

The Red Sheet

January 8, 2011

- ✚ **BUTTER:** Last week's CME spot-cash butter market increased a whopping \$.43/Lb. Butter stocks increased 16.4% from week-earlier level, the largest percentage increase since 1/10/09. CME stocks however are 68.9% lower than a year ago. While there are less than "usual" inventories of butter, there is still butter to be found. Probably a better way to explain the situation leading up to this week's price increase was to describe the butter market as "there's no butter, but none for you">
- ✚ **CHEESE:** During last week's CME spot-cash cheese trading, the Block market increased \$.0225/Lb. The cheese appears to have finally nearly completed its 189 degree turn. Floor traders are talking about cheese market increases that are coming as cheese tries to keep up with butter prices in the never-ending competition for milk.
- ✚ **SOYBEAN OIL:** Soybean oil closed down 155 points on the week at \$.5682/Lb. as traders begin to reduce risk exposure on improved Argentina weather outlooks and the anticipation of speculative fund repositioning in the market. A 34% rally in soybeans in 2010 was largely supported by record demand from China, the world's top soybean importer. Traders remain concerned that demand will drain global supplies. According to Chicago based AgResource Company, despite bullish longer range outlooks for prices amid strong global demand and concerns about dwindling supplies, traders are reluctant to push the market with prices holding at historically high price levels. The world is starting to recognize that inflation is a concern, and speculative traders are becoming a little cautious in case interest rates bottom and move higher, a precursor to a firmer U.S. dollar. Soybean pricing comparison: LY=\$0.3991/Lb; LW=\$0.5837Lb; TW=\$0.5682/Lb; YR CHNG= **+42.4%**
- ✚ **BEEF:** Boxed beef cutout values were higher with moderate demand and light offerings. With two short slaughter weeks in the row, packers found themselves with an advantage in the early weeks of January. Most of the higher values have been in the chuck and round. A significant portion of this due to higher grinds. Packers are finding it difficult to maintain high prices on rib and loin items, especially in Choice. Sales volume was unimpressive this week indicating that buyers may be slightly resistant to pay such high prices. With cattle continuing to bring top dollar, buyers may have little choice but to pay higher prices in order to meet demand. Forward business saw another uneventful week with light movement. Beef trimmings, fed and blended grinds were higher on moderate to good demand and light offerings. For the week: Choice rib and loin cuts barely higher while Select was slightly higher; chuck and round higher; Beef trimmings higher; Fed and blended cattle grinds higher.
- ✚ **PORK:** Trading levels were mostly steady to weak early in the week as adequate supplies forced sellers to lower prices and sparked some buyer interest. Late week, limited inventories allowed them to ask and receive higher values. Demand and offerings for bone-in hams were mostly light and sellers were able to hold prices steady. Bellies remain scarce participants in contracts have diminished sharply. Lean trimmings experienced light to moderate demand. Fat trim advanced to catch up with the higher lard price. For the week: bone-in loins slightly higher; butts steady to slightly higher; spareribs higher; hams steady; bellies steady and not tested; 42% trimmings significantly higher; 72% trim slightly higher; boneless picnic higher from last quote.
- ✚ **CHICKEN:** The first full week of 2011 finds the complex searching for an identity. Movement is fair at most points but given the current supply situation most sellers are finding it difficult to maintain steady to higher prices. Breasts are finding renewed interest with asking prices at no less than full market. Trim and chunk meat are still sought after with limited availability noted. Tenders are mixed as supply and demand vary. Cutlets are receiving interest with offerings adequate for most needs. Wings are clearing at steadier pace with cut wings getting the most attention. Legs and leg quarters are fairly balanced. Thighs and drums have best call noted for retail activity.
- ✚ **TURKEY:** The industry is really beginning to settle into 2011 and as a result transactions are increasing. Toms and hens are offered and sold within a close range to current quotes and the undertone is settling down. Consumer breasts are testing lower price points. Thigh meat is very steady. Drums are steady. Whole wings are lower. Necks are no better than steady. Fresh tom breast meat was reported lower. Select sizes of institutional breasts are likely higher.

