

Wheat Market Outlook and Price Report: Apr. 22, 2024
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 Mercantile Consulting Venture Inc.

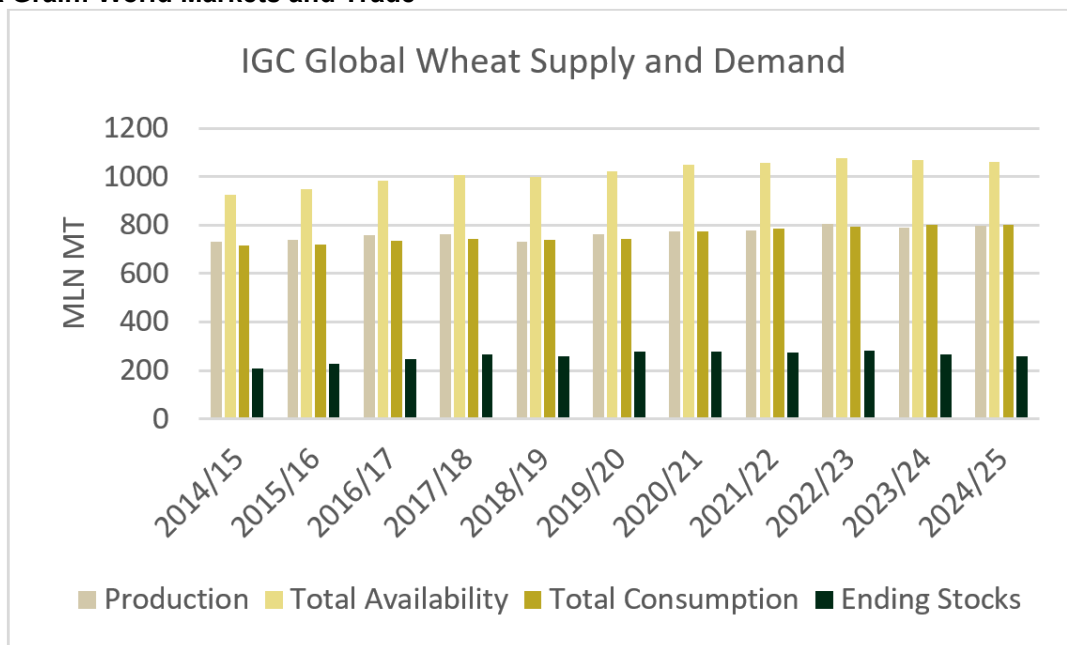
i) Background and Rationale for the Report

The following wheat market outlook and price report will be published on a weekly basis on the Sask Wheat Website. The report provides producers with an overview of world wheat markets, a market forecast, and benchmark prices at both the primary elevator and export positions (FOB Vancouver or elsewhere).

The report is made up of several sections. Following this section, a World Wheat overview is provided, which includes a summary of wheat market fundamentals, world production and trade, and a wheat market outlook. This is followed by several price tables, which include primary elevator bids at various Saskatchewan locations (Table 1), grain spreads (Table 2), and FOB port prices and basis (as measured by subtracting the primary elevator price (Rosetown) from the relevant port location price for individual crops) (Table 3). Table 3 is preceded by a description of the various assumptions, definitions and methodology used in arriving at the FOB port prices and in the export basis calculation.

