

**Wheat Market Outlook and Price Report: Mar. 18, 2024**  
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Mercantile Consulting Venture Inc.

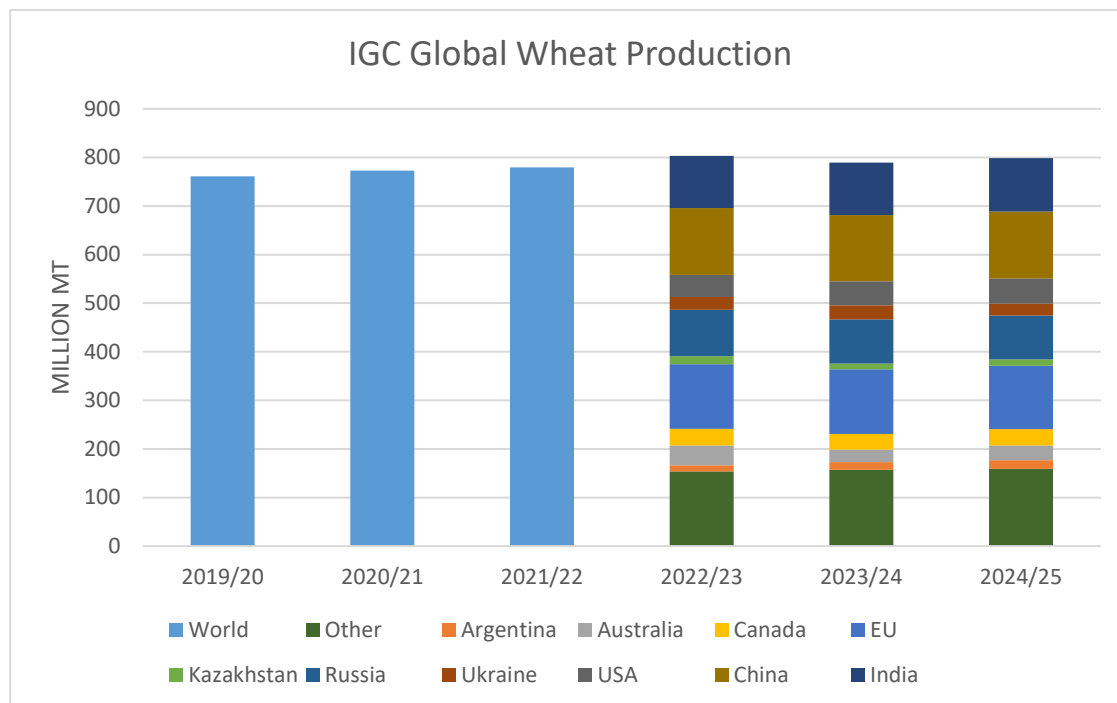
**i) Background and Rationale for the Report**