- ✚ **CANE SUGAR:** For the sixth consecutive session sugar futures has alternated between steep declines and sharp rallies. The market volatility can be attributed to the following global situations: (1) Importing countries have extremely low inventories, (2) Concerns are being raised over sugar production in Queensland due to flooding, (3) The destruction of GMO sugar beet plant was put on hold until Feb. 28, (4) Weather has caused supply issues in nearly every major sugar exporting country and (5) US sugar prices remain firm due to good off-take plus a good portion of 2011 sugar has already been sold along with the majority of the 2012 production. Price Outlook: Fundamentally, world and domestic sugar balance sheets are still tight; so the long term price trend is up. Futures pricing for 100 Lbs. raw cane sugar: LY=\$36.87/Cwt; LW=\$39.33/Cwt; TW=\$38.50/Cwt; YR CHNG= +4.42%.
- ✚ **RICE:** The market remains extremely quiet for three reasons: the holidays, historically quiet time of the year and the state of the market. The first two are pretty much self explanatory while the third is a real problem. The rice industry finds itself in a difficult predicament, as low field yields and milling yields make cash flow for growers and millers make it an even more difficult problem than it ordinarily would be. The situation is exacerbated because prices have been driven by superficially strong futures market causing a decoupling effect with cash values in the export market. In short, hedge fund and spec buying that has chased the CBOT upward in sympathy for bullish grain markets are now a nemesis when it comes to dealing with reality in the international community. The current average price of 100 Lbs. of bulk #1 rice, FOB the mill is \$28.00. Comparison of futures pricing for 100 Lbs. of rough rice: LY=\$14.715 LW=\$13.995/Cwt; TW=\$13.39/Cwt; YR CHNG= -5.9%
- ✚ **FLOUR FACTS:** Wheat futures prices are higher than our last report several weeks ago, and have challenged the \$9.00 per bushel price this past month. Futures prices have not dropped below \$8.00 per bushel since very early in December. Basis levels have been very strong, lead higher by weather-driven logistical concerns and resulting strong demand on the spot market making up for delayed shipments. Forecasts of heavy snows to cover the winter wheat growing areas are welcome news. It is hoped the snow will materialize and protect the already struggling, dry crop from plunging temperatures. U.S.D.A. reports on the U.S. and World wheat supply and demand Wednesday, January 12th. Continued volatility can be expected. Futures pricing for a bushel of hard spring wheat are: LY=\$5.635/Bu; LW=\$8.815/Bu; TW=\$8.7075/Bu; YR CHNG= +36.77%.
- ✚ **SEAFOOD REPORT:**
- **SHRIMP:** The South American market looks as if it has bottomed out. Most suppliers are quoting higher prices although the market remains quiet. Mexican shrimp remains short especially 21-25 and 26-30's and prices remain strong. Asian importers are trying to drive their US prices up due to the strong demand from Europe and Japan.
 - **CRAB:** The Alaskan king crab market has softened a little on some of the smaller sizes. There is still a short supply of good quality Red King Crab and no large product to be found. Things will start to loosen up and we should see supply getting better into February.
 - **LOBSTER:** Western Australian Lobster is reporting not to expect any tails larger than 7-8's for most of 2011. We will have to see what the spring season brings but the outlook is not good. Prices are starting to come down a little but do not expect to see them under \$30.00 anytime soon.
 - **SCALLOPS:** The scallop market continues to go up. Poor weather and quotas being met in some fishing areas are putting a gap in supply and fishermen are getting more money for what product they can catch. expect to see high scallop prices through spring.
- ✚ **NON-FOODS:** Plastics raw materials costs continue to increase. Polystyrene products such as foam, clear containers and microwavables as well as cutlery, are expected to see increase of 8% during February and March. Aluminum is expected a 7% increase in March.