

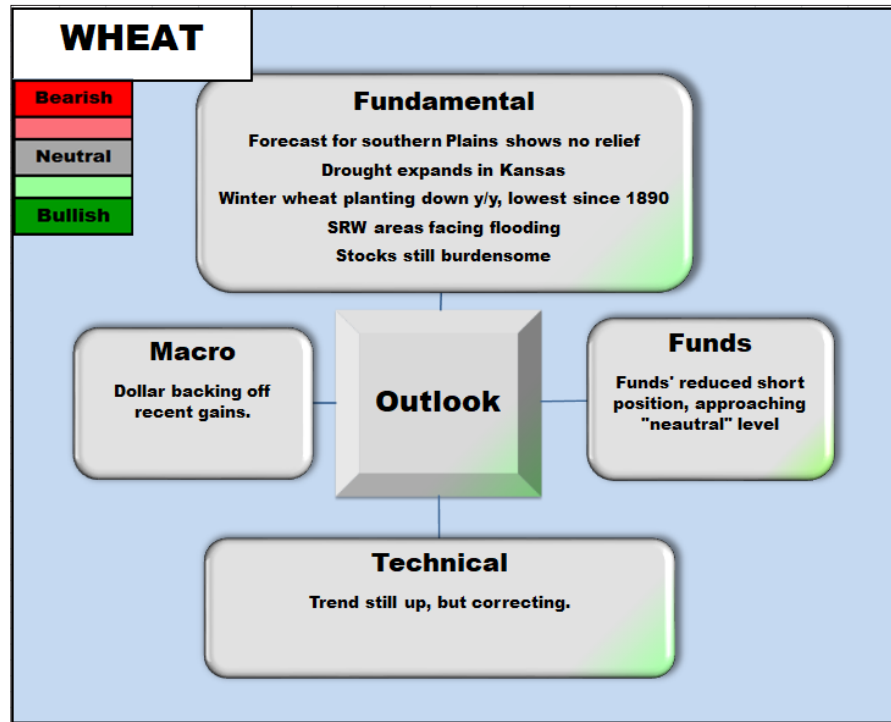
Trilateral Bakery Report

March 5, 2018

Recommendations

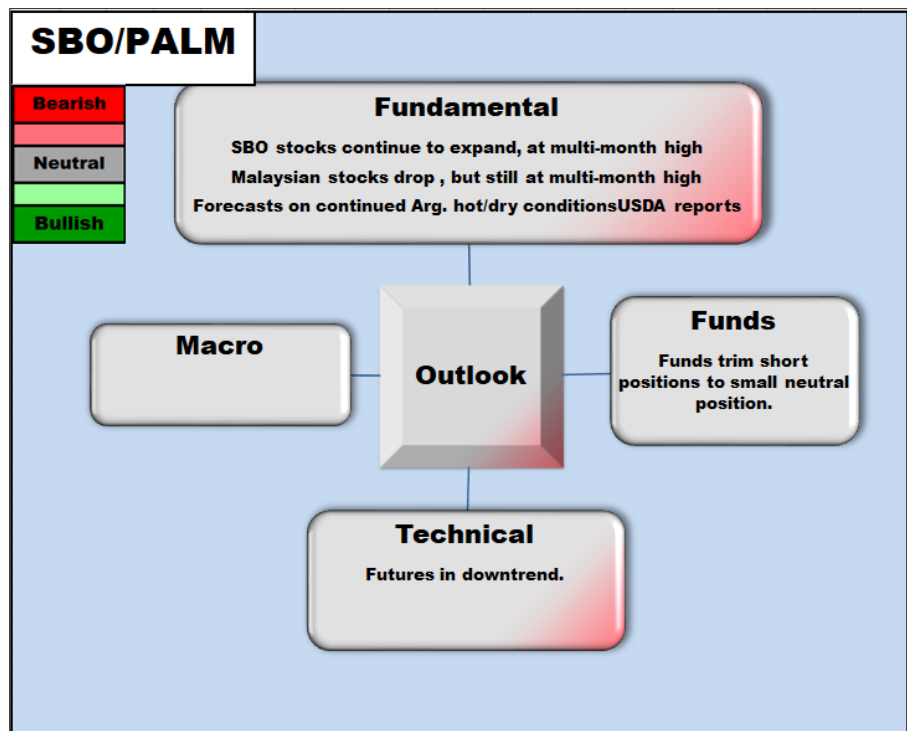
Wheat

Recommending coverage through Q3 to preclude growing season risks.



Edible Oils

Full coverage for SBO and palm oil products for Q2 and at least 1/3 to 1/2 coverage through September. However, we would not discourage full coverage through Q3.



Market Highlights



Wheat

- Drought in US Plains persists, crop conditions fall.
- Drought expanded in Kansas during week ended Feb. 27.
- Forecast for HRW areas remains dry.

[Read detailed recap](#)

Oils

- SBO stocks rise sharply once again.
- Hot/dry Argentina weather showing no signs of ending.



