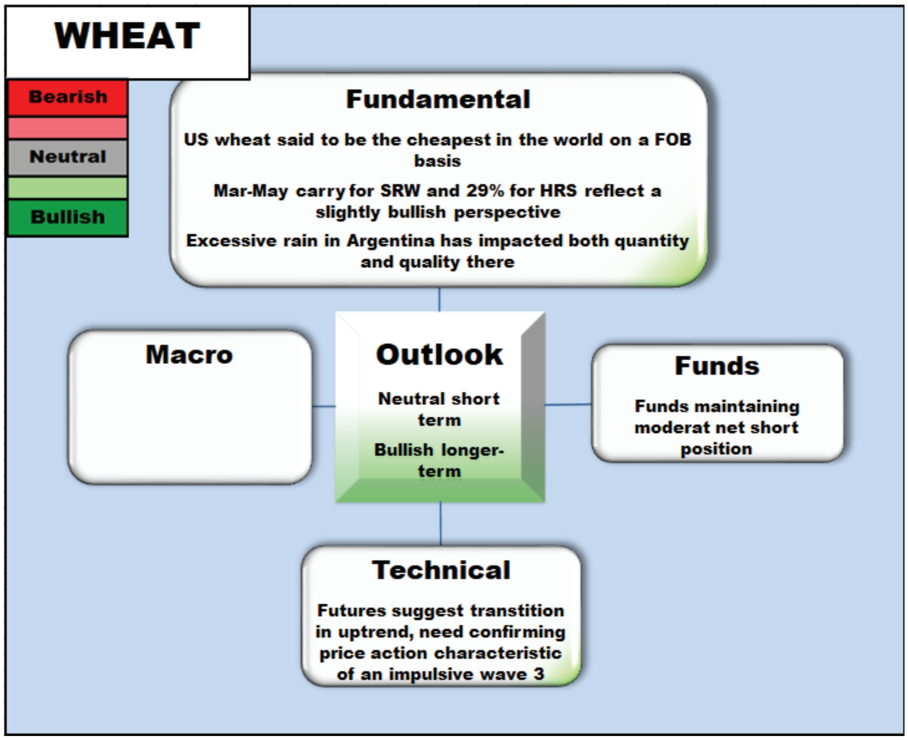
Trilateral Bakery Report

January 14, 2019

Recommendations

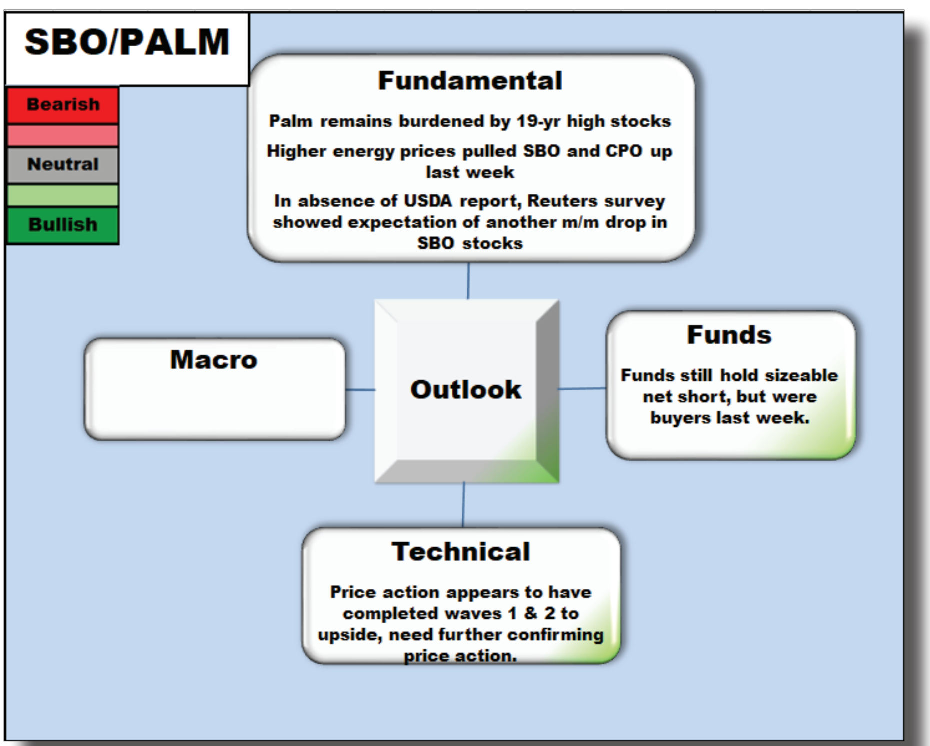
Wheat

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

- US wheat said to be the cheapest in the world on a FOB basis but Russia's freight advantage continue to be an obstacle
- SRW and HRS continue to reflect a slightly bullish carry for Mar-May and May-Jul.

