The Red Sheet

September 3, 2012

BUTTER: The CME spot-cash Butter market ended this week's trading with the butter price up $.0400/Lb. It appears that the CME spot-cash Butter market is nearing its high point. Butter stocks are still believed to be adequate but rather by what many perceive to be a longer-term situation which will result in reduced butter production down the road. The late-summer heat wave that hit the Western U.S., together with the low prices California dairymen are receiving for their milk is putting stress on the milk supply in that part of the country.

CHEESE: The close of this week's Chicago Mercantile Exchange spot-cash trading the Block cheese market netted a decrease of $.0325/Lb. The week's spot-cash Barrel trading resulted in a decline of $.0250/Lb. While American cheese demand in June fell 3.1% from a year ago and 5.2% from May, and despite the wide variety of opinions on the short-term cheese prices and the fact that the markets presently are exhibiting a great deal of day-to-day volatility, there still seems to be a consensus that as we get into the upcoming Holiday season demand period, prices will continue to inch up from where they are now at, at least into the $1.90's/Lb.

EGGS: Demand for shell eggs remains lackluster entering the labor day weekend with retail attention focused more on meat protein for the last big grilling holiday of the summer. Wholesale shell egg prices have stabilized though supplies remain moderate to heavy.

SOYBEAN OIL: Soybean oil closed up 41 points on the week at 56.65 as strong export demand and a historic drought in the U.S. this year could drive soybean prices beyond current record highs. The combination of strong demand and drought could mean that the U.S. may almost run out of soybeans by the time the next round of plantings is harvested in September 2013, according to the chairman of the U.S. Soybean Export Council. Futures pricing comparison for soybean oil: LY=$0.5774Lb; LW=$0.5612Lb; TW=$.5642Lb; YR CHNG = -2.28%

BEEF: Cutout values were lower on light demand and offerings. Volumes continued light this week as both packers and buyers wait to see how demand is over Labor Day weekend. Loin items moved lower, but rib, chuck, and round primals held steady or showed only moderate weakness. Ground beef sales were weak to lower. Beef trimmings were mostly steady and had very light activity. Forward negotiated sales were moderate with a notable consignment of select briskets and 73% ground beef at prices consistent with the spot market. For the week: ribs barely higher; Chucks barely higher on Choice and slightly lower on Select; rounds barely steady; loins mostly lower; trimmings steady; Fed cattle and blended grinds mostly lower.

PORK: If demand remains unchanged and supply increases, it leads to higher quantities and ultimately lower prices. Supplies of fresh pork cuts skyrocketed this week as harvest numbers reached unseasonably high numbers. With additional supplies needing to be moved, packers lowered prices in order to bring some interest back to sluggish demand. With this being said, all retail and processing cuts along with lean trimmings saw modest to moderate price declines for the week. For the week: Loins significantly lower; butts lower; spareribs much lower; hams lower; bellies lower; 42% trim lower; 72% trim lower, bnls picnics lower.

CHICKEN: The bulk of the chicken complex was rated steady at best early on but notes that the end of the week brought a little better market. Items like wogs and boneless meat became less abundant than what was recorded early in the week. Some discounts are still in the market but a number of producers better positioned. Small and medium sized wings continue to be found, jumbos on the other hand are tight and sought after. Dark meat remains flat overall with leg quarters and thighs trading at a good pace. Tenders are generally well supported.

TURKEY: Market activity continues to be rather quiet prior to the holiday weekend. But the majority of products are fairly well positioned. Raw meat lines are held with confidence in most cases with breast meat, trim, tenders and wing meat trading at steady levels to the current quotes. Thigh meat is also holding steady at most producers. Whole breasts are well supported overall. The parts complex is generally balanced and steady. The situation surrounding whole birds is a sturdy one with contracts being negotiated at very steady levels relative to current quotes.

RICE: The harvest continues. All eyes have been glued to the approaching storm to determine what damage, if any will be dealt to this year's crop. SW Louisiana and Texas are already 90% harvested. Northern Louisiana up through central Arkansas are only 50% harvested. Yield will be

determined after damage is assessed. 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=$17.96/Cwt LW=$15.42/Cwt, TW=$15.01/Cwt, YR CHNG = -16.42%

FLOUR: **Wheat futures prices started the week falling then moved dramatically higher yesterday. Basis prices on winter wheat were unchanged and basis prices on high protein spring wheat were up this week. Spring wheat harvest is near completion at 89% which is far ahead of average for this time of year. Futures pricing for a bushel of hard, spring wheat are: LY=$9.7075/Bu, LW=$9.205/Bu, TW=$9.31745/Bu, YR CHNG = -4.01%.**

SUGAR: **U.S. sugar markets remain weak. While Sugar beet sellers have a majority of the remainder of 2012 and 2013 sugar already sold, projections are that there will be 6% more sugar produced this year. Since the Beet Harvest is just beginning, the yield of this year's crop has yet to be determined. The USDA is projecting that Mexican Sugar Imports will be 33% less in the coming year. Futures pricing comparison: LY=$41.51/Cwt, LW=$28.55/Cwt, TW=$26.71/Cwt, YR CHNG= -35.65%.**

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. Northwest Apple suppliers are limiting order sizes.**

CANNED TOMATOS: **New Pack is back in full swing. The expectation now is to run 24/7 till the harvest is complete in October. Some price reductions have been recently announced on various products. Midwest packers are being challenged again this year, but instead of flooding like last year, this year it's drought.**

DRIED BEANS: **The Pinto Bean harvest is just beginning. Current indications are pointing to a good harvest as the bean crop has not been adversely effected by the drought conditions. Some minor price reductions have just been announced on both Pinto Beans and Black Beans with additional reductions expected as the harvest gets underway and yields can be assessed. The dried bean harvest is relatively short so we will not have to wait long for results.**

SEAFOOD MARKET REPORT:

LOBSTER: **Canada is still experiencing very good catches and the market continues to fall. We should see some very good prices going into fall and the holidays.**

MAHI: **The South American season closed with very good landings reported. There is a good supply of product in the US now and more coming. Expect prices to possibly come down a little as more products continue to arrive in the US.**

COD: **The Alaskan "B" season is set to open on 9/1/12. Most of the Alaskan cod inventories from the last season are gone. What little product that is out there is fetching very high prices. The hope is that the B season will have some great catch numbers and we then can see the prices come down to reasonable levels.**

HALIBUT: **The Alaskan Halibut season will continue until November 15 Th. Catches have been very good and prices have come down a little the last week or so. Most of the product is being sold to the fresh market and frozen processors have been reluctant to buy at the higher prices. We really do not expect to see much, if any, price reduction on frozen product this year.**

CATFISH: **There is plenty of good domestic catfish available. The farmers are harvesting and prices continue to come down. After the major shortages last year customers are starting to put it back on menus.**