

The Red Sheet

August 20, 2012

BUTTER: This week's Chicago Mercantile Exchange spot-cash Butter market continued its upward climb, ending the week up \$.0425/Lb. It seems like the butter market has been ascending more rapidly than normal. Over the past five years August spot butter prices have increased by an average of 20% versus February. This year has proven no different, with spot prices now approximately 20% above the February lows. At this point in time there doesn't seem to be a significant downside risk for butter.

CHEESE: At the end of this week's Chicago Mercantile Exchange spot-cash trading the Block market netted an increase \$.0150/Lb. and the Barrel market moved up \$.0125/Lb. While pace of cheese market price gains seems to have slowed considerably after last week's explosive market increases, no one should get lulled into any sense of security that the spot-cash markets have settled in for awhile. There is still a realistic potential that the Block cheese market will again climb up to the \$1.90's/Lb. and could reach \$2.00/Lb.

EGGS: Shell egg demand has retreated rapidly into negative territory for the first time since late June as buyers continue to show minimal interest at current price levels. Wholesale shell egg prices have begun to drop sharply as supplies exceed interest, trading is slow.

SOYBEAN OIL: Soybean oil closed down 67 points on the week at 53.11 as favorable weather for soy crops at a critical stage in their development raise the prospect of better yields at harvest. Futures pricing comparison for soybean oil: LY=\$0.5539Lb; LW=\$0.5360Lb; TW=\$.5311Lb; YR CHNG = -4.11%

BEEF: Cutout values were higher on light to moderate demand and light offerings. The higher live market induced packers to raise asking prices in hope of preserving margins. Overall they were successful, although at modest activity levels. Both end meats and middles showed consistent gains during the week. The biggest price advancement of the session though was ground beef, as this complex continues to benefit the most from Labor Day featuring. After several weeks of stagnation trading beef trimmings trended modestly higher with some trades significantly higher. Forward sale activity was subpar, though the modest bookings that did occur were at higher pricing than spot levels, reflecting the deferred premium for cattle futures. For the week: ribs significantly higher; chucks higher; rounds higher; loins higher; trimmings higher; fed cattle and blended grinds higher to significantly higher.

PORK: Although harvest rates increased again this week, packers were able to receive values. Buyers found limited availability of supplies as most had been previously sold either to domestic or foreign entities. Increased harvest this week pressured price levels lower throughout the session. Notably were buyers of boneless ham as they waited for bone-in ham price levels to drop before stepping into the buying arena. Additionally, limited export interest for bone-in hams added to an already full pipeline. Bellies along with trim items also experienced lower price levels while supplies were moderate while demand was light. For the week: loins steady to higher; butts steady to much higher; spareribs steady to slightly higher; hams slightly lower; bellies lower; 42% trim lower; 72% trim lower, bnl picnics lower.

CHICKEN: The market is considered firm with product being limited overall. As a result, asking levels range from steady to significantly higher. At the end of the week leg meat and legs are in tight supply and prices are firm. Boneless continues to be well supported and the few loads that are available still being offered at premiums. Tenders are rated steady overall. Wings are continue to be manageable both small and large size products. Wogs and whole birds are trading at steady to full steady depending on size and location.

TURKEY: The end of the trading week found reasonable solid undertones for most market segments. A few items are not quite fully supported such as hen drums, tom two joints, frozen wing meat and frozen MST. These are at least adequate for spot needs. Demand for thigh and breast meats is seasonable or better. Thigh meat is very well cleared and a few bids are at up money. Breast meat interest is surfacing for frozen product and asking prices are trending firmer. Demand for fresh has absorbed available production at stronger price points. Retail packaged turkeys are rated steady to full steady. Current and out front prices are trending slightly higher for near future ship dates.

RICE: Harvesting has begun. Yet there is no indication of yield. 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=\$16.745/Cwt LW=\$15.945/Cwt, TW=\$15.42/Cwt, YR CHNG = -7.91%

FLOUR : Wheat futures prices were down earlier this week but bounced back higher yesterday. Basis levels remain steady. Spring wheat harvest is reported 65% completed in the northern plains compared to the 24% 5-year average for this date. Spring wheat crop condition is rated 61% good to excellent. Futures pricing for a bushel of hard, spring wheat are: LY=\$8.275/Bu, LW=\$9.70/Bu, TW=\$9.445/Bu, YR CHNG = **+14.13%**.

SUGAR: U.S. sugar markets remain weak. While Sugar beet sellers have a majority of the remainder of 2012 and 2013 sugar already sold Mexican Suppliers are saying that they will have ample supplies of Mexican Cane sugar available for the US Market. Futures pricing comparison: LY=\$41.50/Cwt, LW=\$29.07/Cwt, TW=\$29.26/Cwt, YR CHNG= **-29.49%**.

CANNED APPLE PRODUCTS: Canned suppliers are announcing another round of increases effective mid September. The spot market price for apples has risen from \$60.00 per ton to well over \$300.00 per ton due to the late spring freeze in Michigan, New York and parts of Virginia.

CANNED TOMATOS: New Pack is back in full swing. The expectation now is to run 24/7 till the harvest is complete. It's still early to get any predictions on quality or yield and therefore price. Since the canners were all out of stock on some items, these are the first being addressed to get the pipeline full. Midwest packers are being challenged again this year, but instead of flooding like last year, this year it's drought.

DRIED PINTO BEANS: The Pinto Bean harvest begins after Labor Day. Current indications are pointing to a good harvest which should help reduce costs. Stay tuned as new information is coming soon.

SEAFOOD MARKET REPORT:

LOBSTER: We have seen some Canadian prices coming down mostly due to heavy landings and slow movement. The Lobstermen are out fishing and reporting good catches but processors are not really stepping up the buying causing lower than usual dock prices. We will have to wait and see what the remainder of the season will bring us but do look for lower prices thru the summer.

MAHI: Landings have been steady and there is good supply of product in US now. Expect prices to possibly come down a little as more product arrives in the US.

TUNA: No changes in the frozen tuna market. The market for the Red tuna is still very hot and there is nowhere enough products coming into the US to support demand. The FDA is inspecting every shipment of product that arrives. It is taking longer to get containers released and importers are very hesitant to ship product over here due to the FDA delays. Good quality frozen tuna will be tight all year long.

SHRIMP: There is a good flow of product coming in from South East Asia. Inventory levels are good and prices are down slightly depending on what you are looking for. South America is still producing good amounts of good quality white shrimp. We hopefully will start to see some farm raised product coming out of Mexico in the next 30-60 days. The focus will be on 21-25's thru 41-50. Most of the 26-30 and 31-35 are expected to stay in Mexico as those are the preferred sizes in that market.