The Red Sheet

February 20, 2012

- **BUTTER: The Chicago Mercantile Exchange spot-cash butter market started the week with a fairly dramatic decline of only $.0400/Lb. There are still massive quantities of butter being made and eventually that inventory will most likely weigh heavily on the market. Although butter prices tend to rise as Easter approaches, increasing U.S. milk production will put a lot of pressure on butter prices as we head into the spring.**
- **CHEESE: This week's Chicago Mercantile Exchange spot-cash Block cheese market increased $.0125/Lb. and the spot-cash Barrel market dropped $.0050/Lb. While the Block market moved higher this week, there are no changes to the actual supply or demand conditions. Fundamentally the cheese markets remain soft just as we move into the beginning of its highest milk production period of the year.**
- **EGGS: Demand for shell eggs has begun to soften as eggs supporting current retail promotions are already in the pipeline with no similar push on the horizon. Wholesale Large Shell Egg prices are weak to lower on moderate to heavy supplies and slow to moderate market activity. Several large retailers are in the midst of shell egg promotions.**
- **SOYBEAN OIL: Soybean oil closed up 87 points on the week at 53.40, with support from export demand, a weakening dollar, and concern for the South American soybean crop due to weather issues. LY=$0.5896/Lb; LW=$0.5253/Lb; TW=$0.5340/Lb; YR CHNG= -9.43%**
- **BEEF: Cutout values for the week were higher on moderate demand and light to moderate offerings. The beef market performance met expectations this week. Packers continue to cover live cattle costs with a reduced amount of available inventory. Harvest numbers the past couple of weeks have been very controlled. Buyers have been encouraged to fill immediate needs as the cash market remains modest compared to future prices. Select and Choice chuck and round items were firm this week. The largest contributor was again middle meats. The trend being loin cuts which are a few weeks away from a season upswing. Forward negotiated sales this period were moderate, with frozen beef trimmings showing a significant movement, trading steady to fresh trimmings current values. For the week: ribs higher; chucks barely higher; rounds barely higher; loins significantly higher; trimmings and grinds generally steady.**
- **PORK: Renewed domestic interest for retail cuts helped to move prices slightly higher this week. Loins and butts crept up to higher prices due to limited offerings and modest demand. With the Lenten season approaching, bone-in ham price levels took an unseasonal uptick which slowed an already sluggish demand. Belly price levels for raw bellies advanced early week and slicers reduced production slightly. By the end of the week price levels stabilized. Fat trim experienced light offerings while demand and pushed prices slightly higher. Lean trim was unevenly steady as sausage makers needs remain mostly light. For the week: loins higher; butts steady to higher; spareribs mostly steady; hams steady to higher; bellies steady to barely higher; 42% trimmings higher; 72% trim steady; bnls picnics lower.**
- **CHICKEN: : Market conditions continue to be rather sturdy. The whole bird and wog market remains strong but with caution. Buyers are resistant to any sort of elevation in price. This should not surprise most as quotations are currently at record highs. Considering the rest of the complex, whole breasts and breast fronts are very well supported. Leg quarters were mentioned with interest and with limited availability. The remainder of the dark meat complex is held in good standing. Jumbo wings are under pressure, while small and medium markets appear to be in a manageable position. Boneless is considered about steady overall with supplies in a good balance with seasonal demand patterns. Tenders are in a similar position. The balance of the complex is rated fair to good.**
- **TURKEY: : The week ended with the market holding unchanged. There are some items that are gaining a little strength based on recent trade activity. Whole bird sales reflect slight premiums to current listings. Most sales are geared to Easter which lends credence to a firmer undertone. Breast meat is the other line that appears to be turning the corner as well. Fresh and frozen transactions are noted at or above listed quotations. Whole wings are nothing great and are viewed with caution. Drums are rated about steady. Institutional breasts being pushed for sale. Breast trim and related lines are dull and lackluster.**

