



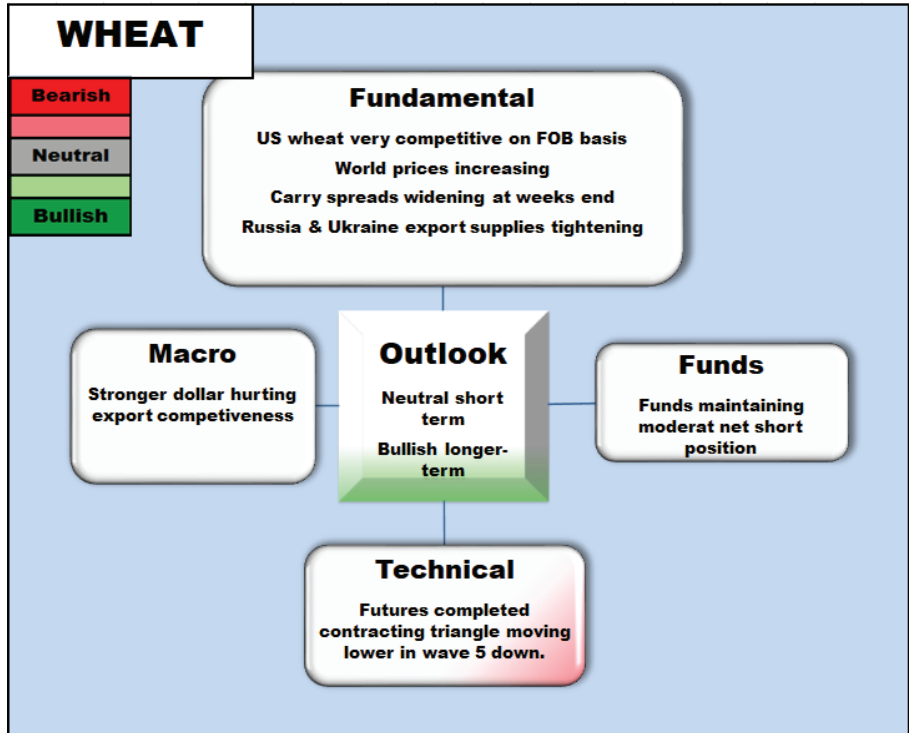
Trilateral Bakery Report

February 19, 2019

Recommendations

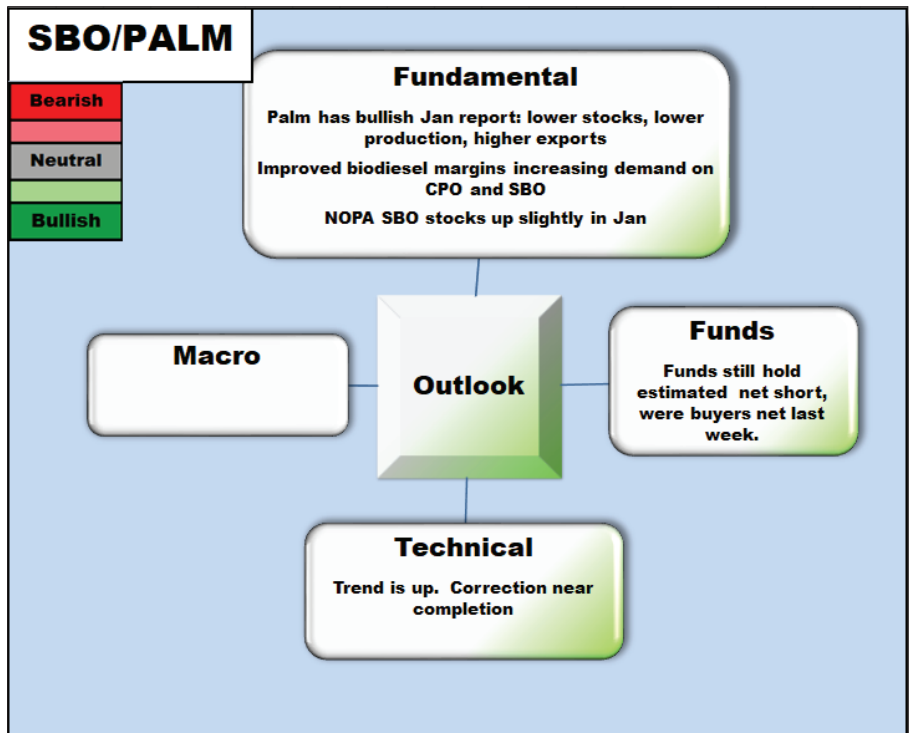
Wheat

Coverage should be through Q3 and recommended to start scaling in Q4.



Edible Oils

Edible oil coverage recommended for balance of 2019 at current historically low prices.



Market Highlights



Wheat

- Stronger dollar, loss of tenders send futures lower
- Exports continue disappointing performance
- Single-digit temps hit much of KS and NE, without the benefit of snow cover in some areas.

[Read detailed recap](#)



Oils

- Palm stocks drop on lower production and sharply higher exports
- SBO stocks at the end of January came in slightly below trade expectations

[Read detailed recap](#)

Market Recap

Wheat

Wheat futures, led by Chicago and Kansas City contracts, fell sharply Thursday.

Chicago July futures broke solidly through a strong 5.19 to 5.17 support region that had been tested numerous times since November.

There will no doubt several sell stop orders around that level that propelled the market lower into additional standing sell stop orders.

Supporting the sell-off included news that the EU had become priced under U.S. HRW at the Gulf in tandem with the US missing out on a number of recent tenders. A rise in the dollar in February was instrumental in contributing to the fall from being globally cheapest FOB.

