

The Red Sheet

October 29, 2012

BUTTER: This week's Chicago Mercantile Exchange spot-cash Butter market crept up \$.0100/Lb. The peak-demand- time-of-the-year, coupled with higher -than-expected cheese prices should keep butter prices fairly stable for the immediate future with downside risk in the next month or so.

CHEESE: What a wild ride. This week's CME spot-cash Cheese market trading the Block market increased \$.1100/Lb. and the Barrel market jumped \$.1525/Lb. The overall cheese supply/demand situation is fairly well in balance. . However, we are in the middle of the peak U.S. demand period of the year and domestic cheese sales are reported to be fairly strong. Any ideas of where the spot-cash cheese markets will go from here would be purely speculative. The Dairy Experts have a healthy dose of skepticism about the viability of \$2.10+/Lb. cheese prices in the longer term.

EGGS: Shell egg demand is holding just above average as attention shifts to the upcoming holiday demand period. Wholesale shell egg prices are rising incrementally on moderate to heavy supplies but light to moderate offerings as marketers hold supplies with confidence.

SOYBEAN OIL: Soybean oil closed down 62 points on the week at 50.96 despite solid demand, strong US soybean exports and tight world supplies continuing to support the bean market fundamentally. Lower than anticipated canola production will support a strong price outlook. Heavy rains continue to slow down soy and canola plantings in Argentina. Futures pricing comparison for soybean oil: LY=\$0.5177lb; LW=\$0.5158lb; TW=\$.5096lb; YR CHNG -1.56%

BEEF: Cutout values were higher under light to moderate demand and light offerings. Notable this week was that the Choice cutout value on Wednesday of 199.38 reached its highest point since October 2003. The majority of cutout gains for the week were mainly through the rib and loin complexes for both Choice and Select. The chuck and round cuts trended generally steady overall. There was some depreciation of chuck rolls and flats late in the session. Low volume of Choice and Select product late in the week is an indication of increasing buyer resistance to the relatively high prices. Forward business was relatively quiet with the exception of 73% and 93% ground beef both priced consistent to spot levels. Beef trimmings were higher on light to moderate demand and light offerings. Fed cattle and blended grinds trended firm on light to moderate demand and offerings. For the week: ribs higher; chucks steady to barely higher; rounds steady to Barely higher; loins higher; Beef trimmings higher; Fed cattle and blended grinds steady to higher.

PORK: retail pork cuts saw a variety of offerings this week as harvest numbers are above seasonal norms. Combined with tightening margins packers try to support the cutout as much as possible. But with a forecast of large harvest packers were forced to take lower money with an abundance of product available. Loins fell sharply as retail ads and interest fell sharply. Butts saw a huge decrease in demand as retailers began to think of turkeys and hams for the upcoming holiday season. The supply of fresh ribs remains tight as many packers continue to make St. Louis and barbecue style spareribs to send to the freezer. Bone-in hams saw generally steady prices throughout the week. 42% trimmings were available in abundance and prices were lowered almost daily. Bellies were not tested this week as packers continue to sell product on a market basis and retail demand for bacon continues to be very good. For the week: Loins weak to lower; butts lower; spareribs steady to lower; hams unquoted to steady; bellies steady; 42% trim much lower; 72% trim slightly lower.

CHICKEN: Business patterns are mostly subdued as the market tries to gain an accurate depiction of where the market is headed. Regarding the complex, the bulk of our listed lines are generally well positioned. Wogs and whole birds are held with confidence and priced accordingly. Boneless offerings are certainly in check with asked pricing. Tenders are somewhat improved closing out the week and appear to be searching for a bottom. Whole breasts are generally well supported at most points of sale. Dark meat movement continues to be sideways overall. Wings are stable with most supplies in balance with seasonal demand patterns.

