. Prices fully maintained.
4. About steady- Supplies slightly out of balance with demand, but not sufficient to warrant a price change.
5. Barely steady- Supplies readily fill demand.
7. Weak- Supplies plentiful for demand & prices moving lower.
8. Irregular- Supply & demand patterns vary noticeably from plant or area to area.
9. Unsettled- Supplies & demand usually in balance but not working out as anticipated with no clear pricing trend.
Definition of Supply Terms

1. Burdensome- Supplies far exceed current orders. Often results in sharply lower prices.

2. Ample- Supplies sufficient to fill all orders with an excessive carryover.

3. Fully Adequate- Supplies sufficient to fill all orders with a carryover bordering on ample.

4. Adequate- Supplies sufficient to fill all orders & a normal carryover.

5. Short- Supplies insufficient to fill all orders or deliveries are delayed. Results in higher prices.

Definition of Demand Terms

1. Brisk- Buyer needs are aggressive, product often booked ahead of production.

2. Active- Buyer needs are aggressive, product moves out quickly.

3. Moderate- Buyer needs are seasonal or average.

4. Fair- Buyer needs are light or below average, product movement slows.

5. Dull- Buyer needs are almost non-existent, product movement stops.
Definition of Miscellaneous Terms

1. Experts & industry insiders - Individuals that were interviewed but did not want to be quoted for the research paper.

2. Value added further processed products - Are products that processed into a cooked or smoked product. For example: chicken legs are stripped of their meat and the meat is grinded and emulsified to create a dark poultry meat filling for fully cooked chicken patties or nuggets.
Chapter 2

Literature Review

How Is The Russian Embargo Going To Effect The Urner Barry's Price Quoting For The United States Export Market?

Relevance of the Literature Review to the Problem

The literature review for this research problem was able to give meaningful observations and attitudes in relationship to the problem.


The article "U.S. Chicken in Every Pot? Nyet! Russians Cry Foul", by Michael Gordon. The article examines the history of the Russian export market briefly and describes historical events that lead up to the Russian embargo. Throughout the article, quotes from both the American and Russian government give clear insights into their perspective of the embargo.
The article "Trouble in Ptitseprom", written by Paul Ho, examines the Russian poultry industry (Ptitseprom). The history of the Russian poultry industry is examined by factual production performance by year, before the Russian embargo. The Ptitseprom data clearly can be interpreted as a forecast to their deteriorating industry. The data presented solid evidence that the Russian poultry industry was suffering well before the Russian implemented the embargo.

The article "Cast Reports U.S. International Market Share Losing Ground", by Maury Bredahl, examines both the positive and negative effects of sending commodities overseas. The information in the article suggest that the United States should recognize the benefits of further processing. The information was able to give the research problem an alternative opinion about the Russian export market.

The article "Sounding the Alarm...Again", by John Bierbusses, examines the Urner Barry price discrepancies. The information clearly shows price discrepancies in the Urner Barry's prices in relationship to actual export dock price reporting. The information clearly can be interpreted
- as the industry's opinion of the Urner Barry's price quoting philosophy.

Poultry Marketing & Technology, December/January 1996

The article "Companies Grapple with Earning Gridlock", by Pam Bowers, examines the poultry industry's finances in relationship to certain factors such as sales, production performance, prices and profits. The data uncovers the impact that the Russian embargo has done to the finances of the American poultry industry.
Chapter 3

Research Methodology

How is the Russian embargo going to effect the Urner Barry's price quoting for the United States export market?

Procedures

Interviews:

1. Jack Lambersky, President of JL Poultry.
3. Sid Houston, trader for Quaker Valley Meats.
4. Frank Lewis, trader for Cherokee Trading.

The interviews were the most significant factor in gathering relevant information. The people interviewed were able to candidly express their expertise in answering questions. All of the interviews took place on the phone -
— and lasted approximately fifteen to twenty minutes. The data that was collected was often biased in favor of the poultry industry. The information that was relevant and important were inserted into the body of the paper.

Newspaper and Trade Magazine Articles

The data that was collected was mostly quotes from experts in the industry and were inserted in appropriate sections of the research paper.

Methods

Quantitative: Data from the stock market was collected and stock market price tables were created from the information.

Qualitative: Observing attitudes of experts in the poultry industry.

Perspective: The insider perspective of gathering firsthand experience provided the most meaningful data.

Primary Data

The data derived from the interviews compiled the information that was crucial in determining first-hand observations.

