



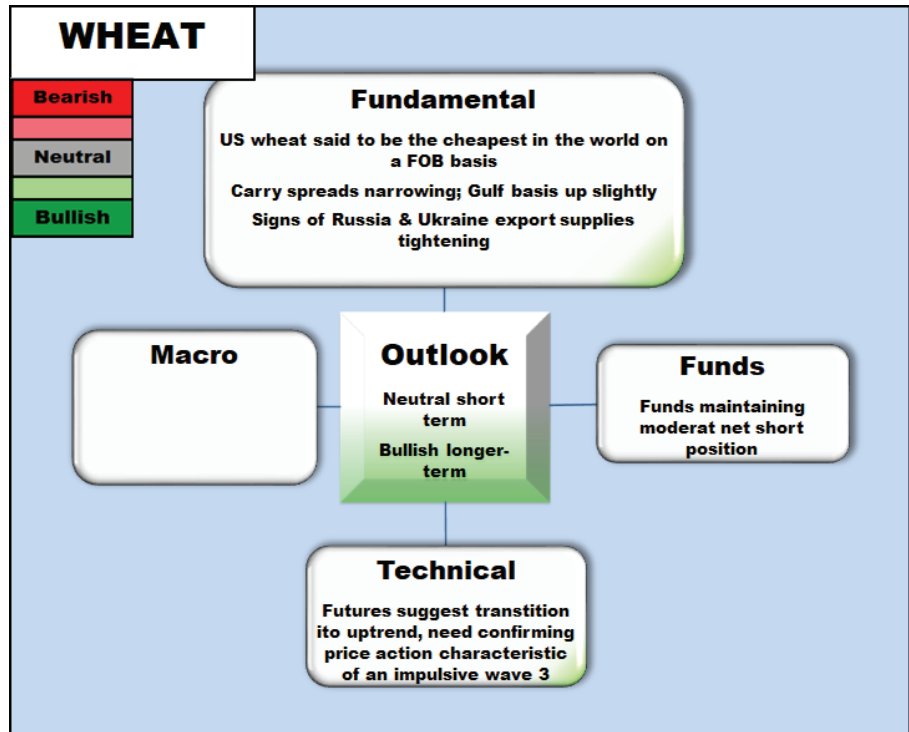
# Trilateral Bakery Report

January 22, 2019

## Recommendations

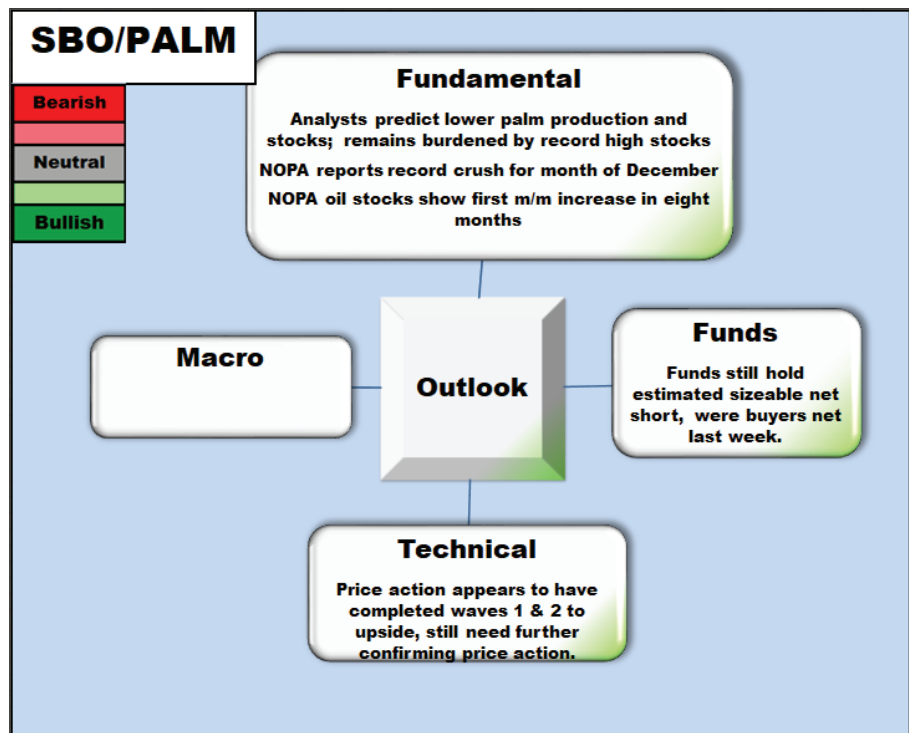
### Wheat

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

- Rumors of export supported by narrowing carry and increasing Gulf basis. But USDA shutdown precludes reports that could confirm sales.
- US wheat still said to be the cheapest in the world on a FOB basis but Russia's freight advantage continue to be an obstacle
- Reports that Russia may restrict exports to 12 mmt for balance of the year and that Ukraine is nearing its export threshold.