ii) Wheat Market Outlook April 22, 2024

USDA Grain: World Markets and Trade

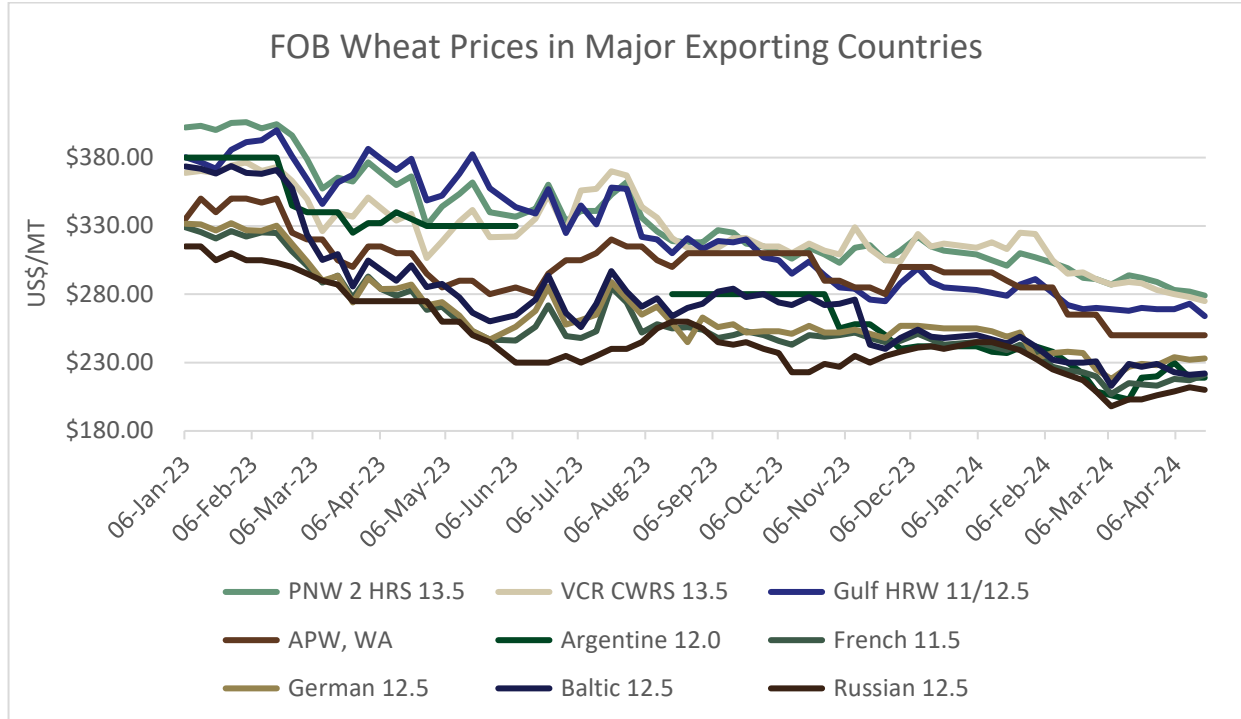


Source: Mercantile, based on IGC data

- The IGC decreased its estimate for 2024/2025 global wheat production by 1.1 million mt in its March Grain Market Report (GMR). At 797.7 million mt, global wheat production is expected to grow by 1.1 per cent year-over-year.
- The IGC reduced production in the EU by 1.8 million mt to 128.7 million mt. Larger crops are being anticipated in the U.S. (up 1.2 million from last month) and China (up 0.5 million mt from last month).
- The IGC decreased 2023/2024 ending stocks by 3.6 million mt. Coupled with lower production, global wheat supply in 2024/2025 was lowered by 4.7 million mt from last month to 1,061 million mt.

- Global wheat use was decreased by 1.3 million mt largely due to a 900k mt decrease in global feed use.
- The IGC expects that 2024/2025 ending stocks will shrink by an additional 3.4 million mt to 259.0 million mt, down two per cent (4.9 million mt) from the 2023/2024 season.

➤ **Global Cash Wheat:**



Source: Mercantile

- Global cash wheat prices were mixed last week. Prices in the EU were generally higher, while the Black Sea was slightly lower. North American values continued to slide las week.

➤ **Global wheat production and trade:**

There is a lot of competition in the wheat markets as wheat is produced around the world. Below is a brief synopsis on last week's market events in the major wheat origins.

Futures:

- May 2024 contract **Chicago winter wheat** closed at \$550-2, up 13-4 cents on Friday, *down 5-6 cents on the week.*
- May 2024 contract **Kansas hard red winter wheat** closed at \$581-4, up 4-2 cents on Friday, *down 8-2 cent on the week.*
- May 2024 **Minneapolis hard red spring wheat** closed at \$647-0, up 8-2 cents on Friday, up 4-2 cents on the week.
- U.S. wheat futures are currently trading 3-9 cents higher at the time of writing this Monday morning.

