

The Red Sheet

August 22, 2011

- ✚ **BUTTER:** Last week's spot-cash butter market increased \$.015/Lb. with light trading action. The same economic factors that are creating a weakness in the cheese market certainly will affect sales.
- ✚ **CHEESE:** After a "Bear Market Bounce" last Monday the CME spot-cash market plummeted \$.125/Lb. Also notable is that during this week's trading the Block market ended its 53 day run at prices above \$2.00/Lb.
- ✚ **EGGS:** Retail demand continues fairly good to good. Supplies of jumbos and extra large are fully adequate for current needs and trading slightly lower. Large sizes are bid at premiums. Offerings are limited in all areas. Mediums are trading at slight premiums. Brown eggs remain tight.
- ✚ **SOYBEAN OIL:** Soybean oil closed up 123 points on the week at 55.39 as the soybean market remains resilient in the face of sharp declines in equities, energies and even other grain futures this week, sustaining a risk premium as the crop moves through its critical yield developing stage of pod filling. Soybean pricing comparison: LY=\$0.3952/Lb; LW=\$0.5416/Lb; TW=\$0.5539/Lb; YR CHNG= **+40.2%**
- ✚ **BEEF:** Cutout values were sharply higher again this week, reaching levels not seen since April and never seen before in August. Although sellers continued to receive up money on the majority of items, trade volume was notably less. By the end of the week gains had slowed noticeably. The biggest price advances of the week were in fed ground beef and trimmings. The majority of cut items were also higher, though chuck and round cuts generally outperformed the middle meat complex. Forward business activity was extremely light again this week. For the week: ribs much higher; chucks higher; rounds much higher; loins a higher; Beef trimmings significantly higher; Fed cattle grinds also significantly higher.
- ✚ **PORK:** Weak demand and over supply caused loin prices to deteriorate. Trading levels for butts were mostly steady until late week. The value of spareribs started the normal late summer downward spiral. Demand for bone-in ham was mostly light this week. Bone in and boneless hams traded downward. Bellies experienced light to moderate demand and moderate offerings which dropped price levels lower. Bacon slicers responded to these lower price levels and picked up some extra loads. Retail ads featuring bacon continue to be down slightly. Consumers are looking to alternative proteins to meet their needs while attempting to stretch their dollars. The trimmings complex experienced very light offerings. For the week: bone-in loins lower to significantly lower: butts mostly higher; spareribs lower; hams lower: bellies significantly lower: trimmings higher.
- ✚ **CHICKEN:** Chicken production cutbacks are materializing and could intensify if feed costs continue to rise. General demand for chicken, especially for chicken wings, tends to improve up until Labor day. This year, we wouldn't be surprised to see chicken prices firm beyond the average seasonal time period. Breast and wing prices remain a tremendous value compared to other proteins. Production cutbacks haven't been this aggressive since '08. The chicken wing markets may have the most upside. Until producers become profitable again, expect further production cutbacks to occur. June US chicken exports were 14.3% less than a year ago. This week both white and dark meats were sold with confidence by suppliers.
- ✚ **TURKEY:** This week the market had significant interest in tom breast meat, drums, tom two joints and whole birds. In the case of whole birds there still aren't any significant offerings. Asked prices range steady to mostly higher depending on the situation. Frozen tom breast meat is likely higher in the wake of purchases at higher prices and quotes. Fresh meat is bid higher. Thigh meat is fully steady. Drums continue to be well cleared. Necks are adequate with narrow supplies.
- ✚ **RICE:** The futures continue to drive prices driven by panic buying from domestic markets. Pricing is firm overall and are expected to stay that way for the next few months. The average price of 100 Lbs. of bulk #1 rice, FOB the mill rose to \$26.25/Cwt. Futures pricing comparison for 100 Lbs. of rough rice: LY=\$10.91/Cwt LW=\$16.865/Cwt, TW=\$16.885/Cwt, YR CHNG= **+54.76%**
- ✚ **FLOUR FACTS:** Wheat futures prices ticked up this week as the basis prices held steady. Early reports on spring wheat show lower test weights due to several weeks of hot weather and potential disease and insect pressures. On the upside, protein levels are higher. Higher energy prices and the falling value of the U.S. dollar offered support for futures prices this week. Futures pricing for a bushel of hard, spring wheat are: LY=\$7.00/Bu, LW=\$8.625/Bu, TW=\$9.1075/Bu, YR CHNG= **+30.00%**.

✚ **CANE SUGAR:** Nearby sugar futures are focused on negative global macro-economic issues and the fact that Brazil will have its first year-to-year decline in sugarcane production. The domestic market is becoming increasingly concerned about tight supplies at the end of this crop year. Domestic prices remain firm. Futures pricing comparison: LY=\$34.13/Cwt, LW=\$39.08/Cwt, TW=\$40.78/Cwt, YR CHNG=+19.48%