Secondary Data

The data derived from the backgrounds of the Urner Barry, the export market and specifics of the Russian embargo were secondary data.
Chapter Four

Results of Research

Interpretation of Russia's Stance on the Embargo

The Russian government only has one isolated incident to implement the ban on all poultry imports. ConAgra Inc., sold some spoiled chicken to Russia. The poultry had thawed and then been refrozen. The meat was destroyed and the incident provoked the Russian government to intervene. Dr. Avilov, Russia's chief veterinary inspector, concluded that America's poultry industry was not following Russia's veterinary export certificate guidelines. Dr. Avilov believes that USDA is not competent in their inspection system and the poultry industry as a whole does not properly inspect or handle meat exported to Russia in a satisfactory capacity.

Interpretation of U.S. Poultry Industry on the Embargo

The United States poultry industry as well as the United States Department of Agriculture (USDA) finds the embargo a trade issue, rather than as an inspection or food safety issue.
The USDA and the American poultry industry are cooperating fully with the Russian government in an attempt to resolve Russia's concerns.

Impact of the Embargo on the Urner Barry's Price-Quoting

The Urner Barry's price quotes for the Russian export market (dark poultry meat/chicken legs) have been dramatically effected. (see table)

**Effects of the Urner Barry's Price-Quotes**

**For Chicken Legs**

<table>
<thead>
<tr>
<th>Before Embargo</th>
<th>After Embargo</th>
</tr>
</thead>
<tbody>
<tr>
<td>49 cents</td>
<td>27 cents</td>
</tr>
</tbody>
</table>

The embargo has de-valued chicken legs and has caused a surplus in dark poultry meat in the United States. The Urner Barry's current price reporting reflects simple principles of supply and demand.

Impact of Embargo by U.S. Poultry Companies

Some poultry companies have felt the effects of the embargo. (see table below)

**Impact of Embargo by U.S. Poultry Companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Stock Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tyson</td>
<td>25 before embargo</td>
</tr>
<tr>
<td>Tyson</td>
<td>20 after embargo (-5)</td>
</tr>
<tr>
<td>Wampler</td>
<td>20 before embargo</td>
</tr>
<tr>
<td>Wampler</td>
<td>12 after embargo (-8)</td>
</tr>
</tbody>
</table>
Chapter 5

Conclusion

In conclusion, the Russian embargo dramatically reduced dark meat poultry prices as well as alert the American poultry industry of their power to stop American export movement to Russia. Russia's short-term goal of reducing prices have been completed. Although, Russia's main goal is to strengthen their poultry industry and economy.

Russia became the top buyer of American dark poultry and the American poultry companies relied heavily on their purchases for growth and expansion. The embargo seriously effected the Urner Barry's price quoting. The Urner Barry simply observed unsettled market tones, burdensome supply tones and dull buyer needs causing the Urner Barry to sharply lower prices for dark poultry meat.

The Russians want to protect their poultry industry by either raising tariffs or finding a political loophole. Using either one of these tactics will give the Russian poultry industry time to recover. This could mean serious trouble for United States export market since -
the American poultry industry heavily relies on Russian purchases. Russia's desire to protect and nurture their domestic poultry industry causes future problems for a recently created Russian export market. Eventually, the Russian poultry industry will recover and as it starts to successfully recover the Russian government will move to protect their industry by raising tariffs and using embargoes as a political tool in closing the door on American poultry products. The reason why the Russian poultry industry will recover is due to the fact that the industry is heavily subsidized by their government.

The American poultry industry must regain their explosive growth in the global market. With the global demand on the rise, the American poultry industry must start meeting the needs of specific foreign markets. Instead of relying heavily on one particular market and merely dumping unwanted poultry dark meat on a volatile country.

The American poultry industry must find other significant outlets to dispose of poultry dark meat. Then the market would not be drastically effected by one buyer. In the long-run, I believe the American poultry industry is best off moving away from simply shipping huge amounts of bulk dark poultry meat overseas and working on using dark poultry meat in further processed products specifically -
- targeted for global markets. This will require a lot of work in determining what further processed products are best suited for overseas markets.

Maury Bredahl, director of the Center for International Trade Expansion at the University of Missouri, states "If commodities are processed in the United States, business activity increases here, employment and personal income rises, the tax base broadens and the balance of trade improves. On the other hand, if foreign countries process U.S. commodities, these benefits are realized abroad." (Bredahl) This statement reflects my feelings of the American poultry industry's opportunity to create a further processed dark poultry meat product specifically targeted for the global market.

The American poultry industry must realize the benefits of producing a value added further processed dark poultry meat product. The benefits of producing a further processed dark meat poultry product would cause the dark poultry meat market to stabilize. The American poultry industry will benefit by further processing the dark poultry meat domestically and creating a value added further processed product for the global market. This could result in a newly created export market of further processed dark poultry meat.
Prologue

Russian Embargo Lifted

As of March 6, 1996, the Russian embargo has been lifted. As a result, the Urner Barry price quoting for dark poultry meat is .45 cents, a substantial increase from .27 cents during the embargo.

