



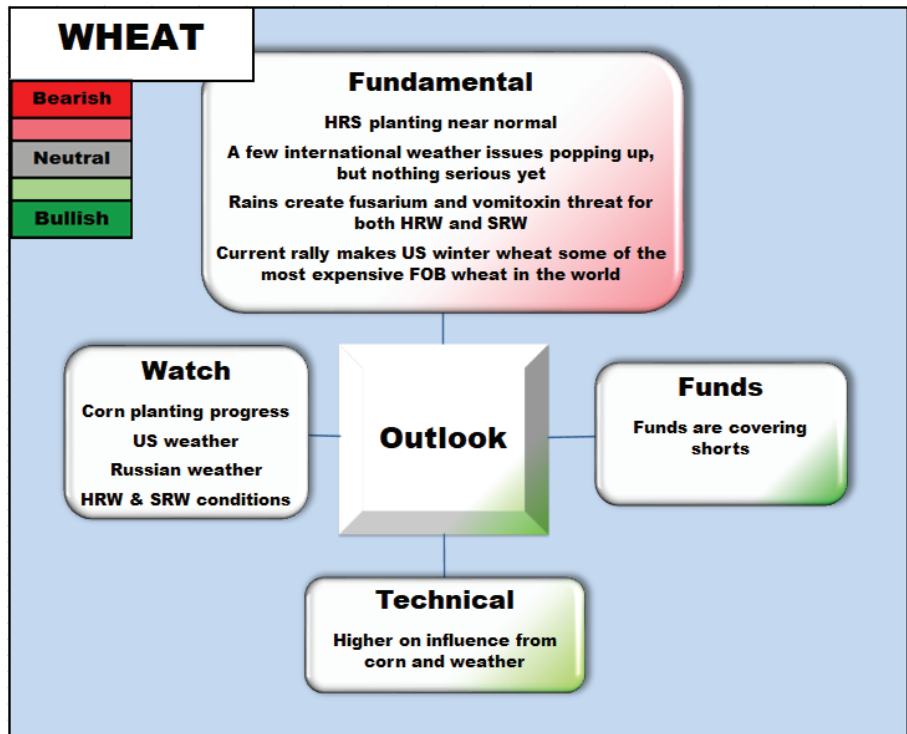
# Trilateral Bakery Report

June 17, 2019

## Recommendations

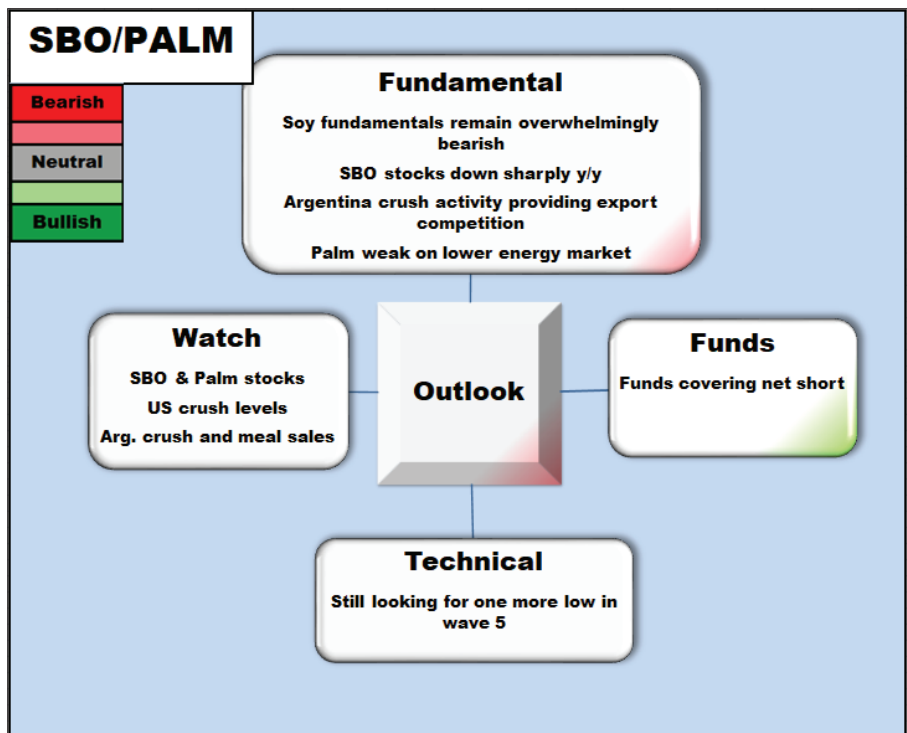
### Wheat

Coverage should be through Q4. With wheat at a multi-year support range, extending futures into 2020 is encouraged.



### Edible Oils

Edible oil coverage recommended at least through Q4. We are watching the July-August time frame for opportunity to extend coverage into 2020. SBO futures should establish a new low and palm tends to reach seasonal lows in July-August.