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 March 18, 2024**

**The International Grains Council: March Grain Market Report**



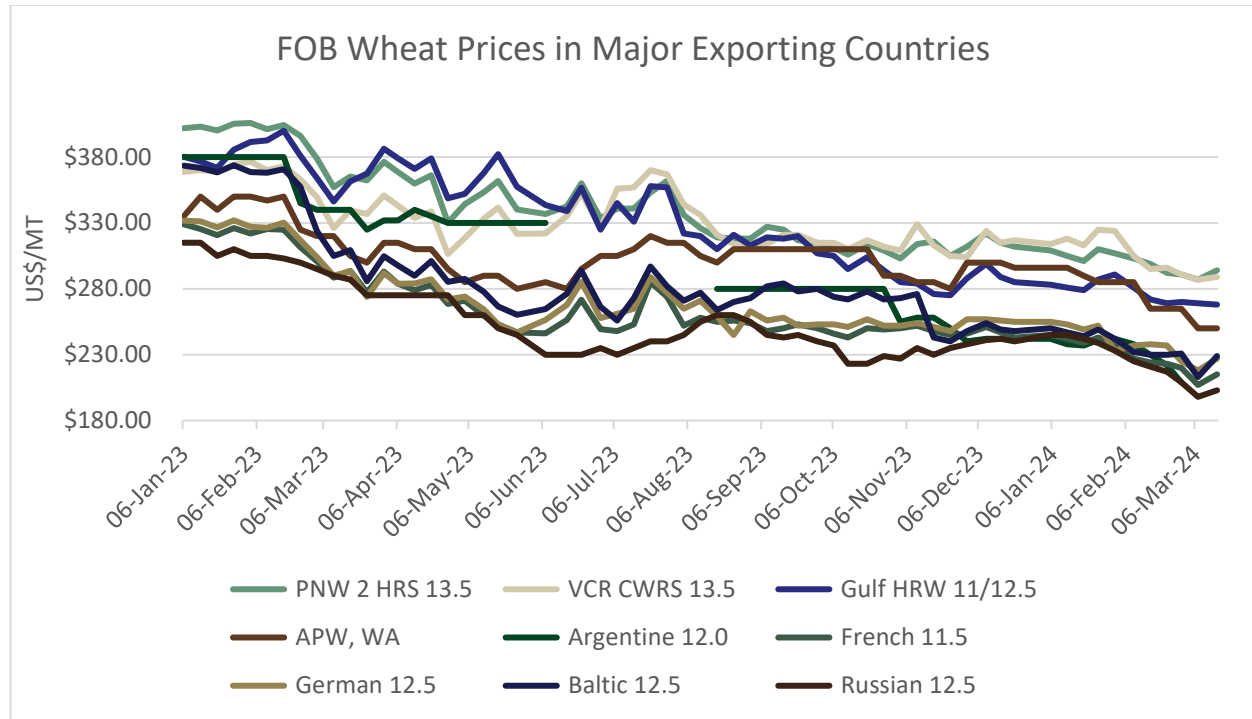
Source: Mercantile, based on IGC

- The International Grains Council (IGC) is forecasting that global wheat production in 2024/2025 will grow by one per cent (9.4 million mt) to 799 million mt. According to the IGC, a significant

portion of the increase in global wheat production is expected to come from better crops in Australia and Argentina.

- The IGC says larger global production will be off set by small beginning stocks as total supply is supposed to be 3.8 million mt lower than in 2023/2024.
- Wheat demand is expected to be one per cent higher in the upcoming season at 1.3 million mt which would cause global ending stocks to fall by two per cent (5.1 million mt) to 262.4 million mt.

**FOB Cash Values:**



Source: Mercantile

- Cash markets were higher in most origins last week, but recent Chinese cancellations/deferrals will likely erase most of this.
- Algeria tenders today which will provide some insight to the cash trade.
- There is lots of old crop wheat competing for limited demand.

➤ **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 \$528-4, down 3-6 cents on Friday, *down 9-2 cents on the week.*
- May 2024 contract **Kansas hard red winter wheat** closed at \$566-2, down 8-4 cents on Friday, *down 22-4 cent on the week.*
- May 2024 **Minneapolis hard red spring wheat** closed at \$646-4, down 8-6 cents on Friday, *down 16-2 cents on the week.*
- U.S. wheat futures are currently trading unchanged to 2 cents lower at the time of writing.

