



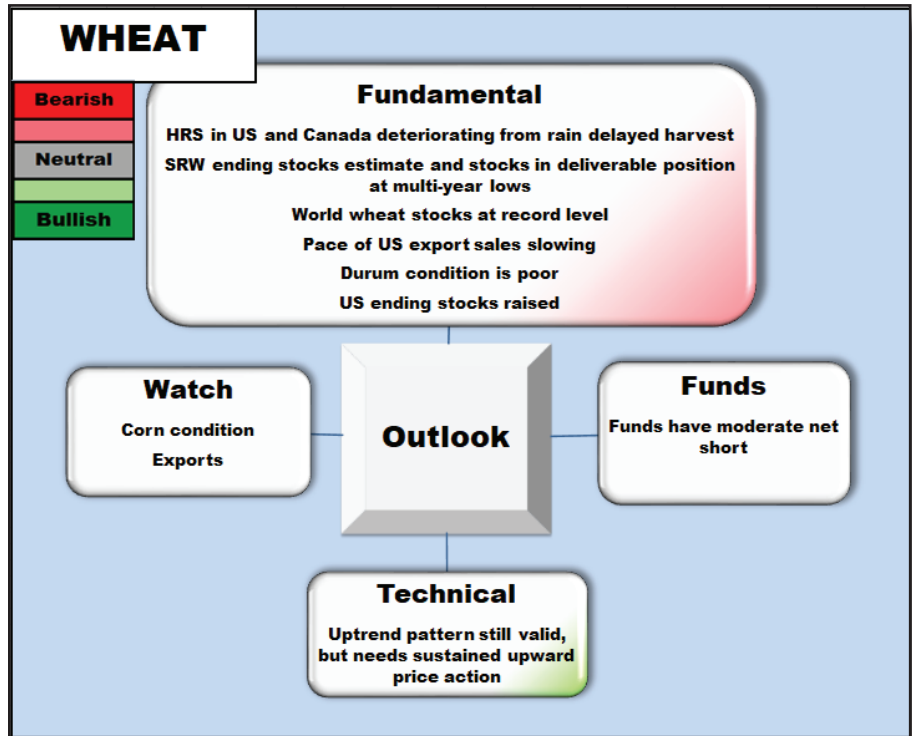
Trilateral Bakery Report

October 14, 2019

Recommendations

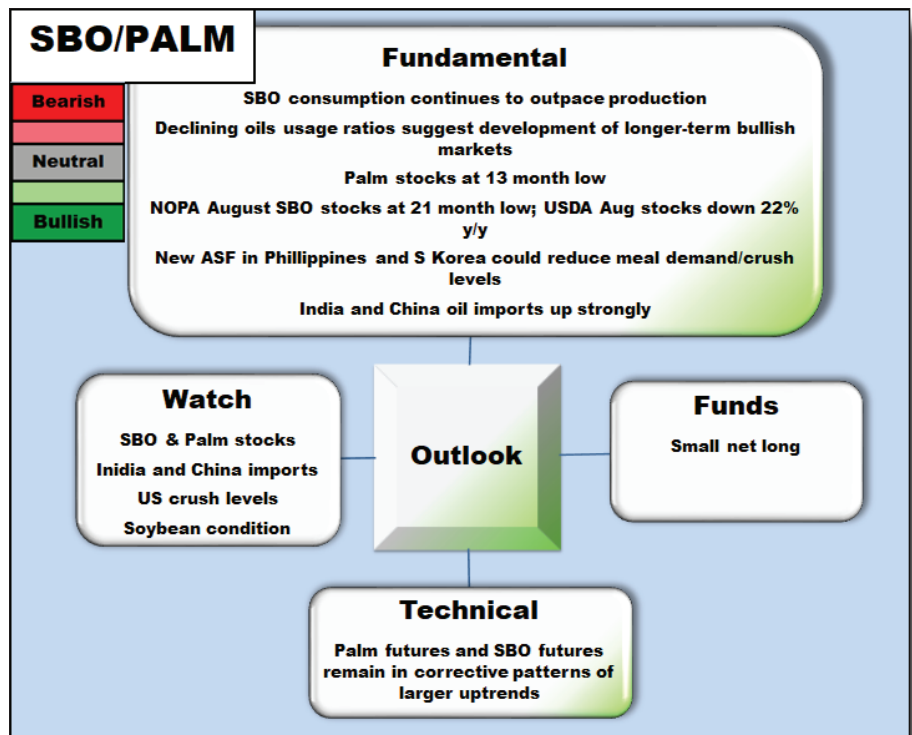
Wheat

Futures coverage should be through Q2. Basis coverage recommended through Q2.



Edible Oils

Recommend seeking opportunities to extend 2020 coverage for veg oils and veg oil products.