[Read detailed recap](#)



## Oils

- Palm market analysts predicting prices will rise in coming months as production and stocks fall
- NOPA reported the first m/m soyoil stocks increase in eight months.

[Read detailed recap](#)

# Market Recap

## Wheat

It is possible some U.S. wheat export sales have taken place the past 26 days as U.S. wheat prices are cheap, but there is not much indication from looking at market prices that much business is taking place. Futures spreads show moderate demand interest. Without a big unexpected boost in U.S. wheat exports, USDA will likely have to raise its estimate of U.S. ending wheat stocks back above one billion bushels for 2018-19.

Rumors of sales to private Egyptian mills last week lifted futures and narrowed the spot carry spread as well as increasing NOLA basis. Also bullish for wheat is the news that Russia is planning to regulate cash grain prices, perhaps a sign of tightening stocks, and news that Ukraine has already exported some 83% of their planned wheat sales. Unfortunately, without the protection of export sales reports from USDA, there is no good way to confirm the rumors

Futures spreads give us clues about demand and the current reading is moderately bullish for Chicago and Minneapolis wheat, but neutral for K.C. wheat.

Export inspections, one of the few reports still being issued, released last Monday were more than double the previous week, but total shipments remained some 11% behind a year ago.

Wheat had been under pressure despite news that the Russian ag minister has restricted Russian wheat exports to 12 mmt for the balance of the crop year to July. Russia has so far exported 23.8 mmt of wheat. U.S. wheat has become much more competitive, but the freight disadvantage to many locations has led to missed opportunity.

U.S. wheat remains one of the cheapest world wheats on a FOB basis, but a freight disadvantage has hampered business, and without any sales confirmations, futures buyers have moved to the sidelines,

The very below-normal temperatures pattern

looks to last into mid-February. Snow cover exists in many areas, so that will be closely watched for any winter-kill threats.

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

## Oils

Despite what are arguably current bearish fundamentals, the world's oil markets are experiencing some glimmers of bullish news and price action.

Last week, NOPA, whose members handle about 95 percent of all soybeans processed in the United States, said its members achieved another monthly crush record in December, which was also the third-highest level on record for any month.

However, even with the large crush and SBO oil production up 3% m/m and 2.1% y/y, stocks were down 1.3% y/y and up only 0.9% m/m. The small m/m stocks increase was the first soyoil stocks increase in eight months.

	SBO-NOPA December
<b>Production</b>	<b>2,008,297</b>
<b>M/M % production change</b>	<b>3.3%</b>
<b>Y/Y % production change</b>	<b>4.9%</b>
<b>Stocks</b>	<b>1,498,060</b>
<b>M/M % stocks change</b>	<b>0.9%</b>
<b>Y/Y % stocks change</b>	<b>-1.3%</b>

Overnight, Malaysian palm oil futures jumped 1.9% to the highest level since Sept 7. The increase was supported by bullish price forecasts at an industry conference over the weekend and strength in U.S. soyoil.

"Palm is up on support from Friday's gains in rival oilseed and bullish price outlook by leading market analysts at the Pakistan Edible Oils Conference," said a Kuala Lumpur-based futures trader. Malaysian and U.S. markets were closed on Monday for holidays.

## Market Recap cont.

Leading analysts forecast at the conference that palm prices would rise in the coming months as production and stocks fall in line with a seasonal trend. Prices of vegetable oils, including palm oil, are set to rise by \$50-\$100 per tonne by June, according to analyst James Fry, while Dorab Mistry forecast benchmark prices to rise to 2,400 ringgit a tonne by end-March. Indonesian palm oil prices are also forecast to rise to as high as \$600 a tonne amid rising demand from the food and energy sector, slowing production growth and declining global stockpiles, said analyst Thomas Mielke.

Rising demand could also reduce stockpiles and support prices. Malaysian palm oil shipments during Jan. 1-20 rose 11.8-12.9% from a month earlier, according to cargo surveyors Intertek Testing Services and AmSpec Agri Malaysia.