## CBOT 1-Yr. May 2023 Wheat



## KC May 2023 Wheat

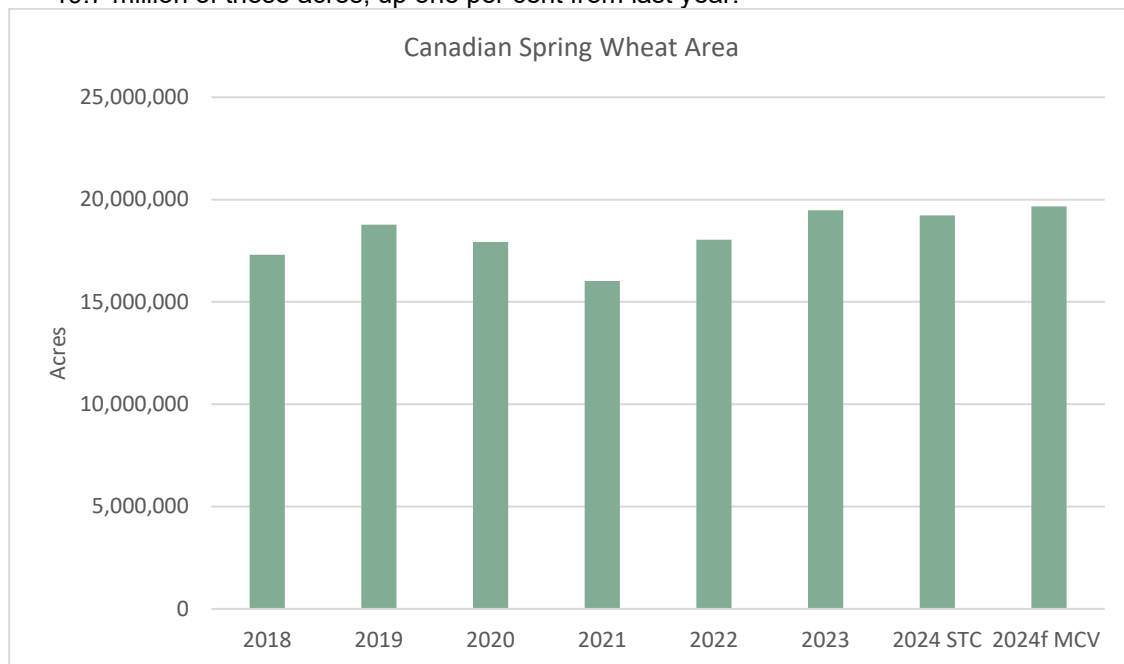


## Mpls. May 2023 Wheat



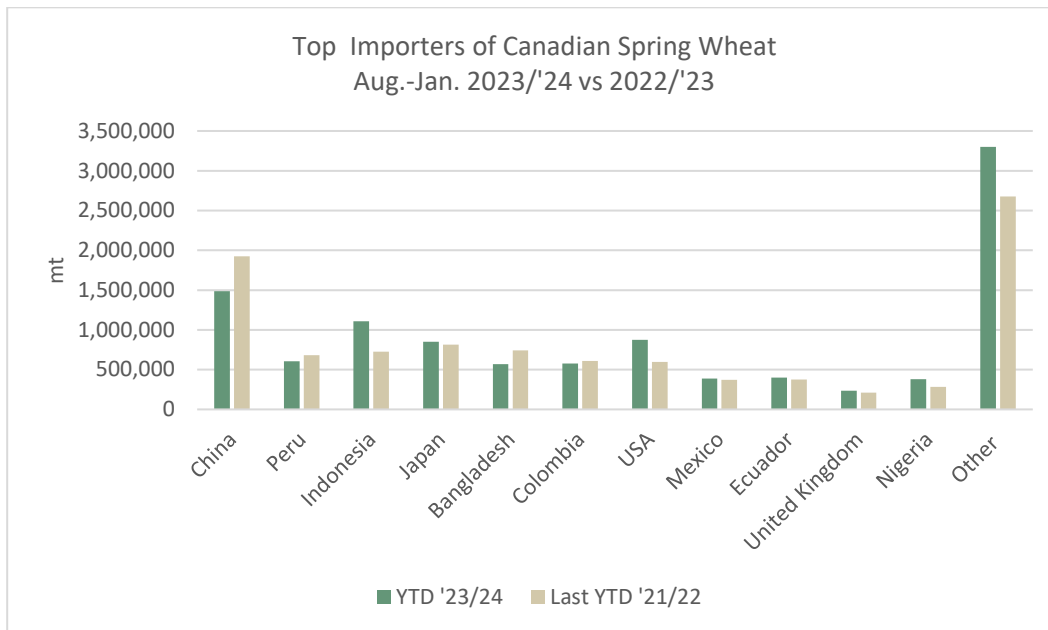
### Canadian Wheat

- Stats Canada is estimating that Canadian all wheat seeded area will rise slightly (0.1 per cent) from last year to 27 million acres. Of this, spring wheat area is expected to be 19.2 million acres which reflects a 1.2 per cent decrease from last year. This is slightly below the 19.3 million acres that the trade was expecting. We are currently forecasting that Canada's all wheat area will grow by 0.9 per cent from last year to 27.3 million acres and spring wheat area will comprise 19.7 million of these acres, up one per cent from last year.



Source: Mercantile, based on STC and MCV data

- China was the largest imported of Canadian non-durum wheat in January receiving 317.8k mt over the month. China remains the largest Aug.-Jan. customer for Canadian spring wheat having imported a total of 1.5 million mt which is 77 per cent of last year's volume-to-date. China is followed by Indonesia which, at 1.1 million mt has imported 152 per cent of last year's volume.