Read detailed recap

Oils

- Malaysian palm stocks up for 7th consecutive month to highest level since January 2000.
- Both CPO and SBO continue to rebound from recent lows on stronger crude prices.
- Reuters survey of analysts said US SBO stocks probably dropped m/m, but still up y/y. NOPA report showed oil stocks lower m/m
- Read detailed recap

Market Recap

Wheat

Wheat futures sustain the struggle to maintain what technically could be the beginning of an up-trend. At the end of last week futures retraced to a standard 50% retracement of a wave 1 higher, and on Friday closed up six cents. If the current wave count remains valid, the immediate price objective for the current wave higher is 5.51.

Even in the absence of USDA data, carry spreads/ forward curves reflect a bullish perspective by commercial firms. SRW Mar-May is 29% of full carry and May-Jul is 23%, both bullish. HRS calendar spreads are also bullish while HRW carry is neutral, but trending in a more bullish direction. At current levels, both KC and Chicago should see variable storage rates reduced once again at the expiration of the March contract.

News that the US received a portion of the recent Algeria tender underpinned optimism that the US wheat market has newfound competitiveness, enhanced by the recent fall in the U.S. dollar, making our exports more attractive to importers,

Wire services last week said on a number of occasions that U.S. SRW and HRW wheats were the cheapest in the world on a FOB basis. But Russia's aggressive export stance and a freight advantage continue to be an obstacle to greater US sales.

It all led to Ole Houe, director of advisory services at brokerage IKON Commodities in Sydney to say, "Global wheat markets have been simmering for a long time and are now threatening to break out. For most of 2018 we had Russian wheat weighing heavily on the market, but that pressure is pretty much gone as we start 2019. We have seen U.S. wheat being about the cheapest wheat in the world and there are strong signs demand has been picking up over the last week."

If/when US export sales become more common place, there will be long, hard road to achieving USDA targets:

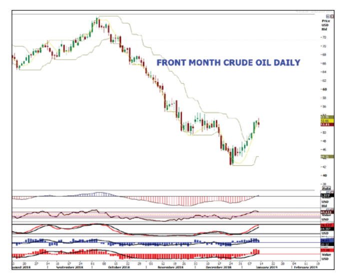
- HRW year-to-date exports at 5 MMT, down 33 percent from Dec. 14, 2017
- HRS sales of 5.2 MMT are up 4 percent from this time last year and fall right in line with the 5-year average
- SRW sales through Dec. 13, 2018, are up 15 percent over 2017/18 at 2.15 MMT, driven by competitive SRW FOB prices

USDA continues to predict 2018/19 exports will reach 27.2 MMT, which, if realized, would be 11 percent higher than 2017/18 and 9 percent above the 5-year average

Also underpinning wheat markets has been the perception, without any USDA confirmation coming on Thursday, that winter wheat acres could be surprisingly lower than the trade had previously thought.

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

Oils



Both CPO and SBO continue to rebound from recent lows on stronger crude prices. Each is impacted by movements in crude oil, as it is used as feedstock to make biodiesel.

Fundamentally, however, palm sank further into bearish territory as stocks grew to an 18-year record.

The Malaysian Palm Oil Board last week reported Malaysia's palm oil inventory rose to a new high at end-December, ending the year near-two-decade top of 3.21 million tonnes, up 6.9% from November for a

Market Recap cont.

seventh consecutive month of higher stocks. The levels are the highest since January 2000.

The MPOB data also showed that production fell 2 percent from the previous month to 1.81 million tonnes in December. This would be a second month of output declines to the lowest in three months. “We had expected production to drop more significantly, so this is a sign of concern in the near term. By right, production in December and January should be coming down more,” said a Kuala Lumpur-based trader. “Current stocks in Malaysia and Indonesia are pretty high, but I believe the biodiesel mandates will help bring down those levels, even though output is declining less than expected.”

