

# The Red Sheet

February 18, 2013

**BUTTER:** This week's Chicago Mercantile Exchange spot-cash Butter market had been stable at \$1.5550 for several trading sessions but had a breakout during this week's trading and moved up \$.0500/Lb. Exports of U.S. butter have been increasing. Milk production in the EU is declining, so there is less butter available for sales outside of Europe. Furthermore, the strong Euro and the relatively weak U.S. dollar has been making European dairy products less competitive in the rest of the world. While there may still be some upside in the CME spot-cash butter market, like cheese potential increases will probably be modest.

**CHEESE:** After several weeks of declining prices, the Block market has finally moved in an upward direction. There was a little more action on the Chicago Mercantile Exchange spot-cash cheese markets and at the end of the week the Block market had increased \$.0250/Lb. and the Barrel market increased \$.0700/Lb. The Block/Barrel spread [normally \$.0300-\$.0400/Lb.] is now at \$.0450/Lb., closer than it has been for several weeks. The overall cheese supply/demand situation hasn't fundamentally changed much to create a dramatic shift in the markets.

**EGGS:** Demand for shell eggs continues to soften and has fallen just below average for the first time in two months. Wholesale shell egg prices continue to decline on moderate to heavy supplies and offerings. Shell eggs are once again becoming a popular retail feature item.

**SOYBEAN OIL:** Range bound month to date (50.57 to 53.84) soybean oil closed +19 points on the week @ 51.62. Expected rains this week in South America will slow harvest/vessel loading in Brazil but save the Argentine crop from further deterioration keep production estimates from declines in the future. Futures pricing comparison for soybean oil: LY=\$0.5340lb; LW=\$0.5143lb; TW=\$.5162lb; YR CHNG = **-3.33%**

**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=\$14.135/Cwt LW=\$16.345/Cwt, TW=\$15.835/Cwt, YR CHNG = **+12.02%**

**FLOUR:** Wheat futures prices have dropped about twenty cents per bushel this past week. Some rain reached the hard red winter wheat crop, but much of Kansas was missed. Forecasts seem to call for better moisture across the drought stricken areas beginning next week. Futures pricing for a bushel of hard, spring wheat are: LY=\$8.2225/Bu, LW=\$8.3625/Bu, TW=\$8.235/Bu, YR CHNG = **+1.15%**.

**SUGAR:** Domestically, the market is very quiet. Domestic sugar supplies are plentiful and prices remain depressed.

Futures pricing comparison: LY=\$32.93/Cwt, LW=\$22.00Cwt, TW=\$20.33/Cwt, YR CHNG = **-38.26%**.

**IMPORTED OLIVES AND OIL:** Due to dry weather in Southern Spain, this years' olive crop is less than desirable. In addition to being several weeks late with no carryover from the previous year, the fruit is much smaller in size. This has forced pricing up dramatically on both Olives and Olive Oils. New price increases have been announced for March 1<sup>st</sup> on Green Olives of up by 5% and Olive oils of up by 6%.

**BALSAMIC VINEGAR:** Price increase for March of 3%. All products produced with Grapes are on the rise due to a short pack.

**CANNED WEST COAST FRUIT:** Canned Peaches, Pears, Mixed Fruits and Apricots are extremely tight with all suppliers raising prices significantly and putting distributors on allocation so as not to run out of product too early in the year. Most 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. Pineapple and Mandarin Oranges are readily available and a good alternative.

**DRIED BEANS:** While the market on Pinto Beans is fairly stable, there is a possibility of some price reductions in the short term. There are some growers offering spot buys on suspect quality product in the Triple Cleaned category. These suppliers are not equipped to pack Prewashed Beans and there is no guarantee being offered regarding foreign material.

**BEEF:** Boxed beef cutout values were steady to firm on light to moderate demand and offerings. Ribs and chucks were steady to firm, while the round cuts were weak. Loins were higher in the Choice grade and lower in the Select. Strength in the loin complex was mostly driven by Choice top butts. The entire Choice/Select spread was wider this week. Fed grinds rebounded and traded higher after several weeks of declining prices. There

was a large forward booking of fed ground chuck trading at firm prices compared to the spot market. A record tonnage was traded on the overseas export market correlating with Japan easing age restrictions on cattle. Beef trimmings remained steady this week on light to moderate demand and offerings. For the week: ribs slightly higher; chucks slightly higher; rounds lower; loins mixed. Beef trimmings barely higher. Fed cattle grinds were significantly higher while blended grinds were much lower.

**PORK:** the pork cutout was mixed this week with mixed increases and decreases across the complex. Bone-in loins were generally higher on a light week of trading. Boneless loins firmed up as well as packers positioned themselves earlier this year to prepare for the lack of demand during the Lenten season. Butts continue to fall as export demand is near nonexistent and domestic demand is light. Packers nervous of putting butts in the freezer took lower money and moved several large orders. Spareribs were generally steady this week as packers are continuing to put them in the freezer for summer sales. Hams lost money due to the lack of demand. Bellies were steady this week after losing substantial market value last week. The trimming complex is weak with a general lack of demand and processing interest. Boneless picnics continue to move lower as export demand for this continues to lack substance. For the week: Loins slightly higher; butts steady to lower; spareribs generally steady; hams lower; bellies steady; 42% trim steady; 72% trim lower; bnls picnics lower.

**CHICKEN:** Market conditions remain generally well positioned. Wings remain the most troublesome items on the sheet. Buyers are buying hand to mouth making discounting a must. Wogs and whole birds are supported in most areas. Whole breasts are in good shape overall. Drumsticks are limited and demand full market values. Tenders are starting to pose a problem on the sell side while boneless is trading at steady to stronger relative to current quotations. Chunk and trim remain tight and wanted.

**TURKEY:** As the week ended there is a lackluster undertone for the complex. Demand patterns are highly selective with offerings on most lines fully adequate. Exports are helping to firm up whole wings and drums while thigh meat remains unsettled to weak. Wing meat and scapula is well cleared. Breast meat and related lines are sluggish and easy to come by. Whole birds continue steady based on the current market. Some discounting of 2012 production can be found.

## **SEAFOOD**

**SHRIMP:** As you may have noticed we are seeing higher prices on most all of our shrimp items. There has been a major outbreak of EMS (early Mortality Syndrome) in South East Asia and many farmers have reported losing as much as 80% of their crop. They have been very reluctant to re seed their ponds until they can get this issue under control. Prices for raw material overseas are much higher now than current US inventory prices and continue to rise. Right now production is at its low point and will not reach a peak until June. Many plants in Thailand are only operating 3-4 days per week and only running 1 shift on those days. India will not resume production until April. Inventory levels in the US are very low and importers are scrambling to buy product from each other to meet customer demands. China and Vietnam have been buying heavily out of South America due to shortages in Asia and causing that market to go up as well. Prices on some sizes are up over \$1.00 compared to what we were paying in December. I feel confident we will not experience any major shortages but we will continue to see a firm market for the next 60 – 90 days.

**LOBSTER:** The large tail market is short (8 oz. and larger). 7-8 oz. tails will be the next size to feel price pressure followed by 3-4 oz. tails which were not produced in quantity from the recent South West Nova Scotia fishery. The meat market is steady with a firm undertone.

**SNOW CRAB:** New Alaskan snow crab should start to arrive in the lower states in late 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.