



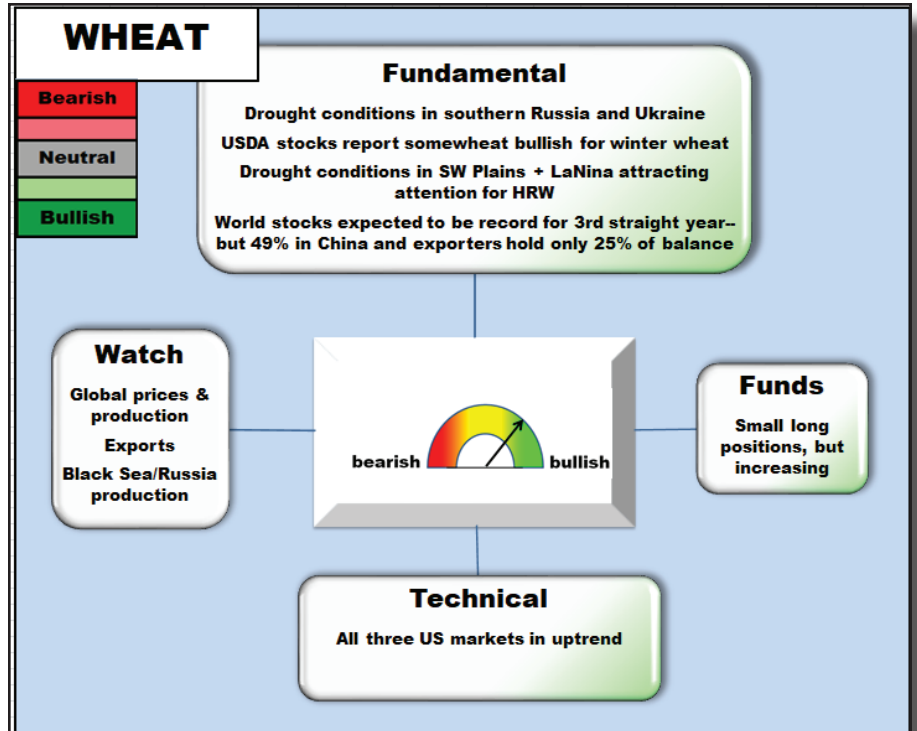
Trilateral Bakery Report

October 19, 2020

Recommendations

Wheat

Basis should be covered through Q1. Futures coverage should be through mid-Q2



Market Recap

WHEAT

U.S. wheat futures hit their highest in nearly six years on Friday as dry weather in key producing regions raised supply concerns, pushing the grain towards its third straight weekly gain.



“Weather forecasters continue to expect no change to soil moisture for large portions of (the) Black Sea (region) and the U.S,” said Tobin Gorey, director of agricultural strategy at Commonwealth Bank of Australia. “The low soil moisture in these regions is likely a developing problem.”

Paris milling wheat futures on Friday vaulted to another new high.

Drought continues to be the driving force for wheat, with dryness in southern Russia and the U.S. western and Southern Plains supporting values. While Ukraine continues to receive much needed showers, Russia remains mostly dry.

Private weather forecasters are calling the previous 60-day period in Russian wheat growing areas the driest of the last 40 years.

The key going forward will be Russian rain. Some forecasts have a better chance for rains

next week, but will it be enough?

Already, Sovecon is saying the dry weather may reduce Russia’s winter wheat area by 10-15%, mainly in the central part of the country. Farmers in Russia, one of the world’s largest wheat exporters, and its peer Ukraine, have been sowing winter wheat amid dry weather this year, which means higher risks for the 2021 crop.

If there are still no rains in October in the south, Sovecon said it could further cut its forecast for the winter sowing area. Part of the winter wheat sowing could be damaged if cold weather arrives in November.

Dryness continues in the U.S. western and Southern Plains wheat areas, with warm temperatures and high winds further depleting soil moisture there. The Great Plains have seen less than 25% of normal precipitation the last month which will limit HRW establishment ahead of dormancy.

In other exporting countries French wheat production of 29.2 mmt is called 26% lower than last year. Also bullish is a report from the Rosario Exchange that 8% of the Argentine wheat is unlikely to be harvested due to drought.

At least for the current year, projected record level world ending stocks could help buffer any production shortfalls next year. The caveat is that much of the world stocks are not in exporting countries. In fact, 49% of world stocks are held by China and major exporting countries hold only 25% of global stocks net of China’s holdings.

