

MEAT ^{AND} POULTRY

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The President's Message



By John Calcagno
Institute President

It is with great sadness that we report the passing of Gregory Papalexis. I had the privilege of working with Gregory over the years while he was active with Marathon Enterprises.

Greg was a visionary and hard working entrepreneur that truly lived the American dream. He was an Army veteran from World War II and a graduate of NYU in 1948. He turned a small GI Bill loan into a business with nationwide recognition and reputation.

Almost every New Yorker knows the yellow, red and blue umbrella's that show the Sabrett brand logo.

Gregory's daughter Nikki said that her dad not only was a hot dog magnate, but was also a hot dog lover. I found it appropriate that a "franks-and-beans casserole" was part of the Papalexis family's Christmas table each year.

Gregory will be missed. We at the Meat Trade Institute wish to extend sincerest condolences to his family including his wife Helen, son Chris, and daughters Vicki Venturino and Nikki Rosen. ■



Industry Mourns the Death of Gregory Papalexis

Gregory Papalexis, whose Sabrett hot dogs have become a part of the New York City experience, recently passed away at the age of 86.

Papalexis was president, CEO and chairman of Englewood, NJ-based Marathon Enterprises, supplier of hot dogs, buns, onion sauce and other products, and the owner of the Sabrett trademark.

Sabrett hot dogs are sold nationwide. On the streets of New York, they are sold from stainless-steel pushcarts with instantly recognizable blue-and-yellow umbrellas. Marathon also supplies franks to Papaya King and Gray's Papaya restaurants, and sells more than 35 million pounds of hot dogs a year.

His son-in-law, Mark Rosen, Marathon Enterprises' vice president of sales, said that Papalexis was "the single biggest hot dog lover in the world."

And Papalexis, who retired two years ago, practiced what he preached: He ate Sabrett hot dogs four or five days a week, relatives said. Mark Rosen said franks-and-beans casserole was part of the Papalexis family's Christmas table each year.

The son of a baker, Papalexis grew up next door to a hot dog factory in upper Manhattan. He earned a bachelor of science degree in industrial relations from New York University in 1948, and then entered the food business.

With a \$2500 G.I. loan, Papalexis bought his father's bakery and sold rolls to clients throughout New York City,

making deliveries in a Cadillac because it had the biggest trunk he could find.

He soon began selling hot dogs as well, manufacturing a pushcart brand called House O' Weenies. He formed Marathon Enterprises in 1964 and acquired a series of competitors, including Sabrett Food Products in 1989.

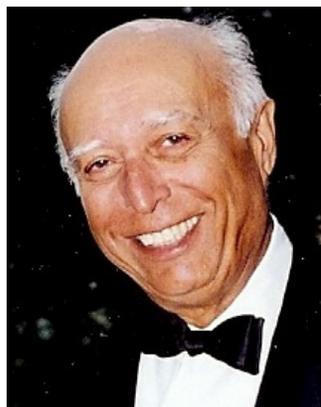
His daughter, Nikki Rosen, also a company executive, said her father gave great detail to the buns his company sold, insisting they be "light, airy and fluffy," she said. His reasoning was simple: If customers fill up on the bun, they won't have room for a second hot dog.

The Sabrett company got its name in 1926 when its two co-founders wanted to call it the Sabre Meat Company, only to find that another firm was already using the name.

"So the two owners said, 'We're a small company, so we'll call ourselves Sabre-ette, which soon became Sabrett,'" said the company's new president, Boyd Adelman.

The company's facilities include two manufacturing plants and a distribution center in the Bronx and a corporate office in Englewood, N.J.

Its customers include retail supermarkets, wholesale clubs, independent distributors, movie theaters, amusement parks, pushcart vendors, convention centers, ballparks and stadiums. In addition to hot dogs, the company also sells hot sausage, kielbasa, salami, pastrami, corned beef and garlic rings. ■



Meat & Poultry Consumption: Highest Hog Prices Ever?

By Jim Long, President & CEO of Genesus Genetics.

The US corn ethanol policy has done wonders for people who want to push a meatless society. In 2007, 200.4 pounds total meat, poultry, and seafood (boneless equivalent) per capita, in 2012 it is projected to be 181.9 pounds per capita. That is a drop of about 10 per cent. High feed prices and financial losses associated with increased cost of production have cut supply. In 2008 US meat and poultry production was 93937 million pounds; in 2012 it is projected to be 90610. Over 3 billion pounds less while the US population has increased over 12 million people in the same time frame. Less meat available, more people to eat it and strong exports lead us to believe 2012 is setting up for the highest pork prices in history.

The hog supply for 2012 is almost all in place – 115 days gestation – 170 days to market = 285 days. Our calculations all hogs that will make it to market by October 2012 are bred. Nothing has happened to jack up pork supply. The US domestic meat per capita consumption is projected to be down 5 pounds in 2012 from 2011. We expect US pork export demand will stay strong. A total scenario that in our opinion could lead to the highest hog prices in history. ■

Canada on South Korea Free Trade Agreement

Big win for the US pork industry, last week the South Korean Government passed a Free Trade Agreement with the United States. US pork is currently subject to a maximum 25 per cent import tariff, which will be gradually removed over the next 10 years under the Korea – US FTA. Total trade between the USA – South Korea last year was 90 billion dollars. US pork exports to South Korea have been 129,925 tons or 39 per cent of all pork imports.