Soyoil stocks likely declined for a seventh straight monthly drop and the smallest month-end soyoil stocks in a year. In the absence of USDA data, a Reuters survey of analysts surveyed by Reuters said U.S. soy oil stocks at the end of November were projected at 2.030 billion lbs, down slightly from stocks totaling 2.041 billion lbs a month earlier.

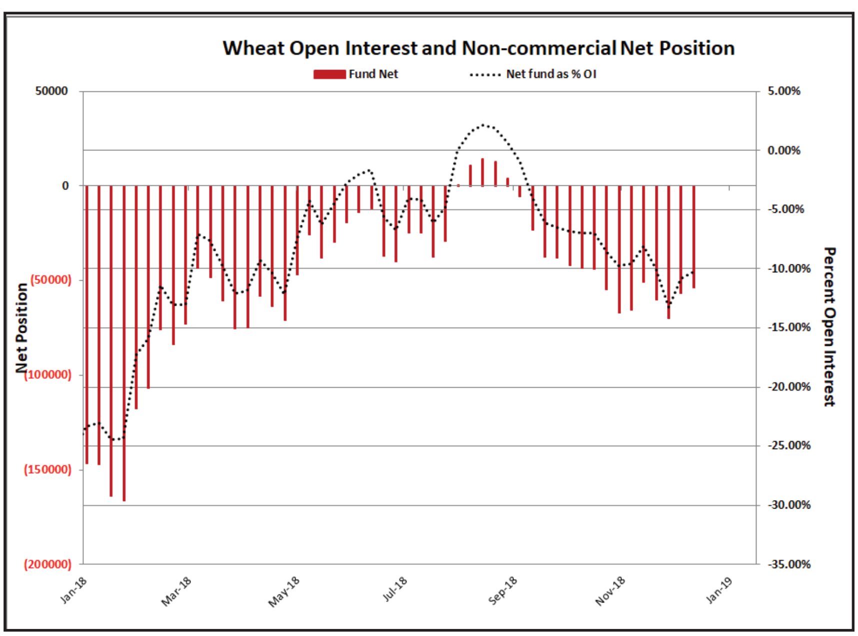
See oils charts and tables

Wheat Charts and Tables

Technical Outlook

- We continue to look higher in the larger scale wave count, wanting to see a more impulsive move that would be characteristic of a wave 3.
- Wave **2** fulfilled requirements for completion, but as indicated above, we need to see more aggressive buying that pushese prices above the corrective price channel and above the wave **1** extreme.

Money Flow



Protein Premiums

Soft Red Winter: St. Louis-area mill bids for nearby were 25@30c over Chicago March. Chicago mill bids were 10c over Chicago March. Wheat was being shipped for application against contracts, but otherwise, wheat movement was limited, miller said. Toledo mill bids for nearby through March were 15c over Chicago March; April-May, 15c over May; new crop, 10c over July. Elevator bids were 5c under Chicago March. Elevator was preparing to accept wheat, and ideas were cash movement should accelerate in the next few weeks. Cincinnati elevator had no bid nearby; new crop bid was Chicago July price. Michigan white wheat mill bids were 10@20c over Chicago March; soft red wheat mill bids were 10@15c over March. Gulf bids on soft red winter wheat for January were 83c over Chicago March, unchanged.

Hard Red Winter: Premiums on hard red winter wheat in Kansas City were mostly unchanged. Weather chatter was minimal with forecast snow unlikely to be in quantities that would delay rail service.

Hard Red Spring: Premiums on hard red spring wheat in Minneapolis were higher for the top end of the scale.

Choice milling hard amber durum as quoted at the Chicago rail gateway for delivery beyond was nominal $7.35 a bu. Minneapolis price was $7.05 a bu.