Market Highlights



Wheat

- Rain & snow causing damage to unharvested HRS in US and Canada.
- Hard freeze in Alberta and western Saskatchewan ends crop development
- SRW ending stocks estimate and stocks in deliverable position at multi-year lows.
- Russia increases 2019 production level again
- WASDE estimages record large global stocks

[Read detailed recap](#)



Oils

- SBO consumption continues to outpace production: USDA Aug production August oil production was up 5.4% y/y while stocks were down m/m by 13% and 22% lower y/y.
- NOPA August SBO stocks at 21-month low
- Malaysian stocks rise 9% m/m on weak exports that dropped 19% m/m
- India soy production estimated down 18% y/y, should lead to even higher oil imports
- Spread of ASF throughout SE Asia poses potential threat to meal demand/crush levels. Soymeal exports fell 21%

Market Recap

Wheat

For all practical purposes, spring wheat harvest has ended.

Following several weeks of excessive rain that led to sprouting and vomitoxin in unharvested HRS wheat, last week's winter storm that included heavy snow, rain along and winds as high as 50 to 60 mph in the Northern Plains caused lodging and likely lodging and higher abandonment of spring wheat.

Some 9% of the U.S. spring harvest remained as of last Sunday, while the Canadian Prairies still had an estimated 50% of the crop still in the fields.

While quality will take another major hit, commercials seem to believe it is manageable at this juncture. Discount spreads for protein, vomitoxin and falling number should continue to get wider as the season progresses. It may be due to combined wheat stocks as of Sept. 1 in North Dakota, South Dakota, Montana and Minnesota of 786.5 mb, the largest since 2010-11 and the second largest since 1993-94.

The October WASDE report ending stocks level of 1.043 bb was bearish vs expectations of 1.011 bb. The supply and demand outlook cited smaller supplies, reduced total use, and the rising ending stocks—8 mb. Exports were cut 25 mb. Feed and residual was lowered 30 mb.

The global outlook for wheat this month was supplies raised fractionally with decreased production offset by higher beginning stocks.

Global ending stocks were raised 1.3 million tons to a record 287.8 million vs estimate of 285.5.

Russia's Ag Minister put their wheat crop at 78 mmt with exports of 36 mmt vs. USDA holding its estimate at 72.5 mmt and 34.0 mmt. Either way the US will continue to face headwinds for global export business. Especially so long as U.S. wheat remains overpriced relative to the competition, with both hard red and soft red winter priced well above the EU and Black Sea.

After a solid start, the positive gap of current

export commitments over last year is slipping. Once well over 20% above last year, total commitments are now 14% higher than a year ago.

[See Wheat Charts and Tables](#)

Oils

Palm oil futures were higher last week but still have not confirmed the corrective pattern is complete. Concerns about sluggish demand for the tropical oil continued to keep buyers on the sidelines. Malaysia's palm oil output and crude palm oil prices are expected to pick up slightly in 2020 due to rising domestic use of biodiesel fuel and stronger demand in its export markets, according to a government economic report. Prices are likely to remain subdued this year due to high stockpiles and expectations of low prices for vegetable oils, the report said.

Malaysia's palm oil stockpiles at the end of September rose 9.3% from the previous month to 2.4 million tonnes, industry regulator Malaysian Palm Oil Board (MPOB) said on Thursday.

Palm oil output in September gained 1.2% to 1.8 million tonnes from the previous month, while exports dropped 18.8% from August to 1.4 million tonnes. [See charts next page.]

India's soybean output in 2019 is likely to fall nearly 18% from a year ago to 9 million tonnes as excessive rainfall hit the oilseed crop in the top three-producing states, a leading industry group said on Friday. Lower production could force the world's biggest edible oil importer to raise overseas buying of palm oil, sunflower oil and soy oil in the 2019/20 marketing year starting from Nov. 1.

Heavy snowfall and below freezing temps through the weekend in the Dakotas, NE, western IA and western MN, ended the soybean growing season with yield losses expected. Temps dropped to 32F across all of the northwest ½ of the Midwest and even into much of IL and parts of IN. The winter storm caused lodging, further quality degradation

and harvest issues.

As of the last crop progress report, maturity rates were 39% in MN, 22% in ND, 36% in SD, 74% in NE and 52% in IA. The soybean harvest was just 14% complete compared to a 34% average, with the Dakotas from 5 to 8% done compared to a normal pace of 36 to 48% done. This most likely did not improve last week with heavy snows and high winds. Progress on today's report could be the slowest on record.

Similarly in Canada, recent heavy rain and snow has increased concerns that unharvested canola could be damaged or lost buried under a large swath of snow. Cool temperatures were also seen slowing crop maturity and preventing fields from sufficiently drying out for harvesting.

In the EU, Strategie Grains dropped the EU rapeseed crop to 16.9 mmt, a 13-year low. at the same time that, compromising quality and quantity there.