[See oils charts and tables](#)

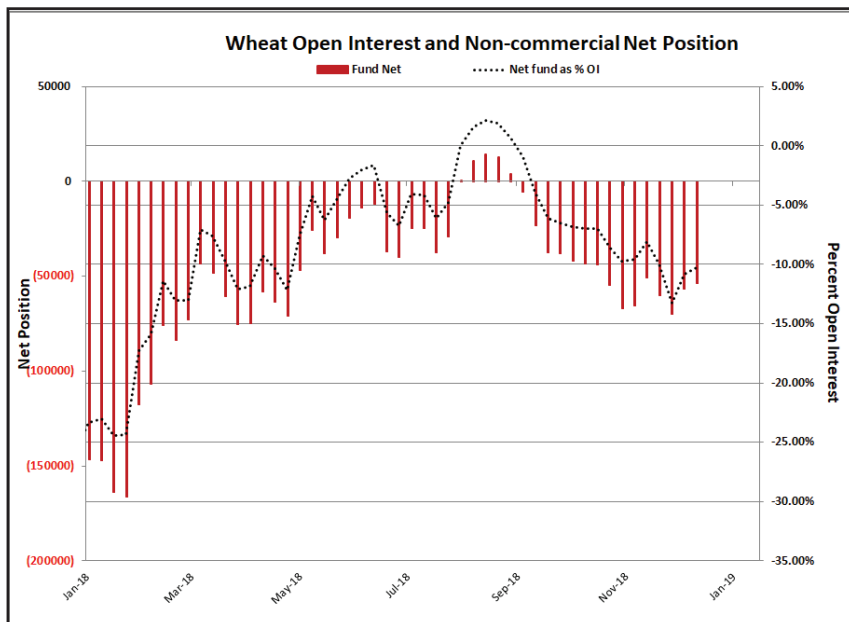
# Wheat Charts and Tables

## Technical Outlook



- Price action continues to fail an impulsive upside 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 pushes prices above the corrective price channel and above the wave 1 extreme.

## Money Flow



## Protein Premiums

**Soft Red Winter:** In absence of U.S.D.A. reports, traders continued to look to private analysts or speculate about potential 2019 acreage. Trader had revised earlier optimistic outlook, now seeing soft red acreage a couple percentage points lower overall based on breakdown of states and districts in soft red winter territory. St. Louis-area mill bids for nearby were 25@30c over Chicago March. Chicago mill bids were 10c over Chicago March. Toledo mill bids for nearby through March were 15c over Chicago March; new crop, 10c over July. Elevator bids were 5c under Chicago March. Cincinnati elevator bid was 10c over March; elevator estimated March return to receipt of old crop wheat; new crop bid was 10c over 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 for January were 84c over Chicago March, 1c lower.

**Hard Red Winter:** Premiums on hard red winter wheat in Kansas City were mostly unchanged, exhibiting a weak tone.

Most weather-scuttled acres intended for hard winter will go to corn, Kansas Wheat c.e.o. Justin Gilpin said, but more growers were considering attempts at hard red spring wheat in Kansas than at any other time in at least 20 years.

Gulf bids on 12%-protein hard red winter wheat for nearby were 143c over K.C. March, unchanged.

**Hard Red Spring:** Premiums on hard red spring wheat in Minneapolis were unchanged to 10c a bu lower for 15%.

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

As of January 18, 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.

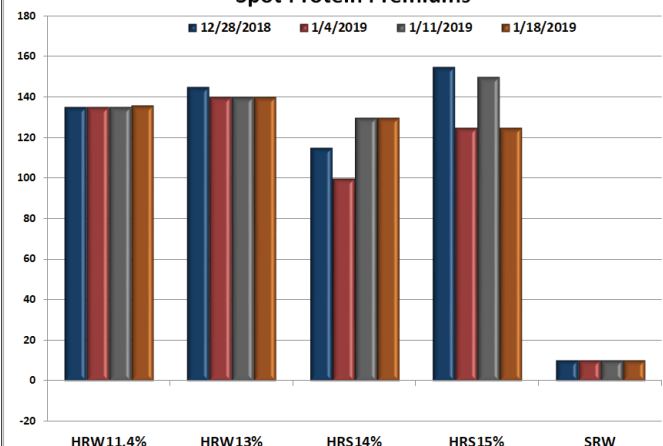
11.0%	120-135 H	.....
11.2%	120-135 H	.....
11.4%	121-136 H	+1
11.6%	121-136 H	+1
11.8%	121-136 H	+1
12.0%	121-136 H	+1
12.2%	121-136 H	+1
12.4%	125-140 H	.....
12.6%	125-140 H	.....
12.8%	125-140 H	.....
13.0%	125-140 H	.....
13.2%	125-140 H	.....
13.4%	125-140 H	.....
13.6%	125-140 H	.....
13.8%	125-140 H	.....
14.0%	125-140 H	.....
SRW basis Chicago	+10 H	.....