As of January 10, 2019

KCBT Wheat Protein Premium Scale

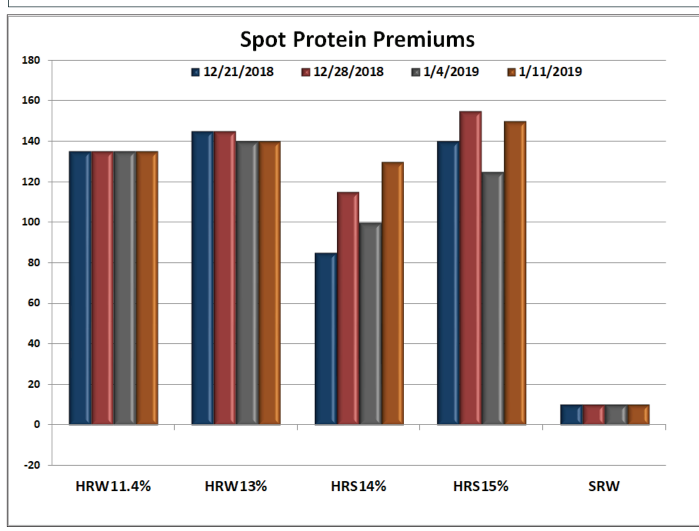
The following hard red/soft winter wheat scale is in cents per bushel, basis KCBT Mar futures, according to billing and quality. Source: KCBT Cash Grain Committee.

11.0%	120-135 H	.....
11.2%	120-135 H	.....
11.4%	120-135 H	.....
11.6%	120-135 H	.....
11.8%	120-135 H	.....
12.0%	120-135 H	-5
12.2%	120-135 H	-5
12.4%	125-140 H	.....
12.6%	125-140 H	.....
12.8%	125-140 H	.....
13.0%	125-140 H	.....
13.2%	125-140 H	.....
13.4%	125-140 H	.....
13.6%	125-140 H	.....
13.8%	125-140 H	.....
14.0%	125-140 H	.....
SRW basis Chicago	+10 H	.....

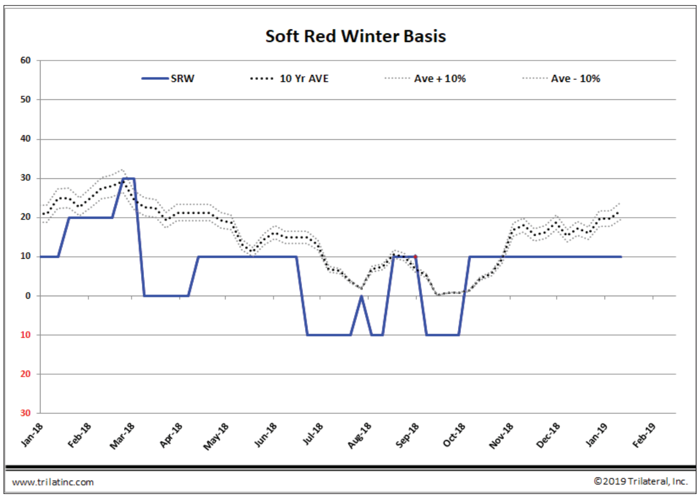
MWE Wheat Protein Premium

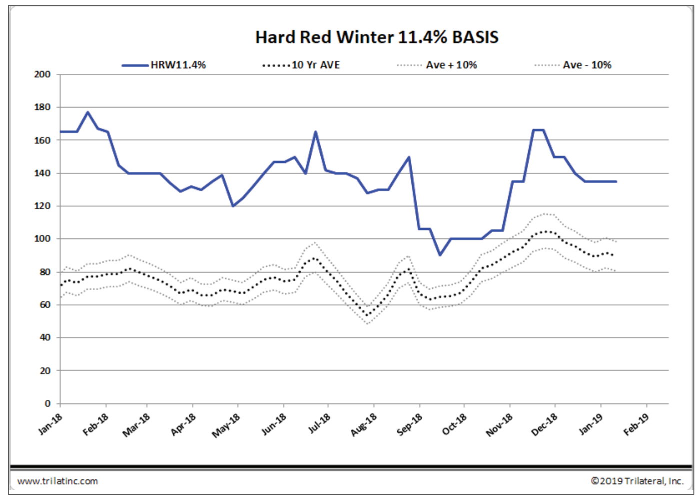
The basis is for US 1 Milling Quality Only. Milling Quality is defined as 300 or better Falling Numbers; 58 lbs or better test weight; 13.5 Pct or less moisture; 1.5 Pct or less Damage; 1.5 Pct or less Dockage and 2.0 ppm or less vomitoxin.