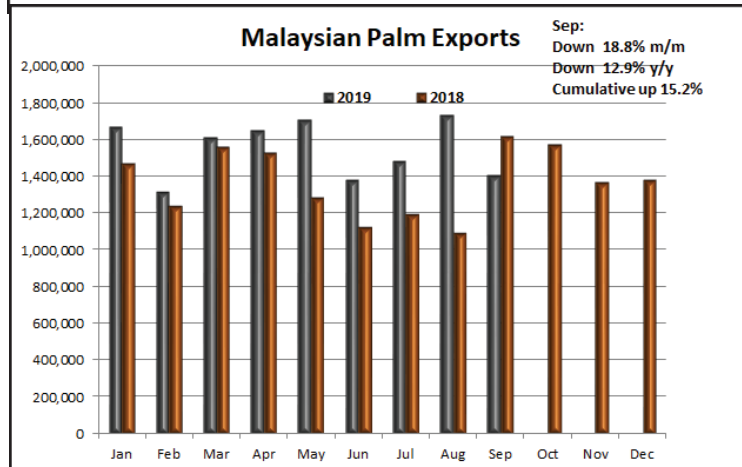
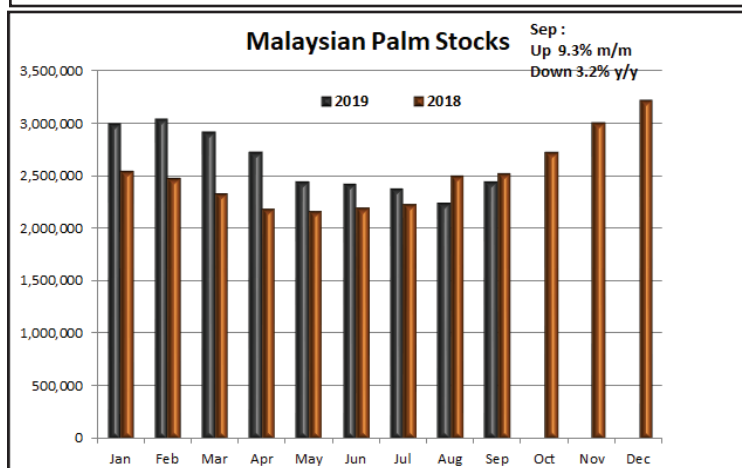
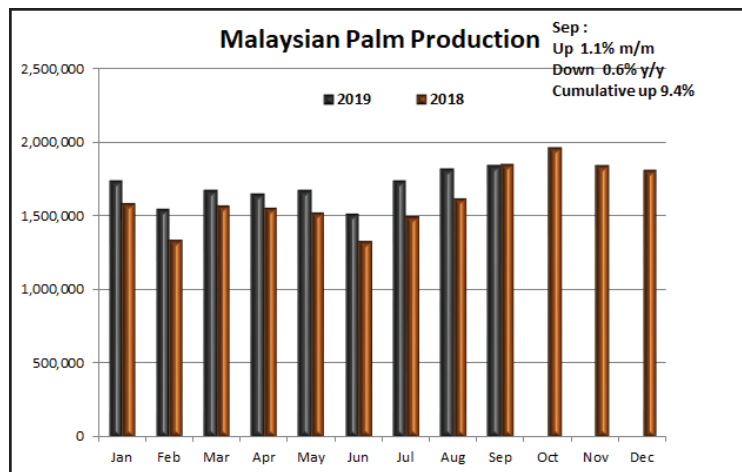
Also supporting the soy complex are improving prospects for some sort of trade deal to be ironed out with China as the second day of talks are expected to conclude with China's Vice Premier Liu He visiting President Trump at the White House. Any trade deal is thought to include a sharp boost in China's U.S. soybean purchases.

The October WASDE report was bullish with larger-than-expected cut in yield, production and harvested acres.

On the export front, accumulated exports are up 3% y/y but sales are down 26% leaving total commitments down 20%. Total commitments stand at 34% of USDA forecast vs 44% last year and 50% average.

ASF continues to spread in SE Asia, which is a troubling development for demand that adds a potential headwind to future crush levels.

[See oils charts and tables](#)



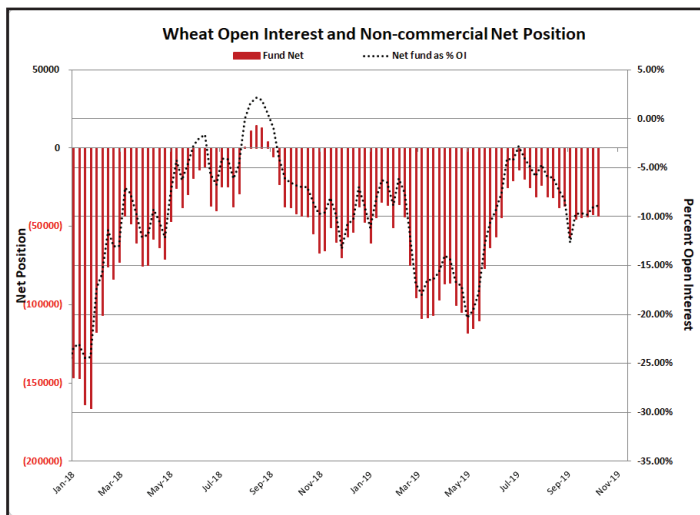
Wheat Charts and Tables

Technical Outlook



- Corrective wave **ii** is labeled as complete. Further impulsive price movement as occurred Friday will support that interpretation.
- We need to see further development of a 5-wave advance. Friday's settlement did penetrate the previous swing high resistance levels of 5.00 and 5.06.

Money Flow



Protein Premiums

Soft Red Winter: U.S.D.A. estimated carryover of soft red winter wheat on June 1, 2020, at 110 million bus, down 3 million bus from September and down 48 million bus from 2019.

