



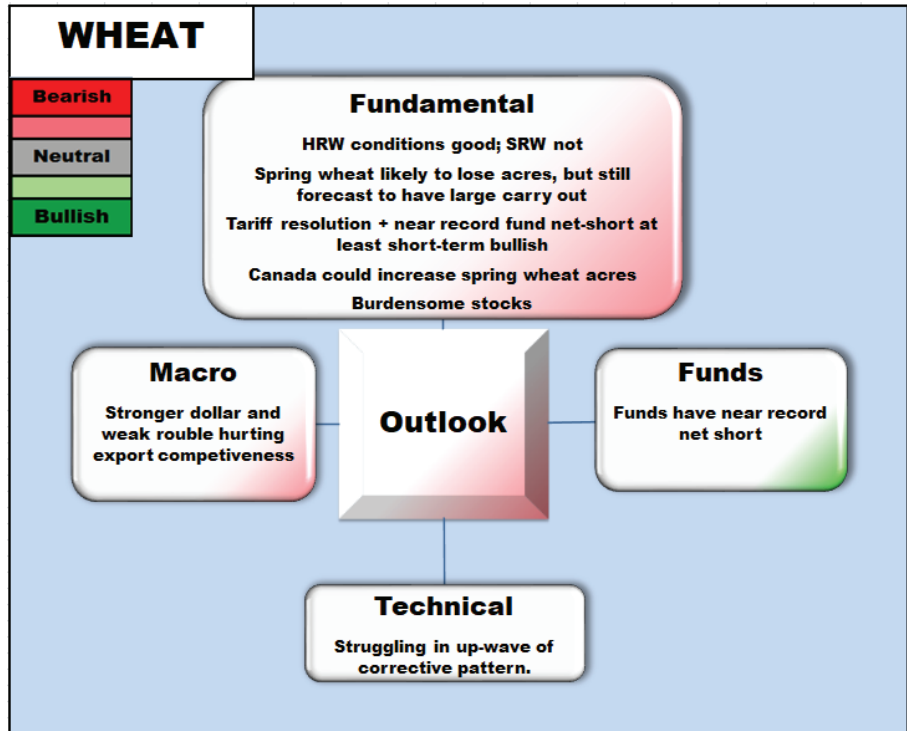
Trilateral Bakery Report

April 15, 2019

Recommendations

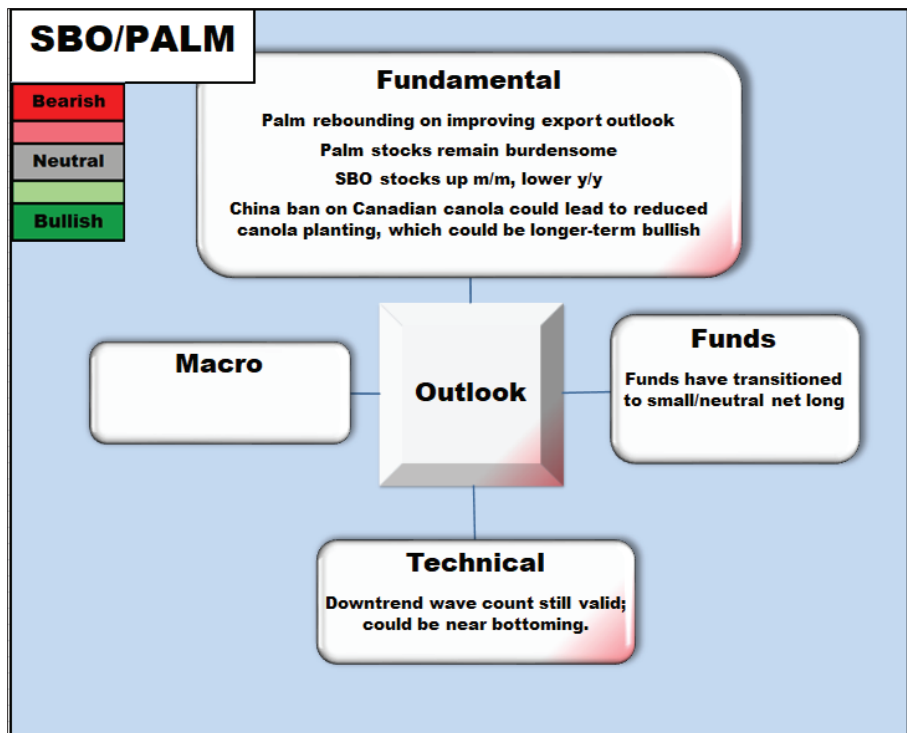
Wheat

Coverage should be through Q4. We are seeing some companies beginning to extend into 2020.



Edible Oils

Edible oil coverage recommended at least through Q3 and begin scaling balance of 2019 on opportunities.



