

The Red Sheet

February 21, 2011

- ✚ **BUTTER:** The CME spot-cash butter market kept slowly grinding lower this week, with declines totaling \$.0850/Lb. At this point, it appears that a stopping point for butter, at least until Easter, will be about \$2.00/Lb. giving the industry a chance to reassess the available U.S. butter supply and overall world demand. However at \$2.00/Lb. it appears that there will be renewed interest for U.S. butter from the rest of the world.
- ✚ **CHEESE:** The cheese markets continue to inch higher. During this week's trading (markets of February 14 - February 18, 2011) the Chicago Mercantile Exchange spot-cash Block Market increased \$.0400/Lb. It's significant that very little cheese was offered and from anecdotal comments in the industry, it appears that any fresh cheese that could be brought to the exchange remained in tight supply again last week. Coinciding with cheese tightness, there are several stories of a worsening milk supply situation in the Midwest – not in California where it was expected. Where will cheese prices go from here? Right now it appears this is still more momentum to the upside and some dairy market analysts say it could reach as high as \$2.10/lb.
- ✚ **EGGS:** Retail patterns are unchanged with reports still ranging from fair to fairly good. Promotional activity is present, but not abundant enough to alter demand across the nation. Weather, which always creates a stir in demand, has also become less of an issue after many weeks of snowy inclement conditions. Institutional/foodservice business is surprisingly good, given the continual struggles of the economy. Supplies of jumbos and extra large are available. Large are considered adequate from coast to coast. Mediums are mixed, while smalls are well balanced. Brown eggs remain tight and wanted.
- ✚ **SOYBEAN OIL:** Soybean oil closed down 200 points on the week at \$5649/Lb. with the absence of South American production threats and signs of Chinese demand shifting to South America or to new-crop deliveries have left futures without support. The decline in old-crop export sales in the past week and the cancellation of sales to China and unknown destinations raised concerns that the market was achieving its objective of rationing near-term demand. With harvest expanding in Brazil and without a weather problem in South America, the export baton is being passed from the U.S. to Brazil and Argentina. Brazil and Argentina are the world's second- and third- largest producers of soybeans, respectively, behind the U.S. and are counted on to relieve the strain on U.S. supplies in the spring of 2011. Soybean pricing comparison: LY=\$0.3852/Lb; LW=\$0.5849/Lb; TW=\$0.5649/Lb; YR CHNG= **+46.7%**
- ✚ **BEEF:** Cutout values trended weak. Demand was good; however offerings were moderate to heavy. Volume picked up noticeably, particularly with end meats and tenderloins. The overall market for cut items was steady to firm, as higher undertones on fed cattle and the bullish markets for commodities generally offset typically lackluster February beef demand. The lofty prices for fed cattle grinds experienced a sharp downturn late in the week and accounted for part of the cutout decline. The relatively high price for live cattle futures has discouraged forward business lately. For the week: ribs steady to barely higher; chucks slightly lower; rounds slightly lower; loins slightly higher; trimmings lower; Fed cattle grinds mostly much lower.
- ✚ **PORK:** Trading levels for loins and butts showed improved buyer interest. The sparerib complex moved lower amid adequate inventories and lackluster demand. Most ham buyers were in good bought position. A few trades of hams did trade at slightly higher money. Bellies continue to be scarce for the spot market; lean trimmings showed moderate offerings and pressured prices lower on a daily basis while demand was light to moderate. Packers reduced prices in an effort to move product through the pipeline. For the week: loins firm to much higher; butts slightly higher; spareribs mostly lower; steady to much higher; trimmings steady with weaker undertones.
- ✚ **CHICKEN:** The complex as a whole is well balanced with white meat a little tighter at the end of the week. Wings continue to be depressed with light trade activity. Dark meat is strong with items like legs, leg meat and thigh meat garnering premiums at most points of sale. Numerous trades of whole breasts were reported this week at firm levels. The balance of the complex is rated at least steady.
- ✚ **TURKEY:** The undertone of the complex remains very firm across most points of sale. Sales of all parts are strong and well balanced. Export demand is ratcheting up a notch with items such as thigh meat, drums, MST and MSC receiving the strongest call. Breast meat and related lines are rated steady to full

steady. Inquires are building and sellers only entertaining bids at market or better for future considerations. Whole birds are rated firm. Requests for hens and toms continue steady to strong and with a well balanced inventory.

- ✚ **RICE:** The domestic milled rice market in the South is very depressed as far as fresh demand is concerned. There are two main reasons the US market is in such a state of disarray. First, the often mentioned issues with record poor yields and pinpoint peck damage. Secondly, we have a futures market that is completely decoupled from the cash paddy market. The current average price of 100 Lbs. of bulk #1 rice, FOB the mill is \$25.00. Comparison of futures pricing for 100 Lbs. of rough rice: LY=\$13.50 LW=\$15.885/Cwt; TW=\$14.75/Cwt; YR CHNG= **+9.25%**
- ✚ **FLOUR FACTS:** Wheat futures prices traded lower this week, but basis premium levels are firm to higher, leaving flour prices mostly flat. China's winter wheat crop received some rain and their government called supplies adequate; however reliable information about Chinese agricultural production can be difficult to obtain. Forecasts for important wheat growing regions of China and the U.S. are calling for dryer weather through the end of this month. It was thought the U.S. had lost export business to lower-priced competitors, but with the drop in futures prices this trend could be quickly reversed. Futures pricing for a bushel of hard spring wheat are: LY=\$5.165/Bu; LW=\$9.10.1775/Bu; TW=\$9.55/Bu; YR CHNG= **+84.9%**.
- ✚ **NON-FOODS UPDATE:** Plastics resins continue to hold firm on the previously announced increases. Expect industry-wide increases to take effect 3/1/11 on most plastic and aluminum products.
- ✚ **BEAN MARKET UPDATE:** The continued strength in the grain complex due to tightening of US stocks on corn, wheat and soybeans has carried over into a bullish sentiment on edible beans by the growers. The growers are bullish in anticipation of higher prices and are strong holders of their inventory, causing prices on most classes of dry beans to appreciate since the beginning of the calendar year. Higher values are needed in order to compete on a net return per acre basis against competing items for the land. Pinto beans have appreciated approximately 30% since the beginning of the year due to competition for acres in the main growing regions.

