



FLOUR FACTS

Information Provided by General Mills Professional Baking Solutions
ProfessionalBakingSolutions.com



Weekly Market Highlights

OCTOBER 3, 2013

- Wheat futures prices are nearly thirty cents higher since our last report.
- Basis premium prices for high protein spring wheat have increased nearly as much.
- The hard red spring wheat harvest is nearly complete. Quantity and quality are good, but protein is less than last year and could become more expensive over time.
- The winter wheat crop harvest is nearly 40% complete. This crop has suffered under drought conditions most of the summer and will be much smaller than last year's crop. Stocks are expected to be tight, and winter wheat is expected to be expensive for another year.
- The government shut down prevents U.S. crop reporting, but Canadian reports, which are due tomorrow, could influence prices.

Facts on Flour

Flour Pricing Components

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

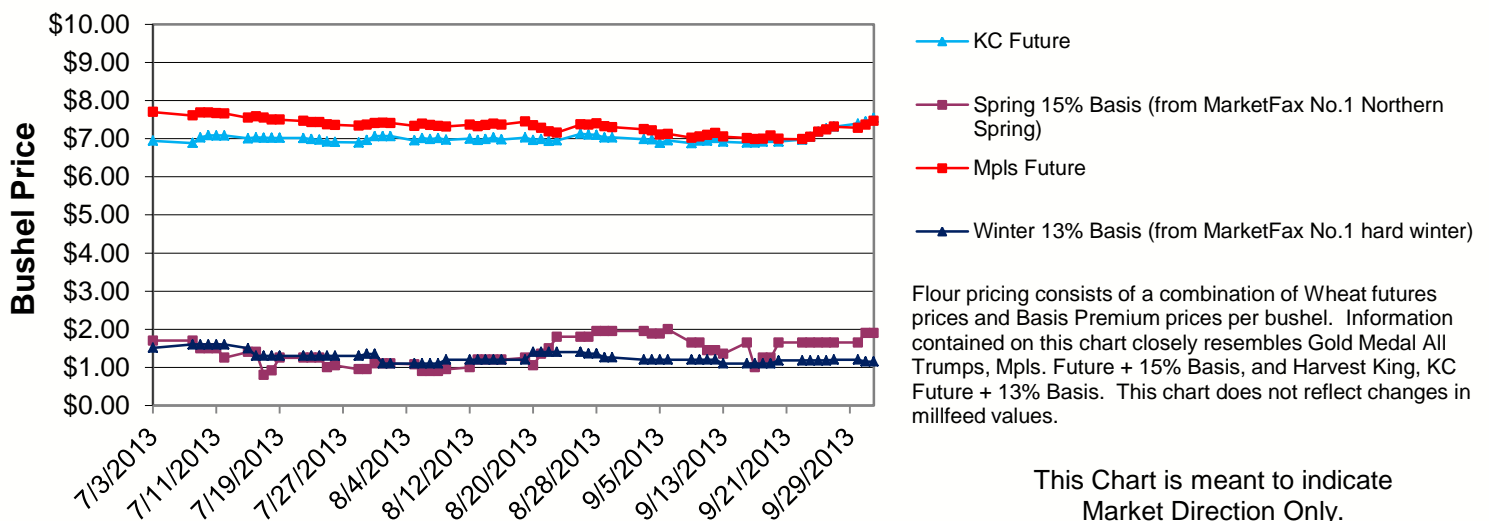
The first component, wheat future prices, forms the base from which actual wheat prices are derived. Futures are standardized, tradable contracts. Parties swap pieces of paper, obligating them to make or take delivery of wheat some-time in the future.

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, 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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Experience inspires confidence.

