

# The Red Sheet

May 28, 2012

**BUTTER:** The CME spot-cash butter market lunged \$.0325/Lb. higher this week. Higher temperatures usually mean more ice cream consumption, further shortening the availability of cream that would otherwise end up in butter production. The anticipation of reduced butter availability will most likely keep pressure on the butter market in the weeks ahead.

**CHEESE:** This week's Chicago Mercantile Exchange spot-cash Block Cheese market exploded \$.0700/Lb. higher. The spot Barrel market inched up \$.0100/Lb. Traders are factoring hotter summer weather and potential drought conditions into cheese market prices, even though we're not really there yet. It appears that spot cheese prices will continue to increase over the next several trading sessions with the Block market heading for the high \$1.50's – low \$1.60's/Lb.

**EGGS:** Demand for shell eggs is about unchanged but is expected to improve to satisfy good retail interest for the Memorial Day weekend. Wholesale Large shell egg prices are steady for usually light offerings and moderate supplies.

**SOYBEAN OIL:** Soybean oil closed down 20 points on the week at 50.12. Soybean futures fell to a nearly two-month low this week. Futures pricing comparison for soybean oil: LY=\$0.5861Lb; LW=\$0.5032Lb; TW=\$.5012Lb; YR CHNG= **-14.49%**

**BEEF:** Cutout values were higher on Choice and steady on Select. There was moderate demand and light to moderate offerings. Middle meats made up most of the gains this week. Oddly prices continued to improve just prior to the Memorial Day Holiday and most spot market trades delivering post-holiday. Lower prices were seen in the chuck products. Round cuts remained fairly steady. Grinds saw another strong market, with higher lean percentages trading firm and lower lean products holding steady. Beef trimmings were mostly steady overall with some higher priced trades occurring at the end of the week. Packers cleaned up inventory levels and may have had a disadvantage with the three day weekend forcing them to sell some product at a discount. Forward negotiated sales were fairly active with notable sales of Choice insides, cap and wedge and ground chuck all trading at prices that were consistent with the spot market. For the week: ribs higher; chucks lower; rounds mostly steady; loins higher; trimmings barely lower; Fed and blended cattle grinds barely higher.

**PORK:** Trading levels for bone-in loins held steady through the week, although supplies were more than ample for the demand, and ended the week with the bottom side of the market significantly lower than the top. With most of the needs of retailers already met, prices for butts and spareribs free fell starting the middle of the week as packer inventories abounded. Processing cuts experienced a slow trading secession this week as holiday demand dried up early week. Additionally the release of the cold storage report on Tuesday showed huge freezer inventories for both hams and bellies. This allowed buyers to increase pressure on the ham complex on already weakening prices. Despite large belly freezer stocks, fresh bellies edged higher this week to fit buyer's immediate needs. Trim items experienced roller coaster trading as demand for immediate shipments drove prices higher than this complex could sustain. By mid-week, offerings and near nil demand caused prices to nosedive. For the week: loins mostly steady to lower; butts lower; spareribs much lower; hams steady to barely lower; bellies slightly higher; 42% trimmings significantly lower; lean trim lower; bnl picnics steady.

**CHICKEN:** Trading activity and business is sluggish nearing the end of the week. Interest is almost nonexistent across the complex. A few loads of boneless have been confirmed late in the week and there is softness in the market. Tenders remain weak and priced to sell. A similar market line surrounds leg meat. Wog prices continue to be mixed but can be called unsettled overall. Dark meat movement is seasonal at best with drums and leg quarters under some signs of pressure. Wings are the one highlight of the complex with offerings limited and firm to higher pricing.

**TURKEY:** With the holiday weekend upon us activity is minimal and tends to be focused on the three days ahead. Supplies of breast meat are adequate for fresh or frozen requirements. Thigh meat selling levels are termed as about steady to steady. Retail packaged toms and hens are well supported. Available supplies of hens are able to satisfy immediate needs and trading at current levels. Toms are few and far between but not unavailable at higher pricing. Necks and tails are reported lower to steady. Whole wings are easily secured.