HRS futures also dropped, but not nearly so much as its inverted Mar-May spread and weather related transportation issues continue to add price support.

Minneapolis wheat remains the only wheat market trading above key moving averages.

Prior to Thursday, the fact that wheat futures were holding relatively steady in the shadow of last week's bearish USDA WASDE report was an encouraging sign for wheat.

Moreover, bullish carry spreads in all three markets and strengthening Gulf basis also hinted at latent bullish outlooks.

Speculation abounds that Russia is near a threshold at which it will pull back from the export market. But that has been a long-standing wish that is yet to materialize. Matt Ammermann, commodity risk manager with INTL FCStone said, "News the Russian government does not plan restrictions on grain exports is weakening wheat as competition from Russia remains even though Russia is losing competitiveness. U.S. wheat exports have been recovering [up until Thursday] but more demand is still needed."

The lowest winter wheat acres in 110 years will be a supportive influence heading into spring, but the balance sheet is not outright bullish without yield adversity.

After very cold temperatures spread across KS and NE two weeks ago, with much of the area not having a protective snow cover, traders will again be keeping an eye on some very frigid temperatures February 25 to February 28, and the potential winterkill threat that it poses to parts of KS and NE

[See wheat technical, protein premium and millfeed charts and tables](#)

Oils

SBO and palm supply and demand reports last week lent support to the recent uptrend in global edible oil markets.

The Malaysian Palm Oil Board's January report on production, exports and stocks showed January stocks eased back from a near two-decade high at end-December as demand increased amid falling production. Although the stocks still hovered just above 3 million tonnes, stocks in Malaysia declined for the first time in eight months, falling 6.7% to 3.001 million tonnes. December's level at 3.22 million tonnes was the highest ever in data going back 20 years.

Malaysian palm production was down 3.9% m/m and exports were stronger, up a very large 21.2% m/m and 13.8% higher y/y.

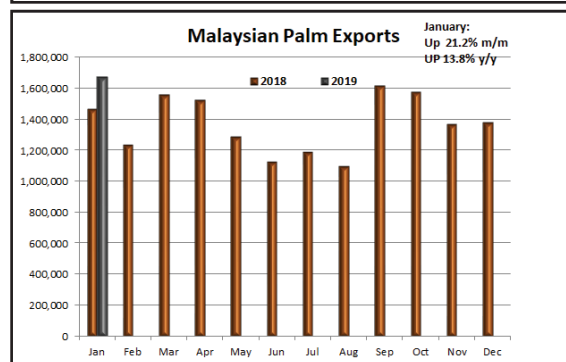
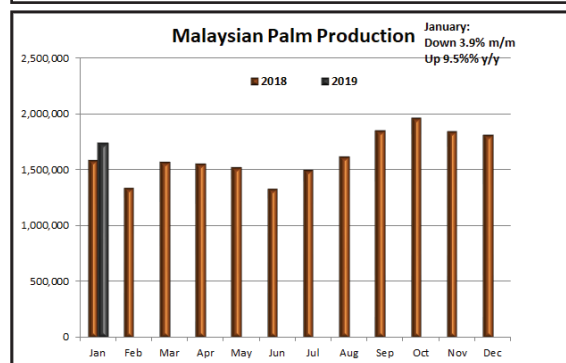
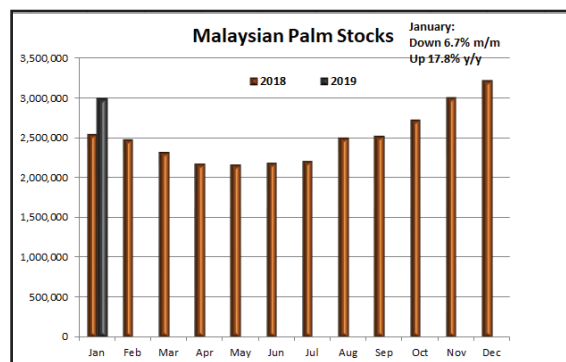
NOPA's report showed January was the fourth largest crush for any month on record and the biggest ever for the first month of the year, topping most trade estimates. SBO stocks at the end of January came in slightly below trade expectations at 1.549 billion pounds. That was up from stocks totaling 1.498 billion pounds at the end of December but below a year earlier when stocks hit 1.728 billion

Market Recap cont.

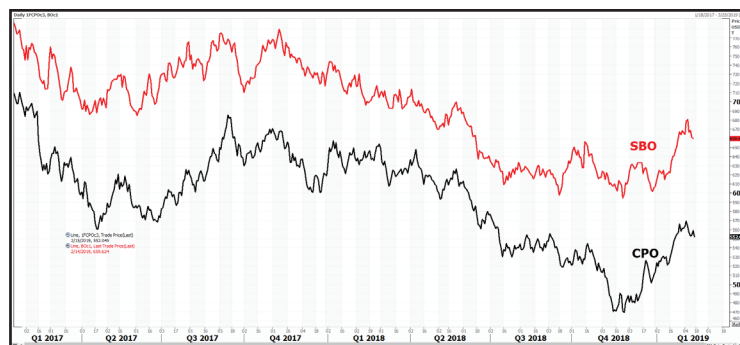
pounds. Analysts, on average, had projected stocks at 1.566 billion pounds. It was the second straight monthly stocks buildup following seven consecutive months of declines.