Source: Mercantile, based on STC data

- Canadian weekly exports:** Canadian exports in week 32 were small at 241.8k mt. At a season total of 13 million mt, wheat exports are running five per cent ahead of last year compared to the AAFC's forecast for a two per cent decrease. Average weekly exports for the remaining 20 weeks of the marketing year need to be 362.2k mt to meet the AAFC's number.

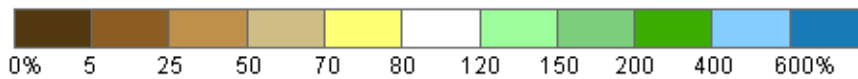
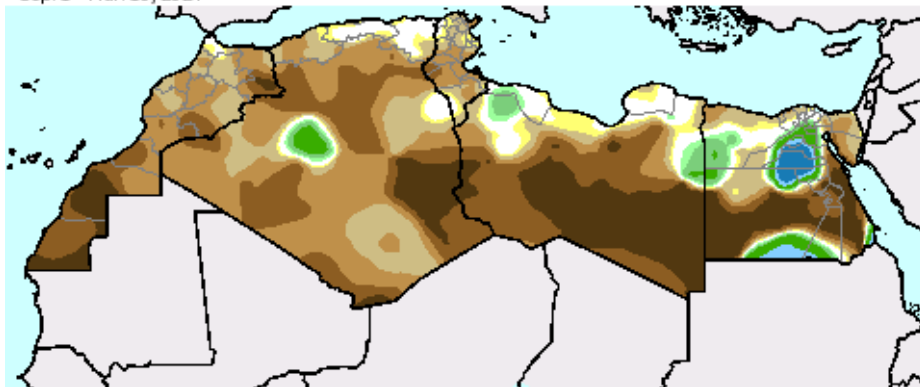
(CGC) Grain Handling Summary Wheat		Week 32	(Mar. 10, 2024)	
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 32	406.5	315.1	241.8	44.0
Week ago	412.4	424.4	455.4	53.8
YTD	15,013.6	14,899.7	13,005.9	2,821.7
Last YTD	15,245.2	14,313.5	12,337.2	2,658.3
<b>YTD less Last YTD</b>	<b>-231.6</b>	<b>586.2</b>	<b>668.7</b>	<b>163.4</b>
<b>YTD over Last YTD</b>	<b>98%</b>	<b>104%</b>	<b>105%</b>	<b>106%</b>

Source: Mercantile, based on CGC data

- Durum:** North Africa remains dry as the crop is in the flowering and grain filling stage. Harvest in North Africa begins in late-April/early-May.

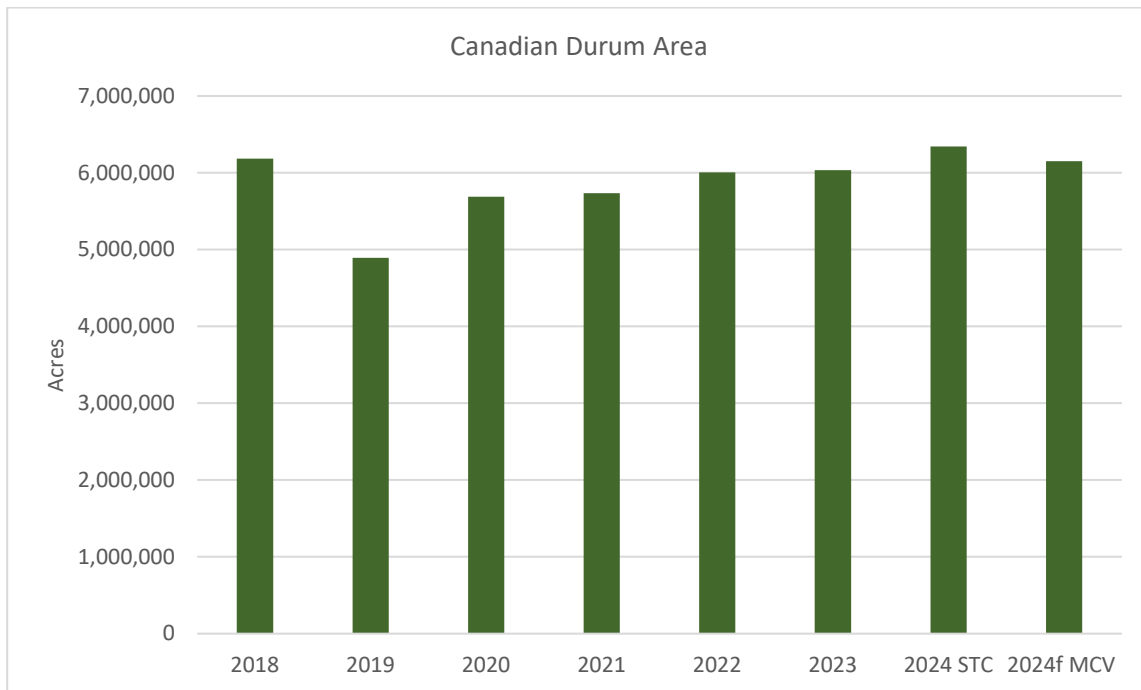
## Seasonal Percent of Normal Precipitation (CPC)