**RICE:** The local market here is quite firm as prices continue to strengthen. The average price of 100 Lbs. of bulk #1 rice, FOB the mill is currently \$23.75/Cwt. Futures pricing comparison for 100 Lbs. of rough rice: LY=\$15.185/Cwt LW=\$15.175/Cwt, TW=\$14.505/Cwt, YR CHNG = **-4.48%**

**FLOUR FACTS:** Wheat futures have come down this week after the rally from last week. Basis levels remain steady. Winter wheat harvest has begun in Kansas and is reported 14% completed in Oklahoma. Dry, hot and windy weather in Kansas has wheat conditions declining this week. Spring wheat is planted with the first condition ratings of the season reporting 74% good to excellent. Futures pricing for a bushel of hard, spring wheat are: LY=\$10.5625/Bu, LW=\$7.92/Bu, TW=\$7.8625/Bu, YR CHNG = **-25.56%**.

**CANE SUGAR:** While futures prices continue to soften sugar availability remains tight as Domestic Refiners are well sold for the 2012 marketing year. Beet refiners are claiming to be sold out. Imports from Mexico are expected to be down by 35%. Futures pricing comparison: LY=\$35.05/Cwt, LW=\$30.65/Cwt, TW=\$29.76/Cwt, YR CHNG=-15.09%.

**RTP CHERRIES:** Michigan had a devastating freeze in early April. The industry experts say that this has wiped out over half the upcoming crop in July. Supplies were already low from less abundant crops the last 2 years. And this is just adding insult to injury to the supply of this commodity as 80% of the Red Tart Cherries are produced in Northern Michigan.

**APPLE PRODUCTS:** The same April Freeze that devastated the Cherry Crop in Michigan has also negatively impacted the Apple Crop in both Michigan and New York. These areas grow approximately 24% of the Apple Crop in the US. There is no indication yet of how much of the crop will be harvested as the growers are more concerned with saving the trees. Cannerys have already started to announce price increases will probably be allocating product as well. This will impact frozen product as well.

**CANNED TUNA:** No good news as Skipjack, Yellowfin and Albacore Tuna prices continue heading higher due to poor catch, low inventories and the upcoming annual 3 month fishing restriction/closure. Product is currently trading at record levels with no end in sight.

**FROZEN POTATOES:** Crop planting is slightly ahead of schedule in many areas due to favorable weather conditions. Forecast is expected to remain tight as industry endures record lows on frozen finished goods inventory. Rebuilding safety stock will require a longer period of time. Farmer contracts for year 2012 are ranging within 10% - 18% above previous years. Pricing is being driven upward by contracts and input costs, including raw products materials (cooking oil, packaging, dry mixes, etc.).

**KALAMATA OLIVES:** Crop reports indicate that what looked to be a good crop is turning into a dismal one due to drought conditions, some of the worst in 200 years. While some suppliers are predicting inventory shortfalls, others are confident of having product but at much higher prices.

#### **SEAFOOD MARKET REPORT:**

- **HALIBUT:** Only 14% of the Alaska quota has been landed so far. Look for big halibut to be short as 80% of the landings so far have been mostly in the 10/20 lb range. Alaska halibut landings are still lagging behind last year at this time. The market remains very strong and will stay that way most of the summer.
- **SALMON:** Atlantic salmon production is in full swing- with just about all major countries pushing volumes of fresh whole fish and fillets to the market. Expect pricing to come down once competition from wild salmon starts up later this month.
- **MAHI:** U.S. importers are having troubles finding product from South America to fill their orders, and will be looking for Asian product to fill the shortages even though Taiwanese product is far less inferior on quality and standards. Taiwan will start fishing in May. Catch levels are expected to be low, which is somewhat typical for the this time of year. Prices and demand are high. Fishing in Taiwan is expected to peak during June when fishing will slow way down, with the exceptions of small amounts of lower quality product being landed in SE Asia. Supply is expected to be low until South America starts fishing again in November.
- **CRAB:** Alaskan Snow Crab-Ice problems are going away and there is more product starting to come in. A little over 15 million pounds remains in the quota.
- **SCALLOPS:** Supplies are expected to increase as the new season opened on March 1st. Expect some lower prices on the larger sizes once this product lands and is processed.

**Prepared by Shamrock Foods**