Instrumental in the rising world stocks was

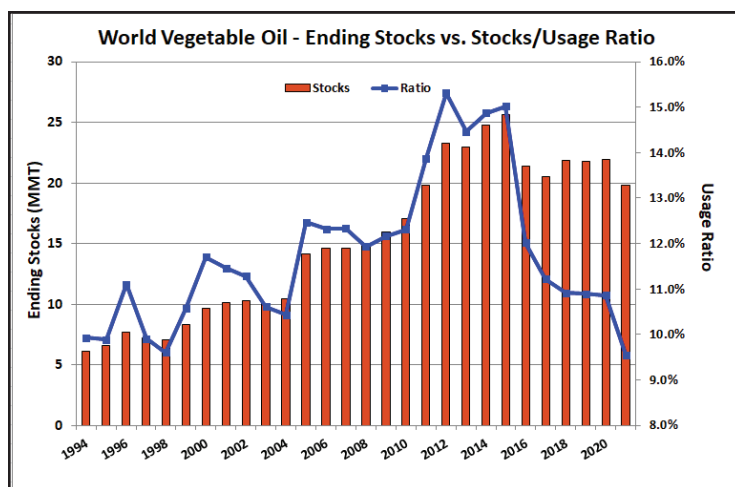
a better-than-expected increase in Russian wheat production to 83 mmt. That is up 5 mmt since September's 78 mmt projection. Partially offsetting that gain was a fall of 1 mmt in Canada, 1.5 mmt in Ukraine and 500,000 mt in Argentine production.

Despite the bearish Russia old-crop forecast, both Russia and Ukraine cash prices are at the highest level of the year.

OILS

Palm and other vegetable oils are facing a "very bullish scenario" as traders are mindful of the La Nina weather pattern hurting yields, said Paramalingam Supramaniam, director at Selangor-based brokerage Pelindung Bestari Sdn Bhd. "This bullish scenario in palm will continue unabated at least until the first quarter of 2021," he added.

Global edible oils in general remain bullish with tightening stocks across a number of oils. Recall that the usage ratio for global edible oils dropped again last month to the lowest level since 1998.



Adding to the bullish world vegetable oil story is the fact that sunflower seed oil has made a

sharp move higher on tightening Black Sea supplies due to weather.

USDA dropped global sunflowerseed production for 2020/21 another 2.5 million tons from last month to 51.5 million and from 55 million in 2019/20. Drought-related yield reductions in the Black Sea region and area reduction for Argentina are mostly responsible for the change.

In Ukraine, sunflowerseed output is seen 2 million tons lower this month to 15 million tons as yields suffered from the country's driest summer in 30 years.

Planting of Argentine sunflowerseed for 2020/21 has been stalled by a lack of rainfall in the northern part of the country. Argentine new-crop production was scaled back by 400,000 tons. The supply reduction is expected to tighten the level of season-ending stocks.

EU sunflowerseed production for 2020/21 is forecast to contract by 250,000 tons this month to 9.5 million based on yield reductions for Romania and Bulgaria. Despite a favorable start for the crop last spring, eastern parts of both countries have been excessively hot and dry since July.

Given the location of the crop losses, international trade in sunflowerseed oil may bear much of the impact. A sharp increase since summer in export quotes for Ukrainian sunflowerseed oil already reflects the tighter global market situation.

The latest Grain Stocks report indicates that September 1 US sunflowerseed stocks down by 26 percent from a year earlier. Even so, overall supplies are considerably larger with a sharply higher crop. NASS reports sunflowerseed production at a 44-percent increase from 2019/20 and the highest production since 2015/16.

North American 2020/21 canola production is fairing better. Canadian canola yields are projected to increase but production to decrease as a result of lower harvested area. Nationally, canola production is expected to decline only 0.4%. U.S. canola production for 2020/21 is forecast down by 214 million pounds from last year to 3.187 billion pounds. Total supplies of canola for 2020/21 are expected to change minimally, however, as higher beginning stocks and imports counter the smaller harvest.

Stocks of soybean oil have tightened progressively with the combination of steady use and a 5-month low for production in August. Market demand for soybean oil has stayed robust, particularly in its consumption for biodiesel. For both the 2019/20 and 2020/21 marketing years, higher use of soybean oil for biodiesel is forecast.

Meanwhile, the USDA pegged U.S. soybean stocks at a five-year low, smaller than previously forecast, as adverse weather reduced the acreage that farmers will harvest. As China demand remains huge, and supply continues to dwindle, the U.S. bean balance sheet has steadily tightened, with carryout down 609 mb just since 2018-19 to 290 mb. With that said, there's nothing long-term bearish about a 290mb U.S. carryout, especially in a La Nina year as southern Brazil and Argentine yields are likely to be threatened and likely impacted.

Not only is it the surge in demand, but Brazil's central and northern drought, which has likely delayed their planting effort by ten days to two weeks. That, in effect, has pushed some export business back to the U.S. for January-

February. World ending bean stocks fell by a larger than expected 5 mmt to just 88.7 mmt.