# Market Highlights



## Wheat

- Heavy rains forecast over the next week add further threat to quality issues
- Very tight soft red balance sheet
- Russian exports are now projected at 37.0 mmt and Ukraine exports are projected at a record 19.5 mmt

[Read detailed recap](#)



## Oils

- Global vegetable oil usage ratio is expected to decline to below 10 percent in 2019/20, the lowest since the mid-1990's.
- Malaysian palm oil stockpiles fall to a 10-month low

[Read detailed recap](#)

# Market Recap

## Wheat

Heavy rains forecast over the next week add further threat to quality issues for the US winter wheat crop. Harvest is already well behind the average pace and the longer mature wheat remains exposed to the wet conditions, the greater the potential for quality degradation.

One concern for sometime has been a low protein HRW crop. And though the market does not have a good sampling of the crop, protein levels so far in Texas and southern Oklahoma have been running 1% lower than normal. The lower the protein levels, the more likely HRW wheat will find its way into feed rations.

While hard wheat supplies will be in plentiful supply this year, there is a very tight soft red balance sheet, and SRW is now said to be a sharp premium to HRW export offers. In fact, SRW is being called the most expensive wheat in the world, and even U.S. HRW is currently a big premium to both Russian and EU wheat offers.

As in the soybean market, wheat supplies both here and in the world still paint a bearish landscape. The world is expected to have a record large ending stocks total of 294.3 mmt. However, wheat is now going for its fifth consecutive higher close this week, as Chicago July wheat has rallied into new recent highs and 45 cents above Monday's lows.

The recent wheat rally was based in large part on money flow/fund short-cover buying. But as the dust settles, traders will once again need to focus on the fact the U.S. has some of the most expensive FOB wheat in the world.

While the USDA forecast for ending stocks dropped 69 mb from the May to June WASDE reports, the total ending stocks were still forecast over 1 bb at 1.072 bb.

U.S. 2019/20 wheat supplies are down with lower beginning stocks partly offset by slightly higher production.

World 2019/20 wheat supplies were raised 4.9 million tons based on larger crops in India, Russia, and Ukraine. Russian exports are now projected at 37.0 mmt and Ukraine exports are projected at a record 19.5 mmt

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

## Oils

The USDA's June WASDE report forecast global vegetable oil consumption will expand over the next year, though at a slightly slower pace than in recent years.

But with global vegetable oil production failing to keep pace with the increased consumption, global vegetable oil usage ratio is expected to decline to below 10 percent in 2019/20, the lowest since the mid-1990's.

Global soybean oil trade was forecast to rise 5 percent in 2019/20 equaling the record set in 2015/16. But much of that trade will be captured by Argentina. Ending stocks will decline only slightly, but remain significantly below the 5-year average.

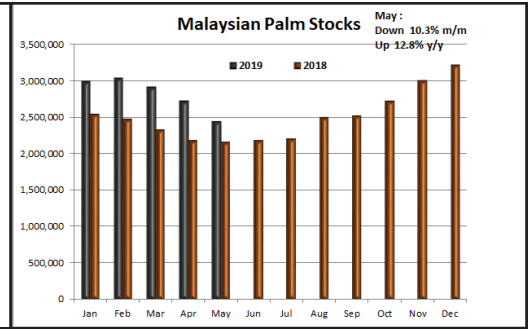
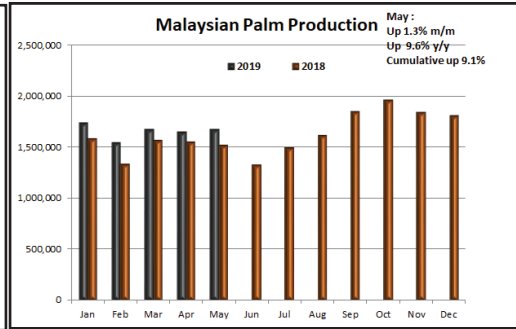
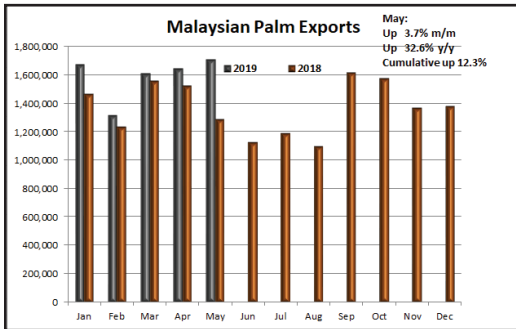
Global palm oil production in 2019/20 is forecast to continue growing at a healthy pace as key exporters Malaysia and Indonesia expand acreage and production. Palm oil as a share of global oil trade is projected to remain near the long term average of 61 percent while global palm oil consumption as a share of total oil consumption continues to rise. Non-food use as a percentage of global oil disappearance is projected to reach 44 percent, up 12 percentage points since 2010/11.

The Malaysian Palm Oil Board's June update reported Malaysian palm oil stockpiles fell to a 10-month low at the end of May, extending monthly falls since March, as export gains outpaced an unexpected rise in production. Exports rose for a third

# Market Recap cont.

month in a row in May, up 3.5% from April.

