



FLOUR FACTS

Information Provided by General Mills Bakery Flour
www.gmflour.com • www.pillsburybakery.com



OCTOBER 20, 2011

Weekly Market Highlights

- Wheat futures are quiet this week after the USDA report indicated higher-than-expected ending stocks and close-to-record world wheat production.
- Basis levels are flat due to very little wheat moving as farmers are busy with harvest and not offering much for sale.
- Recent rains have helped planting conditions but much more rain is needed to end extreme drought conditions. The Kansas winter wheat crop is a little ahead of the averages with at 84% planted. Texas is at only 52% planted, falling behind by 20%.
- Corn is the driver in the market as wheat has little reason to rally. Higher corn prices inspired world corn production.
- Slow to below normal U.S. export levels will add to U.S. carryout, offering no support to the market.

Facts on Flour

The Truth About Futures

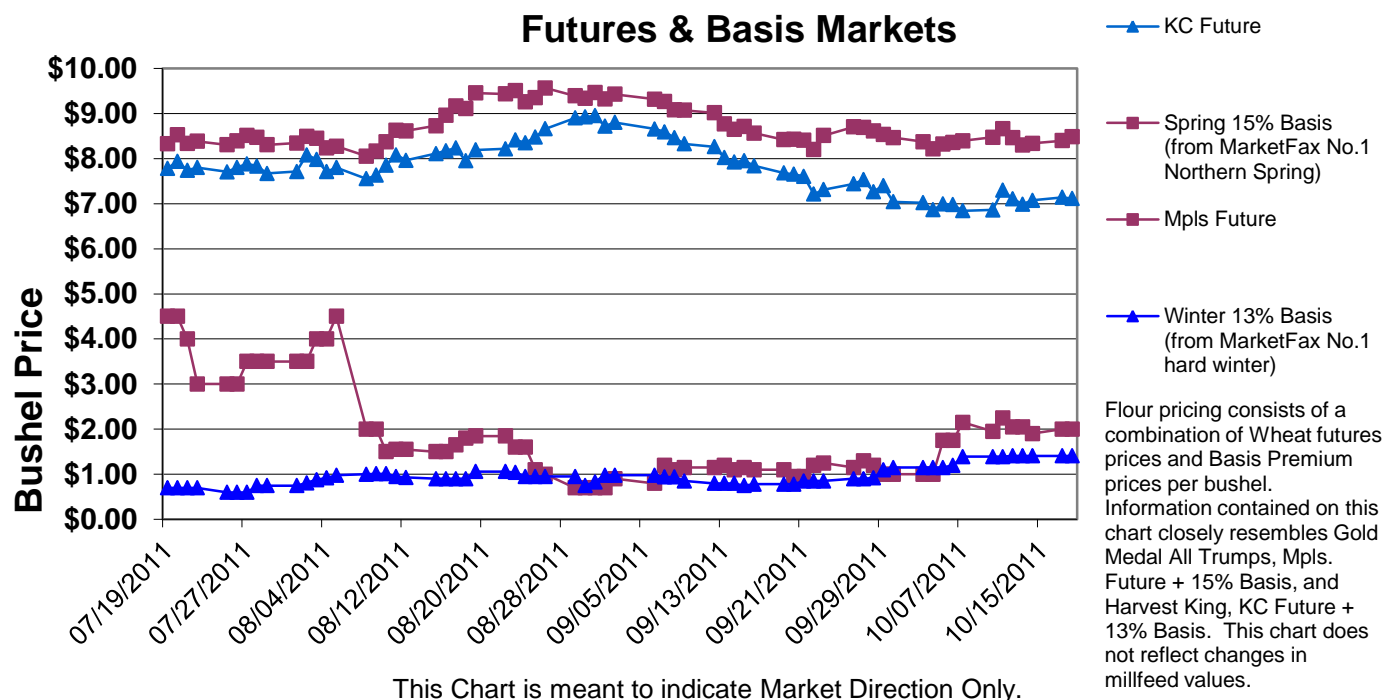
While even the most experienced traders are, at times, befuddled by the apparent chaos and volatility amid the noise and confusion, the workings of the grain futures markets are actually rather orderly, highly regulated and very important to the efficient function of the grain and milling industry.

Futures satisfy three very critical economic needs;

- 1) Price determination in a fair and open marketplace where all participants have equal access.
- 2) Allocation of grain supply over the entire crop year.
- 3) Risk avoidance for mills and other participants through “hedge” positions that “insure” against decreases in the value of stored grain.

In the absence of futures markets, grain and flour prices would almost certainly be determined less honestly and efficiently. Supply and prices would be less consistent since there would be no way to encourage sellers to defer grain sales to “future” positions during times of surplus, and, grain traders, millers and buyers of flour would shoulder huge risk in owning wheat and flour.

◇ ◇ ◇



To add names to our distribution list, or if you would like to receive Flour Facts via e-mail, contact:

Brenda Mengelkoch at 763-293-1149

brenda.mengelkoch@genmills.com