[Read detailed recap](#)

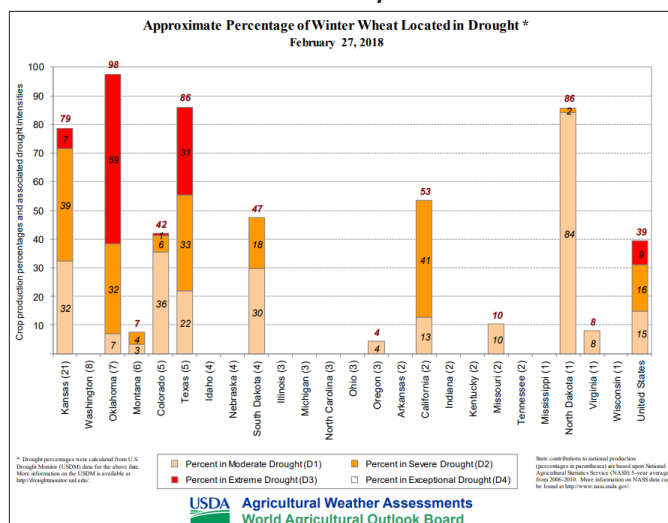
Market Recap

Wheat

Winter wheat futures sharply corrected on Friday, giving up most of what they had gained the previous day. Market commentators attributed much of the buying as profit taking ahead of the weekend.

Support also comes from a UN Food and Agriculture estimate that 2018-19 world production could fall around 2% due to lower yields in Russia and the EU. This could be a first step toward eroding burdensome global stocks.

Reuters report that agricultural meteorologists are forecasting below-normal moisture levels over the next few weeks, which are expected further damage the crop. Weather forecasts show a consistent expectation for dry weather in the southwestern Plains whether the time frame is three days or three months. In the current seven-day outlook, the western Plains are expected to be mostly dry, except for precipitation in the Dakotas the next few days.



Many SRW areas have been threatened with too much moisture. DTN says lighter amounts should help flooding concerns

around the Ohio River Valley, but the Delta is expecting more moderate rain amounts.

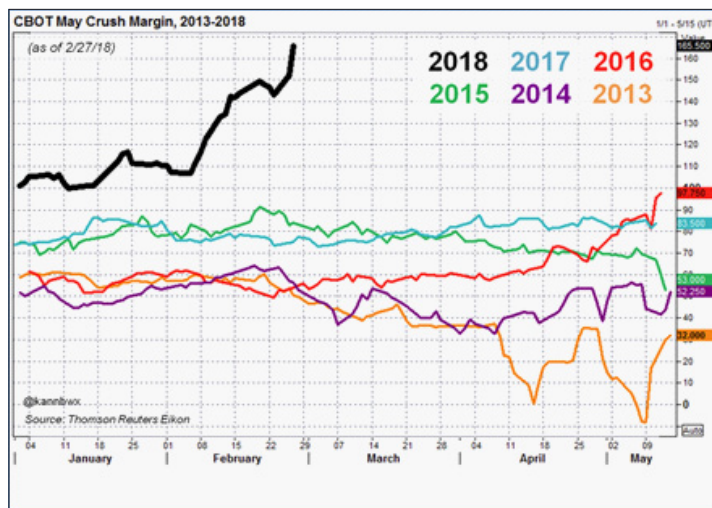
It is always difficult to call a volatile, weather-driven market as wheat has become, but there is no argument that the trends remain up in winter wheat.

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

Oils

NOPA members have crushed a new record volume of soybeans during the first five months of 2017-18, some 2 percent more than a year ago.

Sharply rising crush margins have been boosted by meal values that rose over 17 percent in February alone.



The offshoot has been a relative oversupply of soybean oil that has technical charts trending lower and stocks that as of Jan. 31 were at an eight-month high of 1.728 billion pounds, up from 1.518 billion at the end of December.

The USDA March 1 crush report for December activity showed January SBO stocks of 2.229 billion pounds, again above expectations being up 17.8% m/m and 7.8% higher y/y.

The USDA stocks were 29.0% above NOPA-

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member stocks of 1.728 billion pounds, right in line with the average difference seen so far in 2017/18, while the average trade estimate reflected actual stocks only being 23% above NOPA.

As soybean processors continue to set monthly crush levels, soybean oil prices remain pressured by the growing oil stocks

Palm oil stocks are also ample. Malaysia palm oil inventories indeed edged down 6.7% to 2.55 million tonnes from 2.73 million tonnes m/m at end-January. But that level still represents the highest level since December 2015.

India, the top importer of edible oils, raised taxes on crude palm oil imports by 14 points to 30%, and on refined palm oil buy-ins by 14 points to 54%. Such moves can have dramatic, and contrasting, impacts on commodity prices. In India itself, (little traded) palm oil futures on the NCDEX exchange rose to one-year highs, while in Malaysia, a major exporting country, prices tumbled.