Market Highlights



Wheat

- HRW conditions remain good, SRW conditions poor
- HRS likely to lose acres, but still expected to have multi-year high ending stocks
- WASDE low impact, ending stocks raise 20 mb
- Potential bullish factor: US-China trade resolution + near record net short funds.
- [Read detailed recap](#)



Oils

- Soybean oil flat for the week.
- Palm stock drop below 3 mmt on sharp increase in exports.
- Canola futures also flat last week, waiting for further development on China ban.

[Read detailed recap](#)

Market Recap

Wheat

Winter wheat futures has been net static the past two weeks. The HRW weekly chart below shows two consecutive doji patterns for the past two weeks, meaning each week opened and closed at the same level as attempt to push prices either higher or lower were rejected. SRW had slightly more open/close ranges, but netting on a two week chart would also produce a virtually no change scenario.



HRS futures, however, have been much more volatile (chart above), falling sharply after the announcement by Canana that it may shift 10% of canola acres to spring wheat after China announced a ban on Canadian canola. China represents 40% of Canada's canola exports. HRS did rebound for a small weekly gain last week.

The WASDE report was almost as uneventful as winter wheat trading. The USDA left supplies unchanged but reduced exports and domestic use slightly, which resulted in the all-wheat carryout estimate increasing by 20 mb.

The USDA said all-wheat planting was below expectations, down two million acres from last year. Spring wheat acres at 12.8 ma were 600,000 below estimates and 400,000 acres below last year. Extended winter weather and flooding will likely cause further reduction in planting. Given the projected carryout of 305 million bushels—the highest since 1987—loss of additional acres should not be missed.

Conditions for HRW wheat so far have been the highest since 2012 while SRW conditions remain the lowest for this date since at least 1999.

Wheat export sales last week were disappointing at 10.0 mb, although this is better than the 5.1 mb needed weekly to hit the USDA forecast. Still, with U.S. being so competitively priced, additional business is expected. Total export shipments as a percentage of the USDA forecast at 73.09% is the lowest on record for the first week in April.

Funds remain comfortable sitting with a large net-short position in both Chicago and Kansas City, with only a China announcement that includes wheat likely to force them out.

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

Oils

Soybean oil trading last week was flat after gaining a penny the previous week. Technically, SBO is expected to have one more leg lower. .

The Malaysian Palm Oil Board reported last week that Malaysian palm oil stocks fell to less than 3

Market Recap cont.

million tonnes by end-March to their lowest in five months, as a surge in demand outpaced production gains. Inventories in Malaysia declined 4.6 percent to 2.92 million tonnes, the first time since October 2018 that stocks were less than 3 million tonnes.

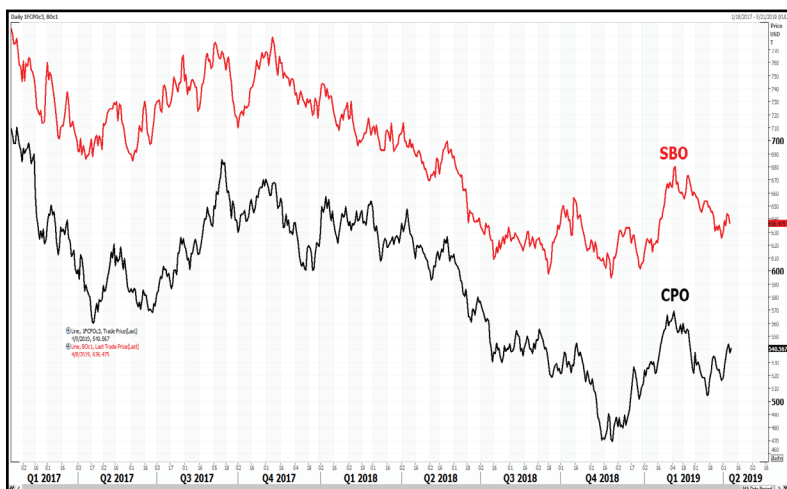
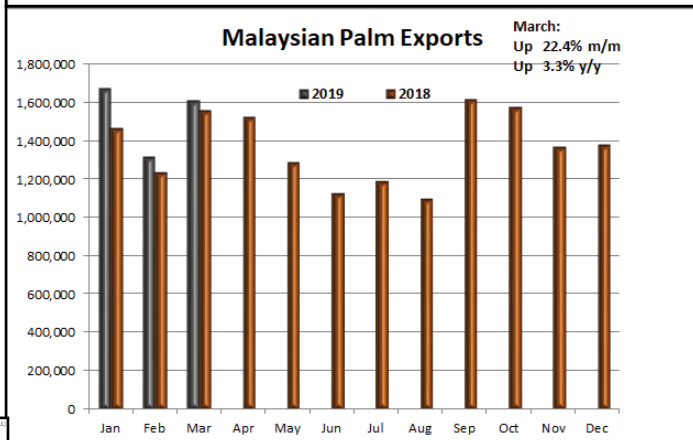
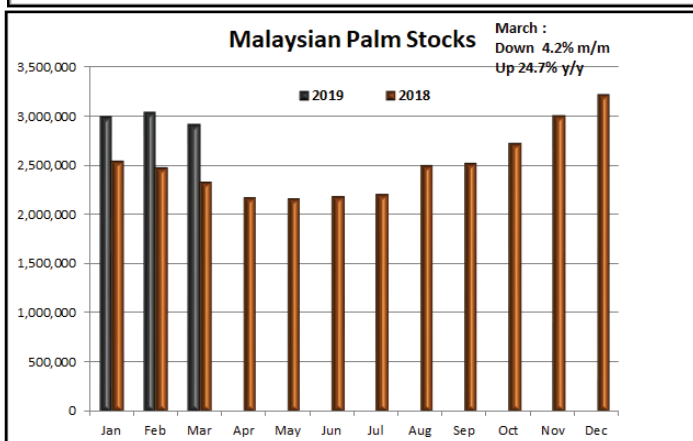
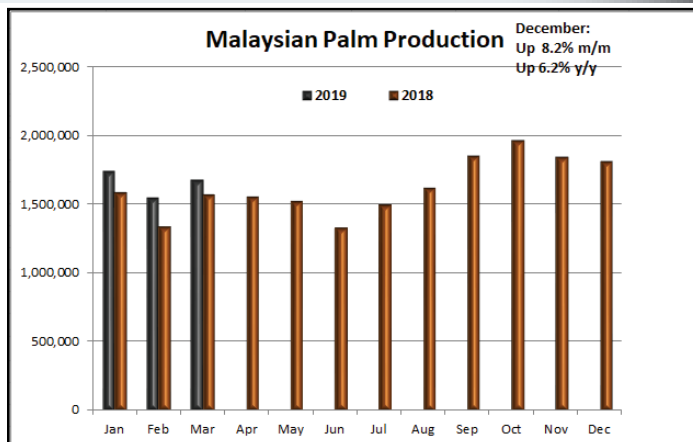
The fall in end-stocks could provide further support benchmark palm oil prices, which have gained more than 5 percent so far this month.