Malaysian Palm Oil Board data indicate that palm stockpiles, while increasing below expectations, stayed tight in September, as a surprisingly small advancement in output and exports squeezed supply. Production may have already peaked in June and will continue to decline in the fourth quarter of the year, said Marcello Cultrera, institutional sales manager.

The latest data from cargo surveyor AmSpec showed palm oil exports dropped 2.1% on month for Oct 1-15.

Key factors influencing the price of palm are the impact of La Nina on production, as well as restocking activity from China.

Also potentially bullish is India's soybean production has been cut nearly 15% lower than the previous estimate, the Soybean Processors Association of India said. Lower-than-expected production could prompt the world's biggest vegetable oil importer increase costly purchases of palm oil, soyoil and sunflower oil from Indonesia, Malaysia, Argentina and Ukraine.

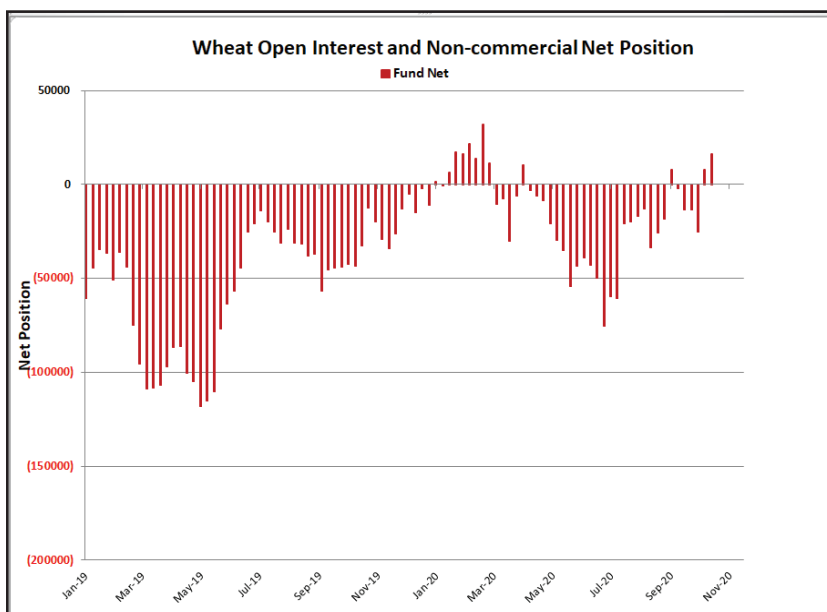
Wheat Charts and Tables

Technical Outlook



- Nothing has changed in the wheat wave count.
- Wave ii of 3 has fulfilled requirements for completion and subsequent price action has led to calling it complete.
- Wave iii of 3 continues to evolve.

Money Flow



Protein Premiums

Soft Red Winter:

USDA rated adequate to surplus topsoil moisture supplies at 54% in Missouri, 55% in Illinois, 25% in Indiana, 41% in Ohio and 80% in Michigan. Alton area bids ended last week 10 lower @ 40 over Chicago Dec; St. Louis-area bids on soft red winter wheat were 30c over Chicago Dec.; November, 35c over Dec.; December, 40c over. Toledo mill bids nearby through November were the Chicago Dec. price; December, 20c over Dec. Elevator bids were 10c under Chicago Dec. Cincinnati elevator bid was 15c under Chicago Dec. Michigan white wheat mill bids were 5c over Chicago Dec.; soft red winter wheat mill bids were 10c under Chicago Dec. Gulf bids on soft red winter wheat for nearby were 65c over Chicago Dec., unchanged.

Hard Red Winter:

HRW spot premiums were 4-5 lower at the upper end of the scale.

Soil moisture supplies continued to dry up in absence of lengthy beneficial rains. Salina spot wheat bids were 20c under KC Dec. Hutchinson spot wheat bids were 20c under KC Dec. Wichita elevator bids for nearby were 20c under KC Dec. Gulf bids on 12%-protein hard red winter wheat for nearby were 160c over KC Dec., unchanged.

Hard Red Spring:

14% dropped 15 cents, otherwise unchanged.

A major miller indicated he would avoid winter wheat in favor of spring as long as current KC-Minneapolis futures spread holds. That stance was not seen as typical in that flour milled from spring wheat wouldn't satisfy grind requirements of most customers, another miller said.

Choice milling hard amber durum as quoted at the Chicago rail gateway for delivery beyond was \$8.10 a bu, unchanged; Minneapolis durum price was \$7.80 a bu.

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.