### MWE Wheat Protein Premium

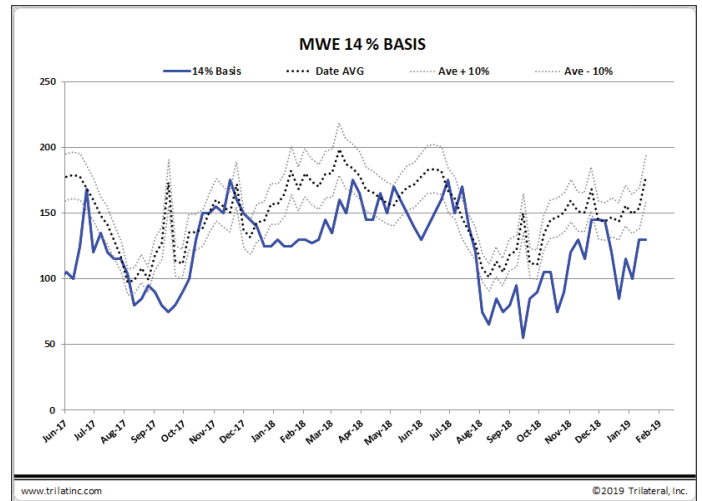
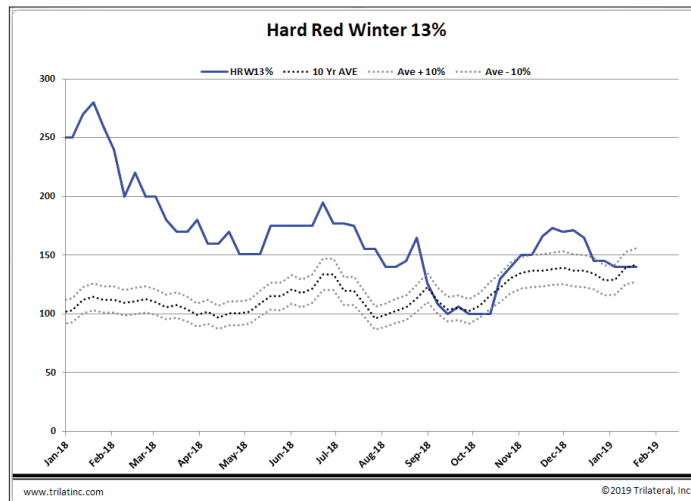
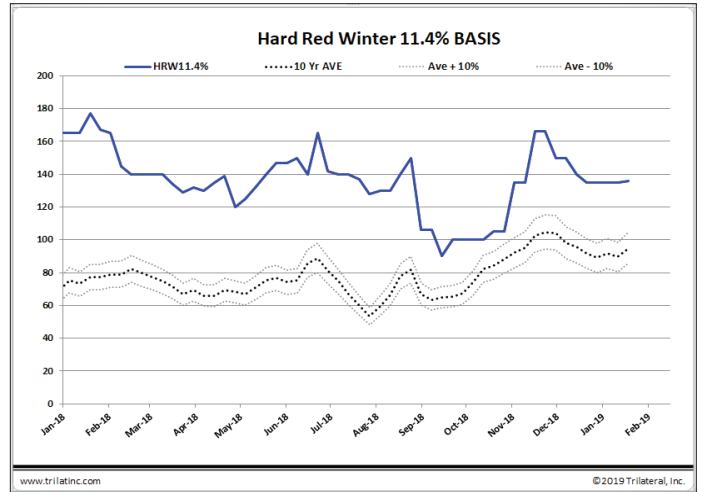
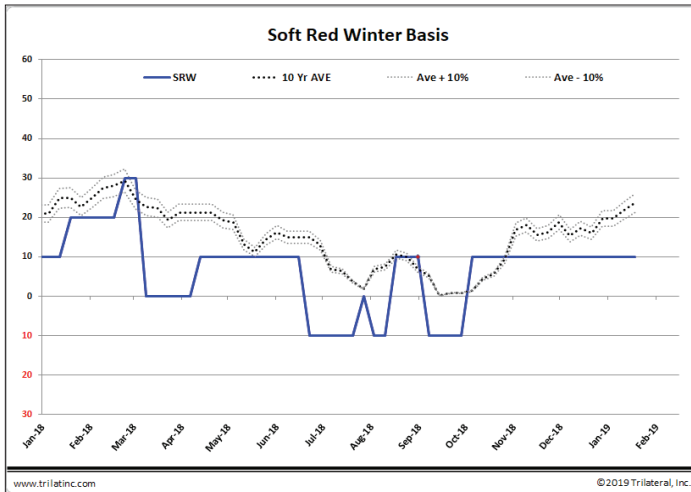
The basis is for US 1 Milling Quality Only. Milling Quality is defined as 300 or better Falling Numbers; 58 lbs or better test weight; 13.5 Pct or less moisture; 1.5 Pct or less Damage; 1.5 Pct or less Dockage and 2.0 ppm or less vomitoxin.