Strong exports have also been supportive of palm prices, with the MPOB data showing a 22.4 percent jump in March from the previous month to 1.62 million tonnes. The export gains, on a monthly basis, were the strongest in six months. "Exports were quite good due to Indian buying. This and next month (are) summer in India, when they tend to buy more. Some exports were also due to Ramadan," a trader said.

The MPOB data also showed that output in March rose to 1.67 million tonnes, up 8.3 percent from February and registering its first gain after four months of decline.

Similar to the winter wheat scenario explained in the wheat section, Canola futures were steady last week, with the open and close at near the same level, following an earlier step decline on news of China banning Canadian canola.

[See oils charts and tables](#)



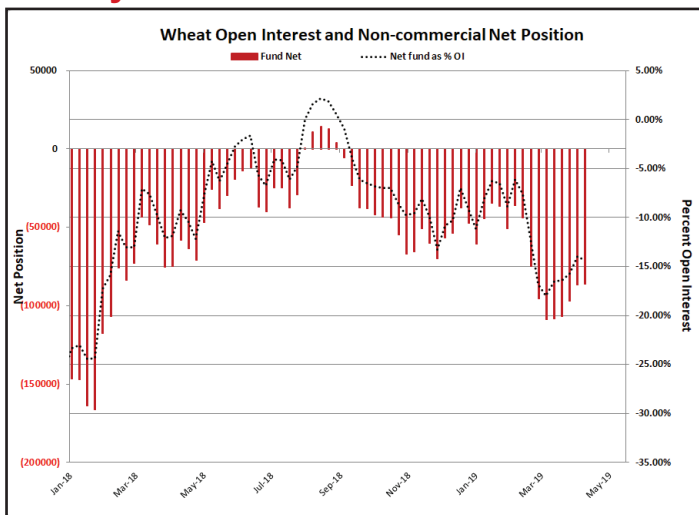
Wheat Charts and Tables

Technical Outlook



- We are still calling wave **B** complete and have labeled a waves **1** & **2** to the upside. Wave **2** has fulfilled requirements to be complete, but we want to see further impulsive upside price action to confirm.
- Critical support is 4.27. A break below 4.27 would adopt the alternative bearish wave count with 3.86 as the next support level.
- A key momentum indicator trending lower tends to reinforce the bearish perspective, especially if support levels are taken out.