CBOT 1-Yr. May 2023 Wheat



KC May 2023 Wheat



Mpls. May 2023 Wheat



Canadian Wheat

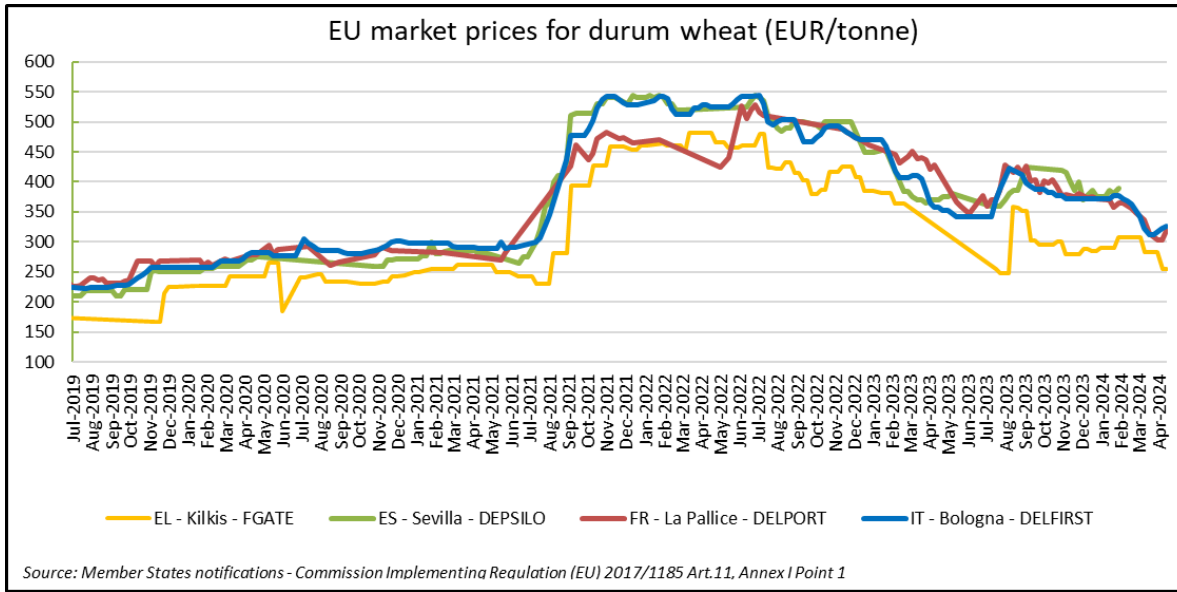
- Agriculture and Agri-Food Canada (AAFC) made no changes to wheat in Friday’s outlook for Principal field crops. AAFC left its old crop export estimate unchanged at 20.25 million mt, which reflects a two per cent decrease from last year. This is too low.
- **Canadian weekly exports:** Week 37 wheat exports were very strong again at 514.6k mt. Year-to-date exports are now 15.3 million mt which is seven per cent ahead of last year. The current export pace annualizes to a total of 21.5 million mt which would be four per cent more than last year.

(CGC) Grain Handling Summary Wheat		Week 37	(Apr. 14, 2024)	
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 37	533.5	569.4	514.6	80.0
Week ago	366.4	643.4	505.7	88.5
YTD	17,476.4	17,373.9	15,282.9	3,216.4
Last YTD	17,503.0	16,722.0	14,247.5	3,004.3
YTD less Last YTD	-26.6	651.9	1,035.4	212.1
YTD over Last YTD	100%	104%	107%	107%

Source: Mercantile, based on CGC data

Durum:

- AAFC made no changes in its durum balance sheet.
- Tunisia bought 25k mt of durum wheat at \$376.49 C&F. This is \$7.40/mt less than Tunisia’s last purchase on Apr. 5, 2024. It does not look like the traded durum was Canadian, however, the lower Canadian dollar means that the price calculates to about CA\$10.30/bu at the elevator in Saskatchewan. This is approximately CA\$0.10/bu less than the average price of Tunisia’s last purchase. There was talk that this purchase was to replace a rejected cargo of what was likely Turkish durum.
- Although the price of Tunisia’s tender was lower, price indications in the EU have risen over the past couple of weeks. Prices in France and Italy were said to have risen by 3-5 euros/mt over the week.