Reuters reported Friday that South Asia's 2017/18 vegetable imports are expected to hit record high on strong demand: South Asia's edible oil imports are set to climb to an all-time high this year as lower production in the region coincides with rising consumption to drive buying of mainly palm and soybean oils from elsewhere, industry officials said. As the region's per capita income grows, households are able to buy more products containing vegetable oils. Ahead of a key industry conference in Kuala Lumpur next week, estimates from leading industry officials showed India, the world's biggest vegetable oil buyer, is expected to purchase 15.5 million tonnes in the current marketing year to October 2018. That would mean a 2.9 percent rise from 15.06 million tonnes imported a year earlier - the previous record - because of a decline in soybean and rapeseed production this year due to adverse

weather. Imports are set to make up two-thirds of India's edible oil demand, estimated this year at around 23 million tonnes

[See oils charts and tables](#)

Wheat Charts and Tables

Technical Outlook

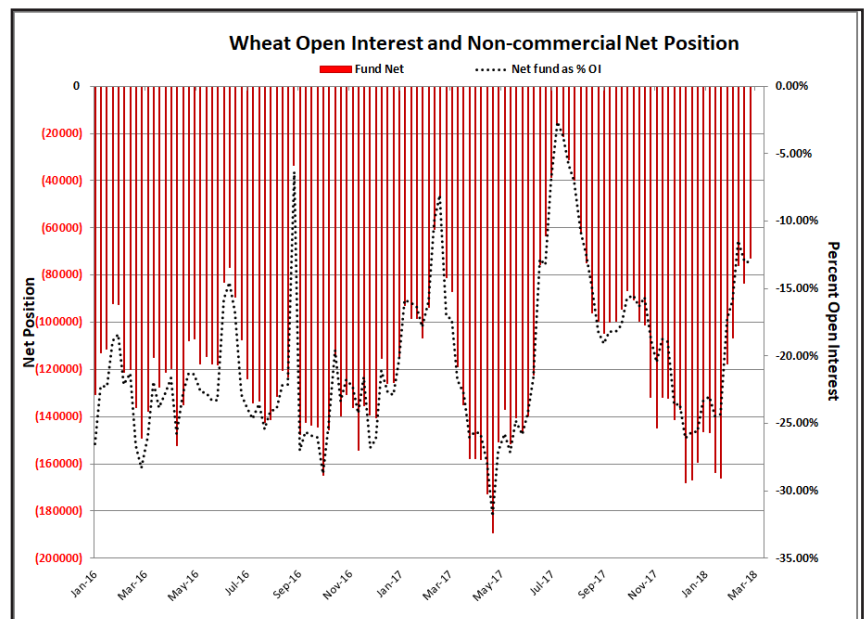


- Trend remains up following in a desired impulsive wave 3 manner from last week's "1-2 / 1-2" wave count. Last week we wanted to see confirming price action in the manner of aggressive buying in wave **iii** of **3** and accompanying breaks above the upper boundary of the corrective price channel and above the top of wave **i**. The market fulfilled on each last week. The Fibonacci target price for wave **iii** is around \$5.41

Money Flow

Soft Red Winter Wheat Non-commercial Traders

CFTC as of 02-27-18	-72,968
Weekly change	+10,505
Net Percent of CFTC Rpt Open Interest	13.0%
Average estimates from trade sources:	
02-28-18	+20,000
03-01-18	+15,000
03-02-18	-12,500
Estimated Positions	-50,468



Protein Premiums

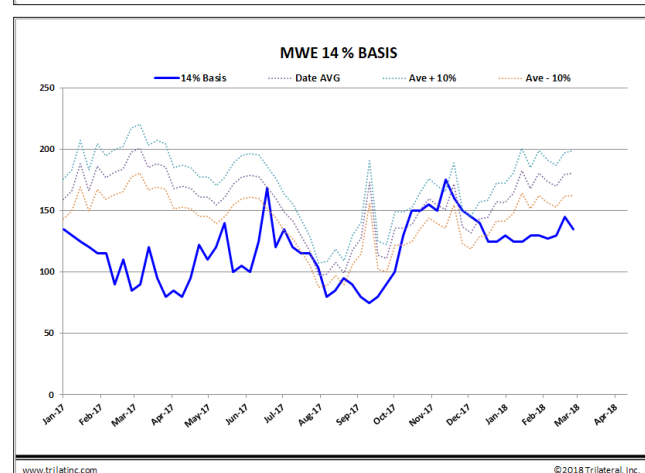
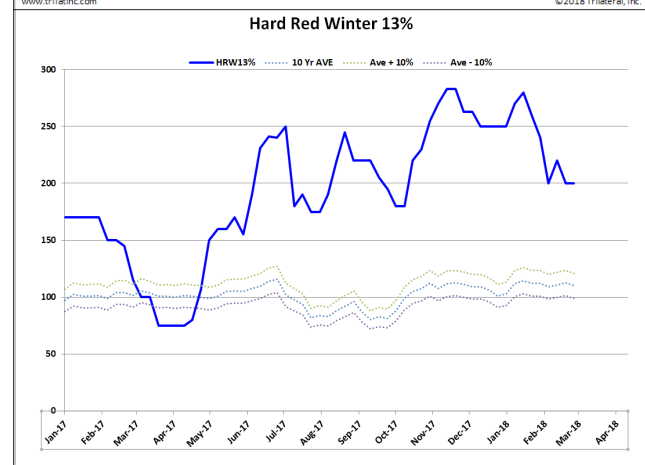
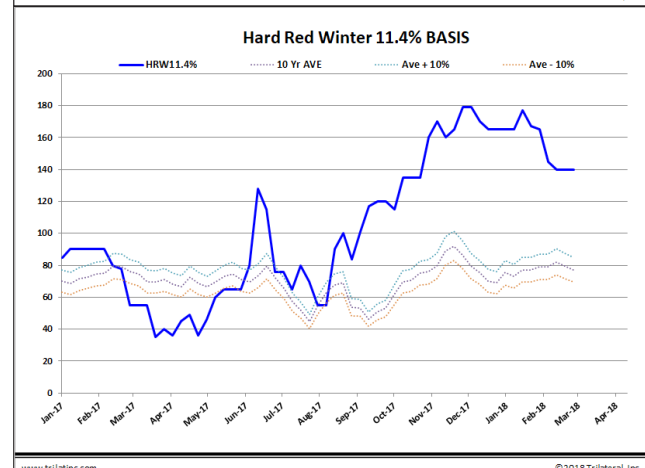
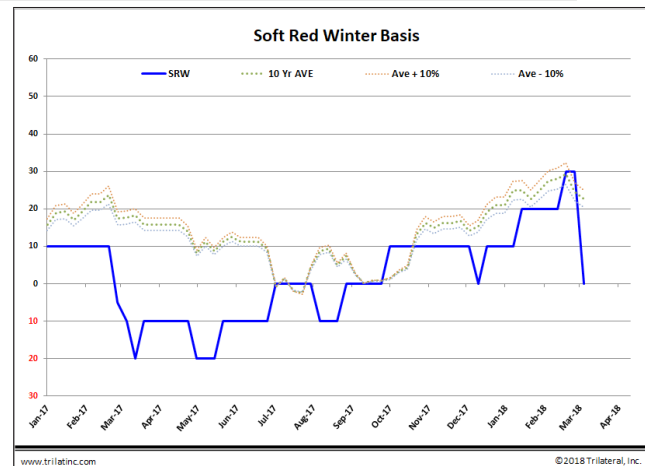
Soft Red Winter: U.S.D.A. indicated no Illinois wheat was located in drought areas as of Feb. 27 compared with 36% a week earlier, and 10% of Missouri wheat was in moderate drought compared with 5% in extreme drought and 41% in moderate drought a week earlier. At same time, recent heavy rain resulted in flooding of fields in low-lying areas in river sheds in parts of Ohio, Illinois, Kentucky and Arkansas. St. Louis-area mill bids for nearby were 20c over Chicago May. Chicago mill bids for nearby were the Chicago May price with expansion in wheat movement noted. Toledo mill bids for March were 10c over March, unchanged; AugustSeptember, 10c under September. Elevator bids were 8c under May for nearby; 5c under July for new crop.