Money Flow



Protein Premiums

Soft Red Winter: St. Louis-area mill bids for nearby were 35c over Chicago May; new crop 20c over July. Chicago mill had no bid. Toledo mill bids for nearby were 15c over Chicago May; new crop, 10c over July. Elevator bids were 5c under Chicago May; new crop, 15c under July. Cincinnati elevator bid was 10c over Chicago May; new crop, 10c over July. Michigan white wheat mill bids ranged from 10c under Chicago May to 20c over; new crop, 10c under July to 20c over; soft red wheat mill bids were 15c under May to 15c over; new crop, 15c under July to 5c under. Gulf bids on soft red winter for April were 85c over Chicago May, unchanged.

Hard Red Winter: Winter storm Wesley has grain transportation disrupted once again, pressuring basis higher.

Rail service remained an expensive challenge, trader said, adding that BN was running up to 40 days behind schedule in placing rail cars. Blizzard conditions continued in Nebraska. Rapid melt of accumulated snow in northwestern part of hard red winter region was expected to worsen flooding in first half of next week.

Hard Red Spring: Premiums on hard red spring wheat in Minneapolis were higher last week.

Value spread between high-protein and low-protein spring wheat remained narrow.

Deepest snow cover areas (12 to 24 inches) as of mid-afternoon were in northeastern South Dakota and southwestern Minnesota. Long-term effects were unlikely due to volume of stored wheat and lack of price incentive for big wheat movement. Ongoing Red River Basin flooding could be exacerbated with projected rapid weekend snow melt. Spring snow added to concern about getting spring wheat and row crops planted in timely fashion. "At some point, producers have to look at the date and the price for spring wheat" and potentially modify planting intentions.

Choice milling hard amber durum as quoted at the Chicago rail gateway for delivery beyond was nominal \$7.30 a bu, unchanged.

As of April 12, 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.

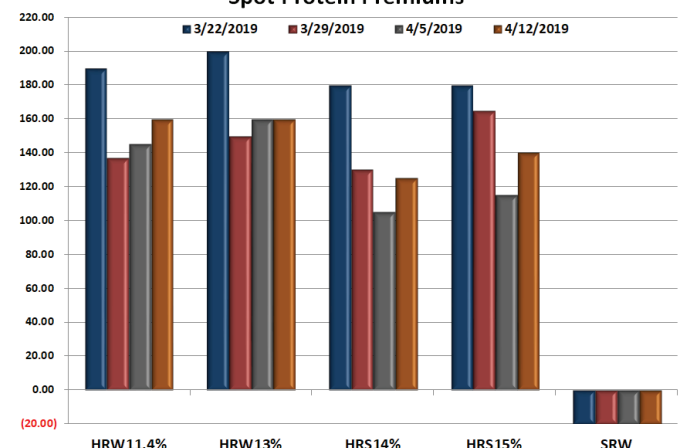
11.0%	150-160 K	+23
11.2%	150-160 K	+23
11.4%	150-160 K	+23
11.6%	150-160 K	+22
11.8%	150-160 K	+20
12.0%	150-160 K	+13
12.2%	150-160 K	+13
12.4%	150-160 K	+13
12.6%	150-160 K	+13
12.8%	150-160 K	+13
13.0%	150-160 K	+10
13.2%	150-160 K	+10
13.4%	150-160 K	+10
13.6%	155-165 K
13.8%	155-165 K
14.0%	155-165 K
SRW basis Chicago	-20 K