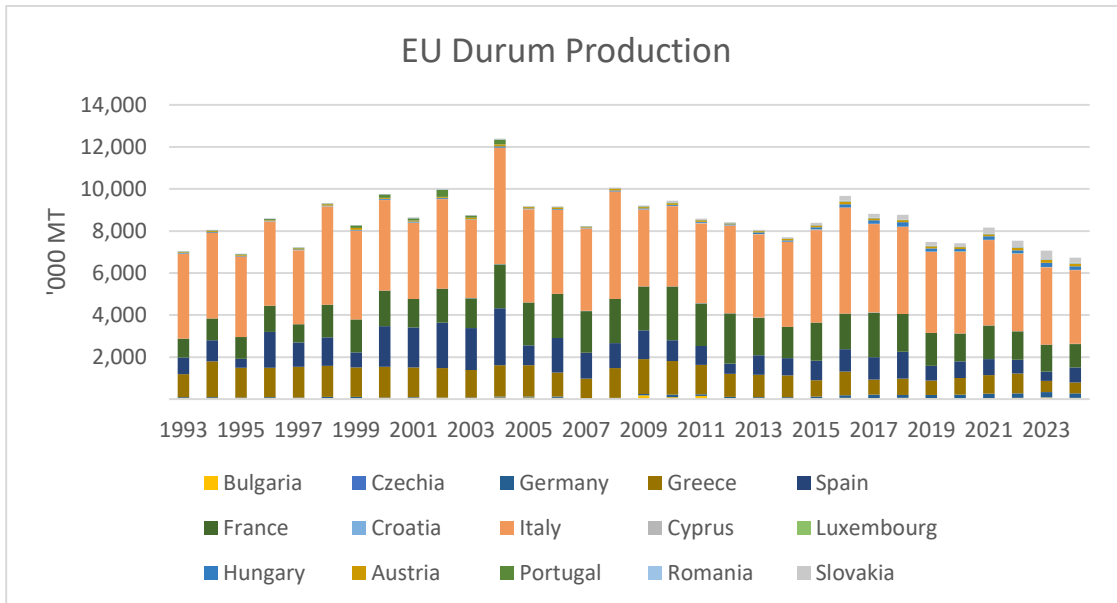
Source: EUC

- We saw some durum “specials” in southern Saskatchewan last week as some elevator companies are putting together programs to ship through Thunder Bay.
- Canadian durum exports were strong in week 37 as Canada shipped 115.7k mt of durum. Most of the vessel exports were from the St. Lawrence which shipped 90.9k mt of the weekly volume. Year-to-date durum exports are now 34 per cent behind last year’s volume at 1.5 million mt but remain on pace to meet the AAFC’s 3.2 million mt export number.

(CGC) Grain Handling Summary Durum			Week 37	(Apr. 14, 2024)
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 37	30.2	22.6	36.0	17.1
Week ago	38	7.1	22.5	12.3
YTD	1632.1	386.6	1052.3	640.6
Last YTD	1901.2	216.3	1026.1	620.7
YTD less Last YTD	-269.1	170.3	26.2	19.9
YTD over Last YTD	86%	179%	103%	103%

Source: Mercantile, based on CGC data

- **EU Durum:** Durum wheat production in the EU is expected to fall by five per cent from last year to 6.7 million mt. If true, this would be the lowest volume since records began.



Source: Mercantile, based on EUC data

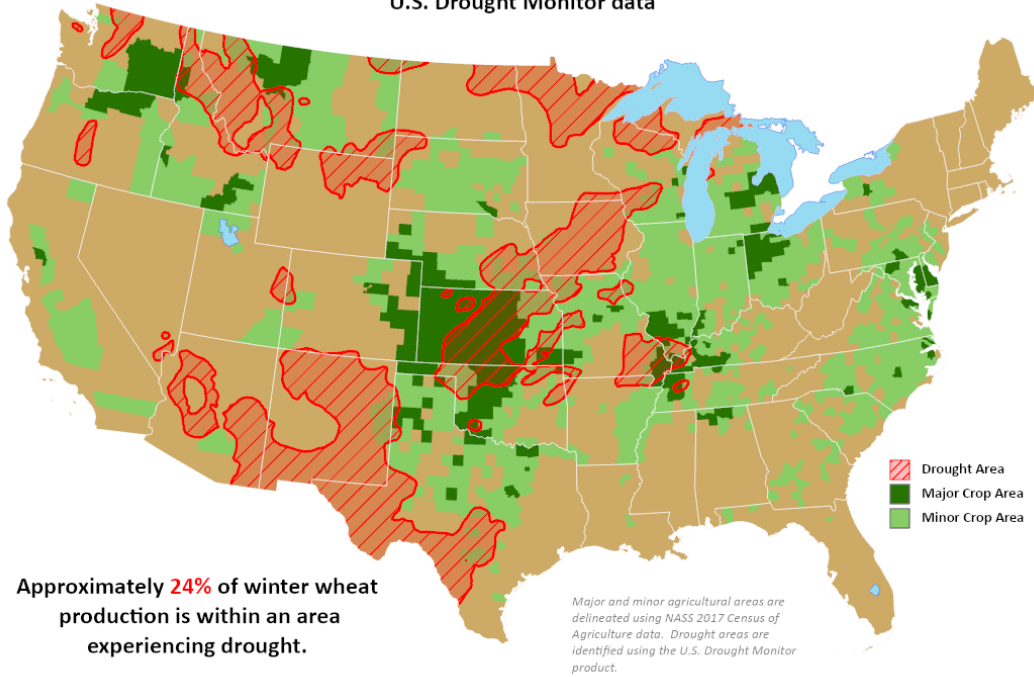
- *The recent rise in prices is a good opportunity to finish old crop sales it not already done. We are sold out of old crop durum, and 30 per cent sold new crop durum.*