Hard Red Winter: Premiums on hard red winter wheat steady to lower and showing signs of bottoming following recent drop. Likely stalled until new crop emerges from dormancy and more is known about development stage conditions. (See table next page.)

U.S.D.A. indicated drought expanded in Kansas during week ended Feb. 27, but drought weakened slightly in Oklahoma and Texas because of recent precipitation. U.S.D.A. said 79% of Kansas wheat was located in areas with drought — 7% extreme drought, 39% severe drought and 32% moderate drought — compared with 74% a week earlier.

Hard Red Spring: Premiums on hard red spring wheat in Minneapolis were steady to lower.

U.S.D.A. indicated 45% of other-spring wheat was forecast to be planted in drought areas (48% a week earlier) with 64% of North Dakota spring wheat expected to be located in drought areas, unchanged from a week earlier. Choice milling hard amber durum as quoted at Chicago rail gateway for delivery beyond remained \$8.40 a bu. Minneapolis cash durum price was \$8.10 a bu.



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Protein Premiums cont.

As of March 1, 2018

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.

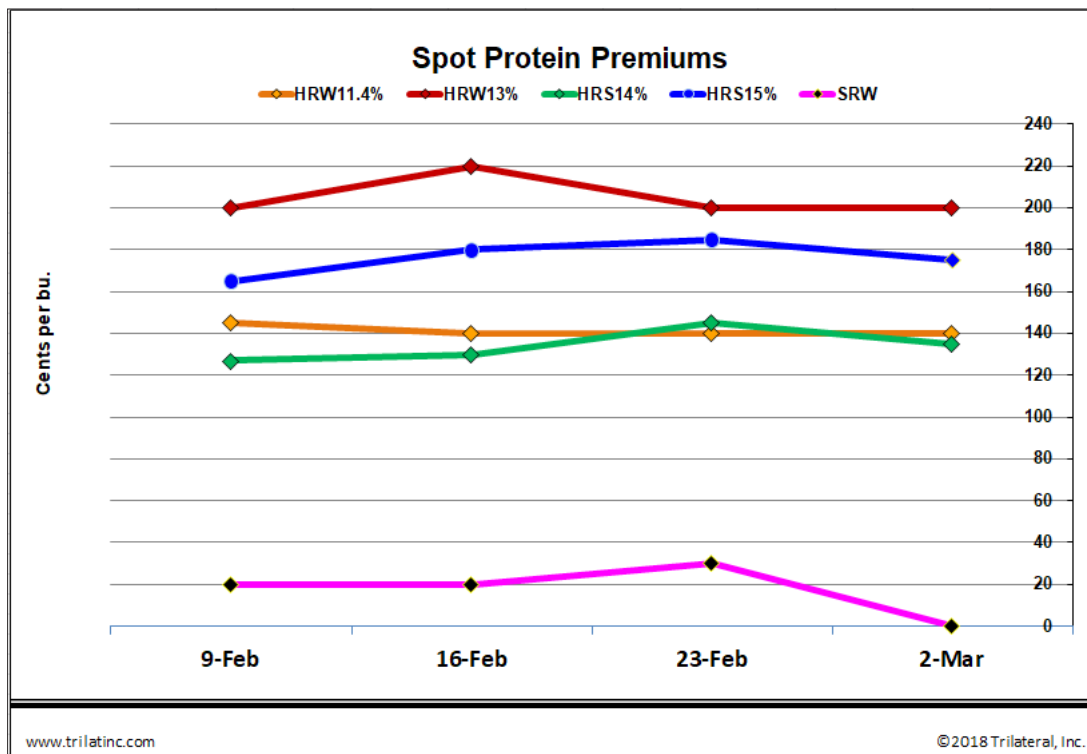
11.0%	105-120 K	.....
11.2%	120-135 K	.....
11.4%	125-140 K	.....
11.6%	125-140 K	-1
11.8%	130-145 K	-5
12.0%	140-155 K	-5
12.2%	140-155 K	-5
12.4%	142-157 K	-18
12.6%	185-200 K	.....
12.8%	185-200 K	.....
13.0%	185-200 K	.....
13.2%	185-200 K	.....
13.4%	185-200 K	.....
13.6%	185-200 K	.....
13.8%	185-200 K	.....
14.0%	185-200 K	.....

