

Commodity Intelligence Report

December 13, 2010

BUTTER: There are significant supply and demand fundamentals supporting the current butter market price. Overall butter inventories are extraordinarily low and there is a real need to rebuild these stocks for next year. But there's already a tug-of-war between domestic users and exporters buying butter to fill the global demand for fat and this strong demand is likely to continue to push the spot-cash butter market higher. *

CHEESE: Despite the fact that global demand for cheese is growing and accordingly U.S. exports are increasing, there is a growing contingent of the marketplace that is expecting weaker cheese prices as we head into 2011, similar to what was experienced at the start of 2009. The Class III futures markets (the predominant 'straddle' market for cheese) have declined significantly over the past several trading sessions and lends to the market psychology that the spot-cash cheese market price outlook is becoming generally more dismal. *

SOYBEAN OIL: Soybean oil closed up 71 points on the week at \$0.5416/Lb supported by broader based financial market gains and news of the latest political agreement among U.S. lawmakers to extend tax cuts as well as continued export demand and Argentina weather concerns. A supportive feature seen arising from the tax agreement was the reinstituting of the \$1.00 a gallon biodiesel blenders tax credit that is projected to add 800 million gallons of U.S. biodiesel production in the U.S. The biodiesel incentive may increase the use of soybean oil for biodiesel and thus effectively tighten the balance between supply and demand for U.S. soybean oil at a time of strong global vegetable oil demand. Adding to the excitement of the market is the continued threat of dryness in Argentina crop areas, as the dryness may cut the country's expected soybean production output. It is a necessity for South America to raise large crops this year, and the slightest indication that they will not causes future buying as a result. Soybean pricing comparison: LY=\$0.3957/Lb; W=\$0.5345Lb; TW=\$0.5416/Lb; YR CHNG= +36.9% *

BEEF: Cutout values were weak on Choice and higher on Select on moderate demand and light to moderate offerings. Many packages out front of the 21 day window began to trade at weaker prices. Rib primals began to show signs of weakening this week. However, middle meats as well as loin cuts were somewhat firmer this week. Forward business was moderate overall, but decent volumes of inside rounds and chuck rolls were noted. Beef trimmings moved higher this week on moderate demand and light to moderate offerings. Fed cattle and blended coarse grinds steady to firm. For the week: Select ribs lower; chucks and rounds slightly higher; loins steady to barely higher. Beef trimmings higher; Fed and blended cattle grinds mostly steady to firm.*

PORK: Ample supplies of pork cuts early in the week pushed sellers to lower prices with limited buyer interest. The lower prices created buyer interest and allowed the excess loads to dwindle. By mid-week, the trading window included the upcoming holiday week and some active buying occurred and prices began rebound. Ham trades were extremely light this week and buyer interest was limited. Boneless ham continues to be discounted to the bone-in and most interest was freezer based. Bellies experienced light demand and offerings as price levels remained steady. Ample offerings were available for lean trim this week but buyer interest was light. Like hams, sellers reduced price levels for trim items in an effort move their surplus. Bone-in loins substantially higher; butts higher; spareribs steady to weak; hams lower; bellies steady; trimmings to lower. *

CHICKEN: Trade activity has picked up slightly leading into the weekend. Most plants have cleaned up but there is still some available product in spots. Wogs, wings, tenders, and cutlets are searching for stability as this weeks slightly lower price points stimulated additional movement. Dark meat lines are rated about steady under seasonal buying needs. Trim and chunk meats are well cleared and held for full market values. *

TURKEY: Offerings of raw materials are irregular and increasing. Breast meat and tenders are reported as being a challenge to place and seasonable demand is declining. Thigh meat remains solid. Toms and hens are reported this morning at lower price points and remain well cleared and with limited availability. Consumer breasts are steady at best. Necks are higher while whole wings seem to be adequate. Tails have really come on strong in the past week or so. Drums remain steady. *

CANE SUGAR: Trading in sugar futures remains choppy; it appears that it has broken out of the current trading range to the upside. Uncertainty remains over Indian and Brazilian sugar production 2011. Despite a slightly better looking domestic supply, US sugar prices remain firm as sugar refineries have sold a healthy portion of their 2011 sugar production and have sold at least half of 2012 production. Price Outlook: Fundamentally, world and domestic sugar supplies remain tight, so the long-term price trend is up. Futures pricing for 100 Lbs. raw cane sugar: LY=\$34.48/Cwt.; LW=\$38.35Cwt; TW=\$37.29/Cwt; YR CHNG= +8.15%. *

RICE: From the beginning of July, when the domestic crop looked to be of record proportions, to the end of September, when the reality of the disastrous yields began to impact the entire rice industry...to the middle of October when mills in the mid South, all realized the full impact of the yields-mills/field issues are having on production and that the situation isn't going to get any better. The market is currently quiet as vendors and buyers are sizing up the situation and trying to develop meaningful strategies as they forge ahead. The current average price of 100 Lbs of #1 rice, FOB the mill is \$28.00. Comparison of futures pricing for 100 Lbs. of rough rice: LY=\$14.80 LW=\$14.67/Cwt; TW=\$13.925/Cwt; YR CHNG= -5.9%. *

FLOUR FACTS: Wheat futures prices continued their rapid increase this week, leaving the \$8.00 per bushel level far behind. Basis premiums were firm to higher as well. Disappointing news for the Australian harvest continues, with some reports of more than half of the crop damaged and potentially useful only as animal feed. Export reports remain very good. Demand could keep prices supported at these levels at least for the short term. Futures pricing for a bushel of hard spring wheat are: LY=\$5.3225/Bu; LW=\$8.1725/Bu; TW=\$8.5425/Bu; YR CHNG= +60%. *

SEAFOOD REPORT:

- ❖ SHRIMP: The market remains quiet as most everyone has bought their holiday needs and vendors do not have, or want to carry much inventory into the New Year for tax reasons. Mexican shrimp remains short especially 21-25 and 26-30's. Prices remain very strong.
- ❖ CRAB: The Alaskan king crab market is the worst it has ever been. Very short supply of Red King Crab and very high prices has what little product that is out there is being sold at record high prices. Large 4-6, 6-9 and 9-12's are very hard to find
- ❖ LOBSTER: The market is steady going into the holidays. Western Australian Lobster remains almost nonexistent. Only 6-7 and 7-8's are available right now.
- ❖ SCALLOPS: Due to very poor weather and quotas being met in some fishing areas expect to see scallops continuing to rise. There is a shortage of extra large product right now as most of what is being caught gets taken very quickly by the fresh market.