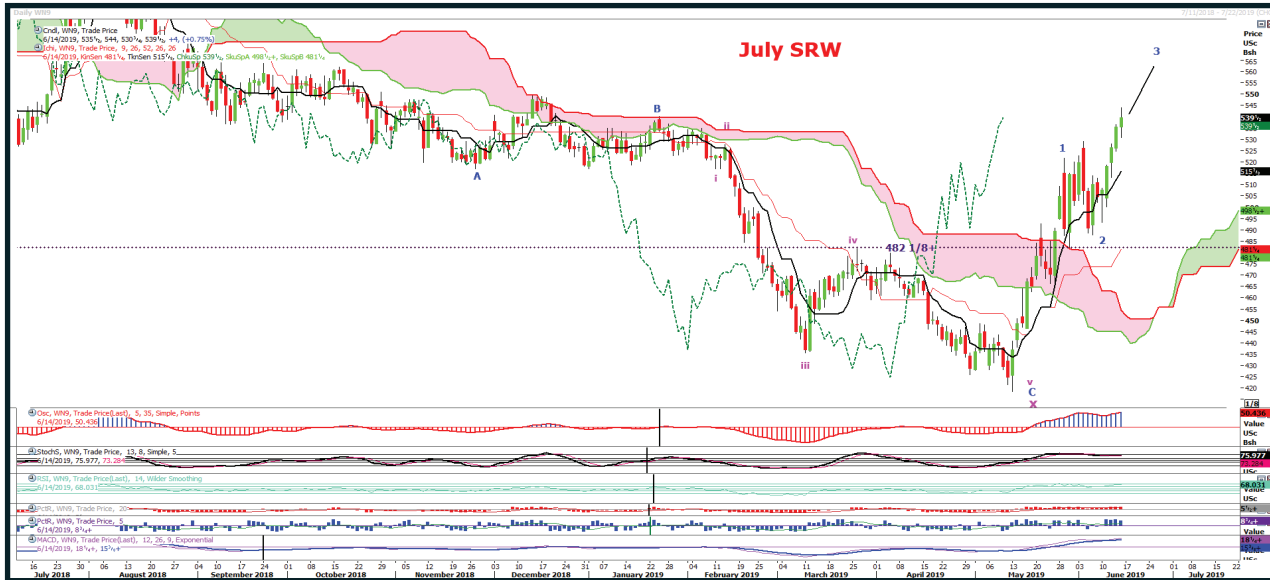
Benchmark palm oil prices have eased about 5% since the start of the year, weighed by concerns about high stocks and flat demand. Falling stockpiles could support palm prices.



[See oils charts and tables](#)

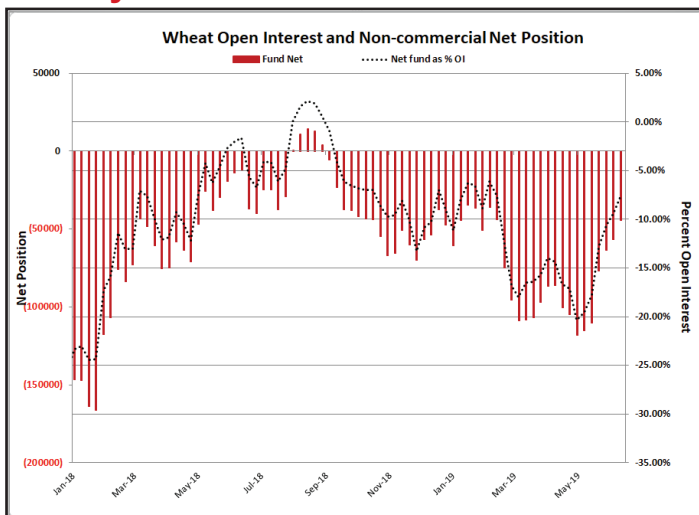
# Wheat Charts and Tables

## Technical Outlook



- Our wave count remains intact.
- We are calling Wave 2 complete and are looking for prices to continue higher in wave 3.

## Money Flow



## Protein Premiums

**Soft Red Winter:** Two St. Louis area flour mills closed for weeks due to flooded Mississippi river planned to resume flour grind between June 24 and July 1. St. Louis mill bid was 30c over Chicago July. Chicago mill had no bid. Toledo mill bids for nearby were 15c over Chicago July; August-September, 10c over September. Elevator bids for nearby were 20c over Chicago July. Michigan crop was experiencing continued intermittent rain that underscored need for fungicide. Crop in some areas looked to be of high quality, he said. Contract applications were winding down as producers focused on preparing storage for new crop. Earliest projected harvest start was July 15, compared with a week earlier in drier years, the miller said. Gulf bids on soft red winter were 90c over July, unchanged.

**Hard Red Winter:** Premiums on hard red winter wheat in Kansas City were unchanged to 10c a bu lower.

Salina wheat bids were 20c under K.C. July. Hutchinson wheat bids were 10c under K.C. July. Wichita elevator bids for nearby were 10c under K.C. July. Gulf bids on 12%-protein hard red winter wheat for nearby were 167c over K.C. July, unchanged.

