FLOUR FACTS

Information Provided by General Mills Bakery Flour
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OCTOBER 7, 2011

Weekly Market Highlights

- Wheat futures prices are lower this week, lacking support in the wake of the USDA's forecast which showed higher than expected stocks of wheat.
- Basis levels are higher, as wheat coming to market has slowed. Producers are occupied with their fall crop harvest, and it may take higher prices to pry spring wheat from storage.
- U.S. wheat remains at a premium price on the world market. Large stocks in Canada could limit our export sales as well.
- Winter wheat crop prospects improved somewhat with recent rains, but planting and germination are still running well behind the five-year average.
- These factors could indicate continued downward pressure on futures, but it is important to see where corn prices will go. Spring wheat basis volatility is likely to keep everyone guessing.

Facts on Flour

Flour Pricing Components

Flour prices are influenced each day by three rather independent and potentially volatile components.

The first component, wheat future prices, forms the base from which actual wheat prices are derived. Futures are standardized, tradable contracts. Parties swap pieces of paper, obligating them to make or take delivery of wheat some time in the future.

The second component is cash basis. The basis serves to adjust the futures price to better represent the actual cost of delivering wheat to the mill. It also adjusts for the specific grades and quality the miller needs. The basis combined with the futures represents the actual price the miller pays to supply wheat to the mill.

The third component is millfeed. Because just under 80 percent of the wheat kernel can become flour, the flour mill must deal with a by-product referred to as millfeed or millrun. The price that mills receive for by-products is treated as a credit against the cost of the wheat and reduces the price of the flour to customers.

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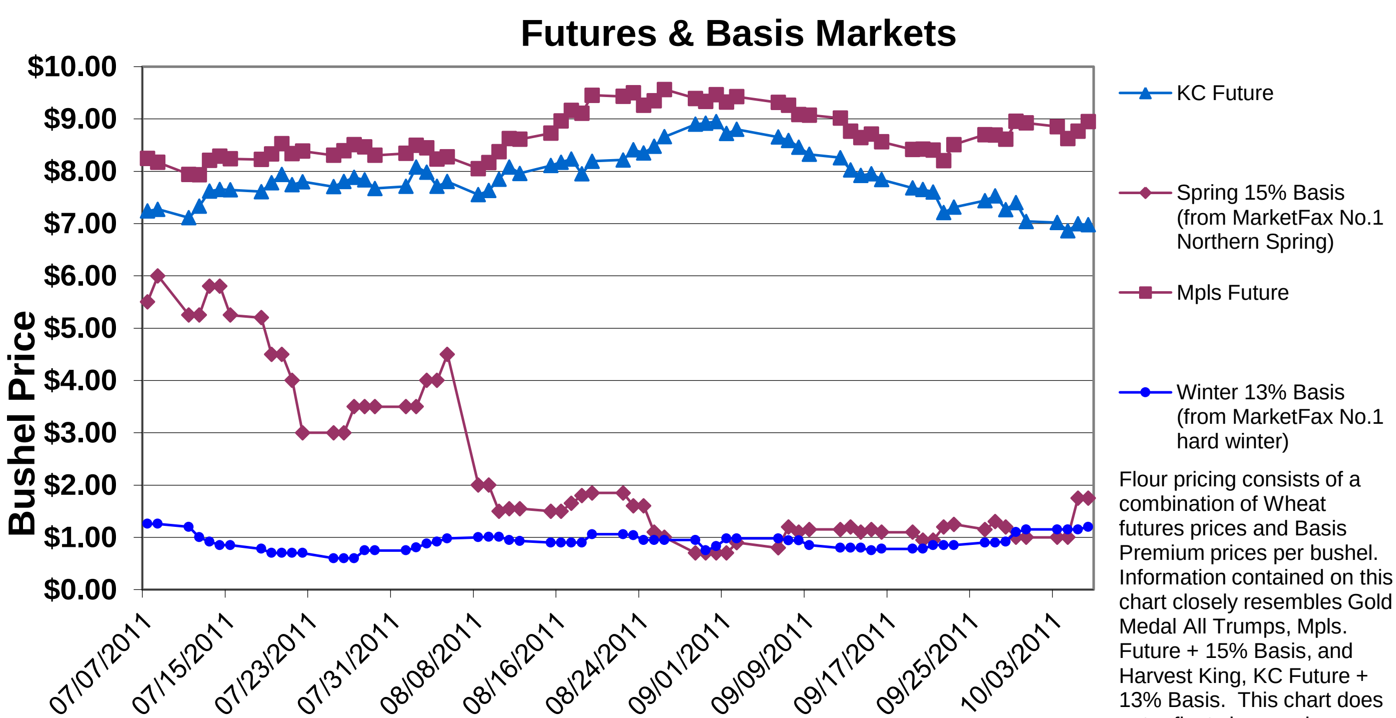

Flour pricing consists of a combination of Wheat futures prices and Basis Premium prices per bushel. Information contained on this chart closely resembles Gold Medal All Trumps, Mpls. Future + 15% Basis, and Harvest King, KC Future + 13% Basis. This chart does not reflect changes in millfeed values.

This Chart is meant to indicate Market Direction Only.

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Brenda Mengelkoch at 763-293-1149 brenda.mengelkoch@genmills.com