

The Red Sheet

October 15, 2012

BUTTER: This week's CME spot-cash butter market increase \$.0700/Lb., recouping much of last week's surprising \$.0900/Lb. decline. Year-to-date 2012 Butter sales volumes are up a whopping 6.3% versus the same period in 2011. Most of the volume gain has been at the expense of non-butter [e.g. margarine] sales which are down 5.9% for 2012 year-to-date versus 2011. This trend toward higher butter consumption is expected to continue as higher grain prices cause non-butter product prices to continue. Domestic U.S. butter consumption is at its highest since 1975 and growing. We are in the heaviest butter demand period of the year and with a weaker-than-normal milk supply in California (with 38% of the U.S. butter production), there still could be short periods of supply tightness. What we will probably see in the days and weeks ahead is more volatility, with more frequent market price increases and decreases.

CHEESE: There was no change to the CME spot-cash Block market during this week's trading sessions. The Block market price has remained unchanged for 8 straight trading sessions. Also, there was no change in the spot-cash Barrel market price this week and no price change for 7 consecutive trading days. Typically, the cheese block market declines 3.2% from now until early November before rising 8% into the Thanksgiving holiday. However, today there's not anything pointing toward a tremendous fall-off in prices for the upcoming next few weeks nor are there any signals that prices could advance a great deal higher soon.

EGGS: Demand for shell eggs shows little improvement but remains below average. Wholesale shell egg prices have halted their recent decline but supplies and offerings remain moderate to, at times, heavy and market activity is slow.

SOYBEAN OIL: Soybean oil closed down 52 points on the week at 50.67 as the U.S. Department of Agriculture projected tighter domestic inventories of soybeans and corn than analysts expected. Soybean supplies are expected to be tight in part because of strong, China-led export demand. Futures pricing comparison for soybean oil: LY=\$0.5320lb; LW=\$0.5076lb; TW=\$.4989lb; YR CHNG **-6.22%**

BEEF: Cutout values were higher on moderate to good demand and moderate to heavy offerings. This week's accomplishment in boxed beef was the packers' ability to firm up all the sale prices without compromising sale volumes. Over 200 loads were reported mid week and that has not been done since mid-July. Late week sales, however, did show some evidence of weakness particularly in Select middle meats. Fed cattle grinds were weak this session. Forward business also saw increased sales this week, with significant sales of Choice inside rounds, Choice flap meat, and 73% ground beef at prices that were comparable to the spot market. Beef trimmings saw moderate firmness throughout the week. For the week: ribs higher; chucks mostly steady to barely higher; rounds slightly higher; loins slightly higher; Beef trimmings barely higher; Fed cattle and blended slightly lower.

PORK: Limited offerings and more than adequate demand allowed trading levels to be firm throughout the week. In spite of a large harvest during the week, price levels for processing cuts also firmed on just a few trades. Most buying was sporadic due to limited demand for these cuts. Lean and fat trim moved higher during the week. Boneless picnics finished the week steady. Overall, the buying community is waiting for more consumption and business before committing to additional raw product. For the week: Loins higher; butts firm to higher; spareribs steady to firm; skinned hams continuing higher; bellies higher; 42% trim higher; 72% trim slightly higher, bnl picnics steady.

CHICKEN: At the close of the week, the complex is in a fairly balanced position. Business remains basic in most areas but product has cleaned up well relative to earlier in the week. Offerings of wogs have certainly tightened up as the week has progressed and sellers have advanced their asking levels. Boneless is also improved and can be called mostly steady. Tenders continue to experience pressure at most points of sale. Wings are considered steady with offerings and needs varying from plant to plant. The remainder of the dark meat complex is just sideways

TURKEY: Business is noticeably lighter at the end of the week but prices are nevertheless well maintained. Offerings of breast meat seem to be adequate for the current spotty demand. Thigh meat is very tight and short of the demand. The parts complex is balanced to short supply Tom necks are sought after and firmly priced as a replacement for fresh or frozen drums. Wings are moving well at listed levels. Whole toms, hens and consumer packaged breasts are rated steady to firm depending on the pack, weight and point of sale.