**Hard Red Spring:** Premiums on hard red spring wheat in Minneapolis rose significantly over the past week.

Choice milling hard amber durum as quoted at Chicago rail gateway for delivery beyond was nominal \$7.30 a bu, up 5c. The Minneapolis price was \$7 a bu. Durum mill near St. Louis was expected to have rail service fully restored by weekend.

As of June 14, 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.

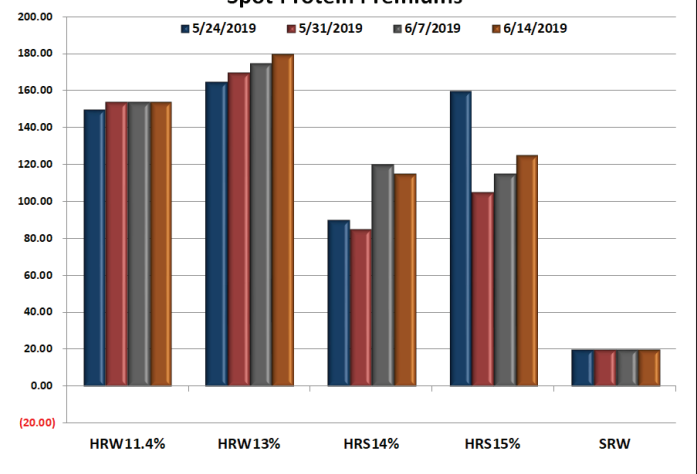
11.0%	140-150 N	-10
11.2%	140-150 N	-10
11.4%	144-154 N	.....
11.6%	148-158 N	-4
11.8%	165-175 N	-5
12.0%	165-175 N	-5
12.2%	165-175 N	-5
12.4%	165-175 N	-5
12.6%	165-175 N	-5
12.8%	165-175 N	+5
13.0%	165-175 N	+5
13.2%	168-178 N	+2
13.4%	168-178 N	+2
13.6%	168-178 N	+2
13.8%	168-178 N	+2
14.0%	168-178 N	+7
SRW basis Chicago	+20 N	.....

### MWE Wheat Protein Premium

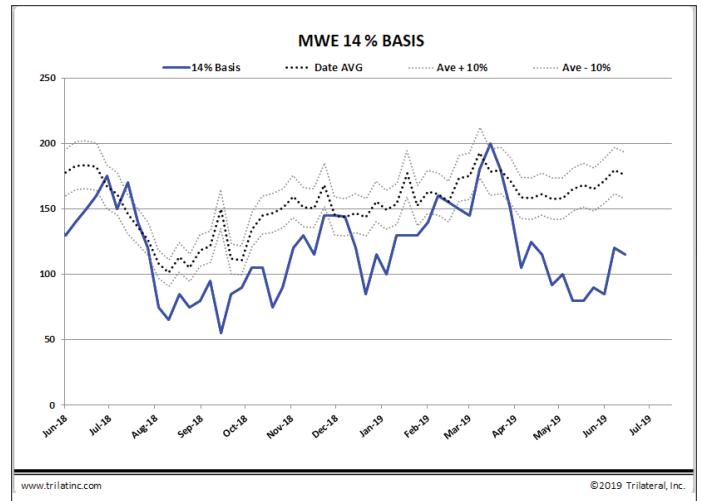
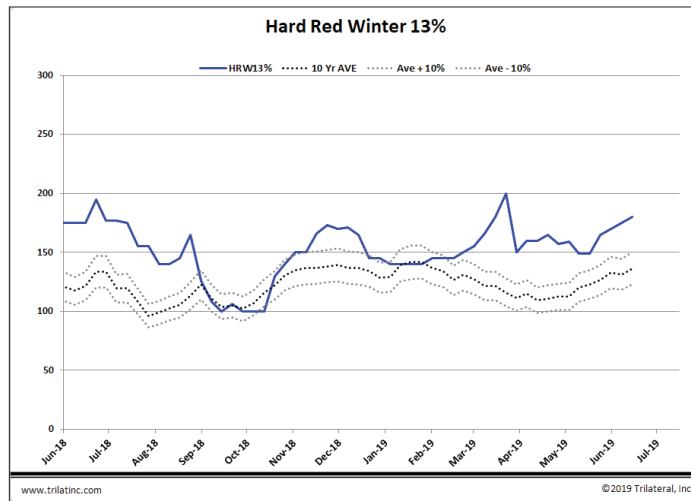
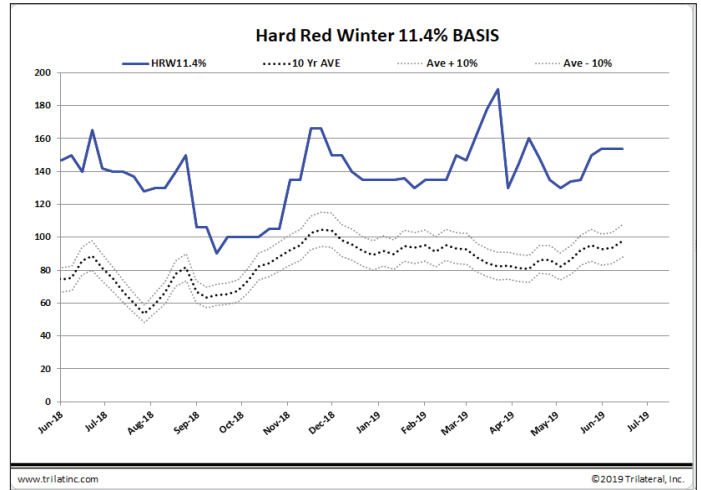
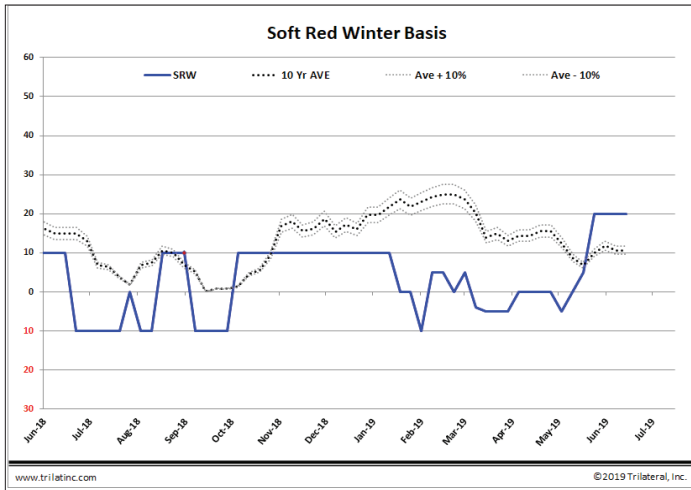
The basis is for US 1 Milling Quality Only. Milling Quality is defined as 300 or better Falling Numbers; 58 lbs or better test weight; 13.5 Pct or less moisture; 1.5 Pct or less Damage; 1.5 Pct or less Dockage and 2.0 ppm or less vomitoxin.