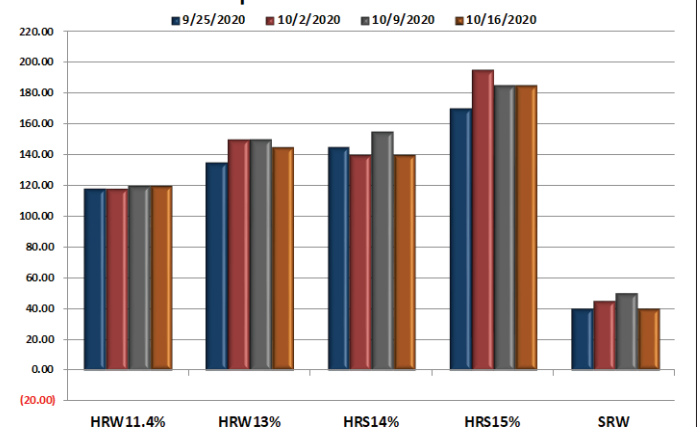
11.0%	105-115 Z
11.2%	110-120 Z
11.4%	110-120 Z
11.6%	110-120 Z
11.8%	122-132 Z
12.0%	125-135 Z	-5
12.2%	130-140 Z
12.4%	135-145 Z	-4
12.6%	135-145 Z	-4
12.8%	135-145 Z	-4
13.0%	135-145 Z	-5
13.2%	135-145 Z	-5
13.4%	135-145 Z	-5
13.6%	135-145 Z	-5
13.8%	135-145 Z	-5
14.0%	135-145 Z	-5
SRW spot Alton	+40 Z	-10

MWE Wheat Protein Premium

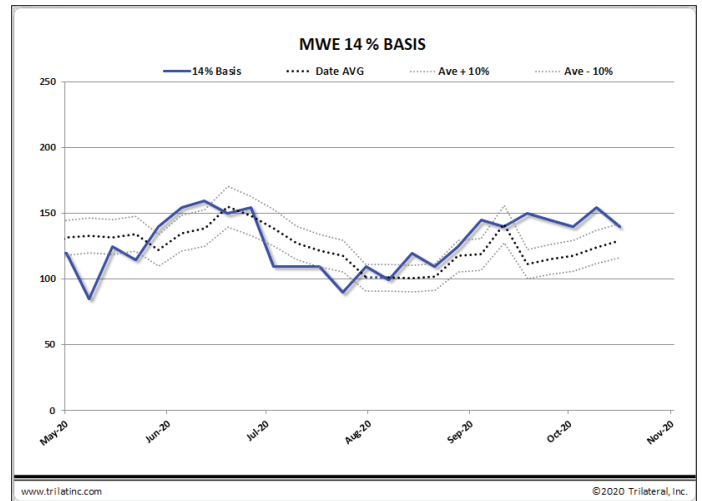
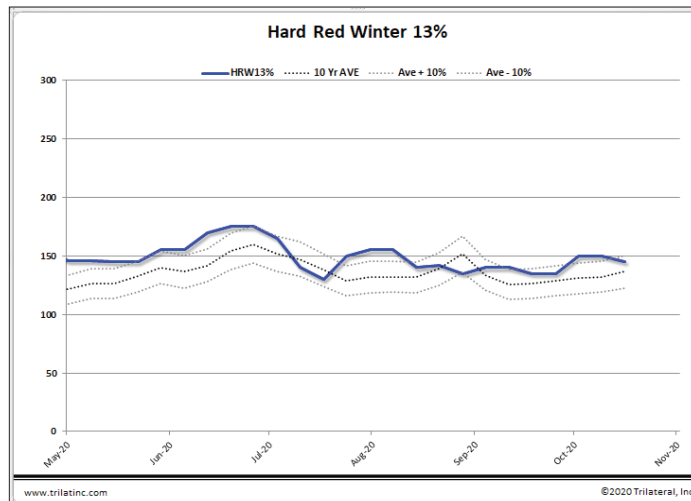
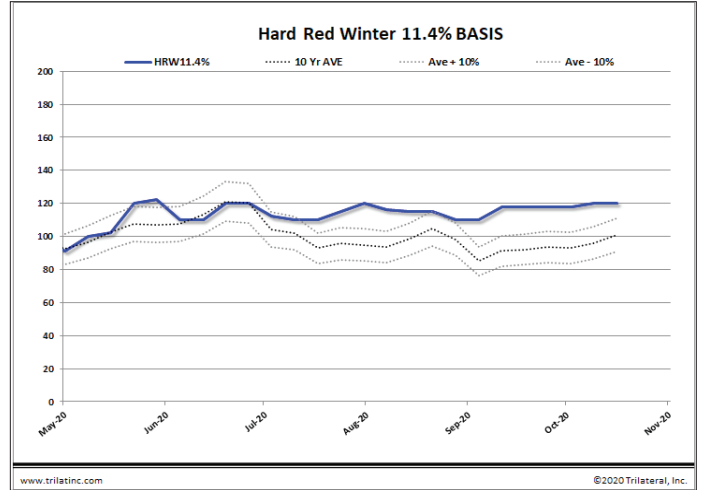
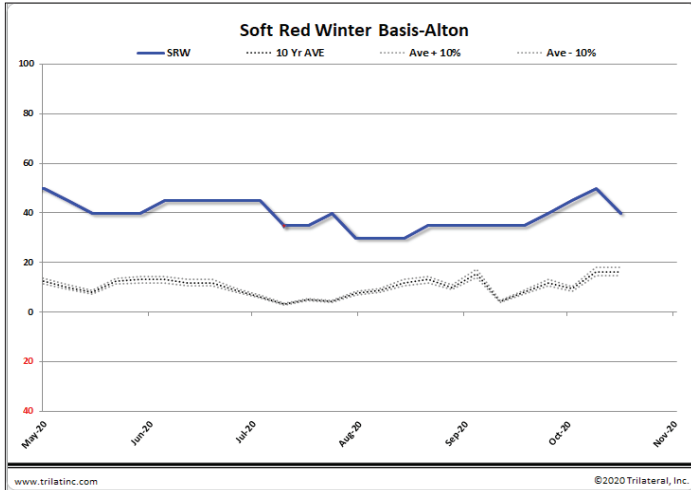
The basis is for US 1 Milling Quality Only. Milling Quality is defined as 300 or better Falling Numbers; 58 lbs or better test weight; 13.5 Pct or less moisture; 1.5 Pct or less Damage; 1.5 Pct or less Dockage and 2.0 ppm or less vomitoxin.

