



# FLOUR FACTS

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

JULY 10, 2014

- Lower wheat futures prices were offset by higher basis premiums again this week. Millfeed values continued to decline in part following corn prices lower, and also due to lack of demand from a very small U.S. cattle herd.
- The winter wheat harvest will soon be complete. This year's drought-stressed crop is showing a very high average protein, which could increase the cost of lower-protein hard red winter wheat in the longer term.
- The spring wheat crop is in very good condition, recent warmer weather was welcome. Severe storms will have taken their toll, but it will be difficult to quantify the damage much before harvest time.
- Logistical snarls continue. Dismal rail performance may be a constant in our commodity markets for years to come.
- Futures prices declining in an effort to compete for a share of the world's export demand are no incentive for farmers to sell. This could lead to continued volatility, especially basis volatility

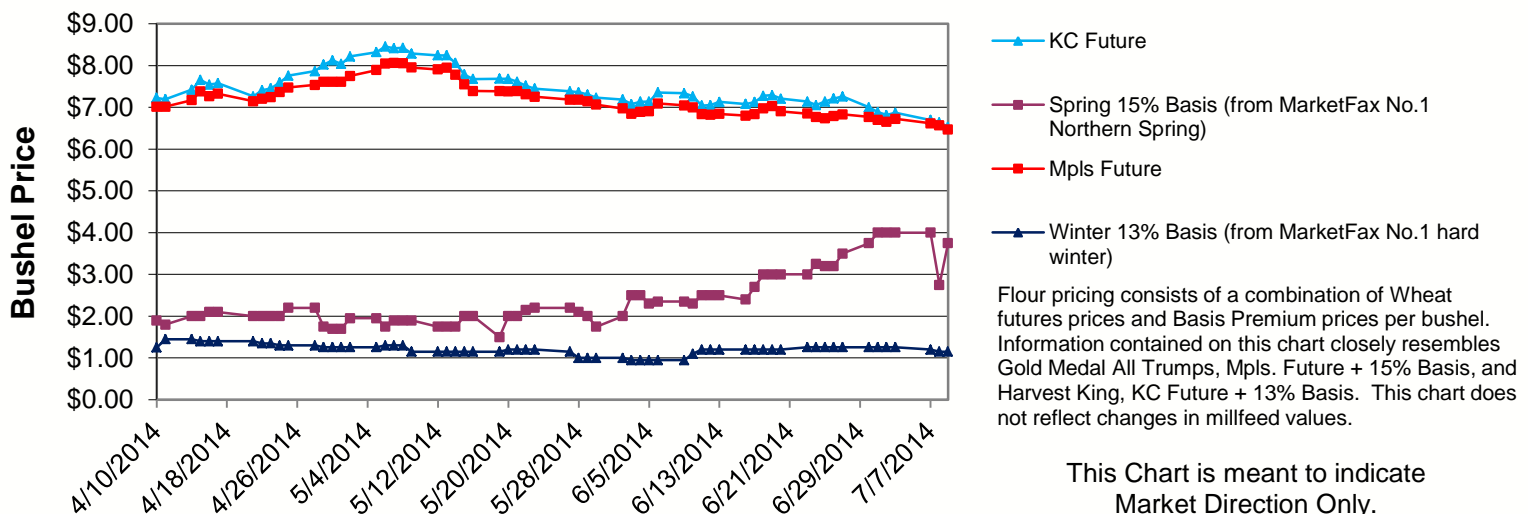
## Facts on Flour

### 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 cost of the wheat thus lowering flour prices.

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## Futures & Basis Markets



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