The USDA's delayed November report showed SBO stocks down m/m once again, down 7% from October. Based on estimated exports for the month, economists at RJO estimated November soybean oil domestic usage was up nearly 15% from last year. The increase in SBO consumption has been attributed primarily to use for biodiesel, which was up 9.8% y/y last year and up 26% over two years.

[See oils charts and tables](#)



| SBO-NOPA January Crush | |
|-------------------------|-----------|
| Production | 1,993,382 |
| M/M % production change | -0.7% |
| Y/Y % production change | 6.2% |
| Stocks | 1,549,169 |
| M/M % stocks change | 3.4% |
| Y/Y % stocks change | -10.4% |



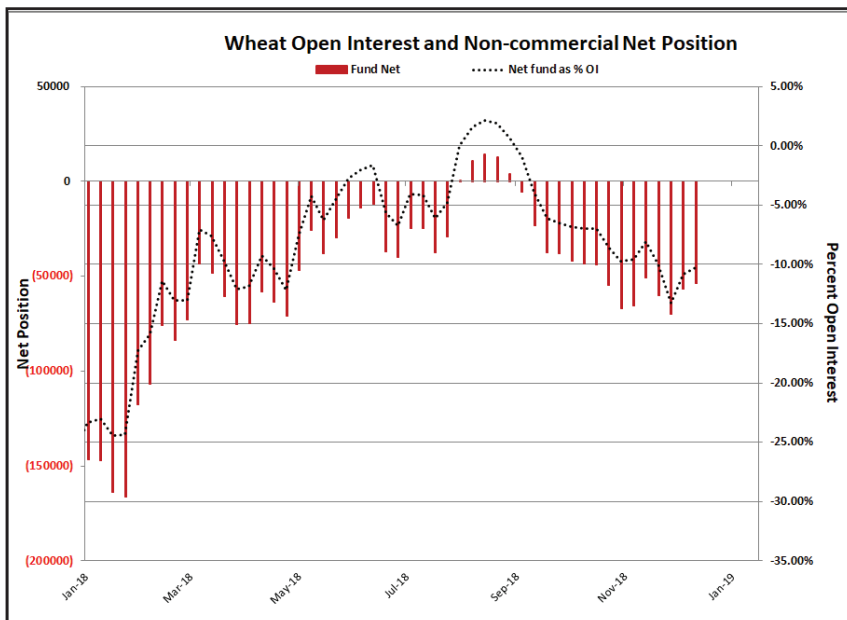
Wheat Charts and Tables

Technical Outlook



- As predicted last week prices broke out of a five-wave contracting triangle to the downside in wave 5. Because triangles precede the final move of a sequence, this should be the final five-wave leg lower, to be followed by a move higher.

Money Flow



Protein Premiums

Soft Red Winter: St. Louis-area mill bids for nearby were 25c to 30c over Chicago March, unchanged. Chicago mill bids were 10c over Chicago March, unchanged. Toledo mill bids for nearby were 15c over Chicago March, unchanged; new crop, 10c over July. Elevator bids were 5c under Chicago March, unchanged. Cincinnati elevator was not taking wheat nearby; new crop bid was the Chicago July price. Michigan white wheat mill bids were 10@20c over Chicago March; soft red wheat mill bids also were 10@20c over March. Gulf bids on soft red winter wheat for February were 93c over Chicago March, up 1c.

Hard Red Winter: Premiums on hard red winter wheat in Kansas City were unchanged following mixed adjustments seen earlier in week. Basis undertone was said to feel a bit weaker. Nevertheless, standing out for the week thus far was an 8@10c-abu hike across the middle third of the protein scale.

Railroads were falling behind in placing rail cars and completing shipments partly due to spillover from weather-related slowdown across northern Plains.

Hard Red Spring: Premium changes for hard red spring wheat in Minneapolis were mixed over the past week.

According to Dec. 1 wheat stocks data contained in the delayed quarterly Grain Stocks report issued Feb. 8 by the National Agricultural Statistics Service of the U.S. Department of Agriculture, 76% of all wheat stored on farms on Dec. 1, 2018, was held in the four northern Plains states of Minnesota, North Dakota, South Dakota and Montana. Bottom line was growers had a lot of wheat to sell before the next crop is sown but also had a lot of storage to hold the grain. Choice milling hard amber durum as quoted at Chicago rail gateway for delivery beyond was nominal \$7.30 a bu, down 5c.

As of February 15, 2019

KCBT Wheat Protein Premium Scale

The following hard red/soft winter wheat scale is in cents per bushel, basis KCBT Mar futures, according to billing and quality. Source: KCBT Cash Grain Committee.

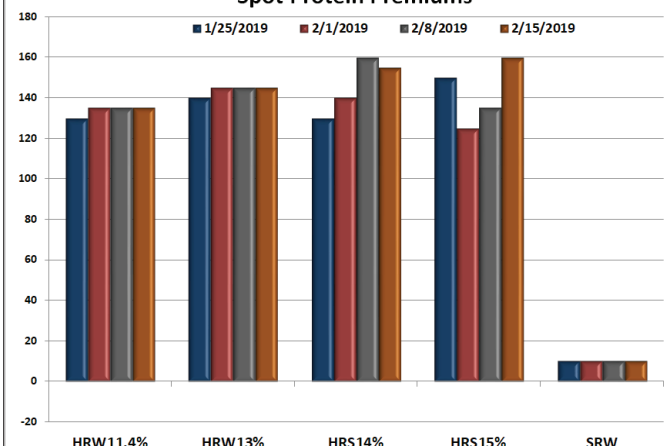
| | | |
|-------------------|-----------|-------|
| 11.0% | 115-130 H | ..... |
| 11.2% | 116-131 H | ..... |
| 11.4% | 120-135 H | ..... |
| 11.6% | 120-135 H | ..... |
| 11.8% | 130-145 H | +10 |
| 12.0% | 130-145 H | +10 |
| 12.2% | 130-145 H | +10 |
| 12.4% | 130-145 H | +8 |
| 12.6% | 130-145 H | +8 |
| 12.8% | 130-145 H | ..... |
| 13.0% | 130-145 H | ..... |
| 13.2% | 130-145 H | ..... |
| 13.4% | 130-145 H | ..... |
| 13.6% | 130-145 H | ..... |
| 13.8% | 130-145 H | ..... |
| 14.0% | 130-145 H | ..... |
| SRW basis Chicago | +10 H | ..... |