13.0%	120-120
14.0%	110-140 Z	-15
15.0%	145-185 Z

Spot Protein Premiums



Protein Premiums cont.



Millfeed

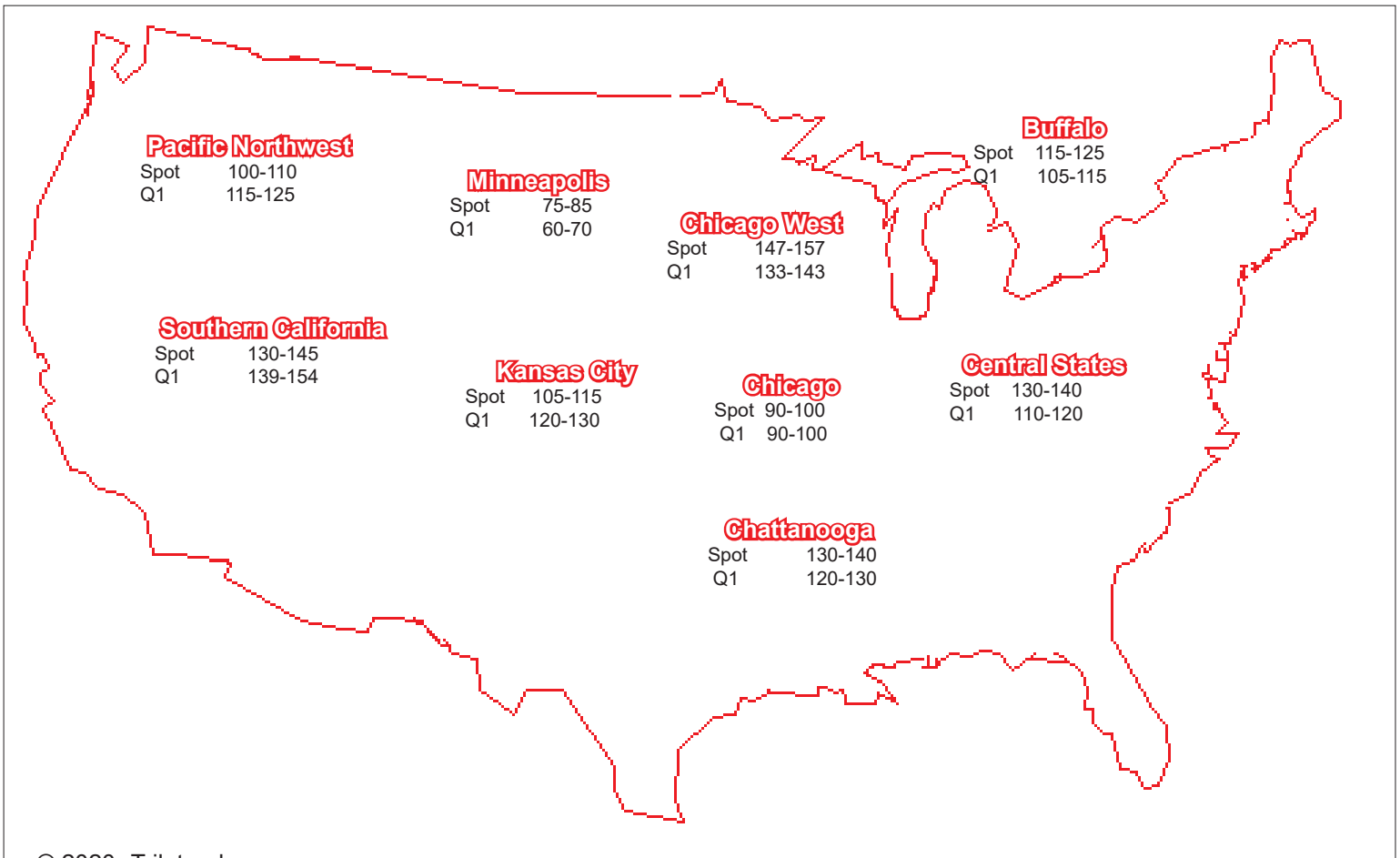
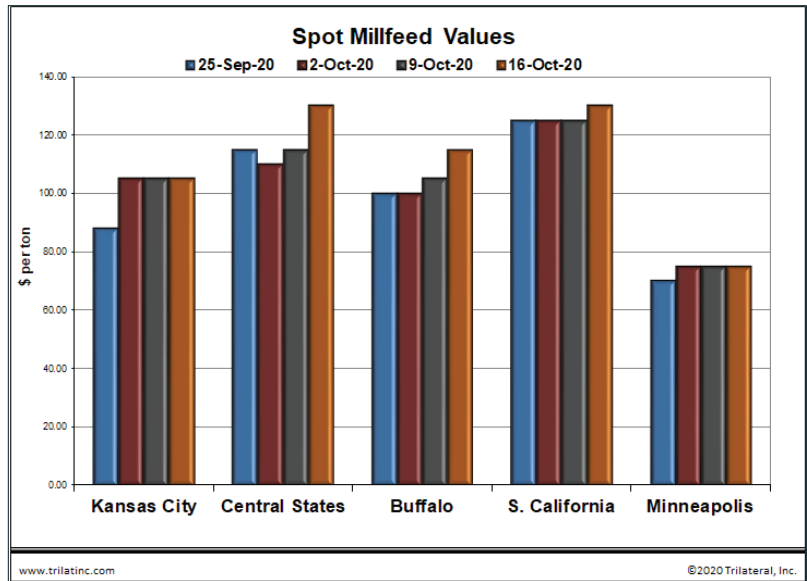
Spot prices were steady to slightly higher last week.