Urner Barry's Price Quotes For

Dark Poultry Meat

<table>
<thead>
<tr>
<th>Before Embargo</th>
<th>During Embargo</th>
<th>After Embargo</th>
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<tbody>
<tr>
<td>49 cents</td>
<td>27 cents</td>
<td>45 cents</td>
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Production plans for several American poultry companies are being cut seven to ten percent.

These prices represent the importance of creating a further processed product targeted at the global market. This market should not have to rely on one purchaser, especially a purchaser as volatile as Russia.

This article summarizes the Russian embargo and describes the lifting of the embargo.


This article summarizes the issues of the Russian embargo and the response from the U.S.D.A. .


This article explains the poultry industry's poor income despite the increase in production in 1995.


This article is about differences in what the Urner Barry is quoting and what the export docks are reporting.


This article describe the stock market earnings of selected companies.
Brandenberger, Joel, "Russia Suspends Poultry Imports", National Turkey Federation, February 16, 1996.
This article describes some of Russia's health concerns towards American poultry products.

This article compiles statistics of American further processed products exported.

This article describes the growth in the Russian export market.

This article discusses the global market for the American poultry industry.

This article describes the key factors and attitudes about the Russian embargo. This article contains quotes from industry executives and U.S. government officials.

This article examines the Russian poultry industry and its production compared to the U.S..


This article discusses the impact of the Russian embargo on the American poultry industry.


This article describes the Russian government's inspection team and their concerns.


This article describes Wampler-Longacre's reaction to the Russian embargo.


This article explains both sides of the Russian embargo. This article examines the American poultry industry's reaction and Russia's view on America's inspection and food handling.
This article describes the positive impact of increased production due to factors such as production performance, exporting, sales and profits.

This article describes the impact on grains due to the Russian embargo.

This article summarizes the embargo and the responses from the poultry industry.

This article summarizes the financial earnings of American poultry companies.

This article summarizes the history of the Urner Barry and the present day operations.
Interviews

Jack Lambersky, President of JL Poultry Company, Camden, New Jersey.

Mr. Lambersky emphasized in the interview that the Russian embargo was just politics. Mr. Lambersky stated he would cooperate fully with the Russian government's concerns of inspection and food handling procedures.

Kenny Martin, General Sales Manager of JL Poultry Company, Camden, New Jersey.

Mr. Martin emphasized in the interview that he was very concerned with the surplus of dark poultry meat during the embargo. Mr. Martin was concerned with how the Urner Barry's price quoting would be impacted.

Sid Houston, General Sales Manager of Quaker Valley Company, Philadelphia, Pennsylvania.

Mr. Houston emphasized in the interview that he was going to take advantage of the Urner Barry's low price quoting during the embargo. Mr. Houston stated he was going to buy low and sit on the dark poultry meat purchases and sell high once the embargo is lifted.

Mr. Lewis was extremely concerned about when the embargo will be lifted because of his already scheduled dark poultry meat exports. The embargo has caused heavy losses in his company. Mr. Lewis viewed the embargo as a political loophole by the Russians to lower prices.

Howard Lambersky, President of H & S Provision Company, Camden, New Jersey.

Mr. Howard Lambersky believed that the Russian export market prices may have gotten out of hand due to greed. His intentions were to take extra care in handling and inspecting meat destined for American and Russian consumers.


Mr. Bloom emphasized that the embargo was going to dramatically effect the dark poultry meat market prices. Mr. Bloom viewed the embargo as an attempt by the Russian government to lower prices.
Questions Asked At Interviews

1. Is the Urner Barry's price quoting biased? If yes, do you think it was for specific companies in the industry?
2. Do you believe the Urner Barry's price reporting philosophy is a fair interpretation of the market?
3. Does the Urner Barry's price quotations reflect the true market value? If no, do you think the prices were inflated to benefit some companies in the industry?
4. Do you think the dark poultry meat exported to Russia was handled and inspected properly?
5. Why did the Russian export market explode?
6. Do you think the Russian embargo was political and not a health issue? If yes, explain.
7. Do you believe the embargo was just a political attempt in lowering prices? If yes, explain.
8. Should the Urner Barry be concerned of Russia's struggling economy?
9. Do you believe the Russian export market will recover?
10. What do you think will happen to dark poultry meat prices and how will that effect your company?
11. If the Russian export market remains closed, how can the American poultry industry stay ahead?