MWE Wheat Protein Premium

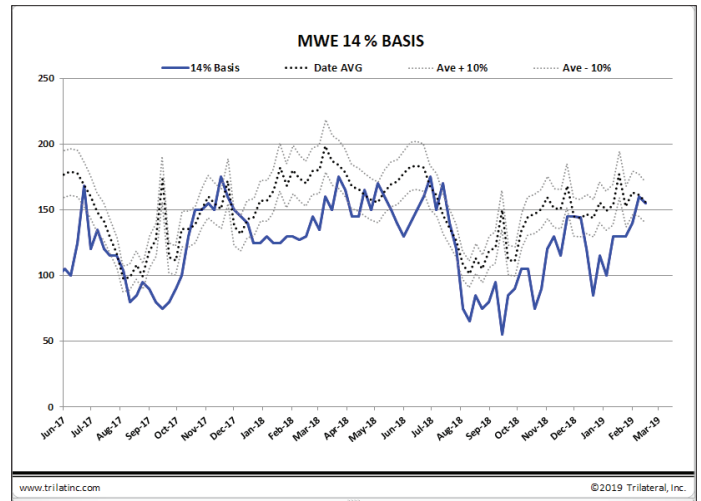
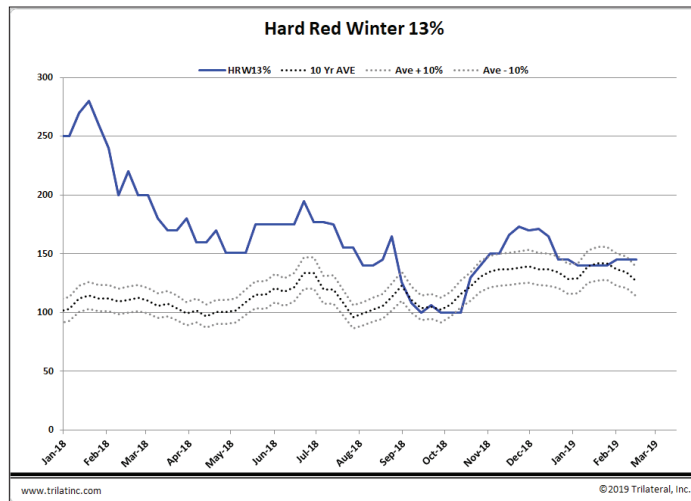
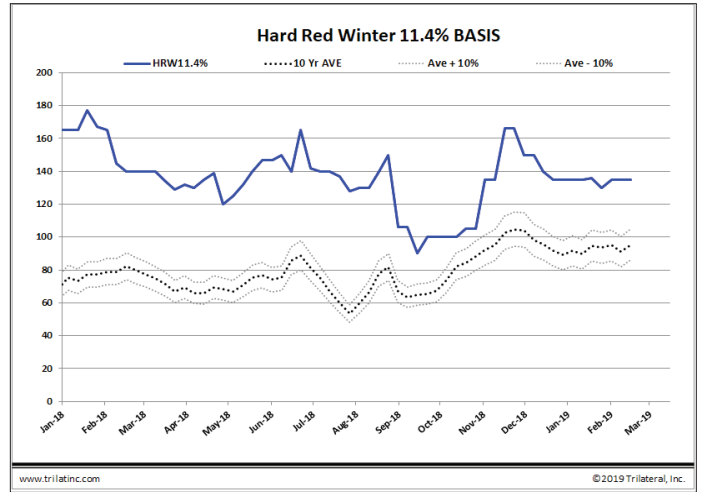
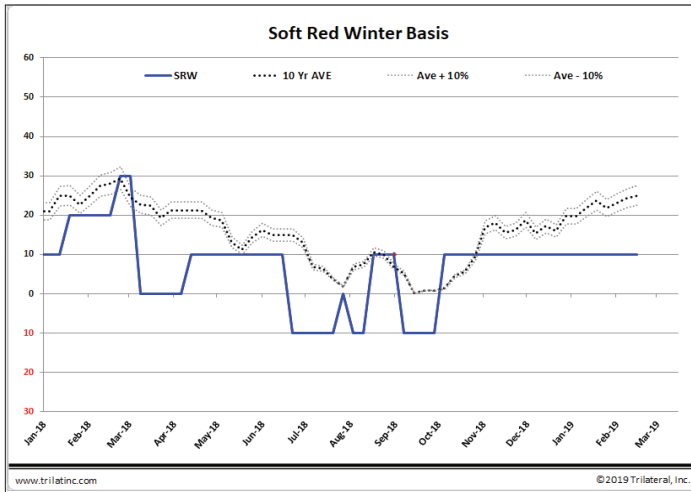
The basis is for US 1 Milling Quality Only. Milling Quality is defined as 300 or better Falling Numbers; 58 lbs or better test weight; 13.5 Pct or less moisture; 1.5 Pct or less Damage; 1.5 Pct or less Dockage and 2.0 ppm or less vomitoxin.

| | | |
|-------|-----------|-------|
| 13.0% | 120-120 H | ..... |
| 14.0% | 155-155 H | -5 |
| 15.0% | 160-160 H | +25 |

Spot Protein Premiums



Protein Premiums cont.