Southwest values were steady nearby both for rail and truck. Price advances over past two weeks had values “so high nearby that taking it out forward is tough to define,” trader said. “Everybody’s raising their numbers, but nobody’s chasing them,” and hardly any deferred trades took place as result.

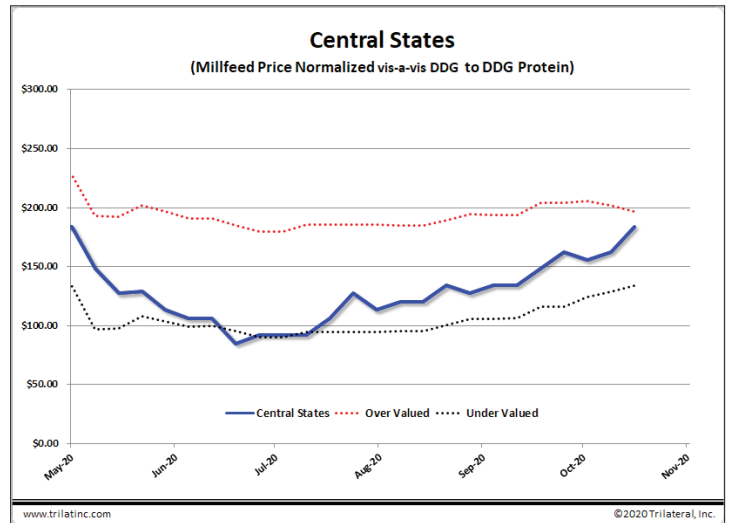
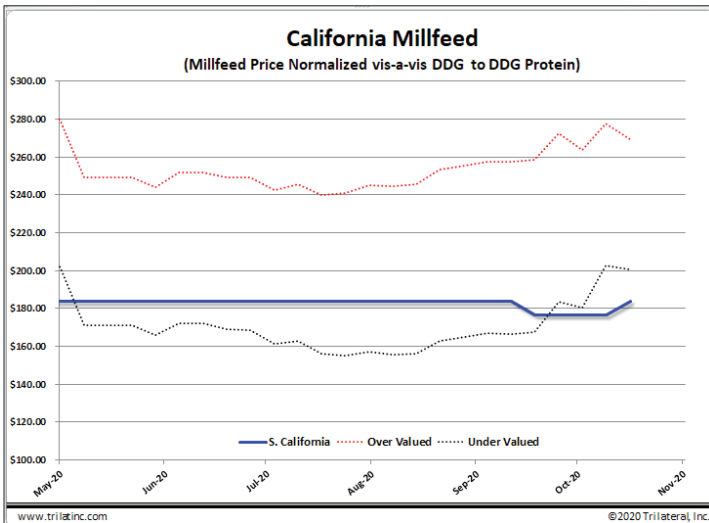
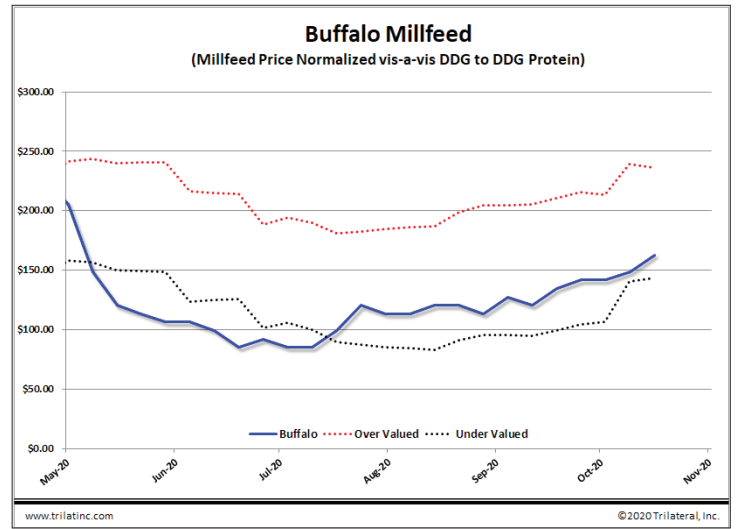
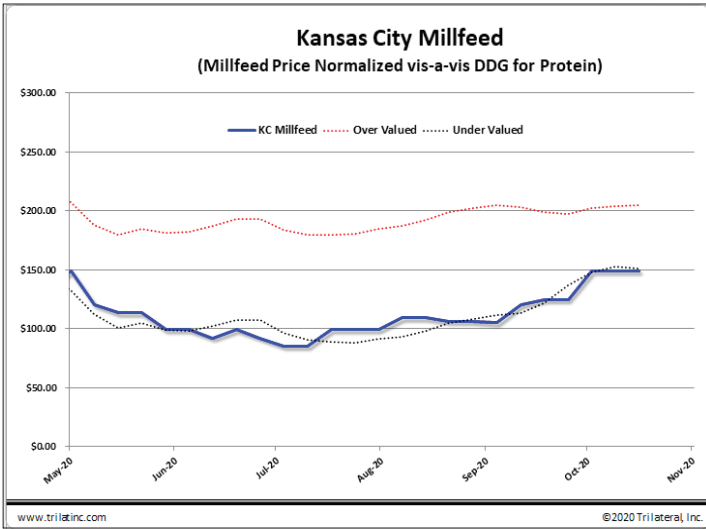
Demand in Southwest remained strong across all sectors, including mixers, dairy, direct-to-farm. Freight logistics difficulty continued and comprised bulk of traders’ work today. Ideas were prices in Central states had topped out for moment and were expected to “shuffle back down a touch,” trader said.