St. Louis-area mill bids were 60c over Chicago Dec.; November-December, 60c over Dec.; Jan.-March, 60c over March. Toledo mill bids for October-December were 45c over Chicago Dec.; Jan.-March, 45c over March. Elevator bids for nearby were 18c over Chicago Dec. Cincinnati elevator bid was 10c under July 2020 contract for new crop. Michigan white wheat mill bids were 25c over Chicago Dec.; soft red wheat mill bids were also 25c over Dec.

Hard Red Winter: Protein premiums were up over most of the scale last week, with large increases through 12% and higher proteins

Hard Red Spring: Basis for the higher protein HRS rose over the past week.

Choice milling hard amber durum as quoted at the Chicago rail gateway for delivery beyond was nominal \$9 a bu, up 25c. Minneapolis price was \$8.70 a bu.

As of October 11, 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.

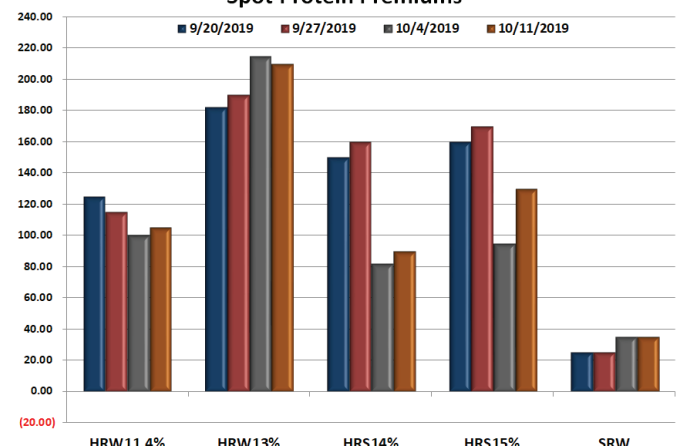
11.0%	86-96 Z	+5
11.2%	86-96 Z	-2
11.4%	95-105 Z	-20
11.6%	115-125 Z
11.8%	120-130 Z	+5
12.0%	140-150 Z	+15
12.2%	140-150 Z	+21
12.4%	165-175 Z	+19
12.6%	148-158 Z	+17
12.8%	180-190 Z	+32
13.0%	200-210 Z	+28
13.2%	205-215 Z	+33
13.4%	205-215 Z	+32
13.6%	205-215 Z	+32
13.8%	205-215 Z	+32
14.0%	205-215 Z	+32
SRW basis Chicago	+35 Z

MWE Wheat Protein Premium

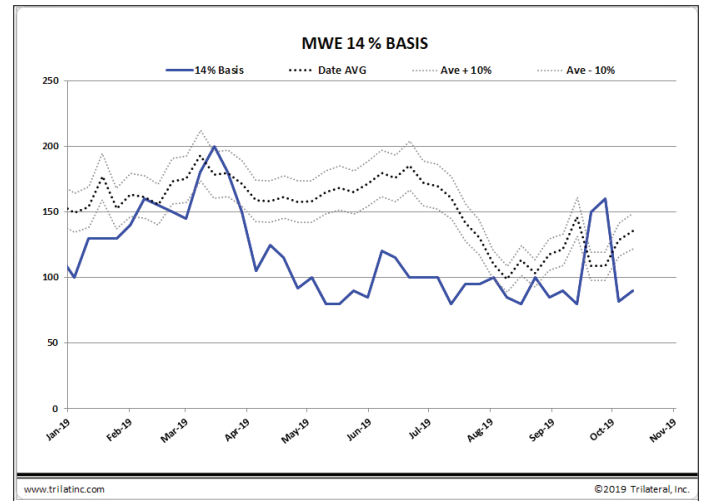
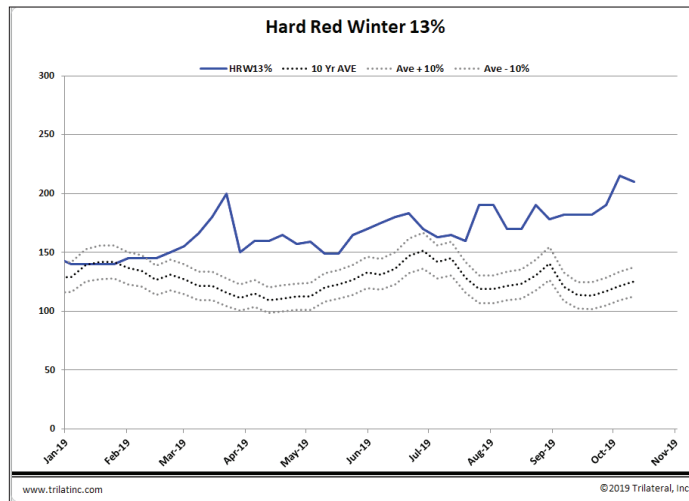
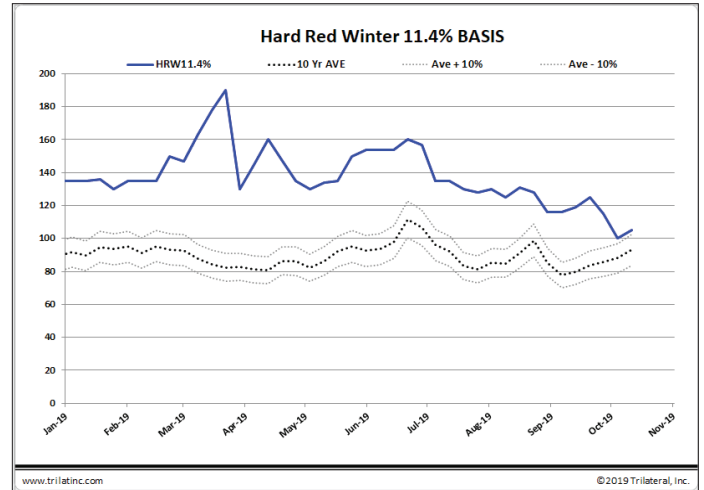
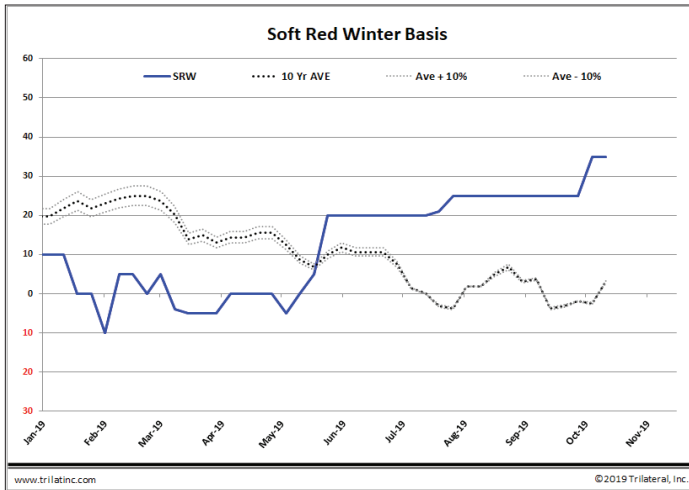
The basis is for US 1 Milling Quality Only. Milling Quality is defined as 300 or better Falling Numbers; 58 lbs or better test weight; 13.5 Pct or less moisture; 1.5 Pct or less Damage; 1.5 Pct or less Dockage and 2.0 ppm or less vomitoxin.

