

The Red Sheet

July 25, 2011

- ✚ **CHEESE:** Block prices turned upward with a vengeance increasing by just under \$.10/lb. CME spot market activity was strong again this week as prices rose to three-year highs. If temperatures across the country do not subside by early next week, expect cheese and butter prices to continue moving higher in the short term.
- ✚ **BUTTER:** Surprisingly butter pricing has held at the same price level for four straight weeks despite the unseasonably high temperatures. While production is still 4% below 2010, it is up 12% from June 2010. Prognosticators are predicting that if the production trends continue, there may be a price correction coming soon.
- ✚ **EGGS:** Retail demand hasn't shifted. Promotional activity is mixed throughout the country. Some report decreasing consumer demand as temperatures continue to rise in most of the country. Supplies of jumbos remain close. Extra large are increasingly affected by the weather and are reported tight. Large supplies are adequate for current needs. Brown eggs are tight and wanted, especially in the north east.
- ✚ **SOYBEAN OIL:** Soybean oil closed down 84 points on the week at 56.51 as traders focus on every new weather forecast. Weather remains the key feature in the market, as tight projected stocks do not allow for any yield reductions this year. Hot, dry weather signals a threat to crop conditions if the weather pattern lingers into soybeans' critical pod filling stage of development in August. Soybean pricing comparison: LY=\$0.3907/Lb; LW=\$0.5735/Lb; TW=\$0.5651/Lb; YR CHNG= +44.6%
- ✚ **BEEF:** The past week started with a weak undertone and finished about the same. Heat and lack of retail interest were the primary contributors. Although lower prices were seen throughout the carcass, declines were significant in the fed ground beef. Trade activity was light early in the week and by midweek prices on end meats had depreciated to the point of generating interest. The same could be said of strip loins. Overall forward business picked up considerably focused on chuck rolls, briskets, inside rounds and loin cuts all showing a active trading. Export business remains excellent. For the week: rib lower; chucks lower; rounds slightly lower; loins generally steady to lower; trimmings lower; Fed cattle grinds lower to much lower.
- ✚ **PORK:** The brutal heat caused packers to struggle getting live animals, retailers getting shoppers and pork moving cuts off their store shelves. Trading levels for retail pork items to waver because many consumers left their grills unlit. Loins were mostly steady. Excess supplies of butts showed discounted prices throughout the week. Tighter supplies of hams allowed prices to remain steady to firm. Bellies experienced very light offerings and allowed sellers to advance prices late week. Fat trim showed strength this week. Lean trim experienced weakness. For the week: loins generally steady; butts lower; spareribs slightly higher; hams higher; bellies higher.
- ✚ **CHICKEN:** Demand at the moment is nothing spectacular and the recent heat wave appears to have stabilized the market. Reports of lighter weights and loss of birds certainly help to support this claim. White meat has been the most influenced during this time with tenders and boneless being adequate at best in most cases. Chunk and trim meat are in a similar position. Legs and leg quarters show stronger undertones overall. Wings are well supported.
- ✚ **TURKEY:** The week opens under mixed trade conditions and with lots of speculation as to the influence the recent heat wave will have on the market. Demand for frozen tom breast meat is strong and what is offered is at higher price points. Breast trim is long for current needs. The parts segment steady and balanced. Whole wings are steady and fresh drums are steady to firm. Toms and hens look to be at least steady to full steady. Like with other proteins the severe heat has questioned future availability. At the moment most offerings are held for various premiums. Consumer packaged breasts are being held with confidence.
- ✚ **RICE:** Funds continue to drive up futures prices on the coat tails of the latest USDA acreage report whereby long grain production is projected to be down 33% amid the start of another very hot summer with three digit highs. This is exactly what caused the shattering of milling yields and reduced field yields last year. The average price of 100 Lbs. of bulk #1 rice, FOB the mill is currently \$25.00/Cwt. Futures pricing comparison for 100 Lbs. of rough rice: LY=\$10.17/Cwt LW=\$16.995/Cwt, TW=\$16.74/Cwt, YR CHNG= +64.6%

- ✚ **FLOUR FACTS:** Wheat prices are higher this week because corn yield estimates are dropping due to hot dry weather; rain will be a factor in the coming weeks; the spring wheat crop is still lagging behind but the crop condition looks good; expect volatility. Futures pricing for a bushel of hard, spring wheat are: LY=\$6.22/Bu, LW=\$8.2375/Bu, TW=\$8.385/Bu, YR CHNG= **+55.32%**.
- ✚ **CANE SUGAR:** Sugar futures spike to contract highs on further reductions in Brazil's crop. Short-term world sugar supplies are expected to tighten up. Price Outlook: Prices are expected to remain at current levels, but supplies could become tight in the Sept/Oct time period so prices could escalate quickly at that time. Futures pricing comparison: LY=\$35.25/Cwt, LW=\$36.55/Cwt, TW=\$40.10/Cwt, YR CHNG= **+4.15%**
- ✚ **FROZEN POTATO UPDATE:** All French fry manufacturers took a price increase this month because raw product supplies are extremely tight. Wet weather has slowed planting in many areas for the fall crops. Acreage in Maine, Michigan, and New York still remains to be planted. General crop development appears to be at least 10 days behind normal. Overall, the Fall Potato Crop is forecasted up 6% to compensate for the increased processing and chip volume demand.
- ✚ **SEAFOOD MARKET REPORT:**
 - **Catfish:** The Supplies should start to loosen up a bit and hopefully the market will start to come down but we will not see prices drop anywhere close to where they were at a year ago. Plants are still running at less than ½ of their capacity but are expecting to see more products starting to arrive so they can get back up to full capacity.
 - **Mahi:** It was a tragic year for Mahi landings in South America. Catch was down more than half of last year's catch and all importers suffered great shortages and high prices. The new season will start in October/November. Catch levels are low in Taiwan. Good quality Mahi portions or loins are all but impossible to find right now. Low quality product from Taiwan has been entering the market but prices remain strong because demand is high. The catch from South America was short this year and will have to be supplemented from Taiwan to meet the U.S. retail and consumer needs. It is going to be extremely difficult to find supply of adequate quality Mahi until the season starts up again in South America at the end of the year.
 - **Squid:** Calamari supplies will remain very tight thru September. The Chinese season starts in August with arrival due here early September. We can expect higher prices based on current shortages.
 - **Shrimp:** The Asian market will remain strong especially in the value added products due to weather related issues, flooding and disease problems. This will delay the normal season harvest until late August. US inventories will remain below normal thru summer with little hope for any price relief before September.
 - **Halibut:** Halibut fishing has slowed in Alaska as salmon season gets underway. Many fishermen will not go back for more halibut until the fall. Catch to date has just passed 15.8 million pounds- roughly 57% of the year's quota. Catch rates are about 1% below historical levels. There is a shortage of H&G halibut in the market place. Prices for fresh are sky high and it is the same for frozen if you are lucky enough to find some. Most of the halibut has been under 40# fish so big fish has been sold at historical high prices. Look for high prices going forward until the fleet gets back on the water in September to clean up their quotas. The 2011 season will end on November 18.