Soft Red Winter Wheat, basis Chicago -0- 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%	80-80 K
14.0%	120-135 K	-10
15.0%	160-175 K	-10



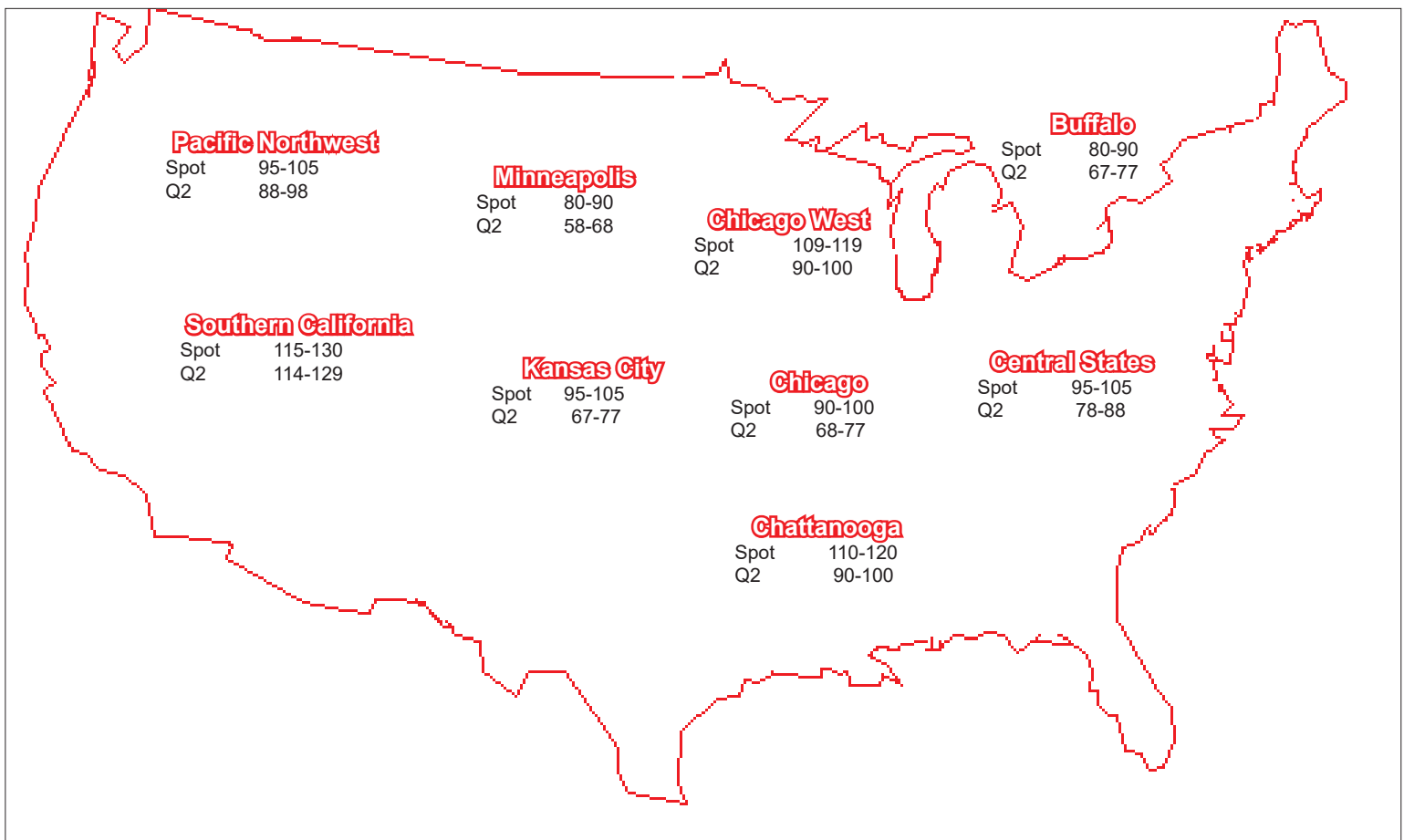
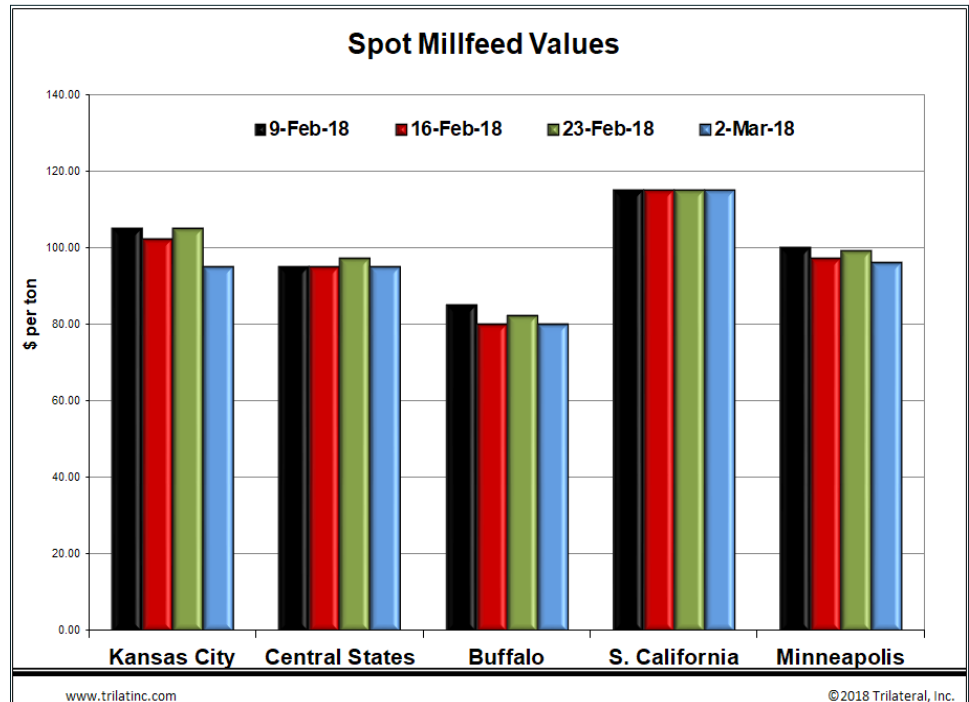
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Millfeed