Sep. 1 - Mar. 10, 2024



Source: NOAA/CPC

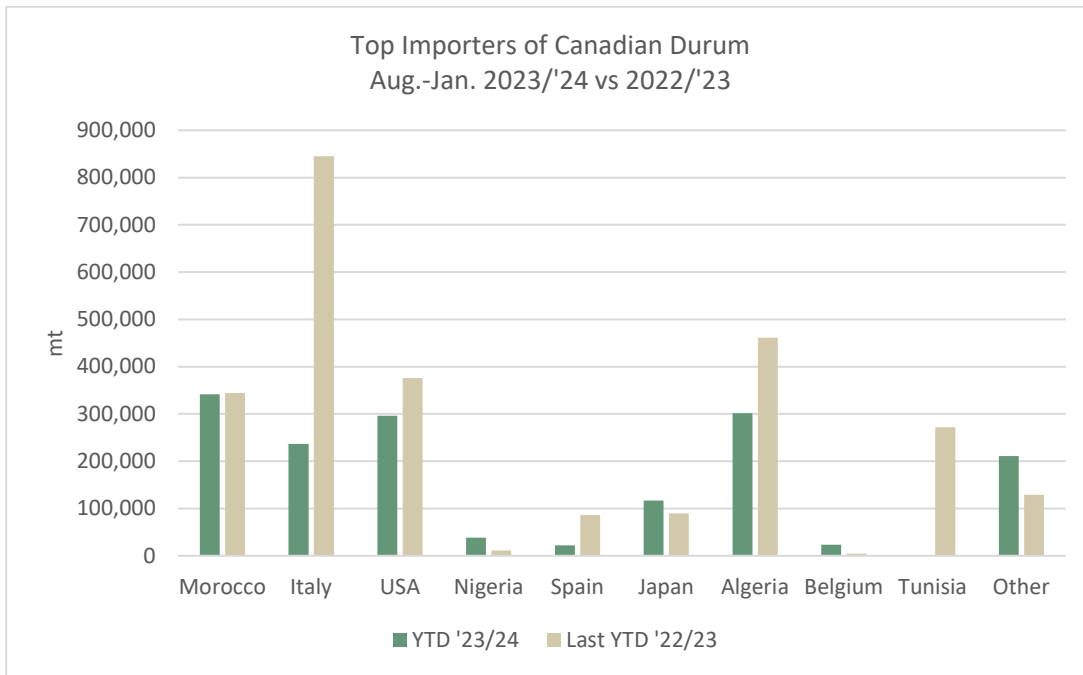
- Stats Canada has Canadian durum area at 6.3 million acres which reflects a fairly large, 5.1 per cent increase over last year. Our estimate is 6.15 million acres which reflects a two per cent increase. The trade was similarly expecting a 6.2-million-acre number.



Source: Mercantile, based on STC and MCV data

- Canadian durum exports in January were a marketing year high of 386.0k mt. The main destination over the month was Algeria which received 94.5k mt of Canadian durum over the month. Algeria was followed by Morocco and Italy who imported 80.5k mt and 72.2k mt respectively. Exports to Morocco are essentially unchanged from last year at 341.5k mt while

exports to Italy are down 72 per cent from last year at just 236.8k mt. Algeria tenders for 50k mt of durum wheat tomorrow.