13.0%	70-70 H	.....
14.0%	80-130 H	.....
15.0%	100-140 H	-10

Spot Protein Premiums



**Protein Premiums cont.**

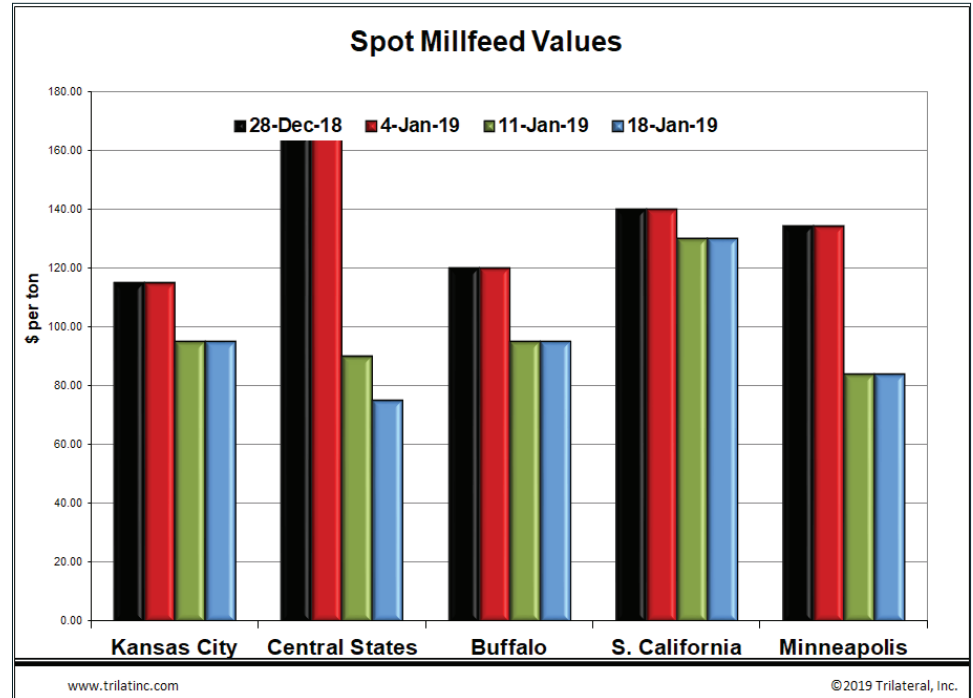


## Millfeed

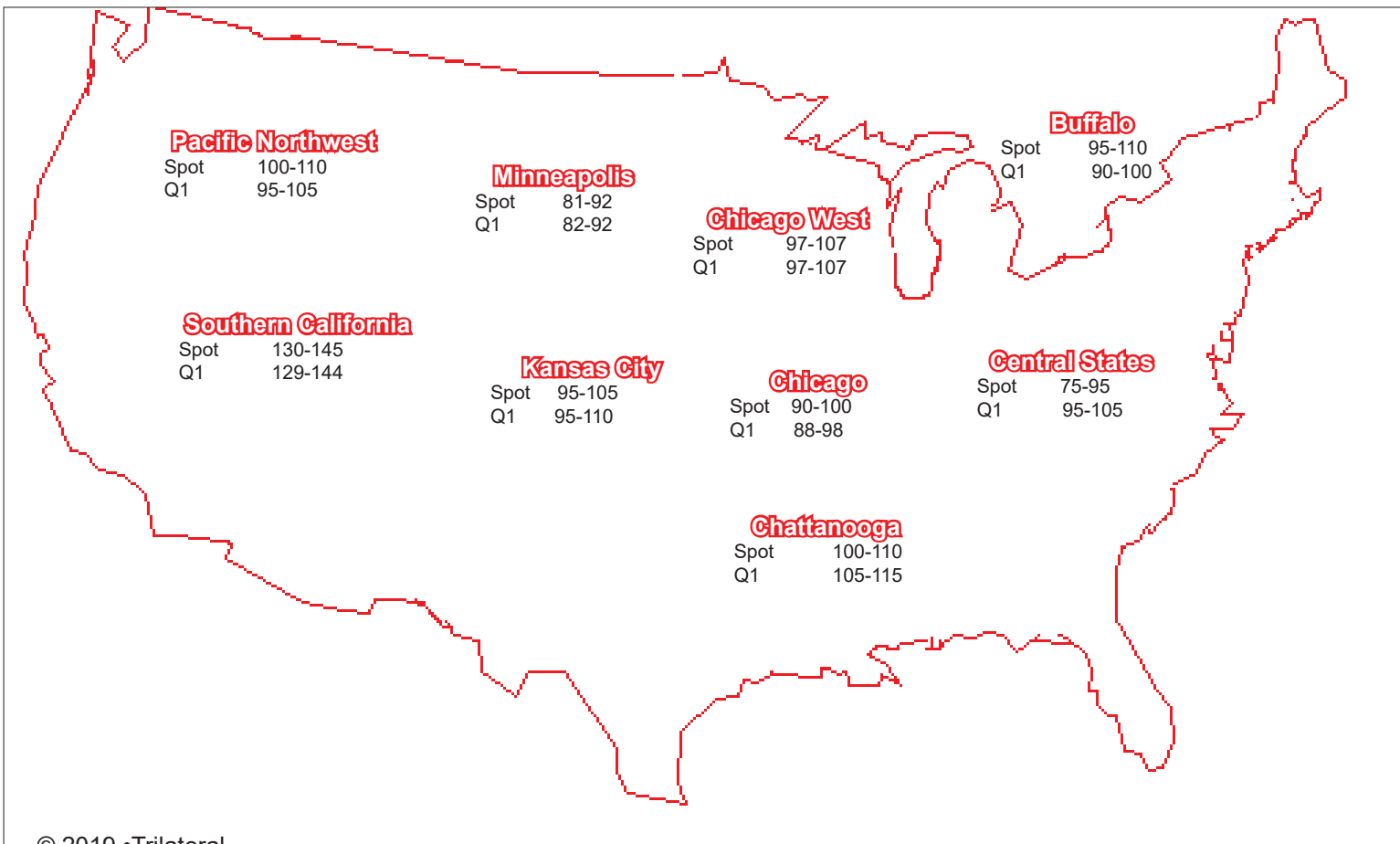
Nearby prices were mostly unchanged in markets described alternately as “firmer” or “no longer descending.”

