

The Red Sheet

January 21, 2013

BUTTER: The Chicago Mercantile Exchange spot-cash Butter market jumped \$.0500/Lb. during this week's trading. It appears that butter prices have rounded the bottom and the market will soon start its typical pre-Passover/Easter push higher. Butter futures are usually a fairly good indicator of the direction of prices down-the-road and the Friday, January 18, 2013 March futures prices are in the \$1.60's/Lb., so it's likely that there'll be more spot-cash price increases coming during upcoming trading session.

CHEESE: CME spot cheese markets continued sliding this week as both blocks and barrels settled on their weekly lows. Block cheddar prices fell below \$1.70 per pound for the first time since July 13, 2012. The traditional Block/Barrel spread of \$.0300/Lb. - \$.0400/Lb. has widened to \$.0500/lb. Cheddar blocks are readily available due to continuing strong milk production across most of the nation. This heavier-than-expected milk production appears to be the principal reason that the cheese prices have slipped. Continued steep declines in fluid milk consumption are also pushing more milk into cheese manufacturing. Market analysts are predicting that cheese prices could drop into the \$1.50's/Lb. in the near term.

EGGS: Shell egg demand remains strong with continuing good interest from food service and, especially, retail. This has lead to increased pricing at wholesale as supplies and offerings are light to moderate as is the pace of trading. Shell eggs continue to move well at retail as many diet and cost conscious consumers find eggs a relatively cheap protein to extend the pocketbook and decrease the waistline.

SOYBEAN OIL: Soybean oil closed up 244 points on the week at \$51.68 supported by commercial buying with additional support coming from renewed selling in the U.S. dollar index. Main growing conditions in Argentina and Brazil are nearly perfect for developing soybean crop. However, there is market chatter of drying conditions in Argentine corn and soybean areas. Futures pricing comparison for soybean oil: LY=\$0.5043lb; LW=\$0.4888lb; TW=\$.5160lb; YR CHNG **+2.32%**

RICE: Prices continue to be firm. The Mills are booked through March due to an increase in exports. 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=\$14.535/Cwt LW=\$15.22/Cwt, TW=\$15.16/Cwt, YR CHNG = **+4.29%**

FLOUR: Wheat futures prices have moved thirty to forty cents per bushel higher from recent lows. Basis premium prices are firm to higher, and mill feed values in the Northeast have dropped significantly. Recent USDA reports show fewer acres planted to hard red winter wheat, which is supportive to wheat futures. Weather conditions are not improving for the winter wheat crop, and these concerns could keep prices moving gradually higher in the short term. Futures pricing for a bushel of hard, spring wheat are: LY=\$7.9875/Bu, LW=\$8.4525/Bu, TW=\$8.75/Bu, YR CHNG = **+9.50%.**

SUGAR: Prices have been declined on all Cane and Beet Sugar. Domestic sugar supplies are plentiful and prices remain on the defensive. Massive U.S. beet crop is putting pressure on prices to levels not seen in 3 years. Mexican cane sugar prices have also been dropping. Futures pricing comparison: LY=\$34.21/Cwt, LW=\$22.15/Cwt, TW=\$21.30/Cwt, YR CHNG = **-37.73%.**

IMPORTED OLIVES AND OIL: Due to dry weather in Southern Spain, the growing region for olives, this years' crop is less than desirable. In addition to coming in several weeks late with no carryover from the previous year, the fruit is coming in much smaller in size. This has forced pricing up dramatically on both Olives and Olive Oils. While harvesting continues, there is no expectation of any price relief for at least the next 6 months.

CANNED FRUIT: Canned Peaches, Pears and Mixed Fruits are becoming extremely tight with suppliers raising prices significantly and putting distributors on allocation so as not to run out of product too early in the year. Much of this product is used in schools, healthcare and institutional customers. It is imperative not to be searching out or accepting new customers on this category of product so that existing customers may be protected. While Canned Apple Products are shorter in supply than normal, they are available although the price is high. There are no major issues at this time with Pineapple or Mandarin Oranges.