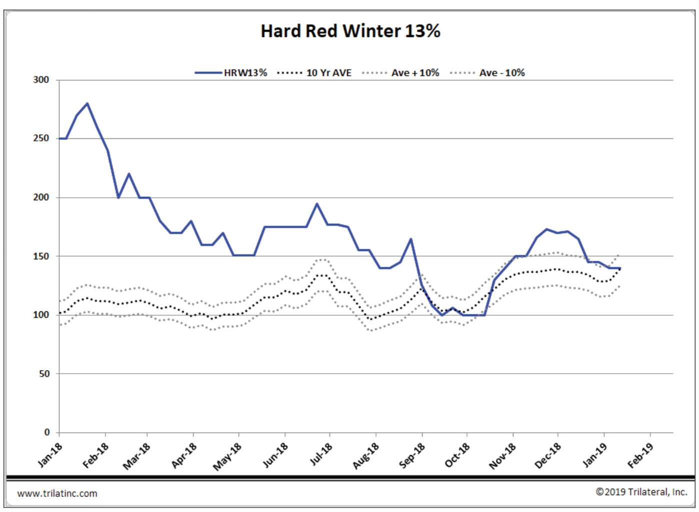
13.0%	70-70 H	.....
14.0%	105-130 H	+30
15.0%	110-150 H	+25

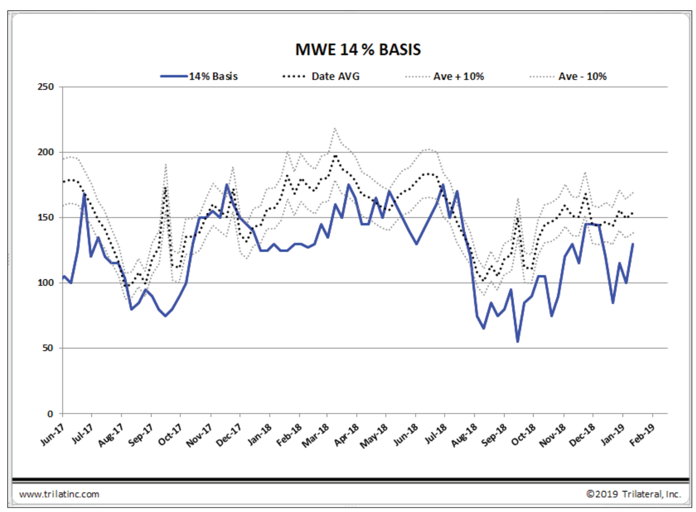


Protein Premiums cont.