Supplies were long to extent one trader planned to pre-load 12 trucks not yet sold for Monday. Plus, lengthy grind was on tap for weekend at most Ohio and Indiana flour mills. Customers delaying loads in region cited reformulation removing 15% to 20% of millfeed inclusion. No change in dynamic was coming except in case of unplanned mill stoppages, he said.

Upper Midwest was in better shape, but still somewhat heavily supplied.



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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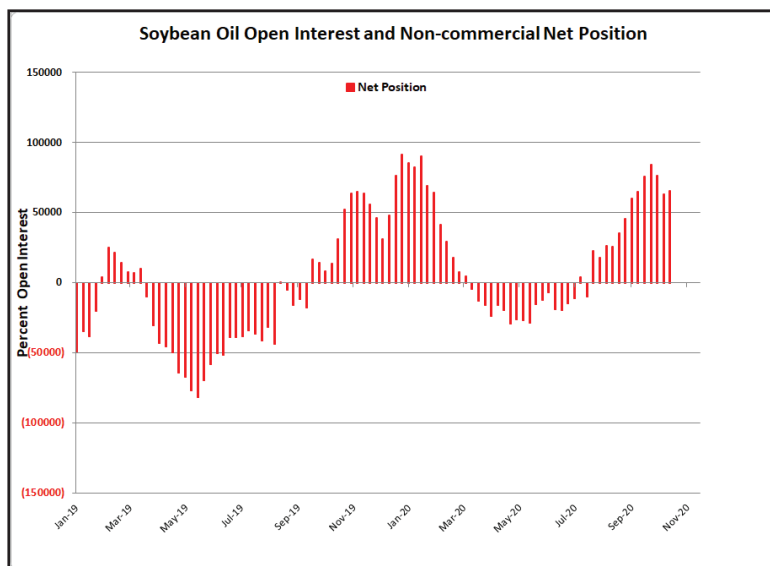
Oils Charts and Tables

