



FLOUR FACTS

Information Provided by General Mills Foodservice
GeneralMillsCF.com



Weekly Market Highlights

OCTOBER 1, 2015

- Wheat futures prices reacted by closing higher yesterday and now are unchanged from last week.
- Yesterday's USDA report surprised the market by reporting wheat stocks below trade estimates, lending support to futures.
- Basis premium prices are firm to higher which is common this time of year when producers are busy with harvest and it sometimes takes higher cash wheat prices to bring the wheat the mills require to market.
- With an excellent quality spring wheat crop in the bins attention turns to planting of this year's winter wheat crop. Planting is more than 20% complete, soil conditions though dry in spots are seen as better than some recent years.
- Many who follow the wheat markets are expecting pricing to fall in a narrow range; we are currently in the lower to middle portion of this range. If there are no worsening world weather conditions we expect some pricing movement but not dramatic swings.

Facts on Flour

Flour Pricing Components

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

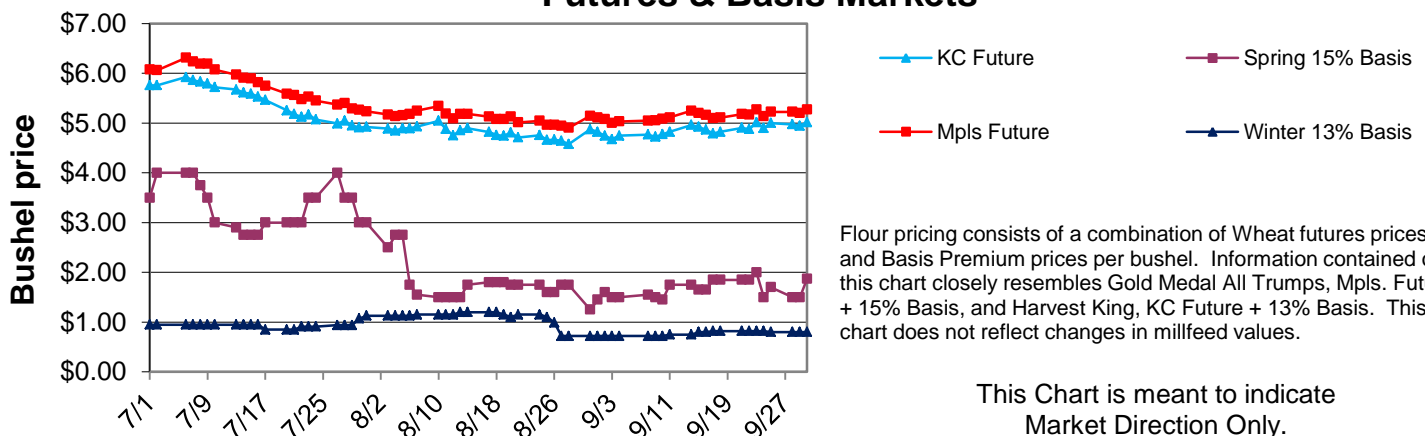
The first component, wheat future prices, forms the base from which actual wheat prices are derived. Futures are standardized, tradable contracts. Parties swap pieces of paper, obligating them to make or take delivery of wheat some time in the future.

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.

◇ ◇ ◇

Futures & Basis Markets



General Mills Foodservice is your trusted partner in baking – providing quality products, innovative business solutions and technical support to baking professionals. With product solutions for cakes, pizzas, bagels and breads, we're backed by trusted brands and recognized industry experts to offer a holistic approach to build your business.

Experience inspires confidence.

