



# FLOUR FACTS

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

JULY 3, 2014

- Wheat futures prices fell further this week. Basis for winter wheat was firm; spring wheat basis is sharply higher.
- Monday's USDA reporting prompted futures prices for corn, soybeans and wheat to move lower, especially soybeans. According to the reports acres planted to spring wheat were previously underestimated by more than a million acres.
- The winter wheat crop harvest should make terrific progress this weekend if the weather holds. Kansas is expected to harvest about the same amount of wheat as last year, but conditions there have been far from ideal for harvesting wheat.
- U.S. wheat prices are not competitive on the world market, but producers are not pleased with falling futures prices, leaving the basis to move higher to draw wheat to market.
- Logistical problems moving wheat continue to support the spring wheat basis and flour prices and may for some time. Many crucial points for rail movement are affected by flooding, causing major delays in mill deliveries.

## 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.

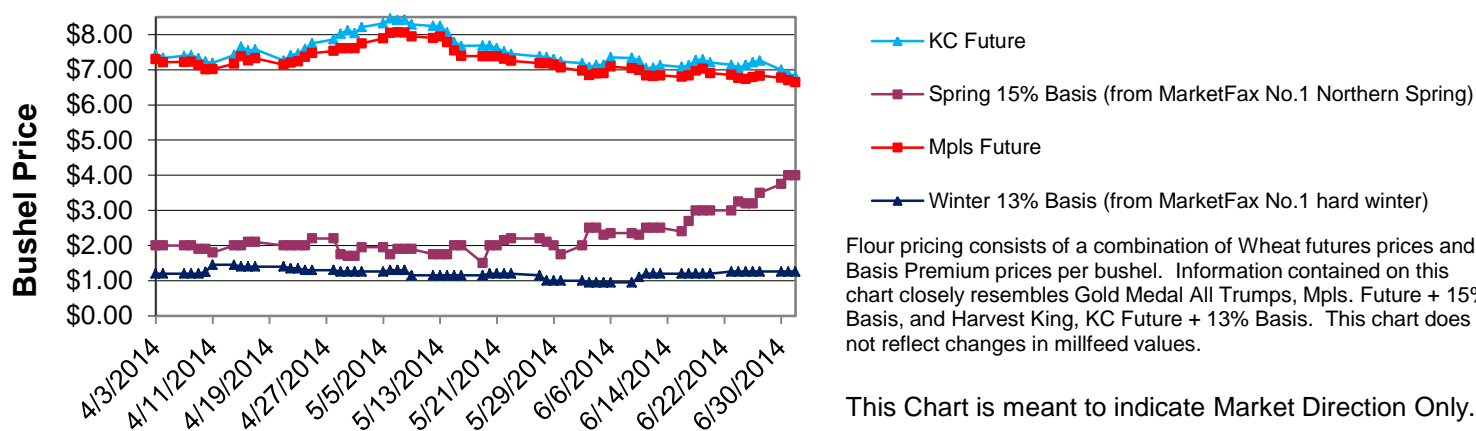
Futures satisfy three very critical economic needs;

- Price determination in a fair and open marketplace where all participants have equal access.
- Allocation of grain supply over the entire crop year.
- 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.

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## Futures & Basis Markets



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