

The Red Sheet

January 24, 2011

- ✚ **BUTTER:** The CME spot-cash butter market remained unchanged this week, raising its streak of unchanged trading session without a change to 19 days. At \$2.1000/Lb. it looks like the industry is looking for butter, which is probably true. Cream, the basic component for butter and ice cream, has buyers trying to lock in whatever they can find for the rest of the year but record January butter prices are not making that an easy proposition. It's looking like the next move for the butter market is up, at least until later spring when rising milk production may cause prices to tumble then, at least for awhile.
- ✚ **CHEESE:** The cheese markets appear to be white hot! After the Block market gained \$.4125/Lb. and the Barrel market moved up \$.3850/Lb. in January, 2011, the CME spot-cash Block jumped an additional \$.0750/Lb. in this week's trading and the Barrel Market increased \$.0700/Lb. A CME cheese market made a comment this week that *"although fundamentals don't justify recent price gains, this is a powerful market and it needs to be respected. Trying to apply logic will not help."*
- ✚ **EGGS:** Retail demand is mixed, and falls into a rather broad range which varies with both geography and prevailing climactic conditions. Wholesale trading activity is limited. Transactions involving certified white shell product offer varying degrees of economic support to existing quotations, and supplies here are adequate for current requirements. Transactions involving non-certified product are exhibiting discounts, sometimes rather substantial. Brown eggs are wanted, with supplies here being close. Standard eggs for breaking are sought and trending higher. The market is steady.
- ✚ **SOYBEAN OIL:** Soybean oil closed up 171 points on the week at \$.5898 with strong demand, tight supplies and weakness in the U.S. dollar buoying prices. Crop supplies have grown tight on strong global demand and poor weather conditions in some parts of the world. Futures' prices have surged with soybean contracts now trading at more than two-year highs. The market also has an objective of pushing prices in an effort to sustain or increase U.S. acreage in 2011. Prices are likely to remain supported until there is a better sense of whether U.S. farmers will sow enough soybeans in 2011 to replenish depleted supplies. Soybean pricing comparison: LY=\$0.37/Lb; LW=\$0.5712/Lb; TW=\$0.5898/Lb; YR CHNG= **+59.4%**
- ✚ **BEEF:** Cutout values were steady to weak with light to moderate demand and offerings. The story this week was the weather. Although weather reduced the harvest significantly, pricing did not respond accordingly. The typical softening of demand in early February more than offset the decrease in production. The exception to this was the rib complex, which trended firm coming out of its seasonal low. Forward business was unusually quiet this week. Beef trimmings were generally steady on light to moderate demand and offerings. Fed cattle and blended coarse grinds were steady to weak on lower lean percentage product, while steady to firm on high percentage lean. For the week: Select and Choice ribs higher; chucks barely lower; rounds steady to slightly lower; loins generally steady; Beef trimmings, Fed cattle and blended grinds generally steady.
- ✚ **PORK:** Logistical nightmares were the tone of this week as Mother Nature took charge. In spite of this, the loin complex was under pressure as supplies were more than adequate for limited demand. The prices for butts eclipsed the previous modern day record on Tuesday as they traded at \$130.00 due to light supplies. Trading levels steadied through the rest of the week. A chink in the armor was noted for spareribs as many ads came to an end and packers found themselves with extra loads to sell. Movement of processing pork cuts and trim items were at a standstill as packers were dark or at limited activity. A few trades were noted at advanced prices in response to this storm market. Overall most of the industry was on an unscheduled holiday. For the week: bone-in loins lower; butts viciously; spareribs uneven and steady; hams higher; bellies steady; trim steady to slightly higher.
- ✚ **CHICKEN:** The complex is rated steady with offerings in very manageable positions at the end of the week. Another week of weather issues has disturbed things and industry players are adjusting accordingly. Wogs and whole birds are steadier. Wings are no better than about steady. Legs, leg quarters and drums are well supported with renewed interest surfacing. Cutlets and tenders are mostly steady with offerings balanced for needs. Trim and chunk meats are full steady to firm.
- ✚ **TURKEY:** The first week of the month ends with reasonably balanced and well supported conditions. Irregularity of breast trim, breast meat and tenders is causing some discounting but also trades at full market levels. Export demand for tom two joints and whole wings is quite good. Whole body turkeys are in a uniform and closely balanced supply. Processors are holding product at steady to higher values for late February and early March activity.

- ✚ **CANE SUGAR:** The choppy trade in sugar futures continues. World sugar markets are still uncertain about 2011 Brazilian and Indian sugar production in addition to the EU and Australia. Price outlook: Fundamentally, world and domestic sugar balance sheets are still tight, particularly in sugar importing countries so look for prices to remain firm. Futures pricing for 100 Lbs. raw cane sugar: LY=\$40.15/Cwt; LW=\$38.50/Cwt; TW=\$38.33/Cwt; YR CHNG= **+11.42%**
- ✚ **RICE:** The cash market in the South remains extremely quiet as mills begin to wind down old sales and seek new business. The US market desperately needs fresh offshore demand to keep mills operating near capacity. Although the cash paddy market is on a bit firmer footing than long grain milled rice, the futures and cash are miles apart with the basis now around -\$2.50 vs. the CBOT. 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=\$14.18 LW=\$14.865/Cwt; TW=\$15.80/Cwt; YR CHNG= **+5.35%**
- ✚ **FLOUR FACTS:** We're approaching the end of another week of firm-to-strong basis levels and wheat futures prices at 29-month highs. The extreme weather that covered most of the nation this week further slowed the already far behind rail deliveries of wheat. Snow coverage was not considered adequate to protect the portions of the winter wheat crop already badly stressed by unfavorable weather over the long winter. Wheat futures prices have reached these levels due in part to strong foreign demand for U.S. wheat. We expect the current volatile situation to continue. Futures pricing for a bushel of hard spring wheat are: LY=\$5.0175/Bu; LW=\$9.615/Bu; TW=\$9.885/Bu; YR CHNG= **+97.01%**.