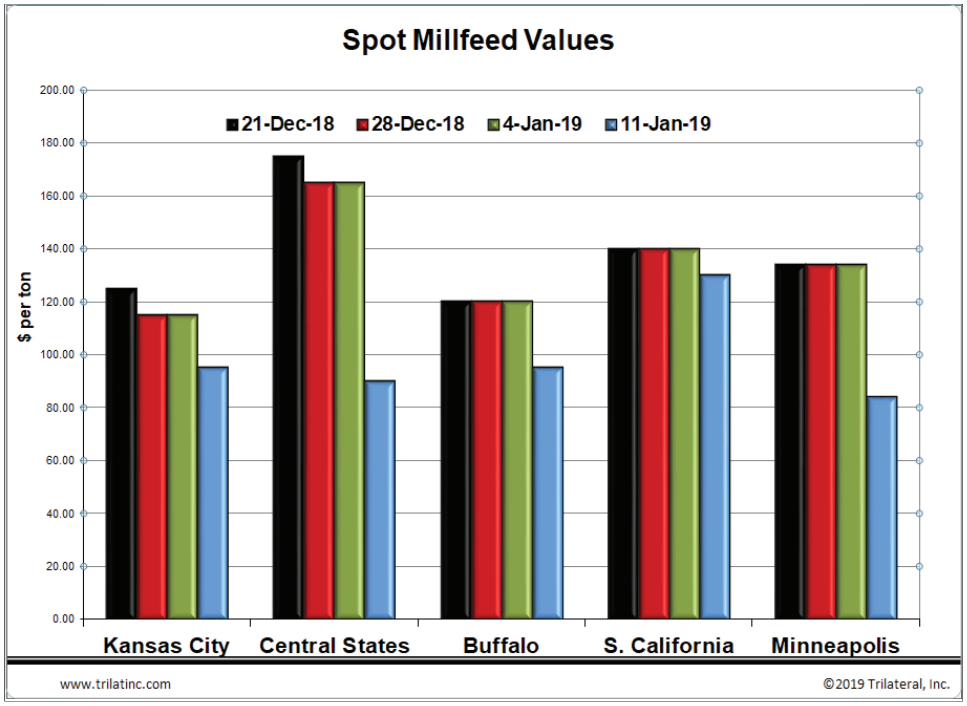
Millfeed

Lackluster feed demand during unusually mild January and heavy supplies of competing ingredients pressured millfeed.

Traders hoped blast of cold weather (and snowstorm forecast to cover bulk of Missouri, Illinois, Iowa and parts of Kansas and Nebraska) may stanch downward flow of demand and prices.

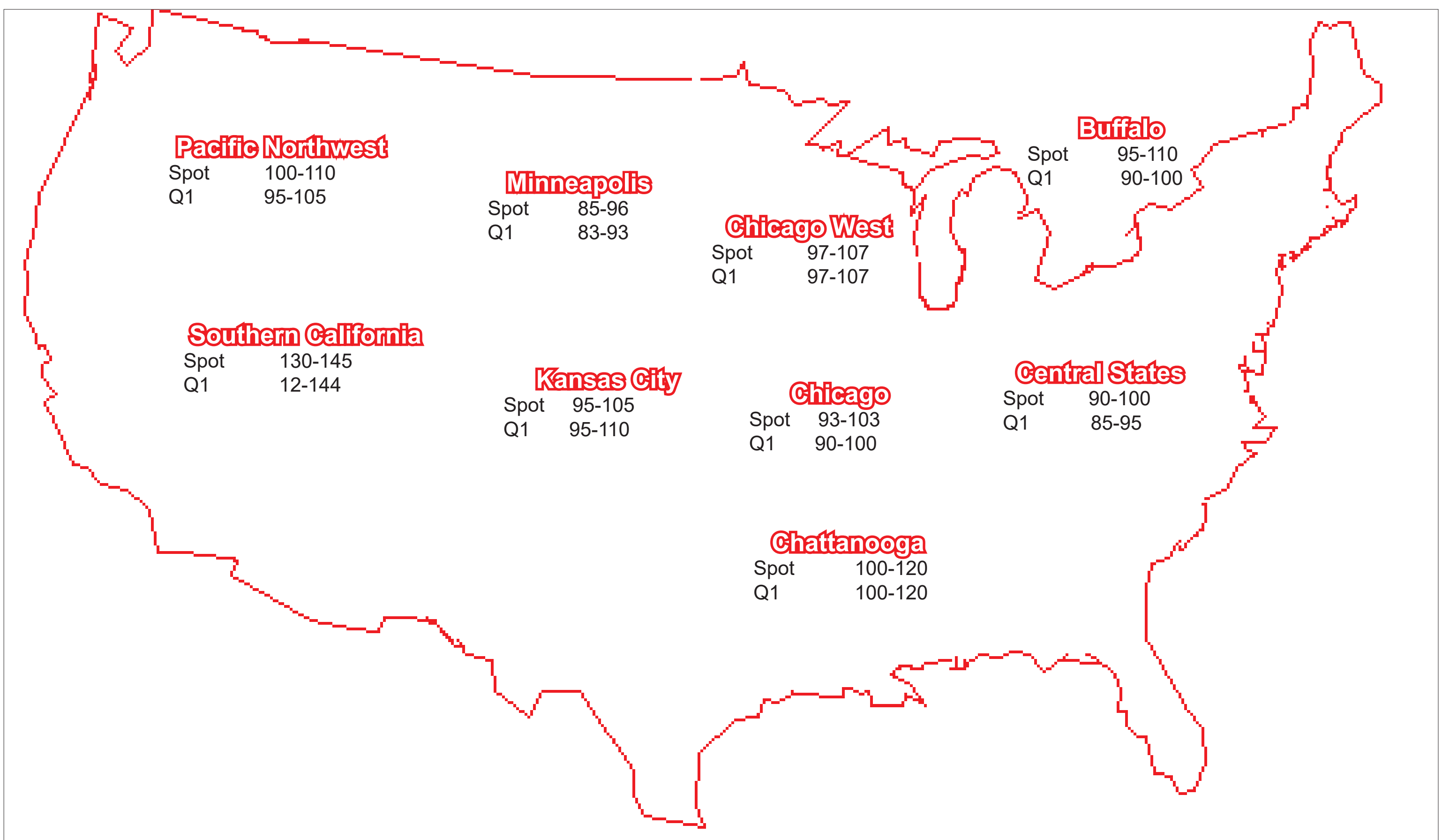
The biggest trend was plummeting orders in Central states. Filled bins at region's largest feed mills had operators canceling or delaying deliveries.