DRIED BEANS: Pinto Beans are fairly stable in price at this time. Black Beans are significantly tighter and therefore pricing has been creeping upward.

CANNED TOMATOES: Vendor inventory situation is good. Some price softening on Whole Peeled and ¾" Diced Tomatoes will be coming soon.

BEEF: Boxed beef cutout values were steady to weak on light to moderate demand and moderate offerings. A weakening futures market and declining live cattle prices made it difficult for packers to try to push prices any higher this week. Choice cuts especially had trouble maintaining current prices while Select cuts continue to fare well. Ribs saw firmer prices, something that historically doesn't begin taking place until well into February. Chuck and round cuts experienced some weakness overall but fed cattle grinds continue to enjoy good demand and firmer prices. A strong rally for 50% lean trimmings was anticipated for the early part of January but so far low demand for the product is shaping the market. Forward negotiated sales were light with no notable consignments. For the week: ribs higher; chucks slightly lower; rounds mixed lower; Select loins higher - Choice slightly lower. Beef trimmings mostly weak. Fed and blended cattle higher.

PORK: Retail cuts continued to struggle to move with supplies readily available. Harvest numbers continue 1% above a year ago. The abundance of retail meat in the supply chain is above the demand curve needed to move prices higher. Both bone-in and boneless loins struggled to finish the week higher. Spareribs struggled to move as well this week. Medium ribs were readily available and were mostly weaker. Bone-in ham prices have not been reported since early January, leaving many wondering what is going on in the domestic market. Ham prices have been in a good position for the past two weeks as most packers continue to fill orders on a market basis and excess loads continue to be exported. This is normally a quiet season for hams as the industry is in the lull between processing for the holiday season and processing for Easter. Bellies are in a good position and packers continue to fill needs on a market basis. The trimming complex was in good position on lean trimmings and boneless picnics as these markets moved higher. 42% trimmings saw increased supply and prices slid accordingly. For the week: Loins steady to barely higher; butts steady to barely higher; spareribs unevenly steady; hams not tested; bellies steady; 42% trim lower; 72% trim slightly higher; bnl picnics unevenly steady.

CHICKEN: Market conditions remain relatively steady and balanced at most points of sale. Wogs and whole birds are being discounted in order to draw up buying interest. Wings continue to be well short of full needs and are demanding premiums as a result. Whole breasts and fronts are very well supported. Boneless and tenders are considered steady overall. Chunk and trim meat are steady with active demand patterns. There was some interest in thigh meat at the end of the week and are being called steady.

TURKEY: Demand is spotty across the board. Thigh meat is a little unsettled, especially on the frozen side where offerings are not receiving much interest. The undertone to fresh and frozen tom breast meat is soft as this arena currently lacks interest. Fresh tender demand has improved during the course of the week but frozen supplies still exceed interest. Retail packaged toms and hens are rated as about steady. Multiple offerings are expected to receive some buyer response in the near future. Drums are moving well and market prices are well supported. Wings and necks appear to be moving with discounted prices. The market at the end of the week was quiet.

SEAFOOD

SHRIMP: US shrimp buyers are having problems finding product due to a lull in production from Asia and a big reduction in product coming from Mexico. Mexico is reporting it to be one of the lowest years of production ever. White spot virus has hit the state of Sonora this year and has wiped out significant numbers and wild production was very poor also. Less supply always means higher prices. The major difference between 2012 and 2013 is carry over. In early 2012, we had larger inventories of unsold goods from 2011. This year the carry over is significantly less. During this time of year, production is at its lowest point. Labor costs are going up in Indonesia almost 40%. The exports from Thailand are way down and disease is affecting shrimp in Thailand, Vietnam, and India.

KING CRAB: The market is high on smaller crab right now due to a shortage of smaller product. The larger product is holding steady.

SNOW CRAB: New Alaskan snow crab should start to arrive in the lower states in February. Russia will go back to fishing in April. There are shortages of large, over 5 oz, product right now. With Canada done fishing expect to see Alaskan product stay strong until April.

TUNA: Good quality red tuna is in good supply. Most packers and importers are trying to find buyers for their product. The market is starting to creep down as supplies continue to arrive.