Technical Outlook



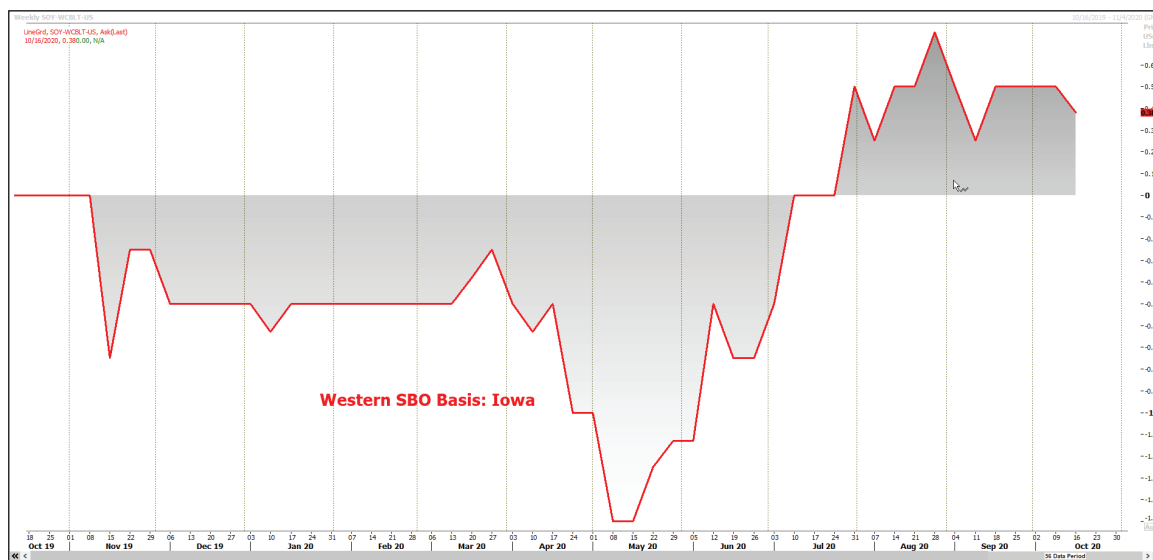
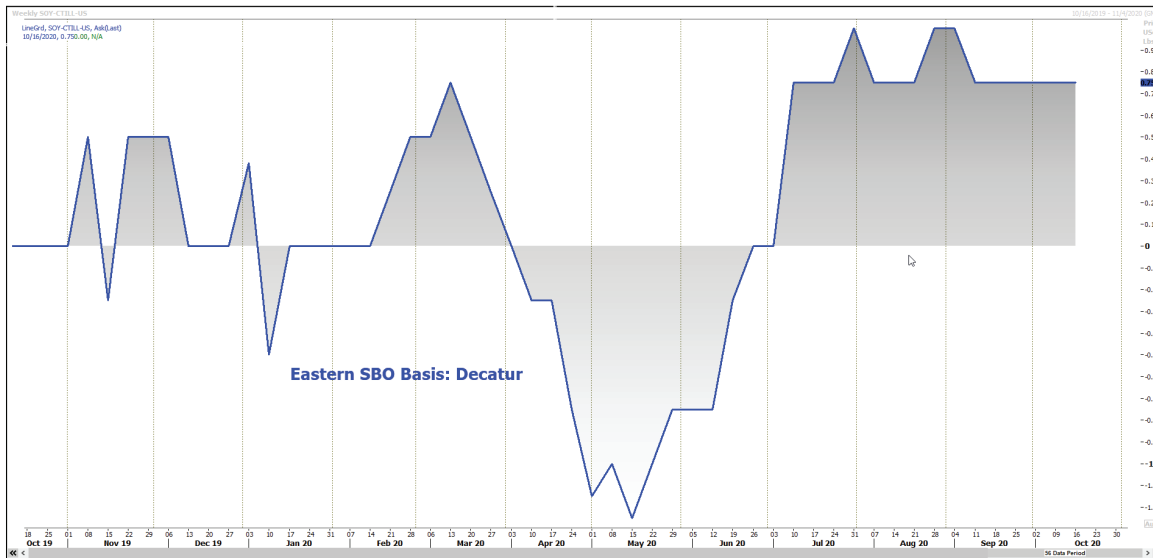
- SBO had completed three waves down in wave 4 to fulfill requirements as of last week and we are now labeling it as complete.
- We are now looking for further upside in wave 5 of a

Money Flow



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SBO Basis



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