13.0%	110-110 N	.....
14.0%	100-115 N	-5
15.0%	125-125 N	+10

Spot Protein Premiums



**Protein Premiums cont.**



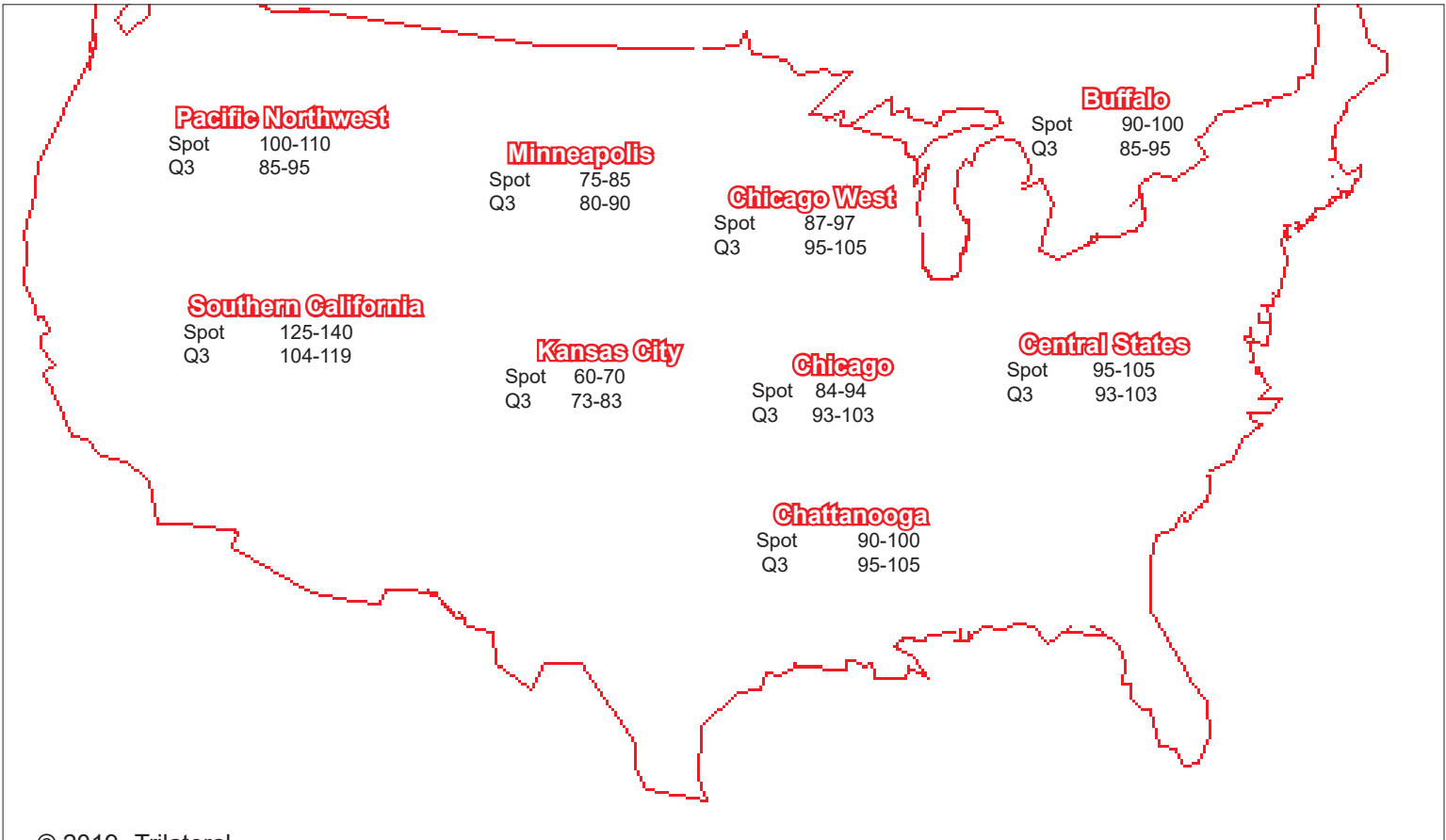
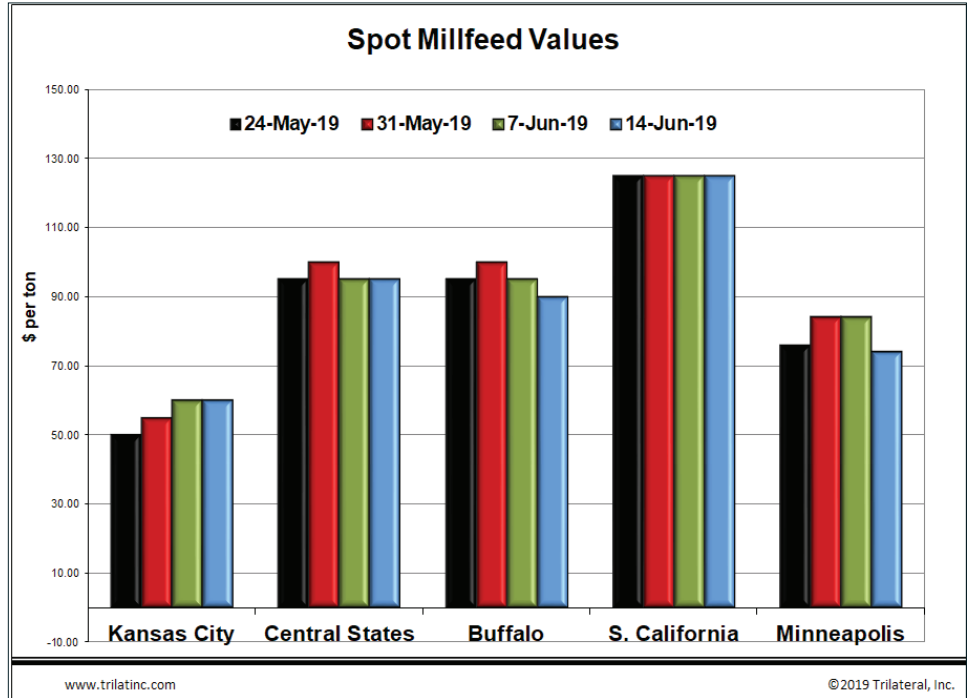
## Millfeed