13.0%	75-75 Z
14.0%	90-90 Z	+8
15.0%	100-130 Z	+35

Spot Protein Premiums



Protein Premiums cont.



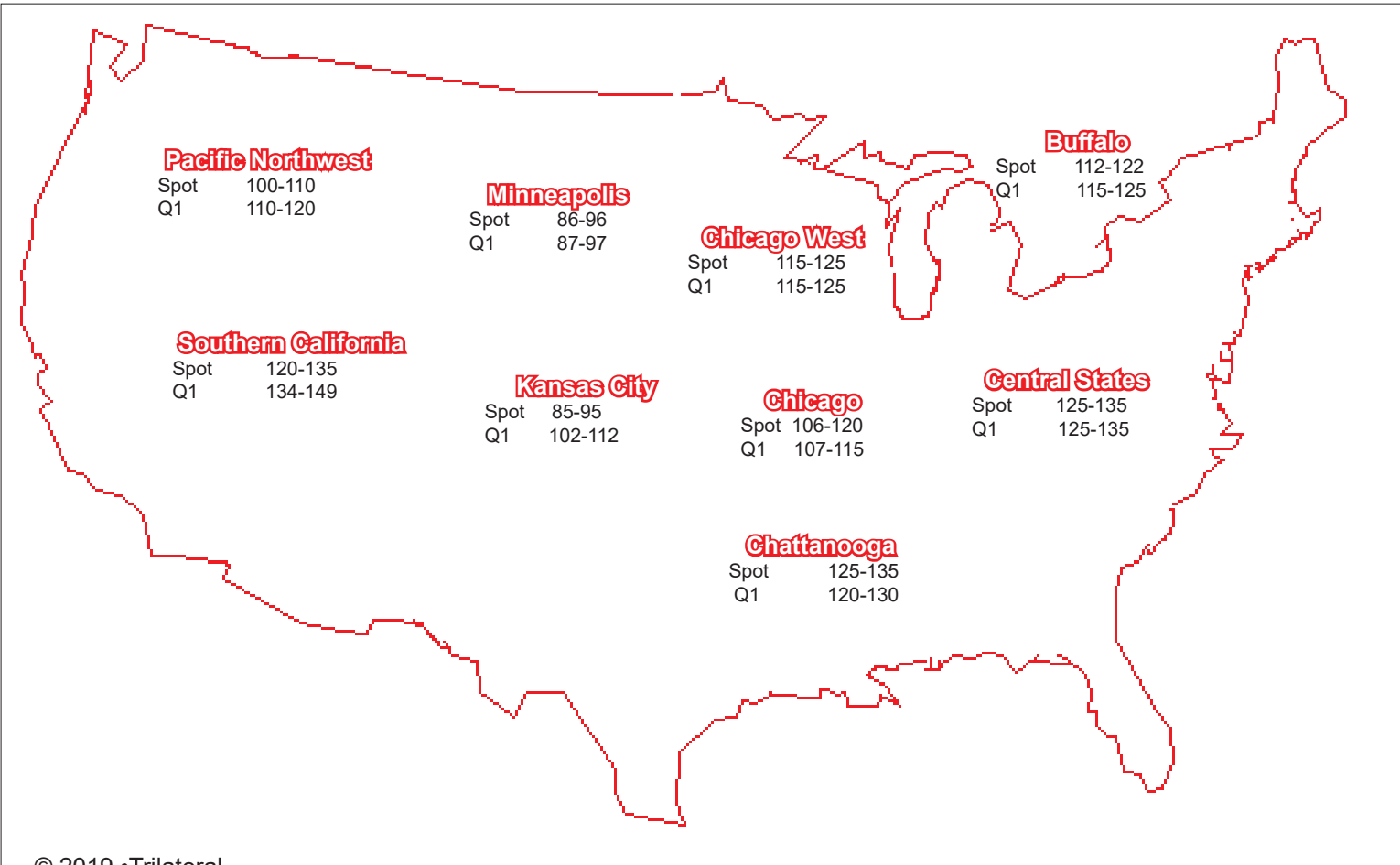
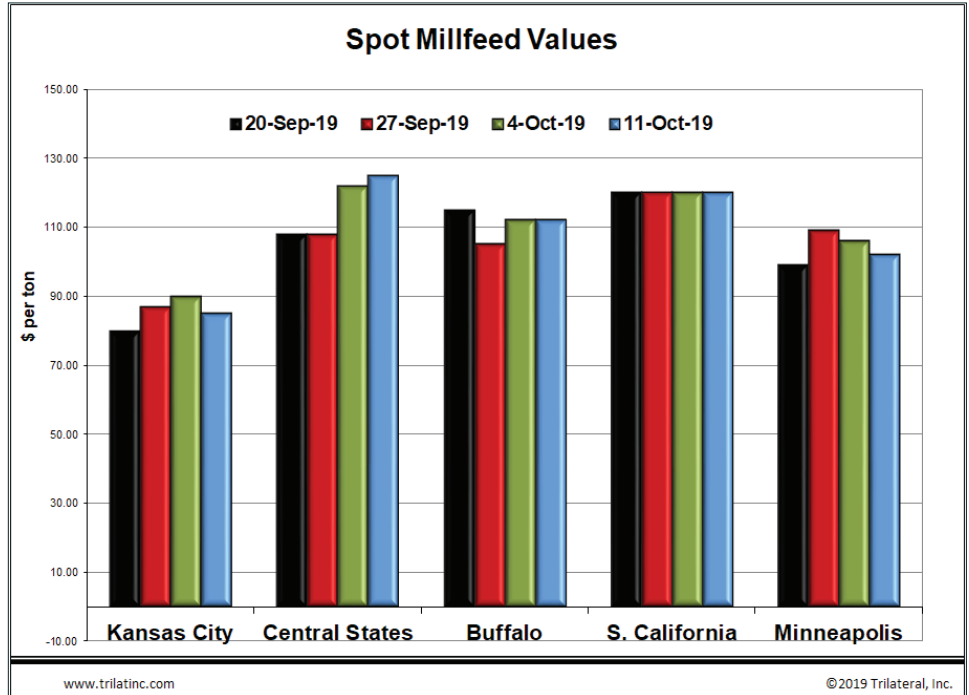
Millfeed

Prices were mostly steady. Traders reported sporadic addons, but nothing indicated markets were driven by demand. "We're just not there yet," a trader said.