- Durum exports in week 32 were good at 115.8k mt. At a year-to-date total of 2.05 million mt, durum exports need to average 57.6k mt per week to meet the AAFC's 3.2 million mt number. This could be a stretch given the volume of Turkish durum that has hit the market. Our current estimate for Canadian exports is at 3.0 million mt.

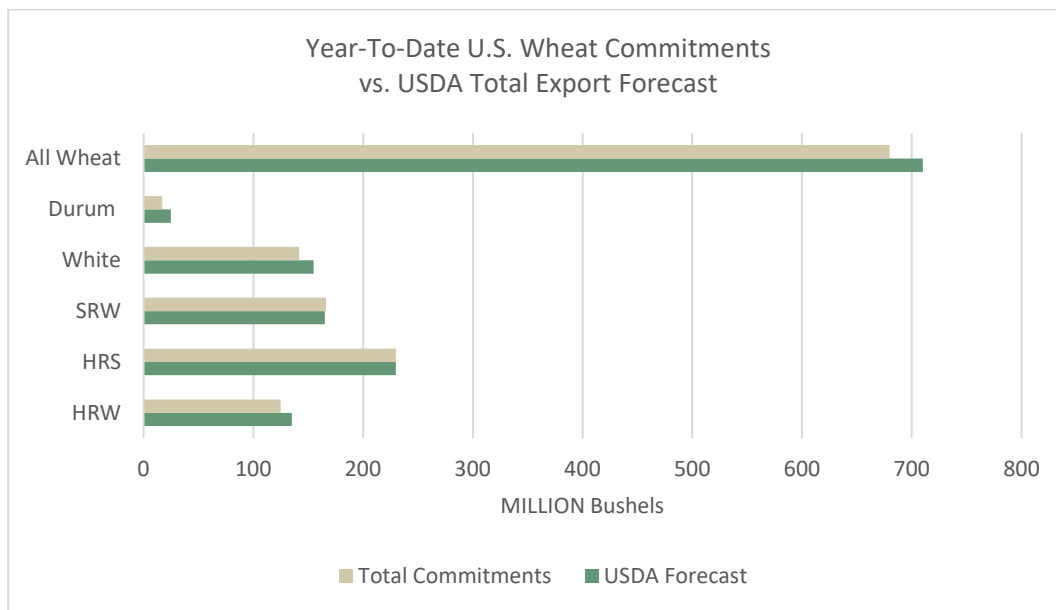
(CGC) Grain Handling Summary Durum		Week 32 (Mar. 10, 2024)		
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 32	103.7	98.2	115.8	5.9
Week ago	81.1	61.4	81.7	27.0
YTD	2,627.5	2,534.0	2,047.8	351.6
Last YTD	3,829.8	3,832.6	3,346.4	380.3
<b>YTD less Last YTD</b>	<b>-1,202.3</b>	<b>-1,298.6</b>	<b>-1,298.6</b>	<b>-28.7</b>
<b>YTD over Last YTD</b>	<b>69%</b>	<b>66%</b>	<b>61%</b>	<b>92%</b>

Source: Mercantile, based on CGC data

- You should be sold out of old crop durum. For the new crop, we are not ready to make commitments yet, but watch for opportunities in your area should buyers start looking to get some early coverage.

**U.S. Wheat:**

- U.S. wheat futures were lower last week on reports and rumors of China cancelling and/or delaying delivery of Australian and French wheat.
- U.S. export sales were just 84k mt (3.1 million bushels) and included 120,100 mt worth of Chinese cancellations. Total commitments are now 18.5 million mt (680 million bushels) which remains four per cent ahead of last year compared to the USDA's forecast for a six per cent decrease. There was talk that there would be more cancellations from China, but we have not heard of anything outside of the 504k mt that was cancelled last week.
- There will be more SRW cancellations in next week's sales report. Despite these, U.S. wheat sales continue to suggest the USDA may be underestimating wheat exports, especially in the HRS class. As of Mar. 7, 2024, total HRS commitments are 229.8 million bushels compared to the USDA's total export forecast of 230 million bushels. The marketing year for U.S. wheat ends at the end of May.