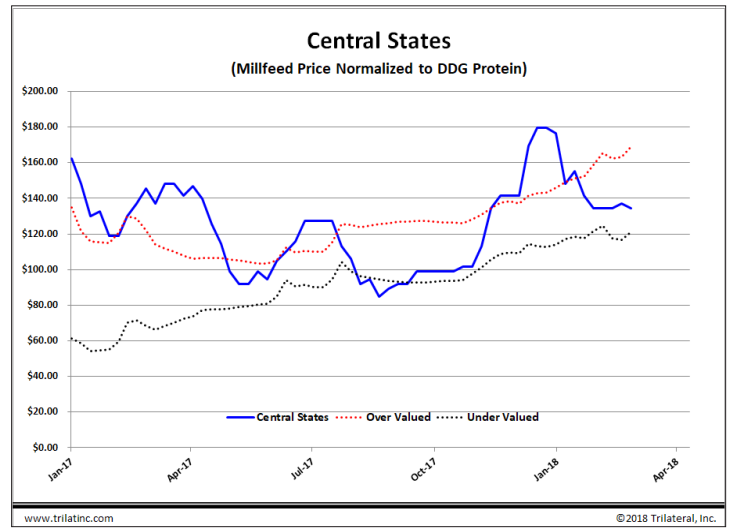
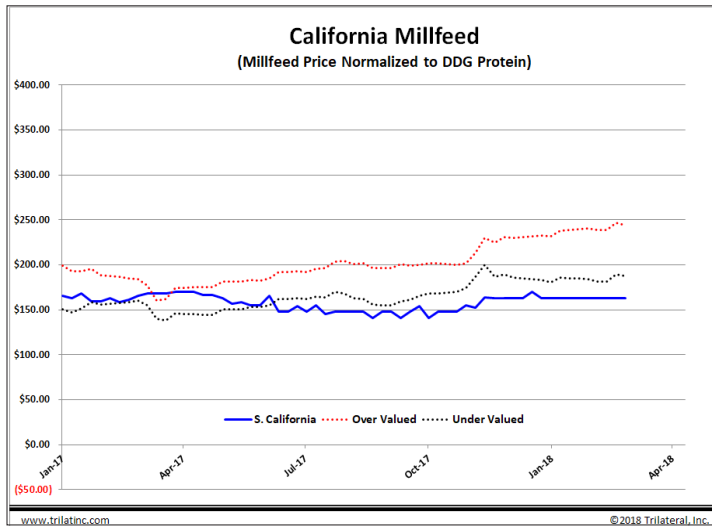
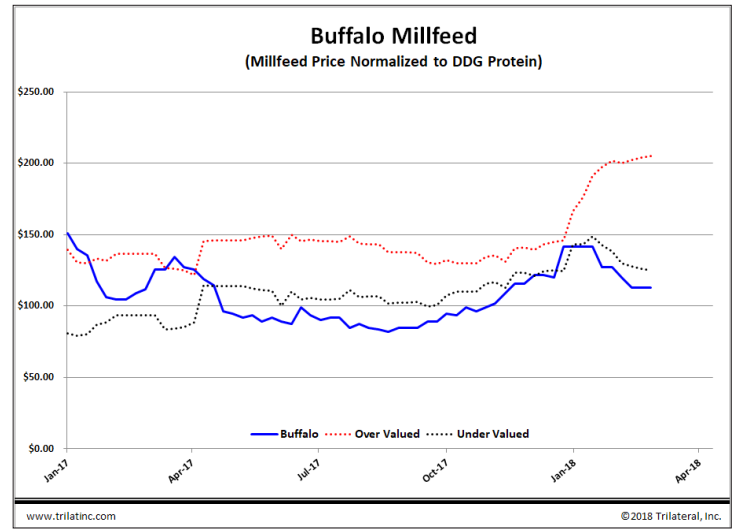
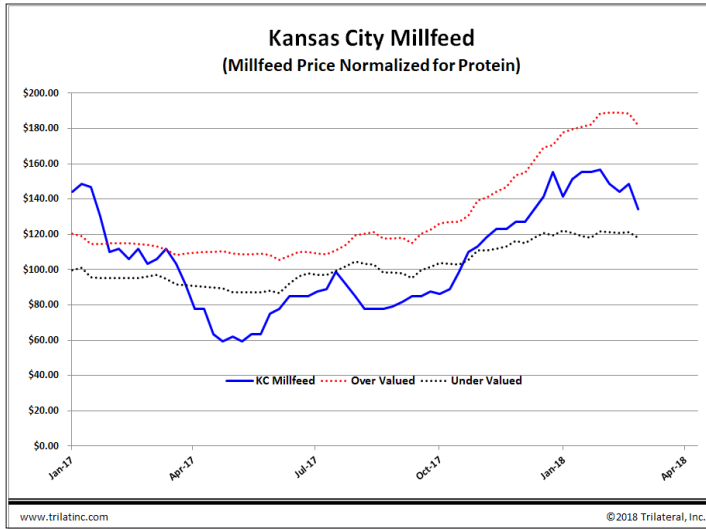
Nearby prices were mostly lower as March premium began to melt away. "It was time for market to go down, and it did," said a merchandiser. Several traders noted faltering demand from feed mixers in Texas, and one said that had a snowball effect moving north into the nation's midsection.