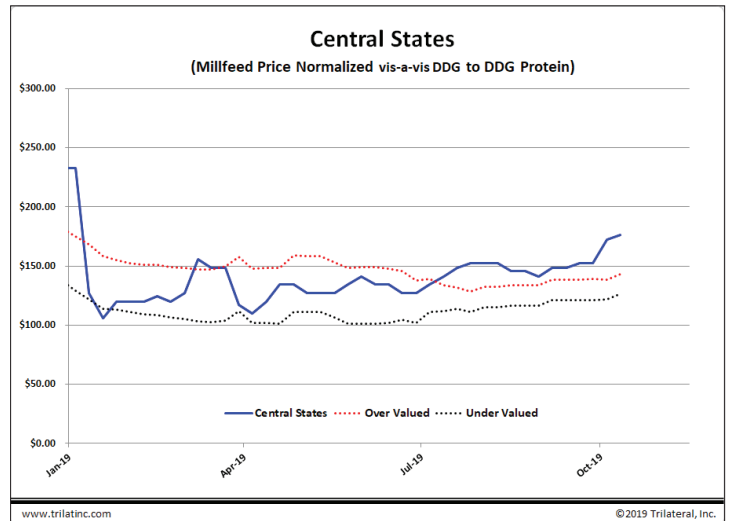
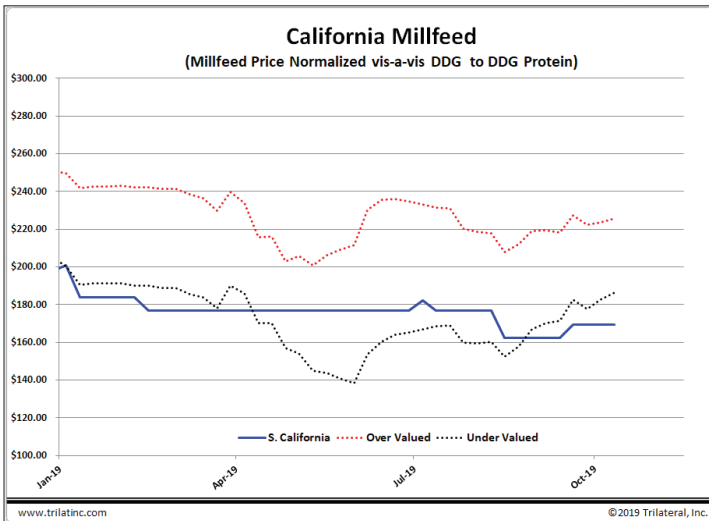
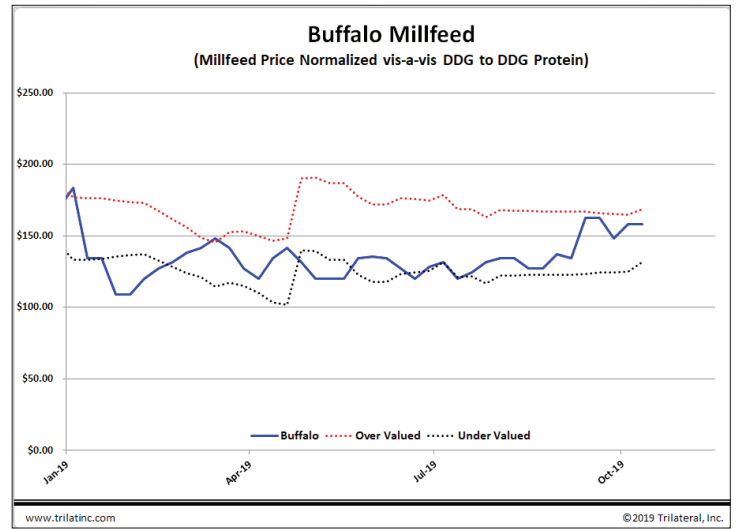
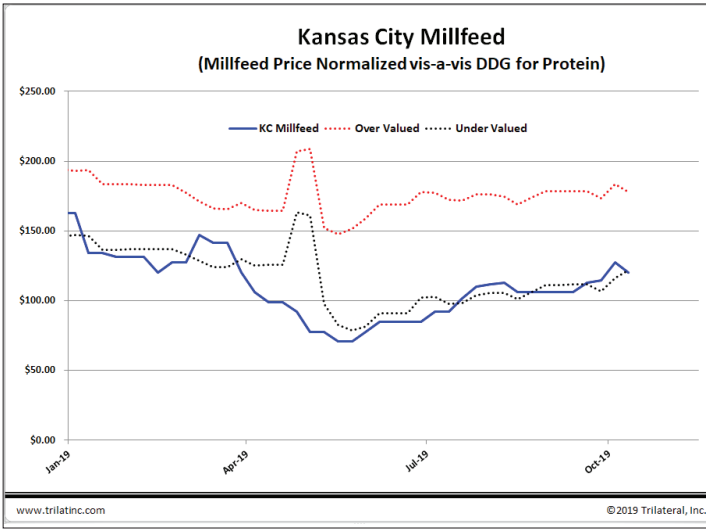
Corn futures slide bearish U.S.D.A. data did not generate same amount of chatter among feed mills and other end users as it did among traders and resellers. Bids were expected to fade, and offers weren't overwhelming. With spot needs mostly taken care of, many were satisfied with status quo for awhile, a source said.

Catfish feeding continued to wane, softening prices in Chattanooga. Trader said St. Louis was pushing on Chattanooga, which was pushing on Carolinas, which was mostly taking care of own needs, pulling little from north beyond "an odd truck or two."

Northeast was quiet, mostly balanced amid poor flour mill runtimes and "okay, not robust" feed demand. A few Buffalo loads headed to Central states with more consistently heading across border to Canada, a trend trader expected to continue every week this quarter. With rare exceptions, feed and flour mills planned no time downtime for Columbus Day.



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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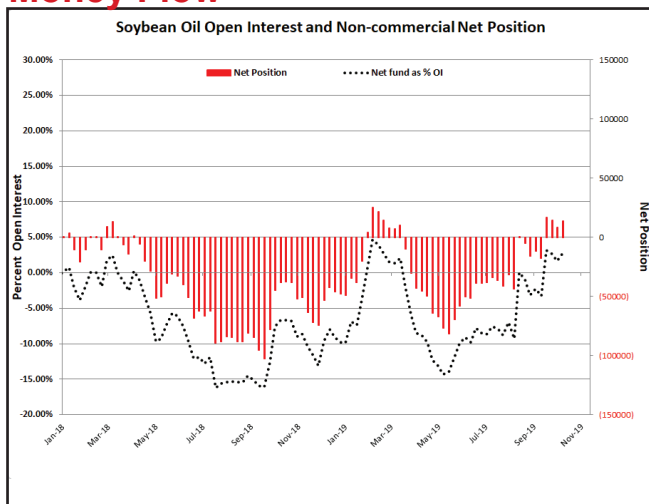
Oils Charts and Tables

