



# FLOUR FACTS

Information Provided by General Mills Professional Baking Solutions  
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## Weekly Market Highlights

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- Wheat futures prices have moved lower in their last two sessions.
- High protein spring wheat basis prices are lower; reports are that bitter cold winter temperatures have not slowed rail performance.
- Drought conditions for the winter wheat crop continue to worry the market. Much of the crop is lacking the protection of snow cover and forecasts are not calling for an increase in moisture.
- Russia's crop sustained some damage as well; speculation is they may have lost 9% of their winter wheat to cold weather.
- While concerns remain it will be March and April weather that will determine the ultimate size of the crop, stocks are adequate and prices are not expected to move higher due to these concerns.

## Facts on Flour

### Flour Pricing Components

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

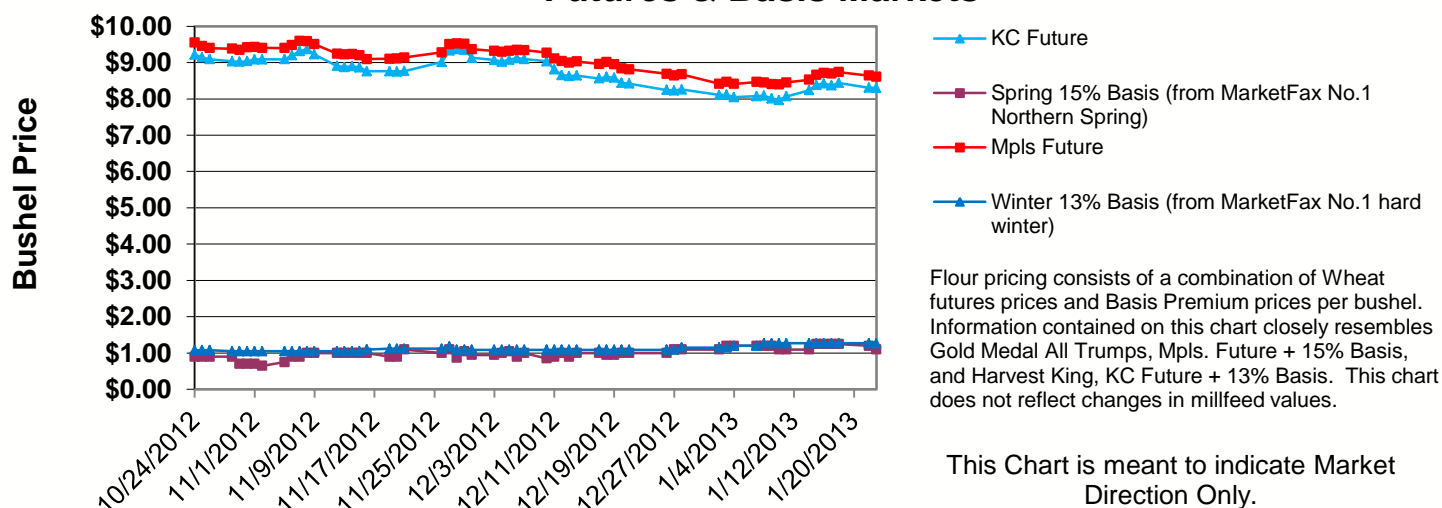
The first component, wheat future prices, forms the base from which actual wheat prices are derived. Futures are standardized, tradable contracts. Parties swap pieces of paper, obligating them to make or take delivery of wheat at some time in the future.

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 represent 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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## Futures & Basis Markets



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