- **RICE:** The futures market has strengthened slightly after showing some weakness in trading the last few weeks. Export activity has been light. The average price of 100 Lbs. of bulk #1rice, FOB the mill is currently $23.25/Cwt. Futures pricing comparison for 100 Lbs. of rough rice: LY=$13.91/Cwt LW=$13.715/Cwt, TW=$14.135/Cwt, YR CHNG= +2.91%
- **FLOUR FACTS**: Wheat futures prices were choppy this week. Winter wheat basis levels stayed steady with spring wheat levels pushing up. Dry weather continued in the U.S. spring wheat growing areas, causing farmers continued concern about spring planting. Futures pricing for a bushel of hard, spring wheat are: LY=$9.53/Bu, LW=$8.1412/Bu, TW=$8.2225/Bu, YR CHNG = -13.71%.
- **CANE SUGAR:** Futures prices have softened a slightly over the last several weeks, yet Domestic Refiners are still sold for the 11/12 marketing year. Beet prices are increasing, Mexican Cane and Domestic Cane packer prices are declining slightly. Futures pricing comparison: LY=$39.65/Cwt, LW=$33.76/Cwt, TW=$32.93/Cwt, YR CHNG=-16.94%
- **PINTO BEANS:** As has been stressed since the Dry Bean Harvest last fall, Pinto Beans are extremely short in supply. The crop was down by 57% over the previous year, the lowest crop available since 1940. These facts are reflected in the current pricing. Expectations are that pricing will be going higher soon for at least the short term as Farmers will be announcing their planting intentions.
- **CANNED TOMATOES**: As has been stressed since late October, the 2011 canned Tomato Crop was not a good one. The items affected most were the Whole Peeled Tomatoes and the ¾" Diced Tomatoes. The lack of availability of these items has pushed prices to extreme levels and it is likely they will be going higher. The limited number of existing packers are not quoting prices to nor accepting orders from distributors that have not previously booked product with them. Once a booking is depleted, there will be no additional product shipped. Several of the other IMA members have informed us that they are out already out of stock on Whole Peeled Tomatoes and will not be receiving any till New Pack in late summer. This is an excellent time to be converting to other, further processed products.
- **SPICES:** Average Spice and Herb commodity has increased more than 33% in past 12 months and over 60% in past 24 months. Black pepper has increased 256% in pricing since September 2009. Pepper category across all suppliers should see at least an 18% increase in the coming months. Paprika, cloves, ginger, nutmeg and basil are beginning to hold steady at near record highs with little relief in sight.
- **PEANUT CROP UPDATE**: Peanut crop has been a disaster. Prices for nearby material for all grades continue to set record pricing levels on a weekly basis. No Shellers are offering long term contracts. Prices are going to continue to be extremely high with limited availability.
- **SEAFOOD MARKET REPORT:**
  - **Catfish:** While prices have lowered slightly, supplies are still very tight. We do have some good quantities of product available. 3/5 Fillets are in the shortest supply as farmers are not taking smaller fish out of the ponds right now and most fish that are coming out are large at this time.
  - **Cod**: Prices are strong on Pacific product. Supplies are tight on Once Frozen Cod, with 16/32 oz Shatter pack Cod being particularly tight. Some expected Once Frozen Cod prices to possibly adjust lower once fishing began in the Berring Sea, but word is that prices paid for initial fish is at current levels. New season production is just now starting to hit the docks so we will see how this affects pricing going into March. Product landings so far have been disappointing due to the harsh weather in Alaska. This would indicate we will see stronger prices on Pacific Cod moving into the spring. This will also cause twice frozen Cod to be stronger as well early this year. Atlantic Cod Loins and Frozen at Sea product is much stronger as well.
  - **Tuna:** Extremely short supply of good quality Tuna while demand is extremely high, points to high prices for limited, if any inventory. There is no end in sight for this situation. We have limited supply of 4 oz, 6 oz and 8 oz steaks.