Technical Outlook



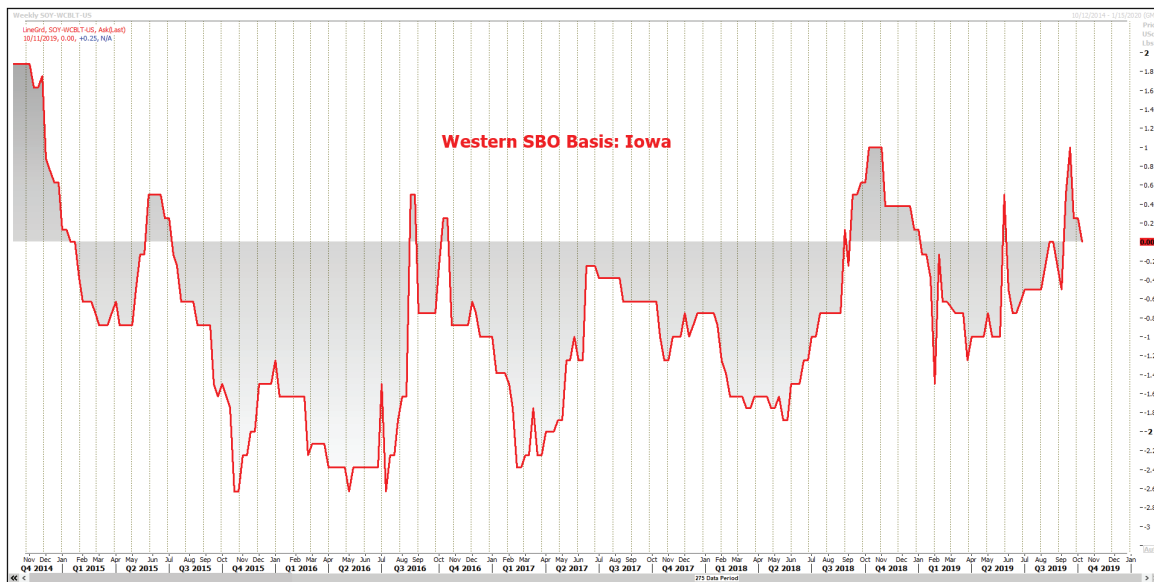
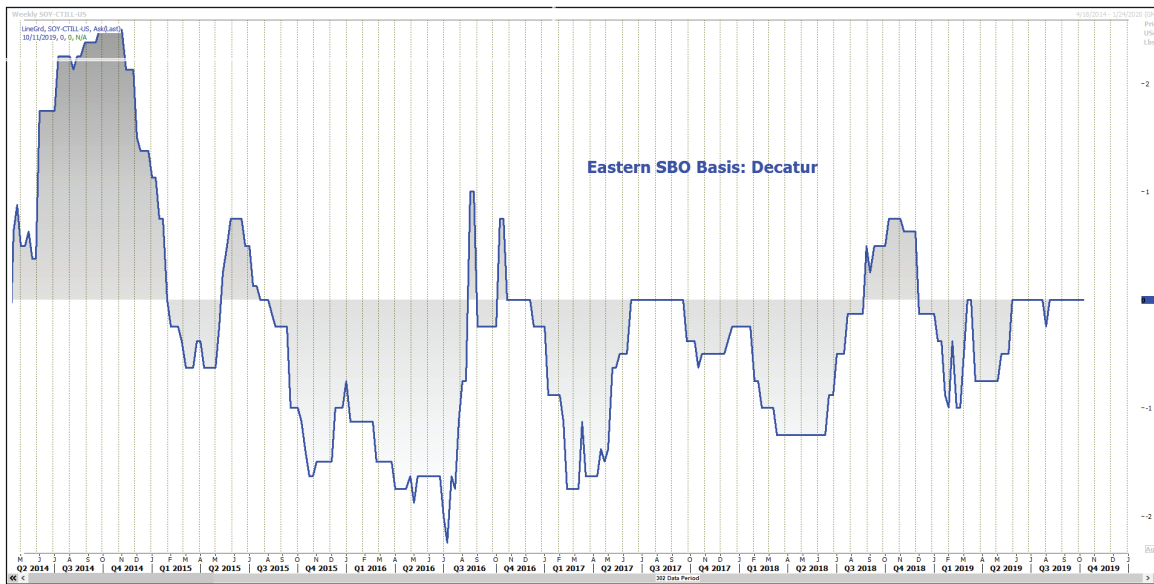
- Corrective wave **ii** is considered complete after retracing to the 61.8% Fibonacci level followed by a sharp increase in price.
- Further impulsive price action and a breakout above the upper price channel line is desired to continue confidence that the market is in wave **iii**.
- The wave count now has a **1-2, i-ii, i-ii** pattern, so must continue to move higher in wave **iii** of **iii**. The target range for wave **iii** is 31.50 to 32.00.

Money Flow



Cont. next page

SBO Basis



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