Southwest was softer, as anticipated, but inventories weren't yet a problem as all material found homes.

Though supply and demand "seem to be at an equilibrium," one merchandiser said, soybean and corn futures were doing their part to maintain midds' place in rations.



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

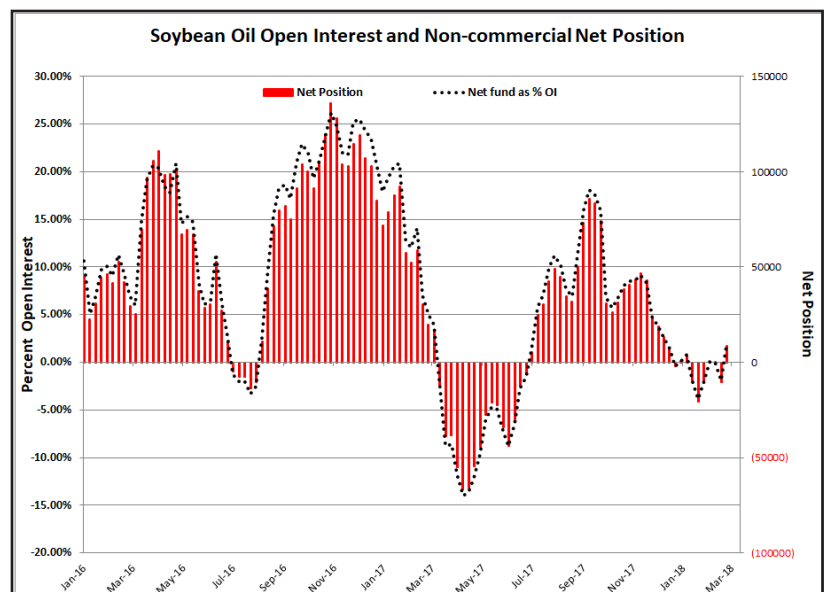
Technical Outlook



- Last week's "1-2 / 1-2" count to the downside and has now added a third "1-2," which are the **i** and **ii** in the chart above. Waves **i** and **ii** are the first two of five legs of wave **3** of **3** lower. The Fibonacci price objective for wave **iii** of 3 is 29.89.

Money Flow

<u>Soybean Oil Non-commercial Traders</u>	
CFTC as of 02-27-18	+8,817
Weekly change	+19,180
Net Percent of CFTC Rpt Open Interest	1.8%
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<i>Average estimates from trade sources:</i>	
02-28-18	-3,500
03-01-18	+2,500
03-02-18	-3,500
Estimated Positions	+2,683