Millfeed

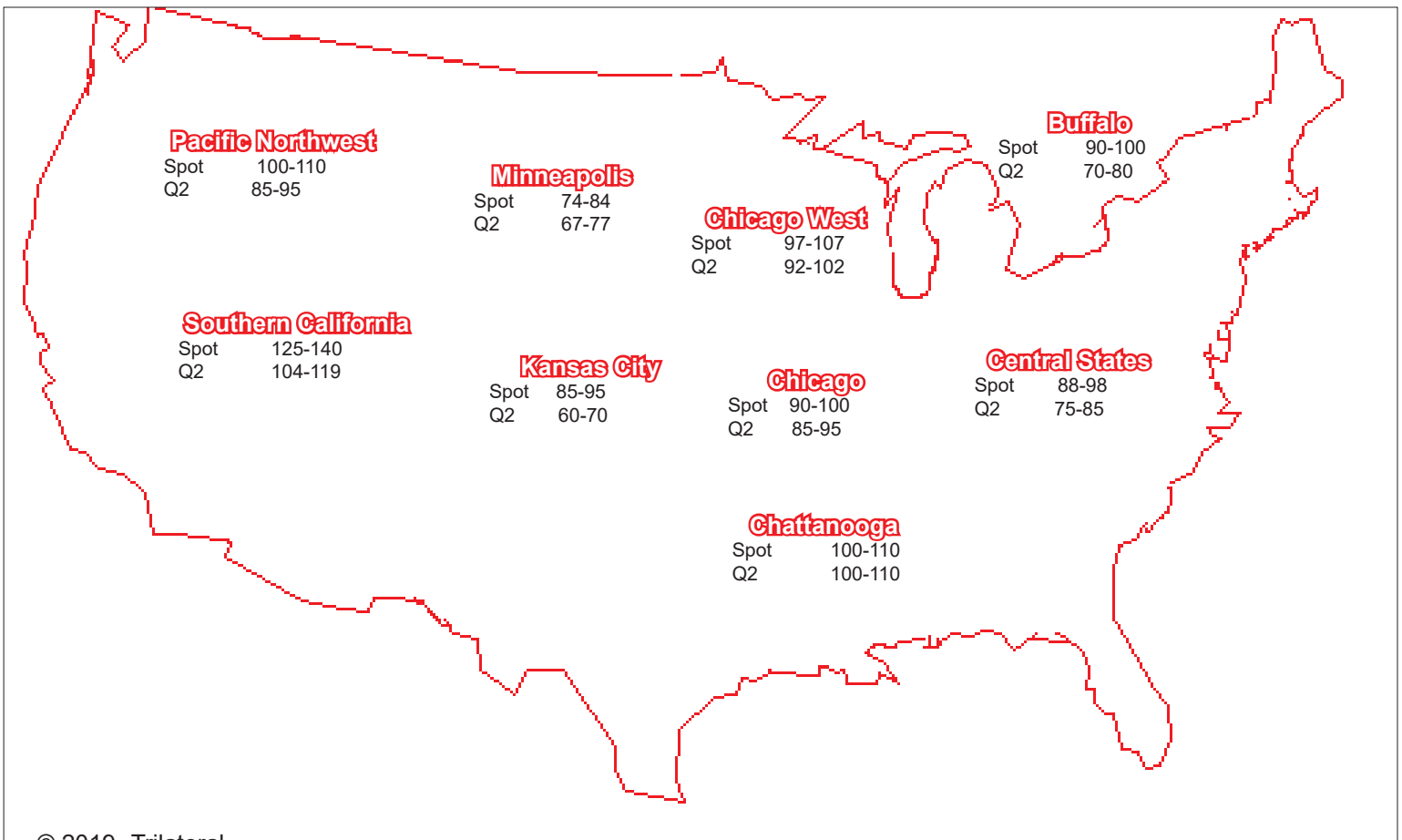
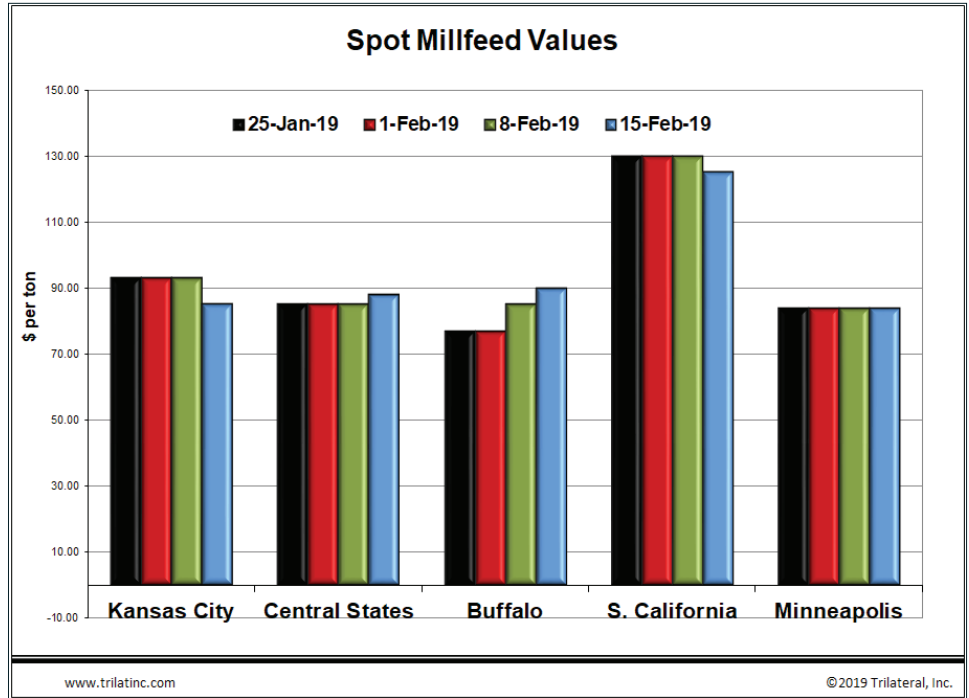
Prices were mostly unchanged but with a firm tone nearby as spot supply was tight at several locations.