Southwest truckloads were trading at \$140 per ton in small volumes of one or two loads on spot market. Feed mills and other end users were collecting their owned loads with regularity, a shift from frequent delays that characterized past three weeks.

It was too early to tell how many customers were reformulating and returning millfeed to rations, with more definition expected next week. Main issue was slack feed demand as many buyers had filled their bins to brimming when price plummeted at start of new year, relieving the high price-short supply bottleneck of December. Central states remained perhaps the softest market, a function of widespread reformulation in a region with fewer cattle to feed compared with Southwest, easier access to alternates such as corn and soy hulls, and the country’s strongest runtimes this month.

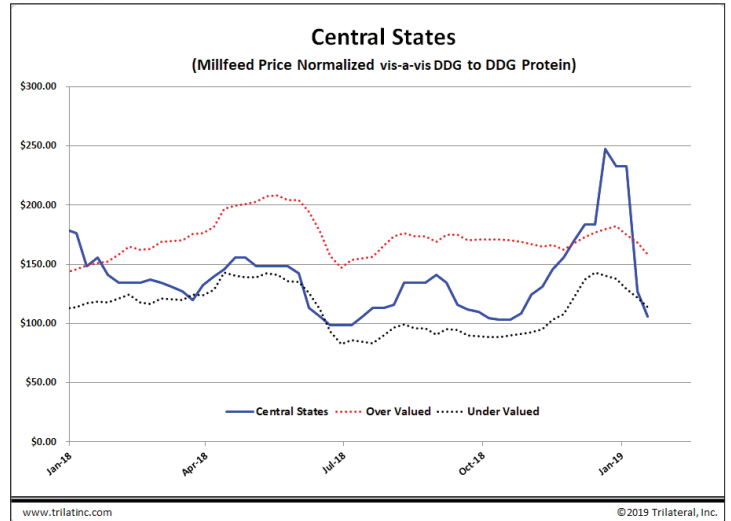
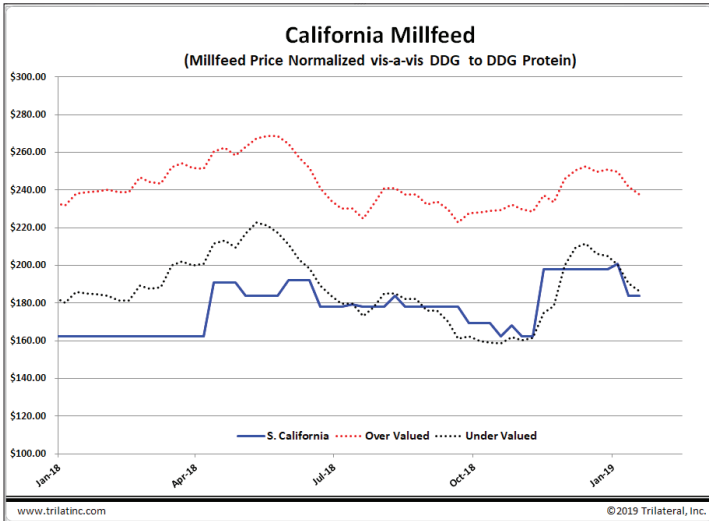
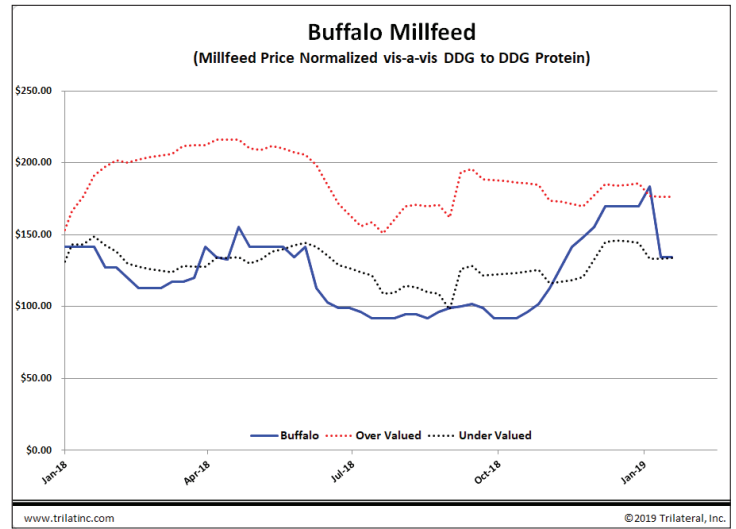
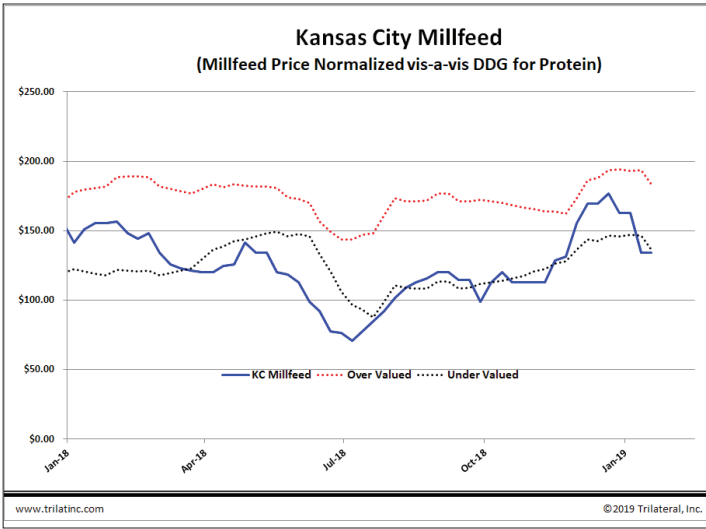