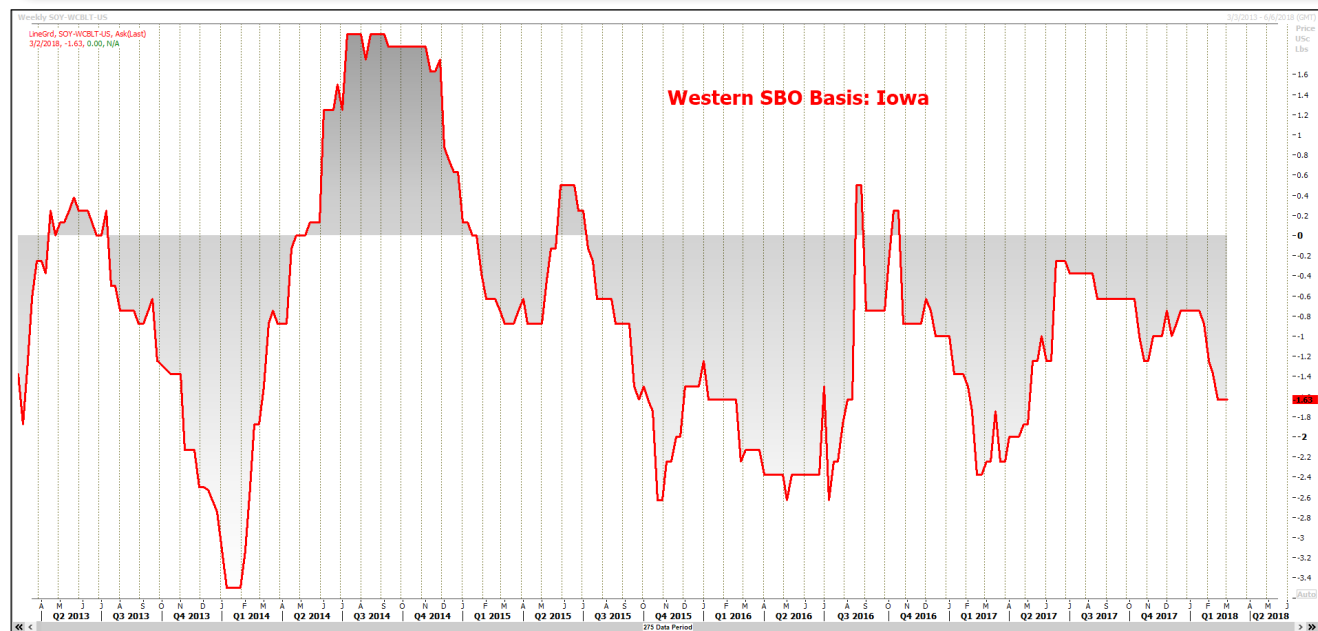
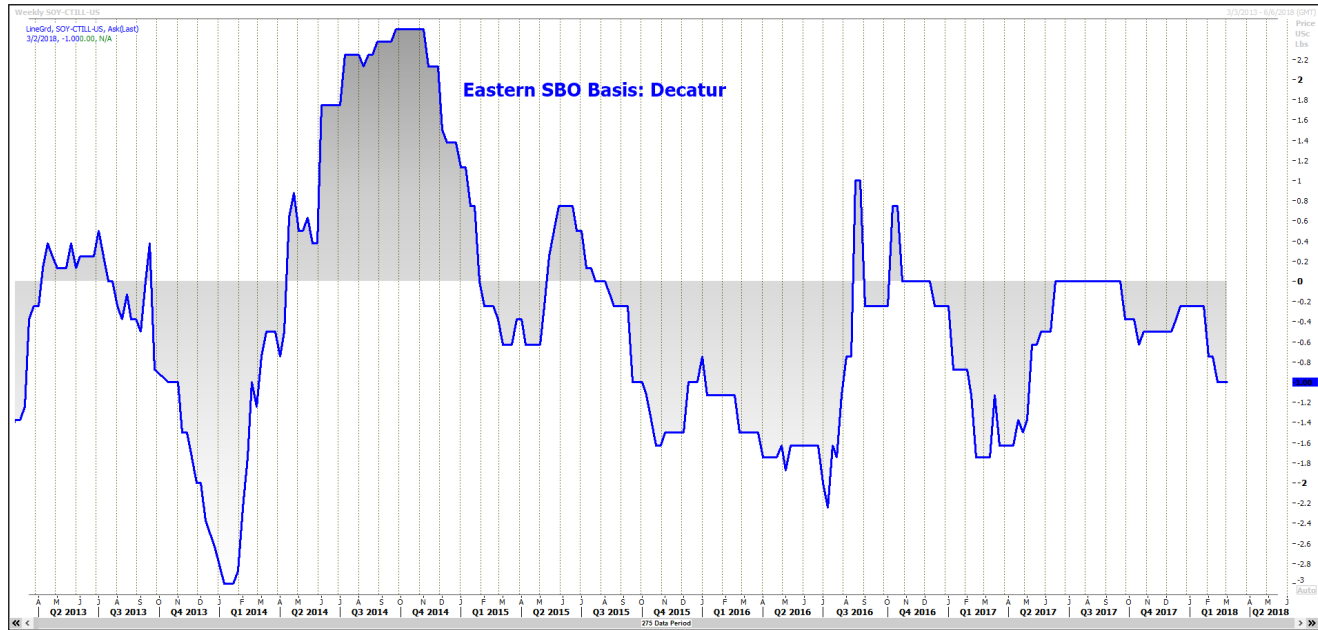


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SBO Basis

SBO basis is down due to slow bio fuel pull and high crush margins and rates.

Cash market contact suggests extending coverage through end of Q3. In his view there is probably 25 downside opportunity and 125 upside risk.



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