RICE: Riceland Foods has announced a Price Increase of approximately 4.5% going into effect 11/1/12. Competing crops (mostly corn and soybeans) have taken substantial acreage that has previously gone to rice. The decline in acres this year is 13% from historical averages. This years' heat and Hurricane Isaac have reduced yields from typical levels. 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=\$16.625/Cwt LW=\$15.37/Cwt, TW=\$15.025/Cwt, YR CHNG = **-9.62%**

FLOUR: Wheat futures prices are higher this week. Basis levels advance as well. USDA supply and demand report was lowered by 44 million bushels, mainly due to increased use of wheat as feed. Global wheat supplies were lowered 6.2 million tons. This is attributed to lower production from Russia, Europe and Australia. Winter wheat plantings were at 65% completed in Kansas, close to the 5 year average of 61%. Futures pricing for a bushel of hard, spring wheat are: LY=\$8.925/Bu, LW=\$9.195/Bu, TW=\$9.2425/Bu, YR CHNG = **+3.55%**.

COFFEE: The International Coffee Organization (ICO) composite indicator increased slightly in September, up 1.9% over the previous month. This performance was driven by Arabicas, while Robustas declined by 1.5%. The average price of the ICO composite indicator for coffee year 2011/12 was 169.82 US cents/lb, which is 17.4% lower than the 205.65 US cents/lb recorded in 2010/11. Volatility for all coffee groups also increased in September.

SUGAR: Domino has just recently announced an across the board price decline. The reductions are primarily between 4 and 6% depending on the item. Domestic sugar supplies are plentiful and prices remain on the defensive. Futures pricing comparison: LY=\$38.15/Cwt, LW=\$24.74/Cwt, TW=\$24.61/Cwt, YR CHNG = **-35.49%**.

CANNED TOMATOS: New Pack Tomato harvest is wrapping up. A detailed report is expected on the results of the harvest. As soon as we get that we will share it with all. Some price declines have already been passed on Whole Peeled and Diced Tomatoes. Additional movement downward is expected once all of the results are compiled. We have not seen any movement yet from Tomato processors such as Stanislaus, Escalon or Conagra.

CANNED AND FROZEN FRUIT: The Fruit Crop this year has been a disaster. Apples will be a major problem till the harvest next fall. Red Tart Pitted Cherries are in the same situation. Peaches are rapidly rising in price due to a bad harvest with yield per acre and small sized fruit creating shortages. The Pear harvest has started late and is still in progress. Any other products containing fruit, such as pies and pie filling will be impacted.

DRIED BEANS: The Pinto Bean harvest is, for all practical purposes, complete. The mills are running at full capacity due to high demand and an empty pipeline. There was virtually no carryover from the 2011 harvest and still product from 2010 being sold into some markets. Pricing has softened somewhat, but demand from export markets has been strong creating competition for the initial product. But the increased acreage and the above average yields will force prices lower once the pipeline has been filled.

SEAFOOD MARKET REPORT:

ALASKAN COD: Cod fishing started on September 1st but larger fish are not being caught. We are still having shortages on 16 oz. and larger fillets. Hopefully we will see some product available soon but do not expect to see and good deals on large cod out there this year.

TILAPIA: Chinese production is usually very heavy this time of year to avoid any winter harvest issues. There is plenty of supply available right now and prices are steady.

SALMON: Atlantic salmon demand has remained very steady although the market is showing signs of instability. Chilean production is very strong and they are back at the production levels we saw a few years ago. We should be seeing some lower prices in the market soon due to this.

CRAB: The Alaska Game and fish department has announced the new Bering Sea Snow Crab quotas. The new Quota is 66.35 million pounds, a 25% reduction from last year. The Bristol Bay King Crab quota is up this year to 7.85 million pounds. Last year it was 7.85 million pounds. This is good news for King Crab.