Values were mostly steady and spot market heavy regardless of recent rallies in competing ingredient prices.

Trader said corn futures price rally alone would soon have mids buyers snapping up offers too good to refuse.

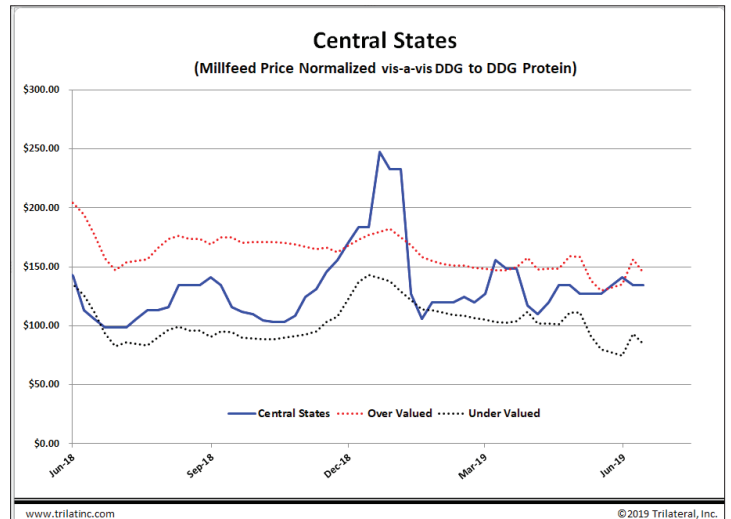
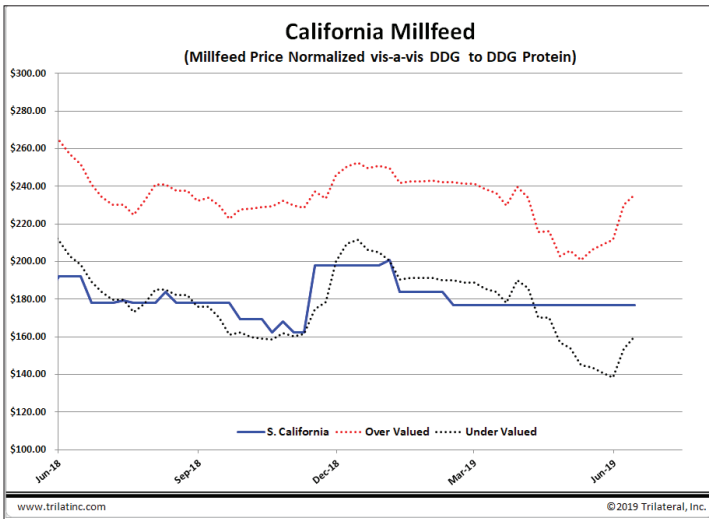
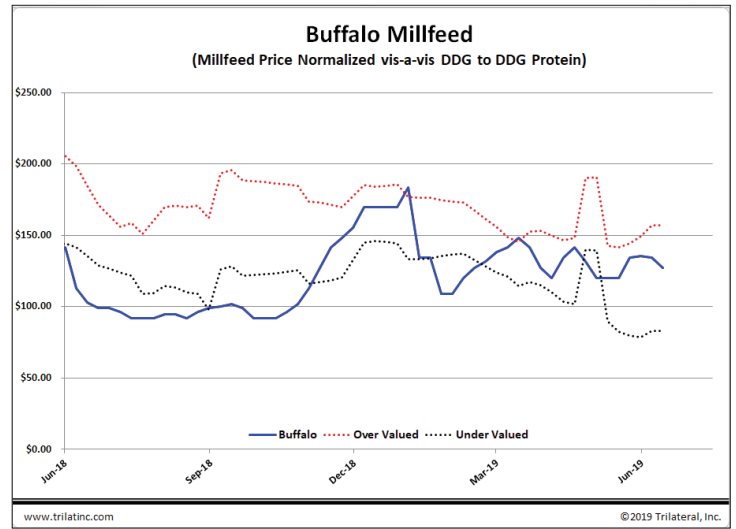
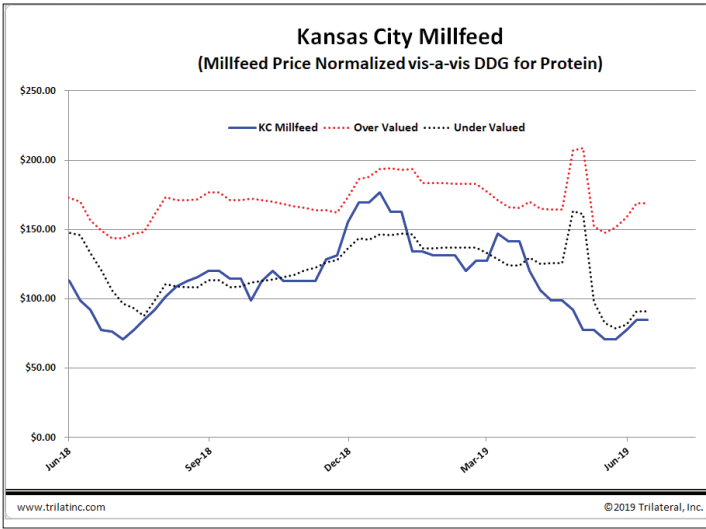
For now, interest was mostly limited to inquiries for July-September and October-December. As whole feed structure was seen advancing, so, too, would mids, while remaining a relative value compared with distillers' dried grains, corn gluten feed and soy hulls.

