

# The Red Sheet

January 24, 2011

- ✚ **BUTTER:** What's worse than high priced product? NO product!....given current market conditions and after being forced to discount product just a few short weeks ago, sellers are very reluctant to let go of product right now. The current butter price is a record and the result of a hoarding scenario that is playing out right now. Historically, a decline in milk production foretells the potential of a real bullish butter market. There is a scarcity of product now as a result sellers are holding onto their butter. By spring a pull-back of \$.20 to \$.30 cents per pound is realistic.
- ✚ **CHEESE:** During last week's CME trading the spot-case Block market increased \$.1550/Lb. and the spot-cash barrel jumped \$.1325/Lb. Cheese prices are on a "run" and will probably gain a few more cents per pound before export demand is dampened by the higher prices. Also cheese prices will be buoyed by high butter market prices, as long as that market maintains its current record setting level.
- ✚ **EGGS:** Retail demand remains good around the country. Demand allocable to food service is reportedly beginning to improve. When completed, wholesale transactions for certified, graded shell product are supportive of existing quotations, or exhibit modest premiums to them (especially on the large size in the Southeast Region), while wholesale transactions involving Nest Run product are supportive of them. Supplies are close, and held confidently. Eggs for breaking are aggressively sought above the high side of current ranges. The market is full steady to, at times, firm.
- ✚ **SOYBEAN OIL:** Soybean oil closed up 29 points on the week at 57.56 as profit-taking pressured the nearby contract while supply concerns boosted deferred contract months. Futures prices continue to fluctuate on continued worries about a drought in Argentina, the world's third largest soybean exporter, which would shift demand to the U.S., the leading exporter of the oilseed. Prices rallied to slow demand, as U.S. soybean supplies are already precariously low due to record buying by China, the top importer of soybeans. Soybean pricing comparison: LY=\$0.3671/Lb; LW=\$0.57237Lb; TW=\$0.5756/Lb; YR CHNG= **+56.8%**
- ✚ **BEEF:** Cutout values were higher again with moderate demand and light to moderate offerings. The Choice cutout value continued to climb all week. Packers unloaded large quantities of ribs and tenderloins (over a million pounds in one day) Select rib cuts moved higher while the Choice remained steady. Ground beef prices are noteworthy haven to record price levels this month. Forward activity was again uneventful, with the only significant trade being ground chuck priced below the spot market. Beef trimmings were generally steady on light to moderate demand and moderate offerings. For the week: Select ribs significantly higher and Choice barely higher; chucks and rounds higher; loins slightly higher; trimmings generally steady; Fed and blended cattle grinds all significantly higher.
- ✚ **PORK:** Trading was firm early in the week as supplies were kept in check. Late week there was diminished domestic demand and some supplies built – with the exception of the sparerib market. Many buyers continued buying for upcoming Super Bowl. Prices are now near last summer's highs. Ham price levels were steady this week. Belly offerings remain extremely light as foodservice demand continues at a strong pace. Retail prices are causing consumers to step back as prices inch higher. Demand for lean trim increased throughout the week while offerings were on the lighter side while prices responded higher. For the week: loins generally steady; butts slightly lower; spareribs higher; hams generally steady: bellies significantly higher: fat and lean trim higher.
- ✚ **CHICKEN:** The week is winding down with market conditions fickle as the weather. Wogs and whole birds are struggling with pricing and availability. Cutlets are clearing better with sellers a bit more demanding on pricing. Trim and chunk meats are commanding full market where available. Drumsticks and other dark meat lines are getting calls for export commitments. Wings are moving but offerings are at least adequate to meet expectations.
- ✚ **TURKEY:** The end of the week has brought a flurry of activity but overall still on the light side. Wings are offered at steady to slightly lower levels. Whole bird buyers are increasingly entering negotiations expectations of paying current market values. Institutional packaged breasts are rated full steady to firm and limited availability. Destrapped tenders, young hen meat and breeder meat are each very tight.

- ✚ **CANE SUGAR:** Sugar futures are still choppy within the range established at the beginning of the year. Deferred contracts will remain firm on ongoing concerns about production in Brazil and India. While the US market is quiet and the majority of end users are covered for 2011, the underlying market feeling is that prices will increase in Q2. 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=\$42.25/Cwt; LW=\$38.98/Cwt; TW=\$38.33/Cwt; YR CHNG= -9.28%
- ✚ **RICE:** US vendors were out bid on the recent Iraq tender and, as a result, Southern mills are facing open milling time as we go forward. The long grain cash paddy market is way out of step with futures due to heavy fund trading and underlying support for the futures because of the anticipated reduction in 2011 planted acreage. The US rice industry has very serious and complex issues with this crop, with yield and quality problems now exacerbated by uncompetitive pricing. The current average price of 100 Lbs. of bulk #1 rice, FOB the mill is \$26.00. Comparison of futures pricing for 100 Lbs. of rough rice: LY=\$14.11 LW=\$13.695/Cwt; TW=\$14.865/Cwt; YR CHNG= +5.35%
- ✚ **FLOUR FACTS:** Wheat futures closed higher again this week. In the past 60-days futures prices for winter wheat have increased \$1.68 (24%) and spring wheat by \$1.86 (26%) per bushel. Spring wheat basis prices are similar where they were 60-days ago, but winter wheat basis, the premium paid for wheat milled for Hotel and Restaurant all purpose flour, has gone from \$.20 cents to \$.80 cents per bushel. With crop concerns in many areas of the world, it is unlikely we will see lower flour prices in the near future at least. Futures pricing for a bushel of hard spring wheat are: LY=\$5.1225/Bu; LW=\$8.9025/Bu; TW=\$9.3725/Bu; YR CHNG= +82.96%.
- ✚ **SEAFOOD REPORT:**
  - ✚ **CATFISH:** Expect to see domestic catfish prices rising due to many factors. There is a 20% reduction of live product this year compared to last year. Some farms have converted over to growing rice and many have just shut down. High feed and fuel prices as well as competition from imported catfish has really hurt the industry and caused a shortage of good domestic product in the market.
  - ✚ **COD:** Atlantic cod prices are up dramatically over last year. Supplies are very tight and prices will continue to be strong until fishing starts again in the spring. Pacific cod quotas are anticipated to be up significantly and should eventually put downward pressure on the market. Today the market is firm due to strong demand and limited supply. Today the market is strong due to strong demand and limited supply
  - ✚ **SHRIMP:** The commodity shrimp market is still recovering from the challenging close of the 2010 season. Tigers are in very short supply especially large sizes and pricing remains high. Supply issues and high demand from China is not helping. White shrimp has seen some of the same issues but we expect some price easing as we move into the New Year.
  - ✚ **TALAPIA:** Prices will be much firmer this year as we head into Chinese New Year. Very strong retail demand as well as feed and transportation costs are a factor. There have been some ongoing disease issues in some areas and a colder than anticipated Chinese winter will keep the market strong.
- ✚ **NON-FOODS:** Plastics resin prices continue to escalate. Expect another 6-8% price increase between now and March for foam, can liners, PVC film and microwavables.
- ✚ **COFFEE & COCOA:** Coffee and cocoa futures barreled toward highs, fueled by concerns of a shortfall in global supplies. While these commodities historically have been volatile, this latest price surge is a signal that fundamental factors are moving to the forefront. Torrential rain in Columbia and an unstable political situation in the Ivory Coast are casting a shadow over the availability of supply for coffee and cocoa respectively, while demand continues to increase. Coffee futures shot up 3.7% on Friday, just shy of last week's 13½-year high, while cocoa futures rose 5.5%.