Several traders confirmed loads were making their way from Ohio to interior of Kansas, pressuring Southwest prices.

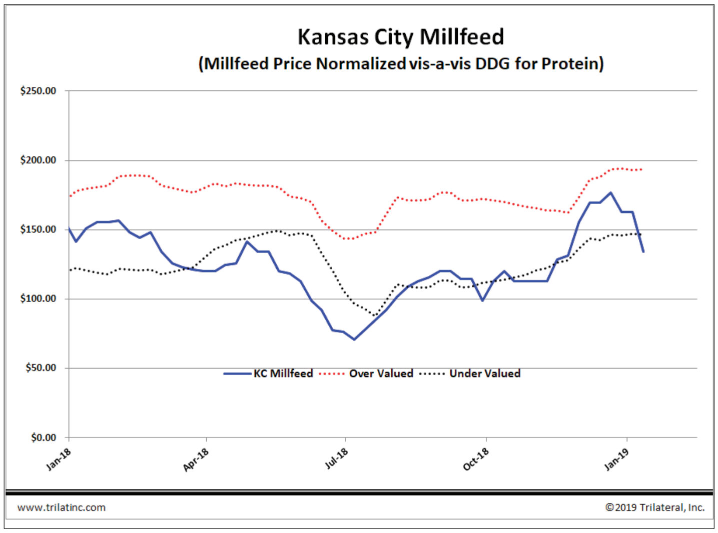


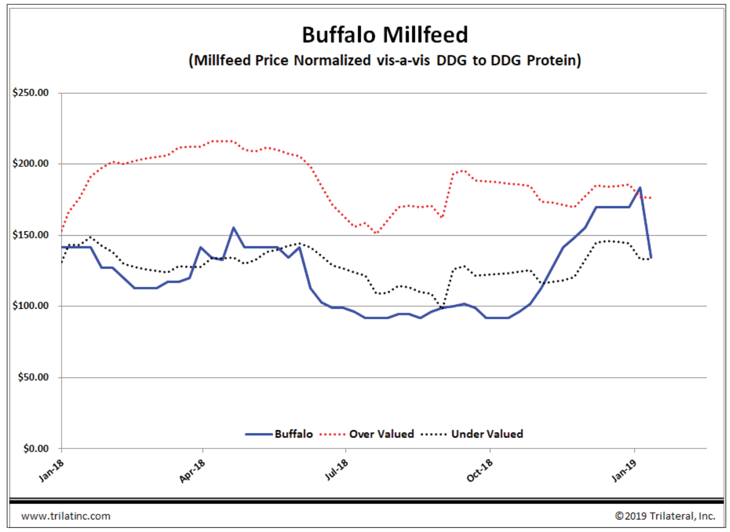
Talk of deferred purchases increased as expected. But, a veteran trader was perplexed by a flipped dynamic in which Central states prices for April-June, normally a $20 premium to K.C. due to historically higher demand levels than Southwest, trading below what he could get for K.C. truck prices in second quarter.