U.S. Wheat:

- Moisture conditions are rapidly deteriorating in the U.S. winter wheat belt due to a lack of rain and strong winds. Twenty-four percent of the U.S. winter wheat crop is under drought conditions, compared to 18 per cent last week. Sixty-five percent of the Kansas winter wheat crop is under drought.
- The condition of the U.S. winter wheat crop declined by one per cent last week to 55 per cent Gd/Ex. Condition ratings in the top producing state, Kansas, were down six per cent to 43 per cent Gd/Ex. Conditions in the neighbouring state, Oklahoma, were down eight points to 60 per cent Gd/Ex.

Winter Wheat Areas in Drought

Reflects **April 16, 2024**
 U.S. Drought Monitor data

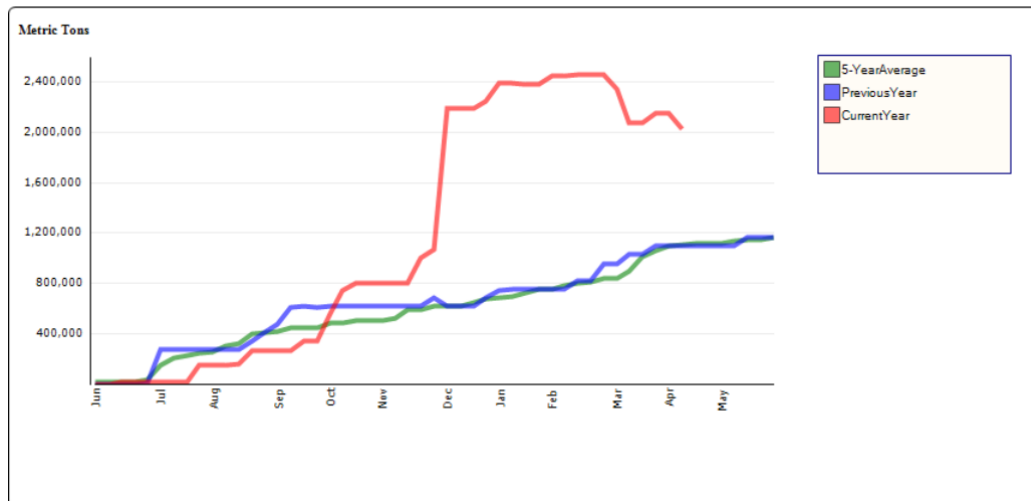


Source: USDA

- U.S. wheat sales were net -94k mt, given two recent cargo cancellations by China. This was still within the trade expectations. Total sales are now 18.7 million mt which is one per cent above last year compared to the USDA's estimate for a 4.5 per cent decrease. Having cancelled 123.7k mt worth of sales last week, China still has 303.0k mt worth of unshipped wheat on the books.

Accumulated Net Sales - CHINA, PEOPLES REPUBLIC OF All Wheat

Selected Year: 2023-2024 as of 04/11/2024



Source: USDA FAS

- U.S. HRS for May 2024 was valued at \$279.00/mt FOB PNW (down \$3.00/mt from last week), FOB Gulf HRW 11/12.5 pro is valued at \$264.00/mt (down \$9.00/mt from last week).

Australian Wheat:

- Australian futures rose to an eight-week high. Western Australia remains dry, and farmers are not selling.
- FOB values in Australia: May 2024 APW, WA is valued at \$250.00/mt (unchanged from last week).