Although millfeed still was not fully returned to feed rations, end users and feed mills appeared to have mostly worked through ample supplies from a few weeks ago.

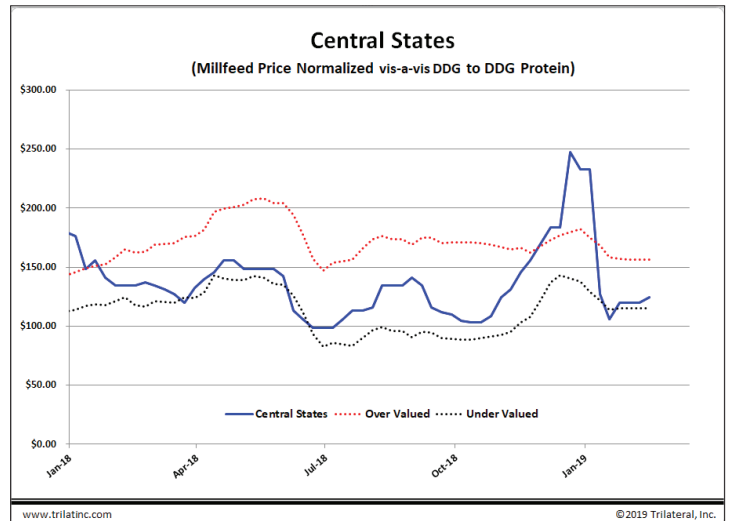
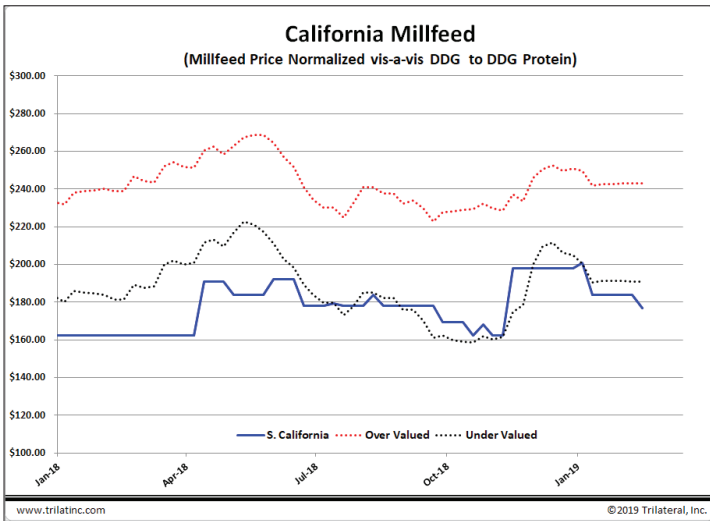
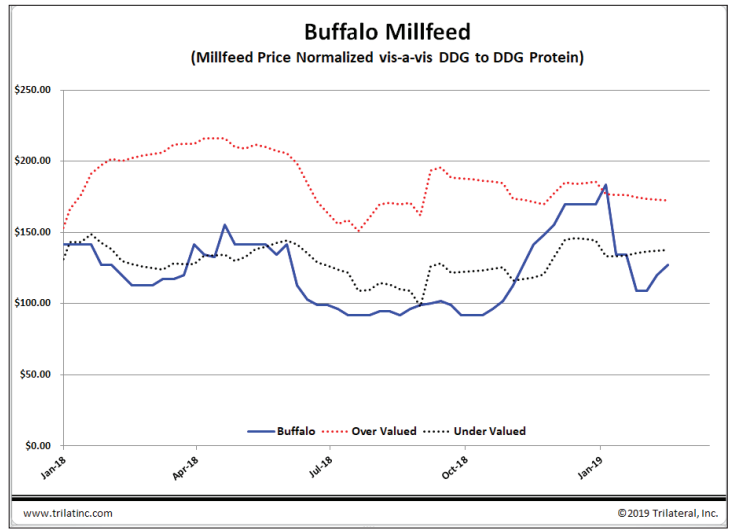
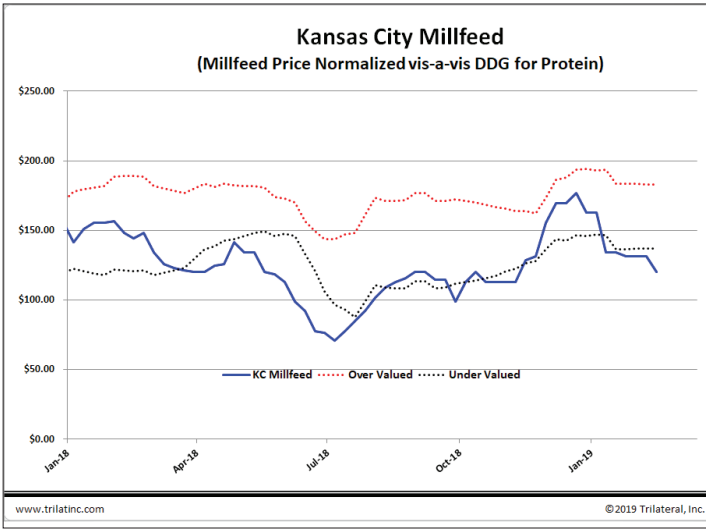
Traders noted buyers' stronger interest in taking loads and not willingly allowing for delays or cancellations due to supply issues. "Buyers need loads," one Southwest trader said.