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**Millfeed cont.**



*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.*

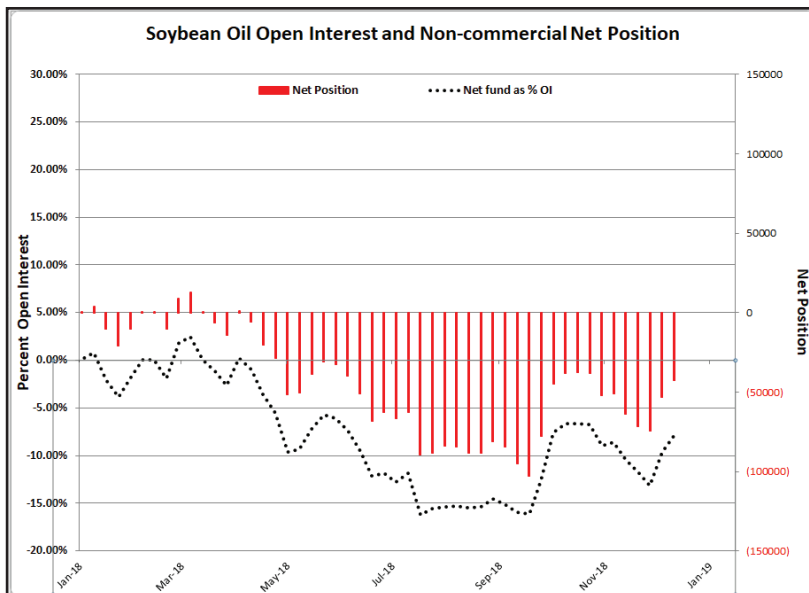
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# Oils Charts and Tables