Impending advance meant flour mills didn't rush to issue offers, though trader speculated flour sales for later periods weren't yet sufficient to generate urgency. "It all depends on what bakeries are going to do," he said. Still, some buyers held ideas mills will run hard per normal in third quarter, and seasonally lower feed demand would create plentiful loads in spot market. Eastern markets were "same old song and dance," a source said, indicating markets cooled slightly on increased runtimes with mostly steady feed demand. Some Northeast and Southeast buyers were thought to already have taken advantage of cheap mids to extent their storage capacity allowed.





**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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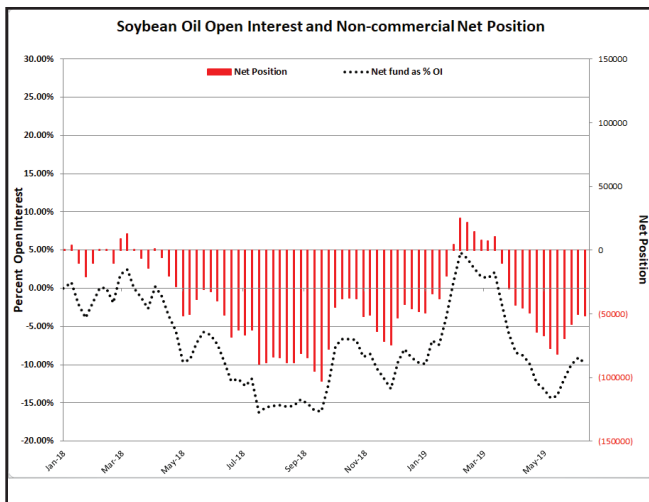
# Oils Charts and Tables