MWE Wheat Protein Premium

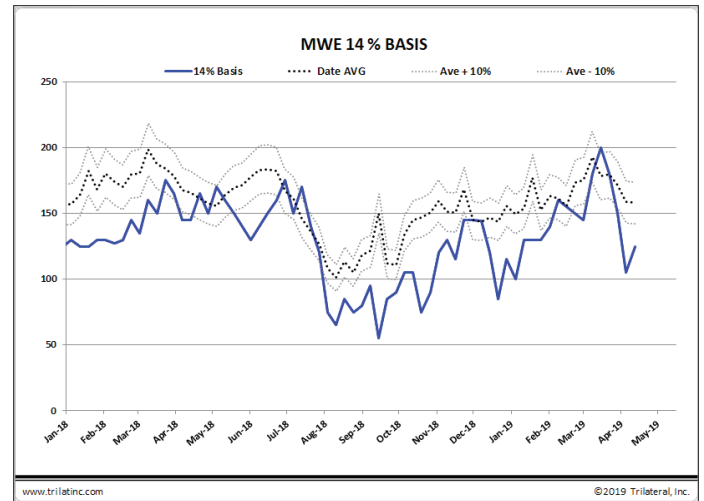
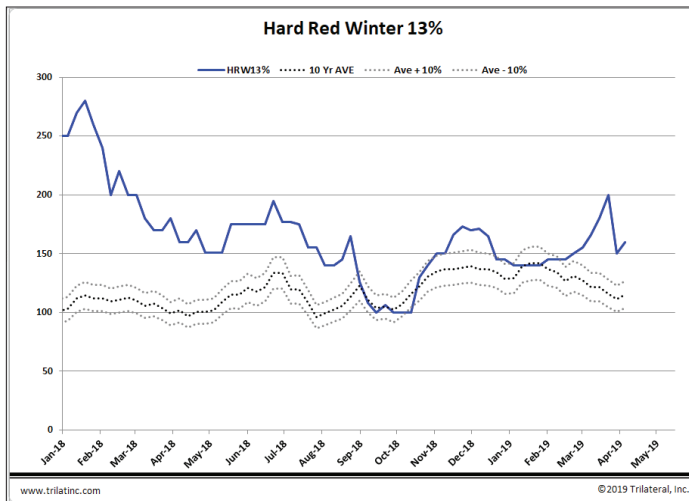
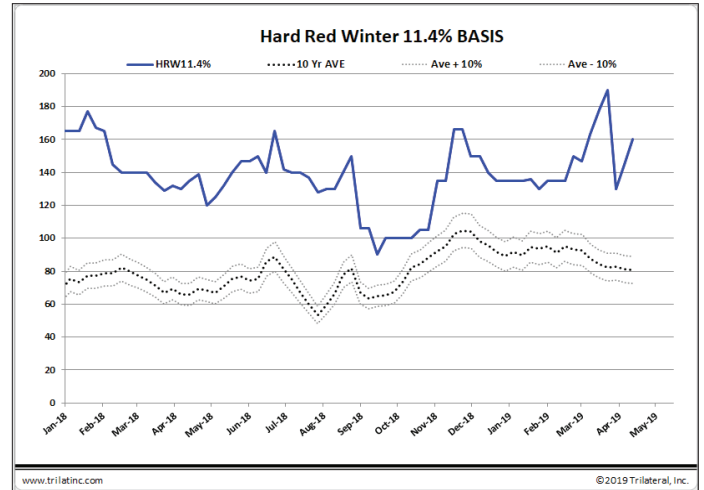
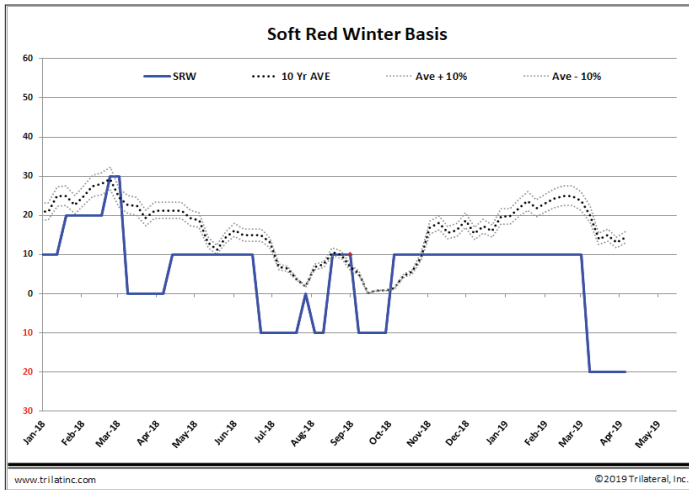
The basis is for US 1 Milling Quality Only. Milling Quality is defined as 300 or better Falling Numbers; 58 lbs or better test weight; 13.5 Pct or less moisture; 1.5 Pct or less Damage; 1.5 Pct or less Dockage and 2.0 ppm or less vomitoxin.

13.0%	115-115 K	+5
14.0%	120-125 K	+20
15.0%	110-140 K	+25

Spot Protein Premiums



Protein Premiums cont.