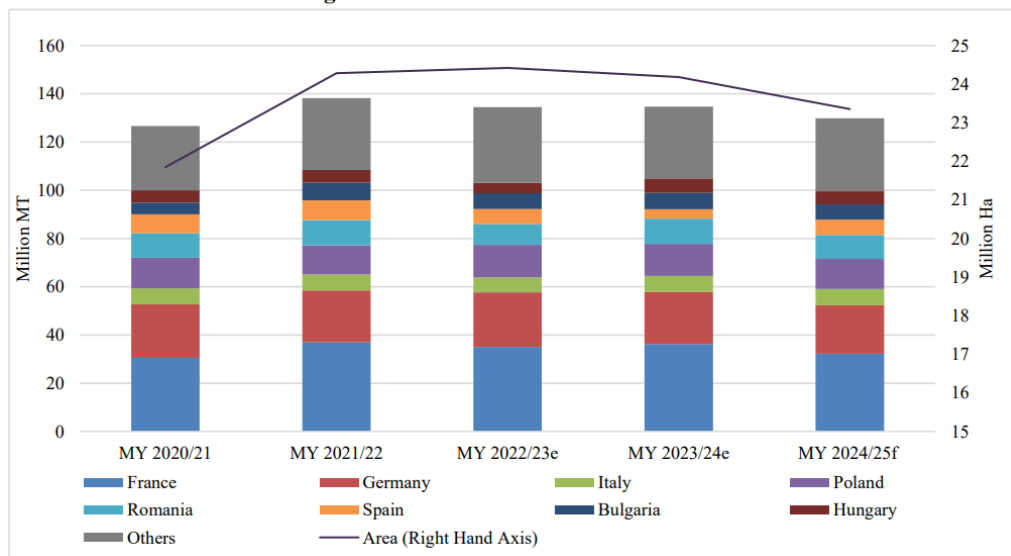
Argentine Wheat:

- BAGE says that seeding conditions in Argentina are strong, but forecasts that seeded area will be 6-7 per cent lower than last year.
- The USDA Attache' in Argentina is forecasting that wheat production there will grow by 1.1 million mt (seven per cent) from the previous season to 16.8 million mt. The increase in production is expected to come entirely from better yields as harvested area is forecast to be 100k ha lower. Low beginning stocks means that total supply will be slightly (300k mt) lower than the previous year at 18.6 million mt. A slight (200k mt) decrease in exports to 10.0 million mt and robust domestic consumption is expected to keep use steady. Ending stocks are expected to continue to decline to by another 300k mt (two per cent) from last year to 18.6 million mt.
- FOB Argentine wheat (12 per cent pro) for May 2024 was quoted at \$219.00/mt (unchanged from last week).

EU Wheat:

- The USDA Attache' in the EU is estimating that total wheat production in the member states in the upcoming (2024/2025) year will be down four per cent from last year on a combination of less seeded area and smaller yields. Excess moisture in Western Europe (especially France) and dryness in eastern Romania and Bulgaria delayed seeding operations and impacted crop growth. The Attache' is estimating that old crop ending stocks will be 17.5 million mt compared to the official USDA estimate of 16.7 million mt. This is still well below the EU Commission's estimate of 21.1 million mt. Larger stocks, but less production and imports mean that total supply in 2024/2025 is expected to fall by four per cent from last year to 156.4 million mt. Fewer exports, but larger domestic use means total consumption will grow slightly (one per cent) to 112.0 million mt as ending stocks fall 20 per cent to 14.1 million mt.

Figure 7. EU Wheat Area and Production



Source: USDA FAS

- Winter wheat crop ratings in France fell by another one per cent to 64 per cent Gd/Ex. This compares with 94 per cent Gd/Ex this time last year.
- EU FOB prices: May 2024 French 11 pro wheat closed at \$221.00/mt (*up \$4.00/mt from last week*); May 2024 German 12.5 pro wheat closed at \$233.00 (*up \$1.00/mt from last week*); May 2024 Baltic 12.5 pro wheat closed at \$222.00/mt (*up \$1.00/mt from last week*).

Black Sea Wheat:

- Dryness in Russia's southern region is becoming a concern. This area accounts for roughly 31 per cent of the country's winter wheat crop.
- Despite a major freight disadvantage, Ukraine won the GASC tender because of Russia's \$235/mt floor price.
- We have Russian FOB values for 12.5 per cent protein wheat for May 2024 at \$210.00/mt (*down \$2.00/mt from last week*).

➤ **Significant purchases/ trades:**

- **Ukraine** sold Egypt (GASC) at \$220 basis 270-day L/C (around \$200 basis cash).
- **Tunisia** bought one 25k mt cargo of durum. We expect most users are covered on old crop.
- **U.S. wheat sales** were net reductions of 94k mt, given two recent cargo cancellations by China. This was still within the trade expectations. Total sales are now 18.7 million mt which is one per cent above last year.

➤ **Wheat Market Outlook:**

Significant events over the past week:

- **The International Grains Council** decreased its estimate for total grain production in 2024/2025 by 10 million mt. The global grain crop is now expected to be 2.322 billion mt which would still be a record volume. The decrease in production was driven by a seven million mt reduction in corn production. **Argentina's corn crop** is suffering from inclement weather and corn stunt disease.
- **Tensions in the Middle East** supported energy markets last week, but some of this also trickled into grain.
- **Russia launched additional attacks** on Ukraine's port city of Odessa. Some port infrastructure was damaged, it is hard to tell what the impact will be.
- **The U.S. dollar index rose** to 106.1 which weighed on U.S. prices.