## Technical Outlook



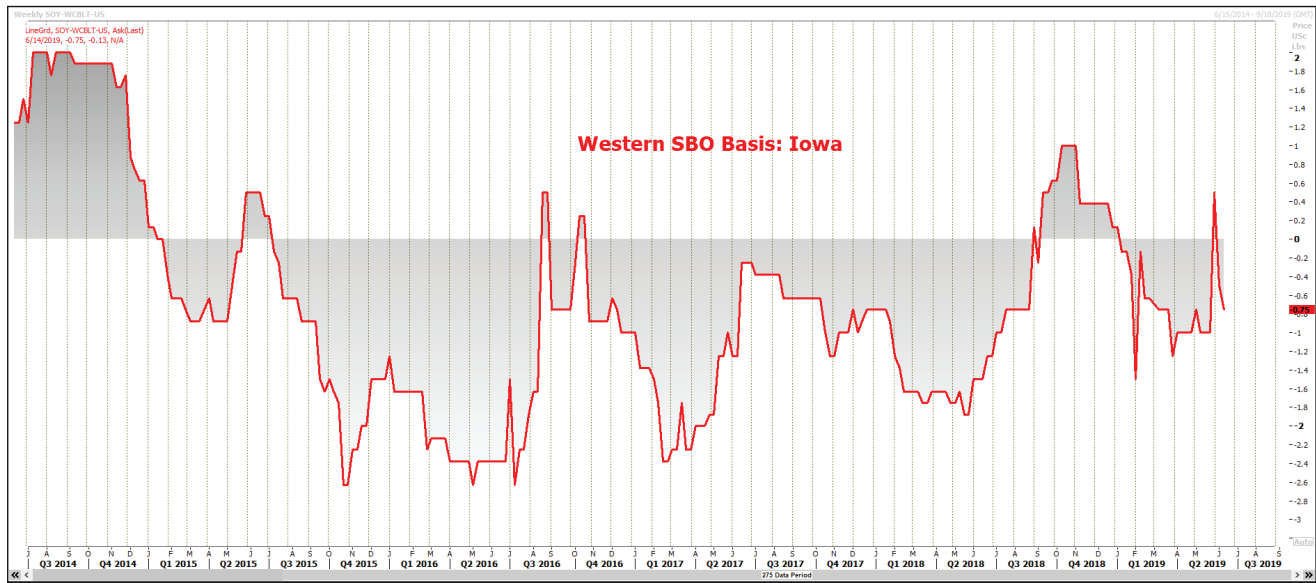
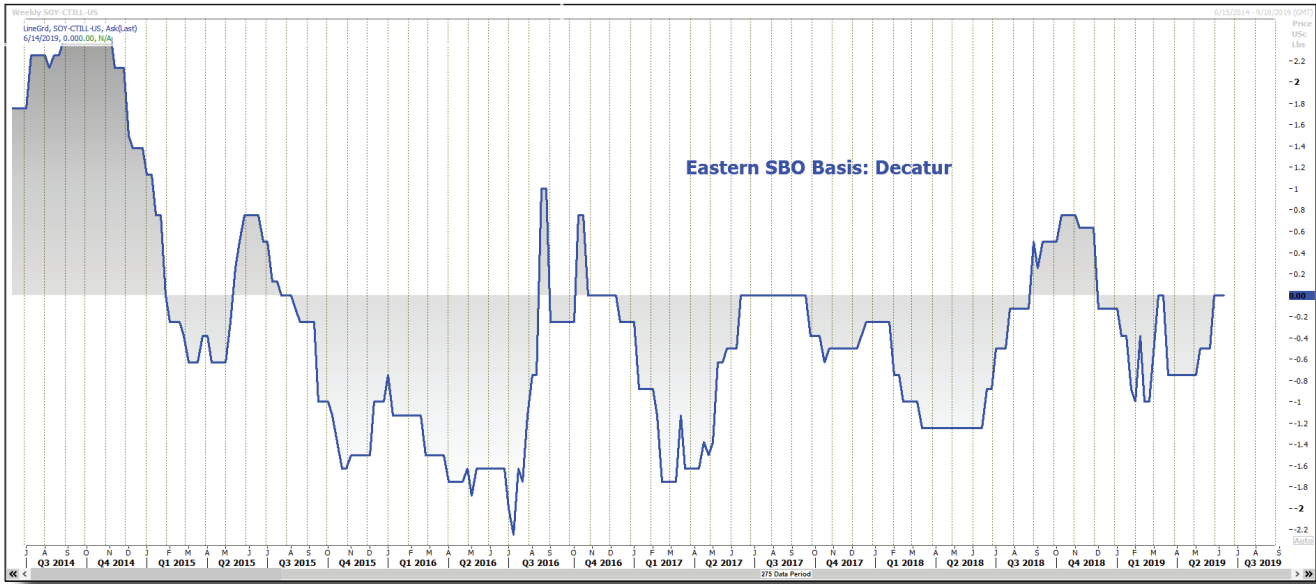
- Wave **v** continues to develop to the downside as expected for one more new low.

## Money Flow



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## SBO Basis



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