## Technical Outlook

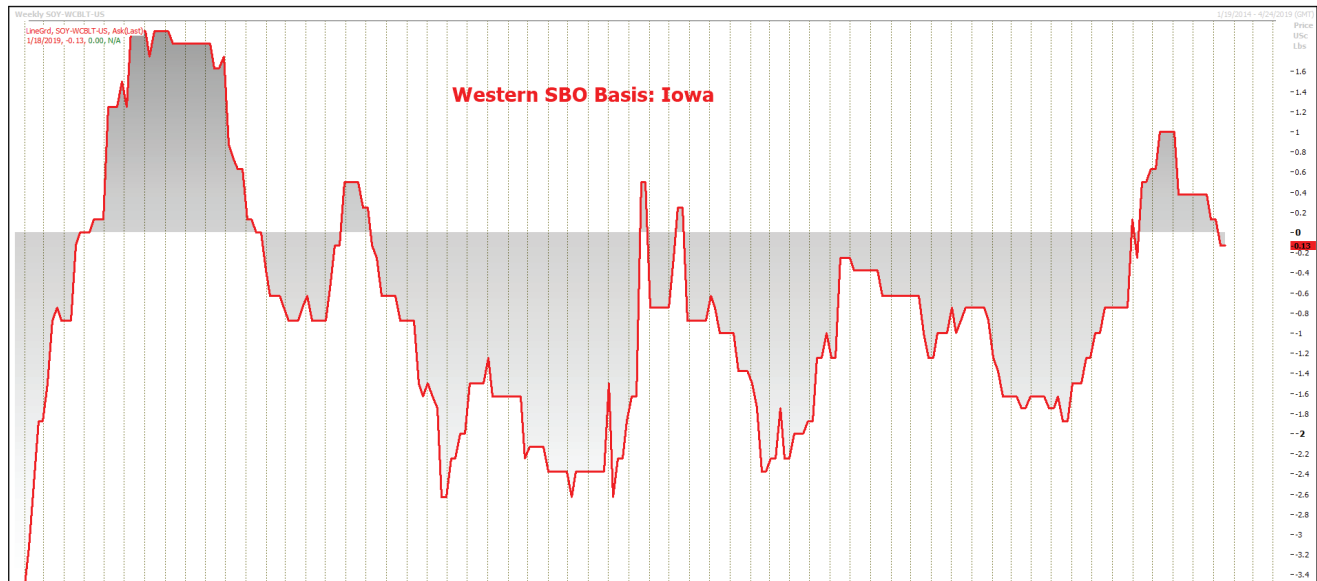
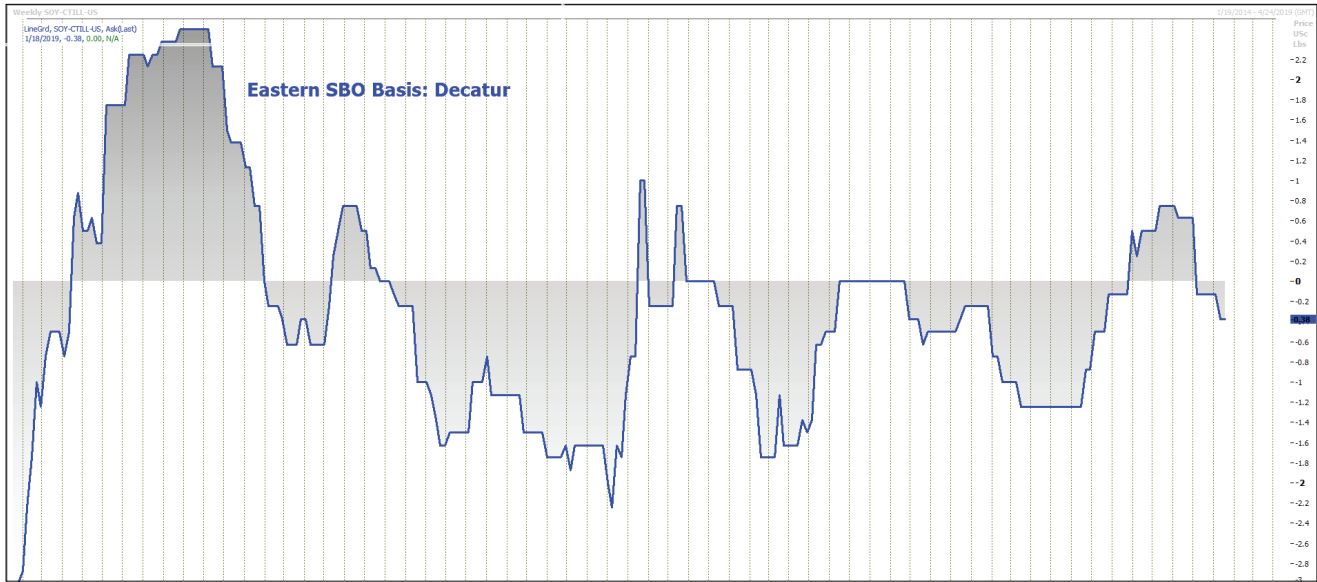


- No changes from last week. We have a clear wave count of five waves up for wave **1** and three waves down for corrective wave **2**.
- Prices moving above the extreme of wave **1** at 29.50 and a penetration of the upper boundary of the base channel will be characteristic of a wave **3** and give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



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## SBO Basis



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