



FLOUR FACTS

Information Provided by General Mills Professional Baking Solutions
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Weekly Market Highlights

JUNE 17, 2014

- Wheat futures prices are close to where they were in our last report.
- Spring wheat basis premium prices were higher on medium protein, but mostly unchanged for the higher protein levels.
- Millfeed values have fallen sharply in the past few days, which will likely lead to an increase in flour prices. Reasons for the fall in value are seasonal in part, as animals return to pastures in many areas.
- China's announcement that it would stop accepting dried grains that it has recently been purchasing also caused values of millfeed to decline due to decrease in demand for like products.
- Winter wheat harvest is moving into Kansas at last. Rail transport is still not what it should be.

Facts on Flour

Flour Pricing Components

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

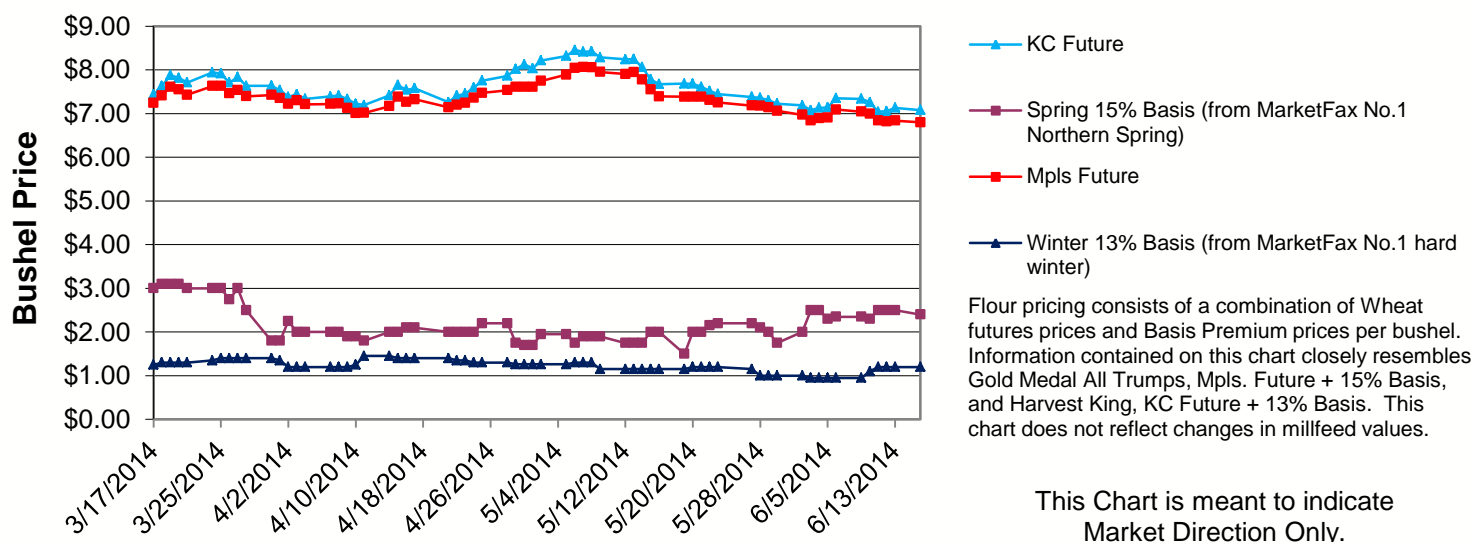
The first component, wheat future prices, forms the base from which actual wheat prices are derived. Futures are standardized, tradable contracts. Parties swap pieces of paper, obligating them to make or take delivery of wheat some time in the future.

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.

