



FLOUR FACTS



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

OCTOBER 27, 2011

Weekly Market Highlights

- Wheat futures prices dropped slightly this week, but basis levels move higher each day producers fail to increase the amount of wheat they bring to market.
- Adequate storage is available for farmers frustrated by prices that have fallen far from their expectations to wait and see if they will move higher.
- U.S. wheat prices are well above those of the competition for export sales. Russia and the Ukraine will have 3 to 4 times more wheat to sell than they did last year.
- USDA crop ratings for recently planted winter wheat are very close to those last year. Recent rains have helped, but subsoil moisture is scarce and more is needed especially in Texas and Oklahoma.
- Corn prices, drought conditions in the Southwest and external financial market news will continue to heavily influence what we pay for wheat.

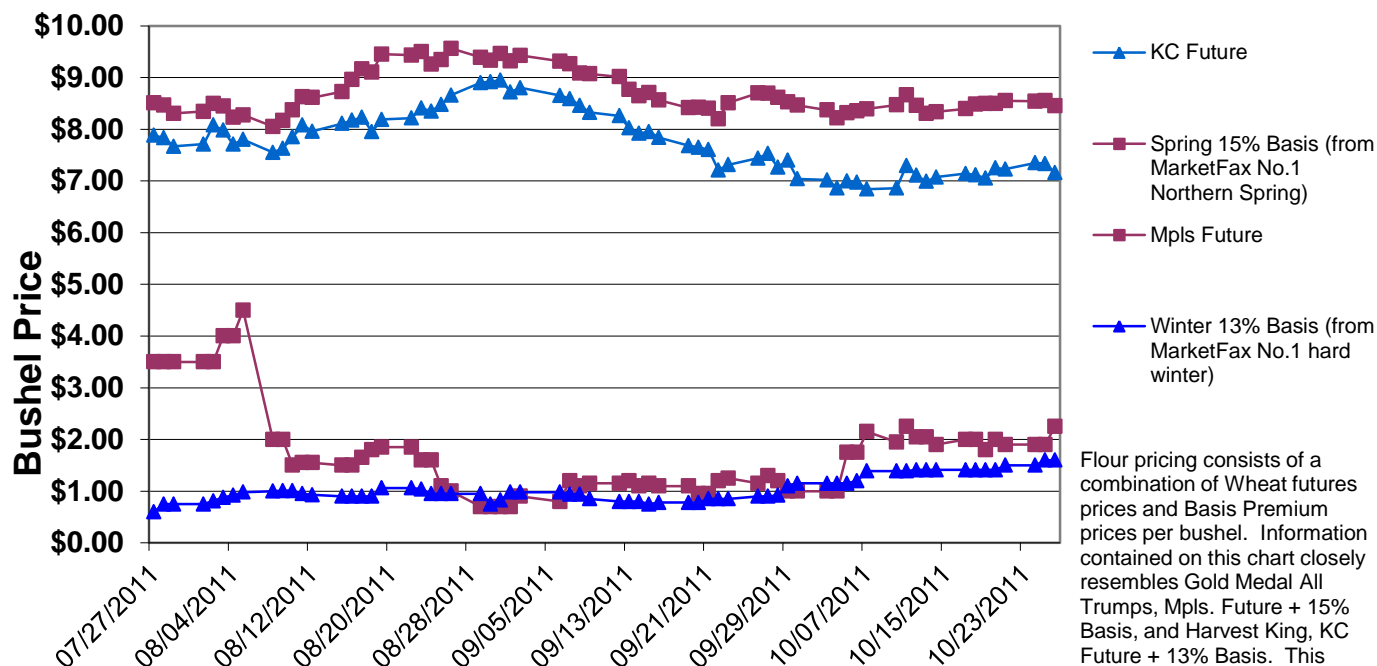
Facts on Flour

The Impact of Millfeed

Have you ever looked in the wall street journal and saw the futures price of wheat falling but the price of flour remains the same or even rises? Part of the reason can be falling millfeed pricing. When we mill wheat we utilize the entire wheat kernel. Approximately 75% is flour but the remaining portion is sold as animal feed. This animal feed, or millfeed as we call it, competes with other feed ingredients such as corn. If corn prices are low (almost half of all corn grown is used as animal feed) millfeed prices will also be low. That "credit" that we get by selling the millfeed will not be as great thus forcing the price on the flour to go up. Conversely if corn, or other feed ingredients are higher priced we get a better millfeed recovery which offsets more of the price of the wheat thus lowering flour prices.

◇ ◇ ◇

Futures & Basis Markets



This Chart is meant to indicate Market Direction Only.

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