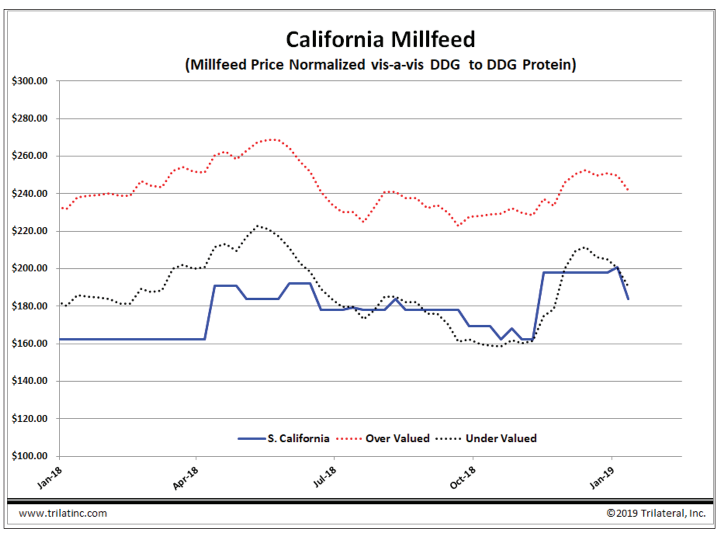
Northeast and Southeast feed mills were canceling orders, and traders were attempting to find other customers with storage space to take advantage of new price structure.

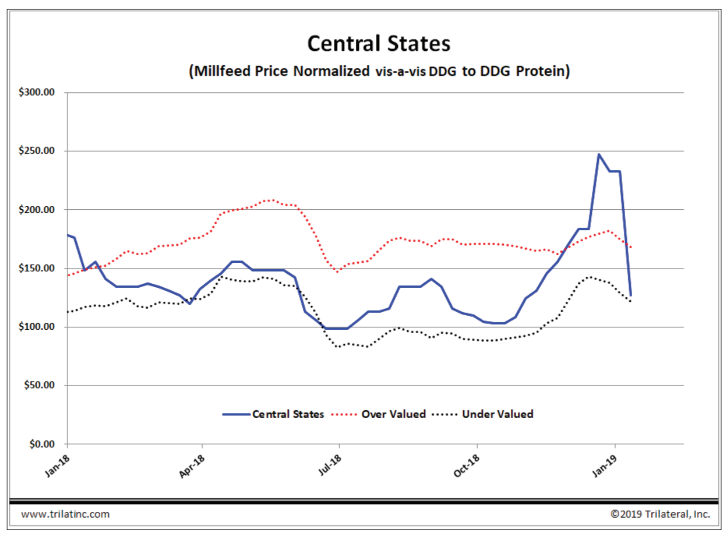


Millfeed cont.









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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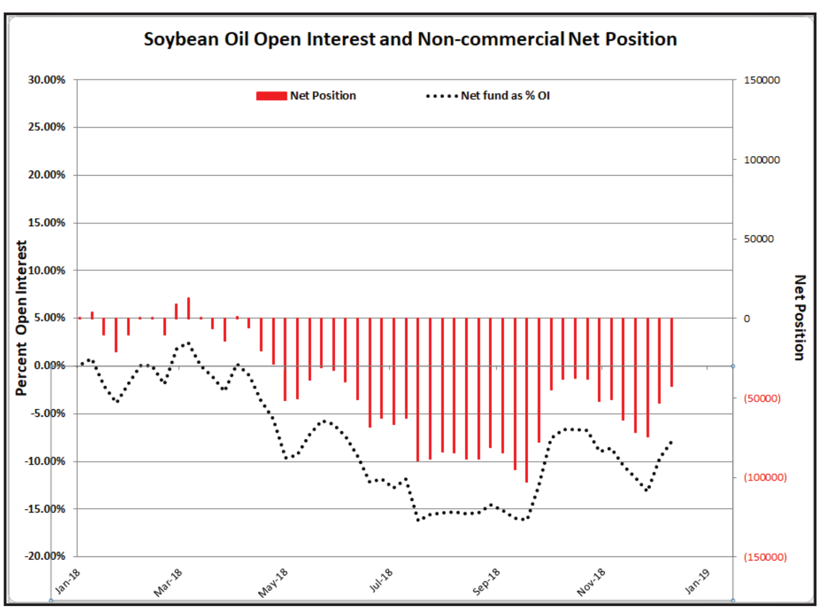
Oils Charts and Tables

Technical Outlook

- No changes from last week. We have a clear wave count of five waves up for wave **1** and three waves down for corrective wave **2**.
- Prices moving above the extreme of wave **1** at 29.50 and a penetration of the upper boundary of the base channel will be characteristic of a wave 3 and give confidence for higher prices.



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SBO Basis