Millfeed

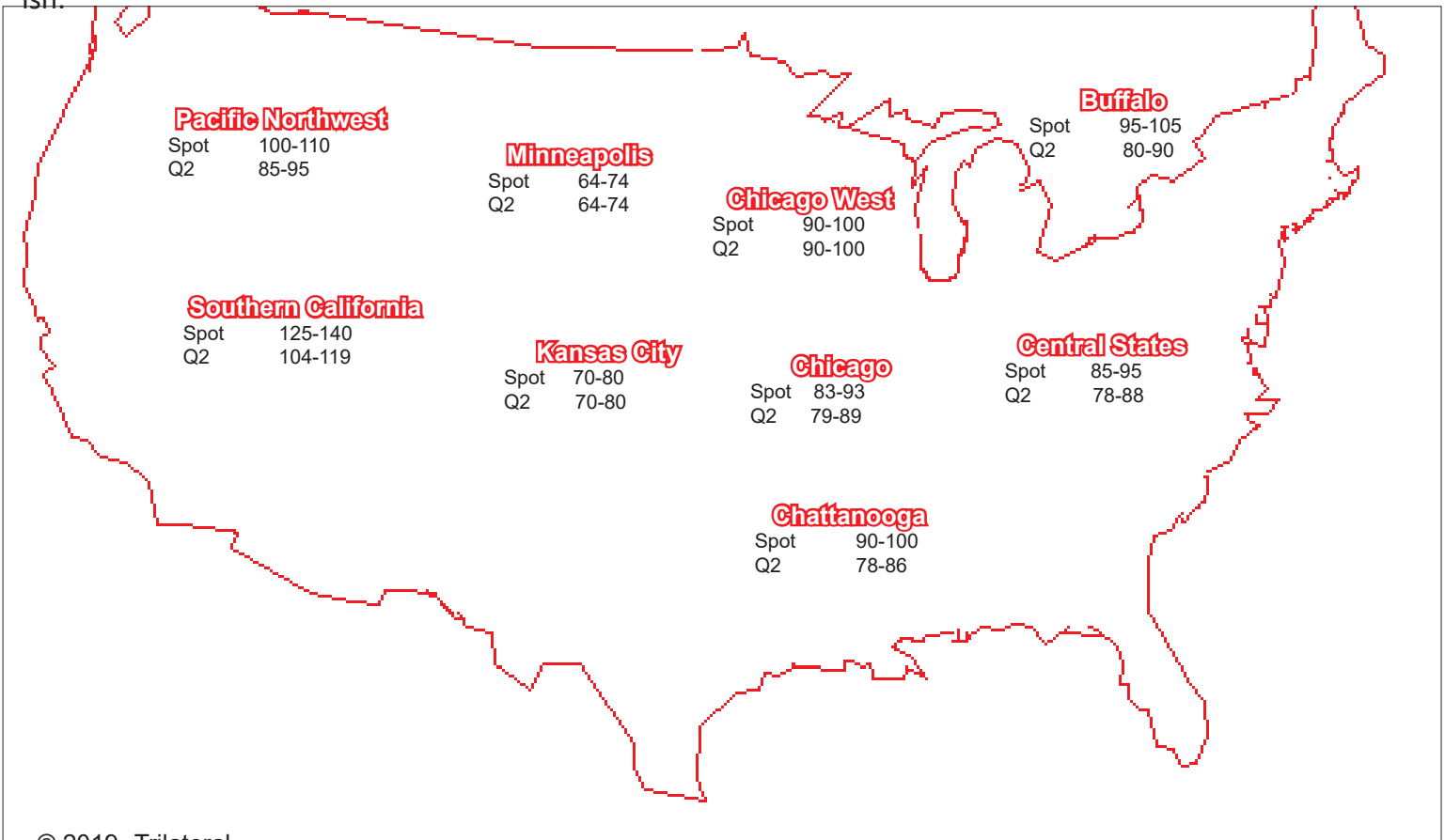
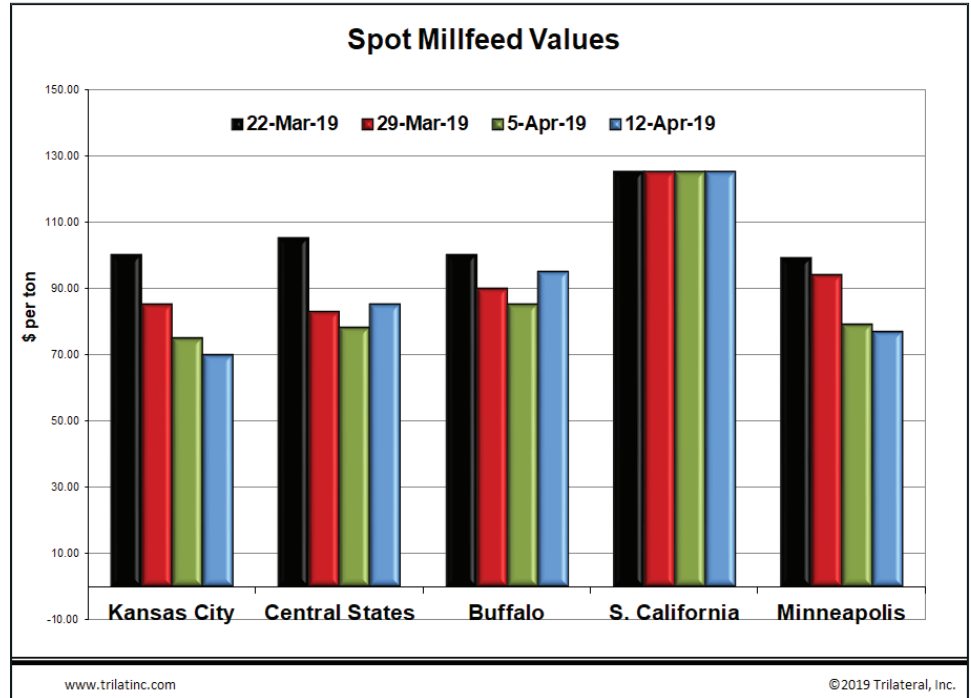
Nearby values were unchanged to firmer in some regions.

