

The Red Sheet

March 4, 2013

BUTTER: This week's CME spot-cash Butter market was choppy with the market dropping early in the week and then recovering some of the early week losses by Friday, ending down \$.0150/lb. The same thing can be said about butter that's being said about cheese, there's a lot of inventory around the country. The Easter holiday is still ahead of us and from a retail sales viewpoint, stands out as a period of significant sales.

CHEESE: At the close of this week's Chicago Mercantile Exchange spot-cash Cheese market trading, Block cheese prices have plunged \$.0550/lb. and the Barrel price has plummeted \$.0700/Lb. The Block/Barrel 'spread' [typically \$.0300/Lb. - \$.0400/Lb.] has now narrowed to \$.0150/lb. Here's today's situation: ample milk supplies, more reports of expansion in the milking herd suggest strong production capability as we head into the heaviest milk production period of the year, more than adequate cheese stocks, domestic retail demand that can be described as 'lethargic', and an export market that is only modestly stirring. In the near term, these factors have been and will continue to be depressing to cheese market prices. That said however, in the next few months there is still a good chance that the direction of these markets will be higher.

EGGS: Demand for shell eggs remains in a slump despite a nearly 28% decline in average wholesale prices over the last four weeks. Whole shell egg prices are in a holding pattern ahead of the Easter Marketing period. Supplies are moderate but offerings are light to moderate. The Easter marketing period is now just 3 to 4 weeks away and the effects are beginning to be felt with inventories build in anticipation of consumer demand.

SOYBEAN Oil: May bean oil futures finished last week at 50.73, finished this week down 106 points @ .4967. Declines are due primarily to futures traders selling off positions due to the Sequestration Issues in Washington. Futures pricing comparison for soybean oil: LY=\$0.5376lb; LW=\$0.5035lb; TW=\$.4947lb; YR CHNG = **-7.98%**

RICE: Prices are moving up as there is currently no unsold rice in Texas or Louisiana. Suppliers are announcing price increases of as much as 5%. The average price of 100 Lbs. of bulk #1 rice, FOB the mill is currently \$26.50/Cwt. Futures pricing comparison for 100 Lbs. of rough rice: LY=\$14.265/Cwt LW=\$16.585/Cwt, TW=\$15.53/Cwt, YR CHNG = **+8.86%**

FLOUR: Wheat futures prices are down again this week as two major winter storms have covered virtually the entire drought affected winter wheat crop with snow. Wheat has lost a significant amount of value since turning lower in November. Futures pricing for a bushel of hard, spring wheat are: LY=\$8.2775/Bu, LW=\$8.0275/Bu, TW=\$8.1975/Bu, YR CHNG = **-.96%.**

SUGAR: Domestic sugar supplies are plentiful and prices remain depressed. Futures pricing comparison: LY=\$34.98/Cwt, LW=\$20.70Cwt, TW=\$20.43/Cwt, YR CHNG = **-41.59%.**

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. Shortages, especially of larger size olives, may occur sporadically. Prices will remain firm and will most likely continue rising till the new harvest in the fall.

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: The crisis in canned Peaches, Pears, Mixed Fruits and Apricots continues. Suppliers have raised prices significantly and have put 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 also readily available and a good alternative.

DRIED BEANS: Although the market has continued to be stable, we have been successful in achieving some price concessions that will be reflected in inventories shortly. 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 and/or quality.

MEAT

BEEF: For the week cutout values were higher on light to moderate demand and light offerings. Harvest numbers were down because of the large winter storm in Texas, Kansas, and Oklahoma that closed roads and forced packers to reduce hours or close plants. The reduced slaughter numbers helped drive the price of boxed beef higher. Chuck and round cuts exhibited the biggest gains on the session, trending higher for both Choice and Select. Select rib and loin cuts also trended higher, however Choice rib and loin items were generally steady. Fed and blended lean grinds were steady to firm while fatter grinds trended higher. The forward sales market revealed a large consignment of Fed ground chuck priced firm when compared to the spot market. Beef trimmings were higher on light to moderate demand and light offerings. For the week: ribs higher; chucks higher; rounds higher; loins steady to slightly higher. Beef trimmings higher. Fed cattle and blended grinds mostly steady to slightly higher for lean product, while fatter grinds sharply higher.

PORK: Another winter storm created a hindrance to trade this week. With tightening supplies from the winter storm packers attempted to push the lighter volume of product to higher price levels. Harvest numbers moved higher by mid to late week and an excessive strain on an already struggling demand curve and late week prices were reflective of this issue. Both bone-in and boneless loins moved lower at the end of the week and butts, which have been a drag on the cutout for the last couple of weeks, continue to be an issue as domestic and international demand is very weak. Packers have had to limit the number of butts that are being boned for export and have put excess bone-in butts on the domestic market. Spare rib sales were steady this week. Packers began to push for higher prices last week in the hope that spare rib sales will begin to increase in the long ramp up to summer. Easter ham processing is wrapping up and ham prices reflected the excess of hams on the market. Bellies continue to move at market basis as the winter storm early in the week help clean up some excess offers by packers. Trimmings were very lightly tested this week. As with bellies, the winter storm allowed packers to clean up some excess product early in the week and asked generally steady money by the end of the week. Boneless picnic prices increased this week as lower values sparked some interest for

exporting this item. For the week: Loins steady to barely lower; butts mostly lower; spareribs steady; hams lower; bellies steady; 42% trim steady to slightly lower; lean trim not tested; bnl picnics higher.

POULTRY

CHICKEN: The complex continues in a relatively balanced position at the week's end. Active demand is noted early which has led sellers of most items to price in confidence as supplies remain in check. Wogs and whole birds continue to be very tight and sought after with elevated price points reported once again today. Dark meat lines are also active. Boneless is rated about steady to steady overall. Tenders are in a similar position. Wings are coming into balance especially considering their tone from a few weeks earlier.

TURKEY: Trade activity is quiet at the end of the week after good activity earlier this week. Bookings of drums, wings and necks continue to take place at supported values and some premiums for near future shipments. The undertone to whole birds is better. Offerings are held for listed values or higher and trade sentiment is improved in the wake of last week's bonus turkey buy. Breast meat is easy whether tom, hen or breeder. Regular demand or that which is contracted continues to be steady but spot interest is negligible. Thigh meat supplies are adequate for steady demand. Bid prices still trend below listed quotations. Wing meat is mixed based on irregular market activity. Breast trim is barely adequate for needs.

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.