Mercantile's Weekly Outlook:

Mercantile says geopolitical tensions are causing additional uncertainty in the commodity markets.

There is currently a standoff between the fund short and farmer holding. - *Mercantile would use this rally to finish old crop wheat sales but would not sell any new crop for now.*

iii) Primary Elevator Price Tables and Grade Spreads

Table 1: Canadian Primary Elevator Bids, in Canadian Dollars per Bu and per MILLION MT

Date: April 22, 2024

NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Jun '24 (bu.)	Jun '24 (mt.)
1 CWRS 13.5	\$8.59	\$315.63	1 CWRS 13.5	\$8.45	\$310.49
1 CWAD 13.0	\$10.71	\$393.53	1 CWAD 13.0	\$10.20	\$374.79
1 CPSR 11.5	\$7.80	\$286.60	1 CPSR 11.5	\$7.70	\$282.93
SW Sask			SW Sask		
1 CWRS 13.5	\$8.50	\$312.32	1 CWRS 13.5	\$8.37	\$307.55
1 CWAD 13.0	\$10.83	\$397.94	1 CWAD 13.0	\$10.33	\$379.57
1 CPSR 11.5	\$7.70	\$282.93	1 CPSR 11.5	\$7.61	\$279.62
NE Sask			NE Sask		
1 CWRS 13.5	\$8.38	\$307.91	1 CWRS 13.5	\$8.22	\$302.04
1 CWAD 13.0	\$10.75	\$395.00	1 CWAD 13.0	\$10.27	\$377.36
1 CPSR 11.5	-	-	1 CPSR 11.5	-	-
SE Sask			SE Sask		
1 CWRS 13.5	\$8.26	\$303.51	1 CWRS 13.5	\$8.16	\$299.83
1 CWAD 13.0	\$10.86	\$399.04	1 CWAD 13.0	\$10.36	\$380.67
1 CPSR 11.5	\$7.44	\$273.38	1 CPSR 11.5	\$7.31	\$268.60

Data source: PDQ, Apr. 22, 2024

Table 2: Grade Spreads, in Canadian Dollars per Bu and per MILLION MT

Avg. Grade Spread/ Pro Discounts	Cdn\$/bu.	Cdn.\$/mt
1 CWRS 14.0	0.05	1.89
1 CWRS 13.5	Base Grade	Base Grade
2 CWRS 13.5	(0.08)	-2.94
1 CWRS 12.5	(0.13)	-4.78
1 CWAD 13.0	Base Grade	Base Grade
1 CWAD 13.5	0.00	0.00
2 CWAD 13.0	(0.13)	-4.78
2 CWAD 12.5	(0.16)	-5.88

Data source: PDQ, Apr. 22, 2024

iv) FOB Wheat Prices and Export Basis Calculation

Background and Rationale:

Reporting FOB prices at port position and primary elevator prices allows the reader to gain an understanding of both local and international wheat prices and to understand the relationship between the two, as measured by the export basis. Export basis can be defined as FOB port position prices minus the primary elevator prices at any given prairie delivery location and is therefore reflective of transportation costs plus any premiums being captured by terminal grain elevator companies or the railway companies, at any given time.

In general, a widening basis is indicative of decreasing system performance in terms of either reduced port capacity or rail service, or both. A narrowing basis is indicative of increased available port capacity and/or better ability of the railways to provide ample service to grain shippers. In this regard, tracking these prices over time has value both in terms of producers being able to time the selling of their grain but also in terms of evaluating and setting policy related to various transportation and capacity issues.

Gray (2015) has calculated a normal basis to be in the range of C\$72/million mt. During the 2013/14 crop year the export basis for wheat widened to approximately C\$250/million mt, which indicated an inability of the grain handling and transportation system to adequately handle the record crop produced that year. This occurrence has highlighted the need to improve the level of rail service and take measures to expand port capacity where possible. It has also underscored the need for better price transparency and market information within the grain sector.