Trading remained slow with the typical “directions” day from mills, which had traders focusing on logistics.

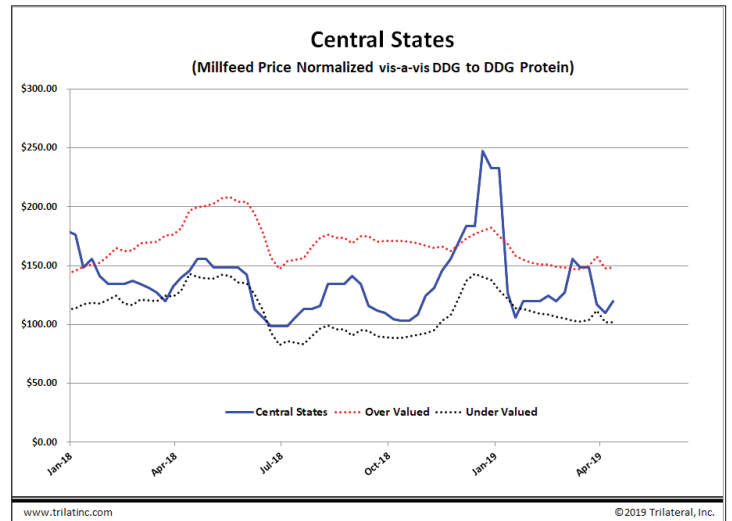
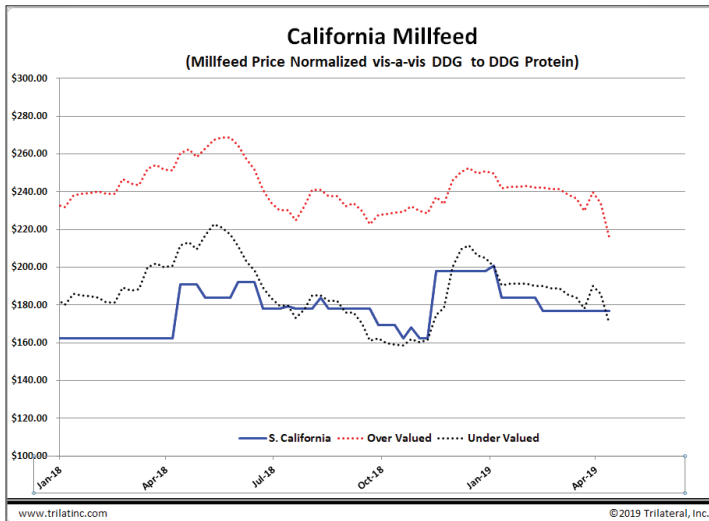
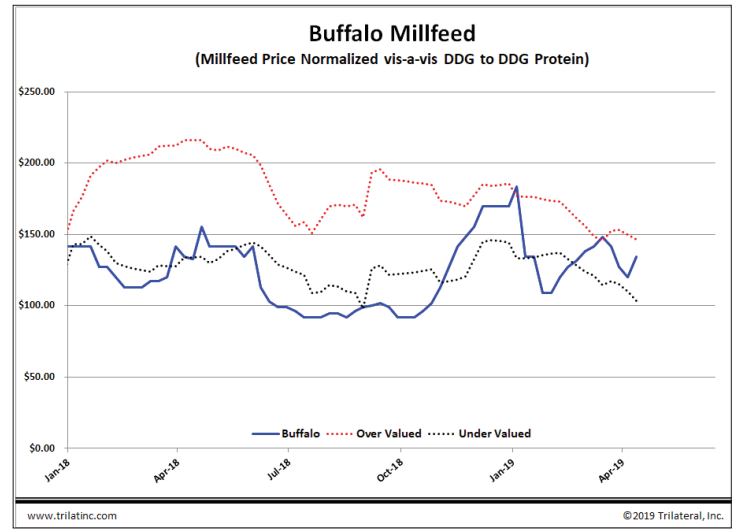
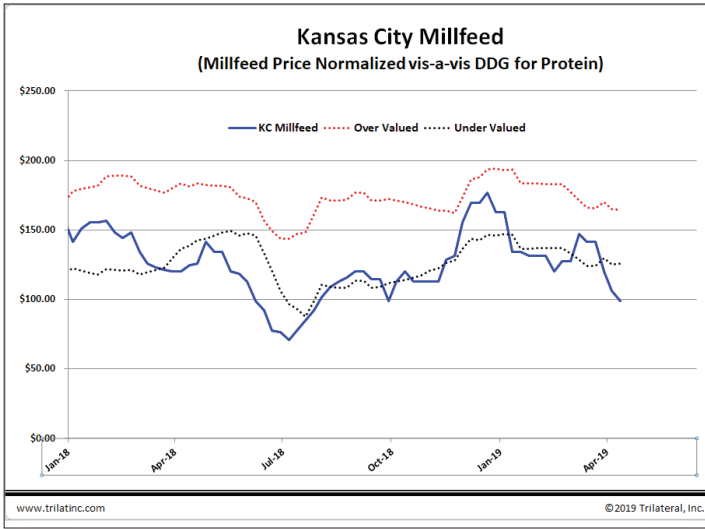
The major storm moving across parts of the western Corn Belt and Upper Midwest was negatively affecting transportation but was not expected to have much impact on feed demand.