- U.S. HRS for April 2024 was valued at \$294.00/mt FOB PNW (*up \$7.00/mt from last week*), FOB Gulf HRW 11/12.5 pro is valued at \$268.00/mt (*down \$1.00/mt from last week*).

**Australian Wheat:**

- Following China's cancellation of 504k mt worth of U.S. SRW wheat, it was reported last week that China either cancelled or deferred upwards of one million mt worth of Australian wheat. Upon further investigation it seems like China deferred the delivery of the contracts for a few months, but we could not confirm the volume.
- The IGC has Australia's 2024/2025 wheat crop at 30.1 million mt which would be a 16 per cent increase from last year.
- Australia had showers in the east but was dry in the west. Fieldwork will get underway in April.

- FOB values in Australia: April 2024 APW, WA is valued at \$250.00/mt (*unchanged from last week*).

#### **Argentine Wheat:**

- There were good rains in Argentina ahead of planting which commenced in May.
- The IGC has Argentina's 2024/2025 wheat crop at 18 million mt which reflects a 13 per cent increase from last year.
- FOB Argentine wheat (12 per cent pro) for April 2024 was quoted at \$203.00/mt (*down \$3.00/mt from last week*).

#### **Indian Wheat:**

- State reserves of wheat in India fell to 9.7 million mt. This is two million mt less than the previous year and the lowest volume since 2017. The USDA Attaché in India is forecasting that the country's wheat stocks will shrink to 7.3 million mt by the end of the 2023/2024 crop year which would be the lowest volume in 15 years. The Indian government has maintained tight controls on the wheat market to manage price inflation while catering to its rural voter base ahead of the elections.
- Seeded area in 2024/2025 is expected to have expand by 400k hectares to a record area of 31.8 million hectares. The crop had strong growing conditions but untimely rain just ahead of harvest has impacted the crop.
- The IGC has India's wheat crop at 110 million mt which signals a two per cent increase from last year. India's government is forecasting 112 million mt which is generally considered too high. The untimely rain ahead of the wheat harvest have subsided.

#### **EU Wheat:**

- Brussels is considering implementing the old TRQ rules should imports of Ukrainian grain exceed certain levels. The amounts would be based on a calculation involving the average volume of imports over the past three years.
- The FranceAgriMer cut its forecast for 2023/2024 French exports to non-EU countries by 100k mt to 10.2 million mt. Exports to EU countries were also reduced causing the Ministry to increase French ending stocks by 230k mt to 3.7 million mt. This would be a 47 per cent increase from the previous year.
- Analysts in Germany are decreasing their estimates for the country's 2024/2025 wheat crop. Sources say that seeded area is down 7.5 per cent from last year to 2.6 million hectares as excessive moisture prevented fieldwork.
- Strategie Grains reduced its forecast for EU wheat production by one million mt to 121.6 million mt. This would be 3 per cent (4.1 million mt) lower than last year. The IGC is similarly expecting a 3 per cent decrease in EU wheat production.
- EU FOB prices: April 2024 French 11 pro wheat closed at \$215.00/mt (*up \$8.00/mt from last week*); April 2024 German 12.5 pro wheat closed at \$227.00 (*up \$9.00/mt from last week*); April 2024 Baltic 12.5 pro wheat closed at \$229.00/mt (*up \$16.00/mt from last week*).

#### **Black Sea Wheat:**

- The Russian government has been slowly reducing its export tax. Most of the decline has served to pad exporter margins while doing little to support prices at the farm gate.
- The IGC is expecting Russian wheat production will be 1 per cent lower than last year at 90.4 million mt. This contrasts with the estimate from IKAR of 93 million mt which reflects a 2 per cent increase from last year.
- According to the IGC, Ukraine's wheat production is expected to fall by 15 per cent to 24.5 million mt.



- We have Russian FOB values for 12.5 per cent protein wheat for April 2024 at \$203.00/mt (up \$5.00/mt from last week).

➤ **Significant purchases/ trades:**

There was little volume business to speak of.

- Most of the news in the cash markets what the cancellation/deferral of **Chinese** purchases.
- **Thailand** bought 120k mt of June-July optional origin feed wheat at \$243-\$245 Linear Out.
- Algeria tenders today for common wheat and are expected to tender tomorrow for durum.
- **U.S.** commercial sales were 83.3k mt. Total commitments remain 4 per cent ahead of last year.