Truck prices were firm in the Southwest with traders acknowledging that buyers now had to pay the offer side of the price range rather than the bid side as was the case a few weeks ago.

Some suggested end users were buying ahead in anticipation of wintry weather coming in the next few days at the same time as a three-day holiday weekend. But there appeared to be fewer flour mills planning to close for the holiday than earlier expected, which was welcomed by buyers. Tight spot supplies in several regions were attributed to slower flour grind or unplanned downtime. Nearby supplies were notably tight in Central states, where spot prices were firmer.



Millfeed cont.

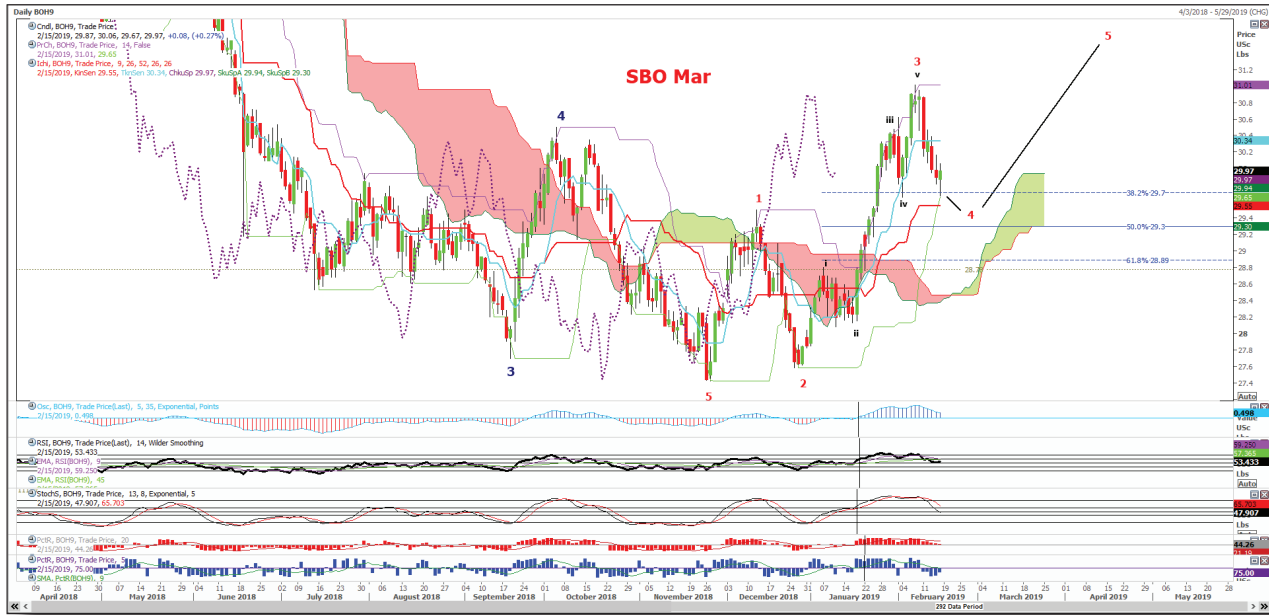


In the above charts the center line is the current millfeed price for the respective cities. The upper and lower lines are the range that millfeed prices trade between 80 and 90 percent of the time. One should avoid forward contracting millfeed when prices are near the lower boundary and wait to sell millfeed when prices are closer to the upper boundary to achieve the greatest results.

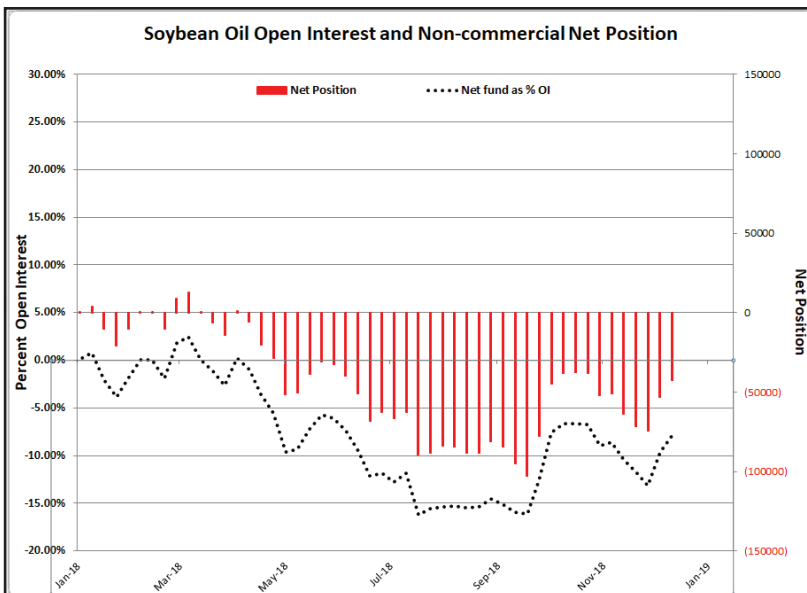
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Oils Charts and Tables