TURKEY: Demand for drums, thigh meat, necks, breast trim and scapula has recently been better than seasonable and easily sufficient to absorb all offerings being made. Most of the current bookings were completed with a stronger price. Fresh breeder meat is being sought to a higher than normal degree. Tom breast meat is receiving little interest and has produced slightly lower prices. The majority of whole bird suppliers report close balance and well maintained prices. Some suppliers are short on select sizes but generally there is adequate spot availability. It's been suggested

that toms and hens are easy to secure at discount. Retail features have yet to break in full and expectations of regular or fill in demand are quite low. Just about all current production of consumer breasts is well accounted for at strong prices. Institutional sized breasts are closely balanced.

RICE: Prices continue to be firm with recent increases having been announced. Competing crops (mostly corn and soybeans) have taken substantial acreage that has previously gone to rice. Acreage has declined this year by 13% from historical averages. This year 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=\$16.74/Cwt LW=\$15.02/Cwt, TW=\$14.795/Cwt, YR CHNG = **-11.61%**

FLOUR: Wheat futures moved higher this week on weather concerns in Australia and Argentina. Basis levels have firmed. Futures pricing for a bushel of hard, spring wheat are: LY=\$9.205/Bu, LW=\$9.425/Bu, TW=\$9.40/Bu, YR CHNG = **+2.11%**.

SUGAR: There has been some pricing movement lower in the sugar category with Domino announcing additional price declines. A massive U.S. beet crop is being harvested which is going to keep domestic prices soft for the foreseeable future. Reports out of Mexico have their cane sugar crop will be larger than originally expected. The outlook is that domestic sugar supplies are plentiful and prices will remain on the defensive. Futures pricing comparison: LY=\$39.75/Cwt, LW=\$23.49/Cwt, TW=\$21.51/Cwt, YR CHNG = **-45.88%**.

CANNED TOMATOS: New Pack Tomato harvest is now complete with what looks to be a good harvest. It seems that there will be sufficient inventories for this pack year on most products barring unforeseen circumstances. Packers have not been announcing any further price reductions other than the limited amounts already announced. We have not seen any movement yet from Tomato processors such as Stanislaus, Escalon or Conagra which may be necessary before private label packers will further reduce prices.

CANNED AND FROZEN FRUIT: Canned Peaches have risen rapidly with additional increases being to take effect almost immediately. The increases are 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 with pipelines also needing to be filled forcing prices up as customers are switching to whatever fruit is available. Any other products containing fruit, such as pies and pie filling will be impacted.

DRIED BEANS: Demand for pintos have been strong; with pipelines empty and lower values, mills are running to capacity. Demand from Mexico, Dominican Republic, Angola, and traditional export destinations has kept the market in balance and provided a destination for the growers to sell their crop at harvest time and have kept pricing up as growers have no shortage of customers. Despite the growers reluctance to reduce prices, we have been successful in negotiating some additional reductions that will be reflected as inventory allows.

SEAFOOD MARKET REPORT:

ALASKAN COD: With the B season well under way product is now starting to make its way down to the lower 48 states. Initial pricing for 16-32 shatter pack product is over \$4.00 we expect to see this marketing coming down under \$4.00 soon. There is still very strong demand for whole product in China and Europe and the catch is still yielding mostly smaller fish.

MAHI: Mahi supplies in the US are very good right now. It looks like the shortages we saw last year are well behind us. The market is slowly coming down but it will not reach the low prices we saw 2 years ago.

SHRIMP: Most oversea packers are trying to get higher prices for their product going into the US holiday season. South America is reporting strong sales and not much production so that product is firming up in price as well. The Mexico wild season is in full swing and we are starting to see more of the product making its way up here as well. Pricing is firm and will remain that way thru the holidays. The Mexican farmed season has produced mostly 16-20 and 21-25's. The smaller product is all staying in Mexico for that market.

CRAB: There seems to be good supplies of Alaska and Canadian snow crab out there and the markets are steady but are showing signs of strengthen for the holiday season. Most Pacific packers are reporting strong demand for larger 8 and up crab clusters but there are not many of that size to be found. Most of what is out there is 5-8.