Anticipation of supply over next week’s Easter break was mixed. In some areas, such as the Southwest, Upper Midwest and Central states, an extra day of downtime on Good Friday was expected to tighten supply but only be minimally supportive to prices due to lackluster demand, even in cases where mills were running only three days next week.

Long waits for trucks to load millfeed at some locations prompted buyers to use supply on hand. In the Northeast, some spot quotes were nominal as mills were out of feed through the holiday, with the situation exasperated by one large mill closing for several days next week. Once the holiday is passed and mills return to regular, albeit still light, schedules, and with still-greening pastures, the outlook for millfeed is mostly bearish.



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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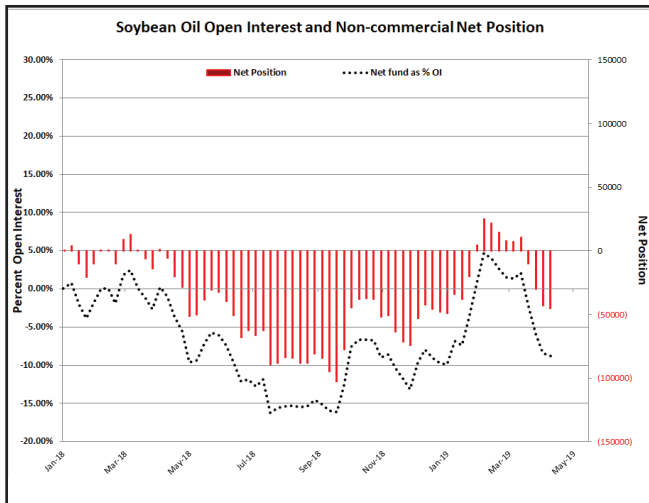
Oils Charts and Tables

Technical Outlook



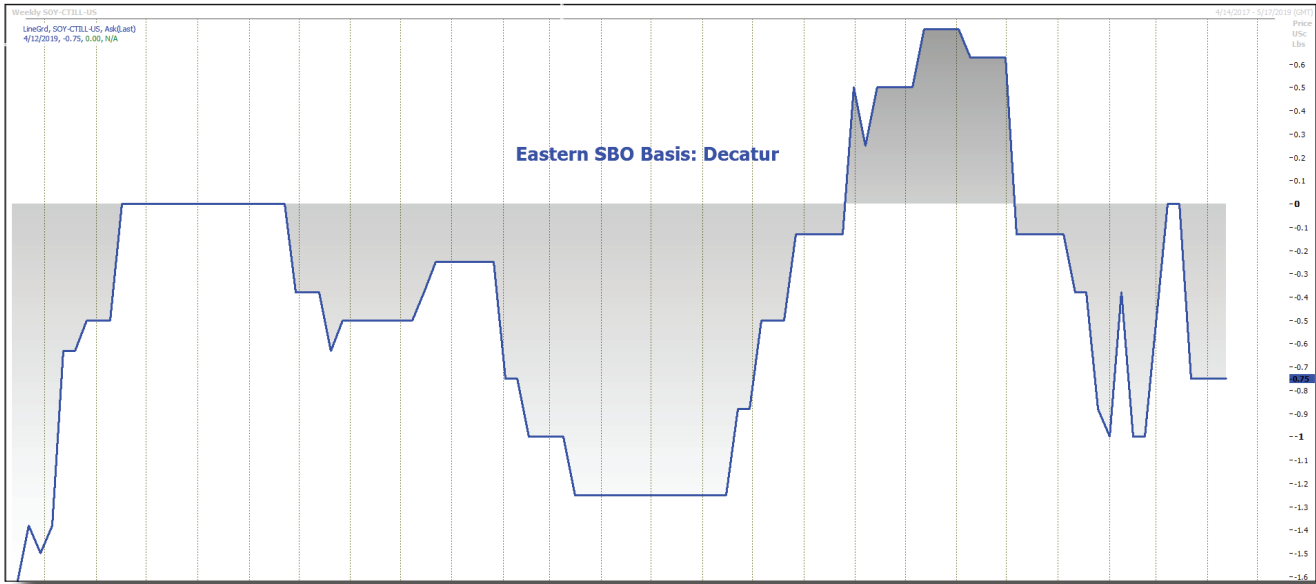
- SBO futures corrective more higher in wave **iv** is near completion. The ending diagonal signals there will be one more leg down.

Money Flow



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SBO Basis



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