Technical Outlook

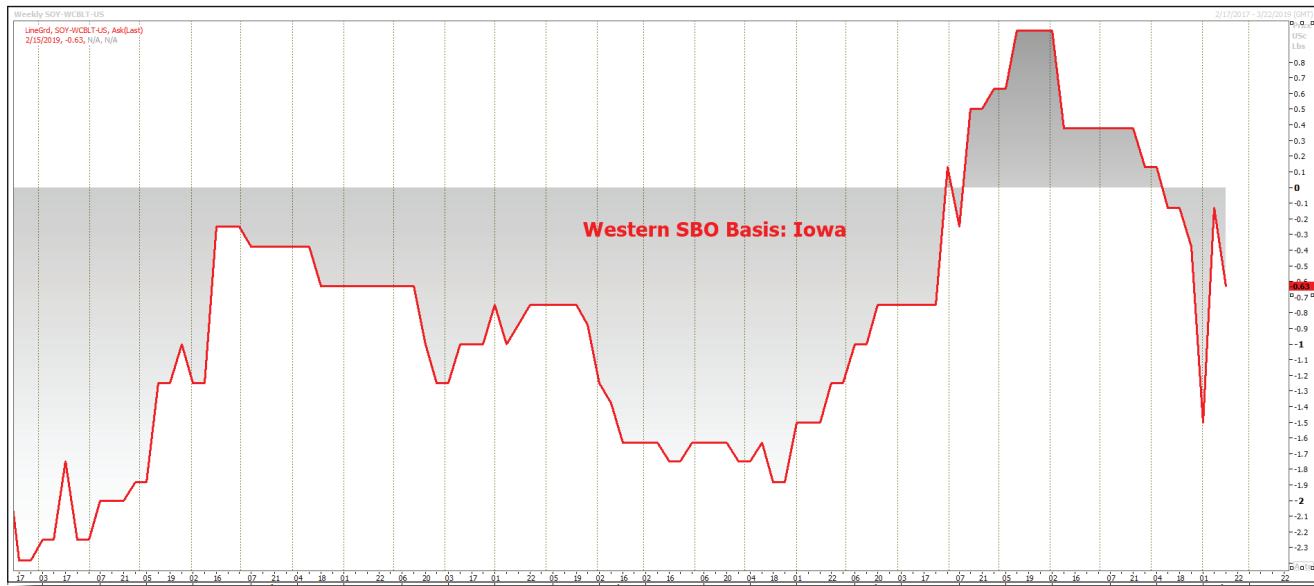
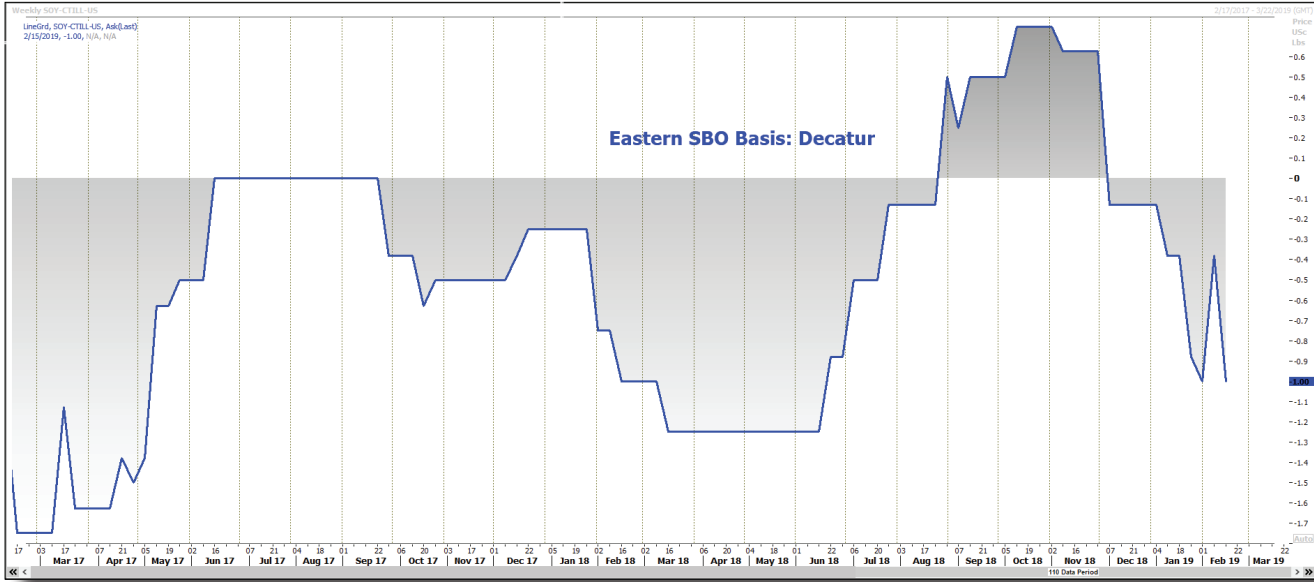


- Last week we called wave 3 as complete and looked next for corrective price action in wave 4. Wave 4 indeed proceeded to evolve, so far retracing a Fibonacci 38% of wave 3. The 38% retracement fulfills requirements for wave 4 to be complete. We could, however, see more downside to the 50% retracement level before moving up in wave 5



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SBO Basis



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