Assumptions, Definitions, and Methodology

The following background information should assist in understanding and interpreting international market signals and to relate them to the 'local' Saskatchewan wheat market:

- The price information generated for the weekly report is designed to show farmers at what price levels several wheat classes are trading at local primary elevators (Table 1) and in nearby international markets (Table 3). To express the Export Basis¹ (see *Export Basis* in Table 3) defined as Canadian FOB Prices minus primary elevator bids, the FOB prices are translated into Canadian dollars from U.S. dollars and compared to current actual primary elevator Street prices at Rosetown, Saskatchewan (see *Street Prices* in Table 3). Rosetown is used as a proxy for all primary elevators in the basis calculation. The actual handling and transportation costs from the West Coast to delivered elevator (Rosetown area) range from ~C\$58.00-C\$74.72/million mt, depending on number of cars moved and elevator used.
- Approximate relationship between U.S. wheat classes and Canadian wheat classes:
 - DNS 14 per cent in the Pacific Northwest (PNW) ≈ 1 CWRS 13.5 per cent in Vancouver
 - HRS in the Pacific Northwest (PNW) ≈ 2 CWRS 13.0 per cent in Vancouver
 - HRW in the Pacific Northwest (PNW) ≈ 3 CWRS in Vancouver

¹ Gray, R.S. (2015). The Economic Impacts of Elevated Export Basis Levels on Western Canadian Grain Producers 2012/13, 2013/14 and 2014/15.

“The difference between FOB Vancouver prices and the Saskatchewan elevator cash bids to producers is referred to as export basis: Basis can refer to the difference between any two prices. As the largest volume port, Vancouver FOB, minus the elevator bid prices representative measure of the “export” basis for grains in Western Canada.”

- SW (lowest price wheat) ≈ CPS red (mostly fed domestically)
 - HAD (Lakes) ≈ CWAD (Thunder Bay/ Lawrence)
 - Abbreviations: DNS (Dark Northern Spring Wheat); HRS (Hard Red Spring Wheat); HRW (Hard Red Winter Wheat); SW (Soft Wheat); HAD (Hard Amber Durum Wheat); CWRS (Canadian Western Red Spring Wheat); CPS (Canada Prairie Spring Wheat); CWAD (Canadian Western Amber Durum Wheat)
- Hard wheat price calculations:
 Exporters in Western Canada generally derive their primary elevator wheat prices from HRS values at the West Coast (Pacific Northwest - PNW). Similarly, HRW values are used for lower grade (3) CWRS.
- West Coast HRS and HRW values essentially dominate the international hard wheat trade and determine its basic value.
 - If premiums are paid for 1 CWRS 13.5, elevator companies are often able to retain the premium.
- Durum wheat price calculations:
 The primary export route for Canadian durum wheat is still through Thunder Bay, not the West Coast of Canada.
- Nevertheless, the Pacific Coast has increased in importance for durum over time with 38 per cent of total export volume crop year to date.
 - Italy is the single biggest buyer of Canadian durum wheat with 27 per cent of total Canadian durum exports YTD (East Coast shipments).
- Optional origin grain sales:
 Most major international grain companies sell 'optional origin' wheat to their customers and often cover their sales 'at best' closer to the shipment position. The Canadian grain system is not conducive to servicing optional origin sales because the volume of wheat kept in storage in port today is much smaller than prior to deregulation of the Canadian wheat market.

Table 3: Relevant FOB Prices and calculated Basis, U.S. & Canadian Dollars per MT

Relevant FOB Prices and Export Basis				April 22, 2024
Type of Wheat	FOB Prices CDA ¹ (calculated)		Street Prices	Export Basis ²
	West Coast (Cdn./mt\$)	Great Lakes (Cdn./mt)	Rosetown (Cdn./mt)	Basis: West Coast-Centr. SK (Cdn\$/mt)
DNS 14.0	\$380.48	\$369.36		
HRS	\$375.33			
HRW 11.5	\$345.61			
SWW 12.0	\$300.14			
1 CWRS 13.5 ³	\$380.48		\$314.53	\$65.95
2 CWRS 13.0 ³	\$375.33		\$303.51	\$71.83
3 CWRS ³	\$345.61		\$279.62	\$65.99
CPS ³	\$293.06		\$287.71	\$5.36
1 CWAD ⁴		\$482.54	\$395.37	\$87.18
Competing wheat:				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$210.00		May '24	
French 11.5 (Rouen)	\$221.00		May '24	
APW 10.5 (W Coast)	\$250.00		May '24	
Argentine 12.5	\$219.00		May '24	
¹ FOB Prices CDA = FOB US\$ converted into Canadian Currency ² Basis = FOB Prices CDA minus Street Price ³ DNS 14% ≈ 1 CRWS 13.5%; HRS ≈ 2 CWRS 13.0%; HRW ≈ 3CWRS; SWW ≈ CPS ⁴ Values derived to Lakehead FOB				