

THE FLOUR REPORT™

serving our customers

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BIAS

As noted in the recap, the US weakness in exports will only add to the pressure on wheat prices. Non-commercial funds remain short wheat in the futures market for said reason. Cash premiums have remained flat in part due to glut of wheat and despite large bushel counts and lower prices, there have been nugatory results in increased feed demand. Next year the United States could see wheat carry out levels exceed 1 billion bushels and a large contributor to that, is large inventories of hard red winter wheat at more than 60% stocks to usage ratio. That said, oil prices have rebounded off of their lows and the US dollar has come off its highs set in December. So while we continue to paint a bearish picture, any weather disruptions and/or changes in the macro global environment could move us higher again very quickly with the downside more limited than the upside at this point. To that end, in 1972 the U.S. was swimming in wheat, much like today and shortly thereafter entered into one of the largest grain sales in history by agreeing to sell Russia 440 million bushels of wheat which single-handedly moved prices higher for many years thereafter. The U.S. and Russia are not considered close friends these days, and Russia can feed its own people much better in 2016. But could such a sale happen again to say China or another group of countries as a form of grain diplomacy? Not likely, but anything is possible. At these levels, it's hard to not to consider extending coverage into Q3 and Q4 2016 with strong support at \$4.50/bu in KC. So weigh the risk on waiting for even better prices against the values that can be procured today.

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ORGANIC UPDATE

Organic food sales in 2015 reached \$37 billion. Up 12% from 2014. High growth in the retail sector has led to increased private label and control label products on the shelves. Baby food growth and organic imports (rice, tea) have lifted sales as most retailers try to keep up with demand, which will only add to opportunities for growers, producers and manufacturers.

BULLS & BEARS

Winter wheat crop conditions are better than a year ago at this time with adequate snow cover and moisture.

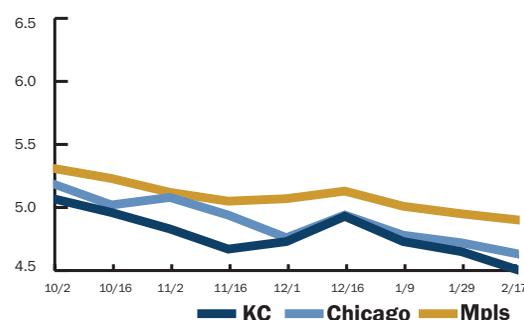
+ US is tracking to lowest level of exports since 1971-72.



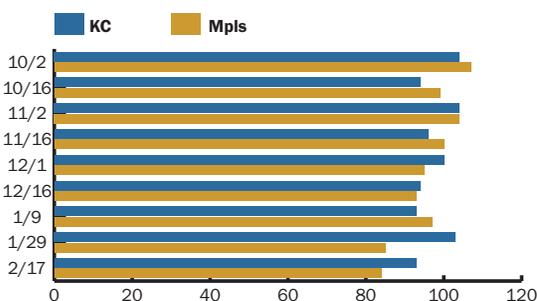
RECAP

We saw continued weakness in futures prices for January and into February. Low costs of all commodities, especially oil, has had an impact on wheat in several ways. The strong US dollar continued to hinder any export opportunities for the U.S. and timely snowfalls throughout the Midwest helped winter wheat already in the ground and reify low prices.

Futures Market



Millfeed (Dollars/Tons)



Cash Premiums