The US free trade initiative is a big win for the US pork industry. Canada not so much – Canada has negotiated no free trade agreement with South Korea. Canada will send 300 million dollars in pork to South Korea this year. It is not hard to do the arithmetic if Canada does not get a free trade agreement. USA zero tariff, Canada 25% tariff – Canada can kiss \$300 million in pork exports

goodbye!

If Canadian hog producers want to maintain competitive market access to South Korea, it's a good idea to push your member of parliament, minister of agriculture and minister of international trade to get negotiating sooner rather than later. Our experience leads us to believe politicians react to taxpayers concerns, don't underestimate your influence. Make the call, don't expect the Canadian Pork Council to get it done, individual taxpayers are way more effective with politicians than what is just one more lobby group to them.

Other Observations:

- ♦ Chicago December corn closed last at \$5.82 per bushel, the lowest it has been since March.
- ♦ December Soybean Meal closed

at \$282 a ton. On 31 August it was \$390 a ton.

- ♦ December Wheat dropped closing at \$5.74 a bushel.

Wheat is pulling corn lower, soybean meal too, less global livestock to feed, and record wheat supplies will continue to keep corn prices under pressure. Lower feed prices are helping hog margins – last Friday's breakeven for feeder pig purchasing (45 pounds) was \$71.53 per head.

Conclusion

Lower US per capita meat and poultry supply, strong exports will both push hog prices to what we believe could be record high in 2012. Price pressure on grains and soybean meal could keep feed prices from rocketing higher. High hog prices – feed prices reasonable equals real good profits for 2012 - \$25.00 per head? ■

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213 South Avenue East
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Tel: 908-272-7300

Andrew John Calcagno, Esq.

*Admitted to practice law in New York,
New Jersey, Washington, D.C. and
Pennsylvania*

NEW YORK OFFICE

30 Vesey Street
15th Floor
New York, NY 10007
Tel: 212-244-4100

Drop in Chicken Surplus Could Push Prices Up in 2012

Chicken has been a relative bargain in recent months, at least compared with pork and beef, but that might not last long.

U.S. Department of Agriculture reports show an 8 percent drop in broiler chick placements for the week ending Nov. 19 from a week earlier, and down 2 percent from the same week last year.

The nation's largest chicken producer, Tyson Foods of Springdale, Ark., said last week that a surplus of chicken and poultry products would decline in 2012.

"We expect industry (chicken) production will decrease approximately 4% from fiscal 2011, which should gradually improve market pricing conditions," the company said.

Tyson and the rest of the broiler chicken industry has fought the same battle of oversupply that hog producers experienced two years ago.

The oversupply of chickens has

Prices for both pork and beef have risen because of low domestic inventories and exports that have grown by more than 25 percent

kept the average retail price for a pound of whole chicken this October at \$1.31, virtually unchanged from the \$1.30-per-pound price of a year earlier.

That compared with a 19 percent rise in the retail price of ground beef, according to USDA and U.S. Department of Labor statistics. Pork chops are up more than 8 percent at the supermarket, according to government statistics.

Prices for both pork and beef have risen because of low domestic inventories and exports that have grown

by more than 25 percent in the last year. Supplies for the two red meat products aren't likely to loosen soon.

The CME Group noted: "Last week's cattle slaughter came in at 127,000 head Friday and 43,000 head for Saturday. This brought the total for last week to 565,000 head, down from 636,000 head the previous week and down from 579,000 head a year ago."

Beef production for the week was estimated at 437 million pounds, down 11.5 percent from the previous week but also down 3.8 percent from last year.

Prices for both slaughter-ready fed cattle and younger feeder cattle have been trading at eight-year-high levels on the Chicago Mercantile Exchange.

December live cattle fell 0.15 cent to \$1.2095 a pound. January feeder cattle — younger animals taken from pasture for the final four months of concentrated feeding to sale weight — rose 0.10 cent to \$1.4472 a pound. ■



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Congress Cuts Money for Meat Industry Reform

USDA said it will abandon portions of a sweeping antitrust rule proposed for meat companies if Congress does not provide money for enforcement.

The reforms would have changed how poultry companies pay chicken farmers and made it easier for ranchers to sue meat packers over antitrust violations. USDA proposed the reforms in response to an order in the 2008 farm bill that it beef up its antitrust rules. But the agency went much further than Congress had asked.

USDA spokeswoman Courtney Rowe said that if the bill passes, USDA will be forced to abandon the reforms.

The antitrust overhaul has been a cornerstone of the Obama administration's efforts to curb the power of the nation's biggest meat companies. It was welcomed by many small farmers who say the changes would give them more bargaining power when selling their animals.

But the meat industry has lobbied heavily against the changes, claiming they would hinder their operations and raise meat prices. Meat industry groups praised Congress for blocking funding for enforcement. ■



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