➤ **Wheat Market Outlook:**

**Significant events over the past week:**

- **As of Mar. 7, 2024 China cancelled 504,000 mt of SRW** for delivery in marketing year 2023/24. Additionally, **Chinese buyers were rumored to have cancelled contracts totaling one million mt of Australian wheat and unconfirmed amounts of French wheat.**
- **The International Grains Council put global wheat production at 799 million mt**, up 1 per cent from the year prior on favorable growing conditions across the northern hemisphere.

**Mercantile's Weekly Outlook:**

According to Mercantile, Chinese wheat cancellations/deferrals will weigh on the market in an environment where old crop demand is limited. The EU and Black Sea still have old crop wheat in need of a home before June.

Mercantile would recommend looking at finishing old crop sales but would not sell 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: March 18, 2024

NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Jun '24 (bu.)	Jun '24 (mt.)
1 CWRS 13.5	\$8.27	\$303.87	1 CWRS 13.5	\$8.22	\$302.04
1 CWAD 13.0	\$10.65	\$391.32	1 CWAD 13.0	\$10.52	\$386.55
1 CPSR 11.5	\$7.25	\$266.39	1 CPSR 11.5	\$7.22	\$265.29
<b>SW Sask</b>			<b>SW Sask</b>		
1 CWRS 13.5	\$8.15	\$299.46	1 CWRS 13.5	\$8.16	\$299.83
1 CWAD 13.0	\$10.67	\$392.06	1 CWAD 13.0	\$10.53	\$386.91
1 CPSR 11.5	\$6.95	\$255.37	1 CPSR 11.5	\$6.85	\$251.70
<b>NE Sask</b>			<b>NE Sask</b>		
1 CWRS 13.5	\$8.00	\$293.95	1 CWRS 13.5	\$7.97	\$292.85
1 CWAD 13.0	\$10.63	\$390.59	1 CWAD 13.0	\$10.42	\$382.87
1 CPSR 11.5	-	-	1 CPSR 11.5	-	-
<b>SE Sask</b>			<b>SE Sask</b>		
1 CWRS 13.5	\$7.94	\$291.75	1 CWRS 13.5	\$7.95	\$292.11
1 CWAD 13.0	\$10.71	\$393.53	1 CWAD 13.0	\$10.52	\$386.55
1 CPSR 11.5	\$6.70	\$246.18	1 CPSR 11.5	\$6.96	\$255.74

Data source: PDQ, Mar. 18, 2024

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

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

Data source: PDQ, Mar. 18, 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 Basis<sup>1</sup> (see *Export Basis* in Table 3) defined as Cdn. FOB Prices minus primary elevator bids, the FOB prices are translated into Cdn. dollars from US 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
  - 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:

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<sup>1</sup> 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.”

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				March 18, 2024
Type of Wheat	FOB Prices CDA <sup>1</sup> (calculated)		Street Prices	Export Basis <sup>2</sup>
	West Coast (Cdn./mt\$)	Great Lakes (Cdn./mt)	Rosetown (Cdn./mt)	Basis: West Coast-Centr. SK (Cdn\$/mt)
DNS 14.0	\$373.00	Closed		
HRS	\$368.03			
HRW 11.5	\$325.08			
SWW 12.0	\$278.64			
1 CWRS 13.5 <sup>3</sup>	\$373.00		\$296.52	\$76.47
2 CWRS 13.0 <sup>3</sup>	\$368.03		\$285.87	\$82.16
3 CWRS <sup>3</sup>	\$325.08		\$261.98	\$63.09
CPS <sup>3</sup>	\$271.72		\$260.51	\$11.21
1 CWAD <sup>4</sup>		Closed	\$404.18	
<b>Competing wheat:</b>				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$203.00		Apr. '24	
French 11.5 (Rouen)	\$215.00		Apr. '24	
APW 10.5 (W Coast)	\$250.00		Apr. '24	
Argentine 12.5	\$203.00		Apr. '24	

<sup>1</sup> FOB Prices CDA = FOB US\$ converted into Canadian Currency  
<sup>2</sup> Basis = FOB Prices CDA minus Street Price  
<sup>3</sup> DNS 14% ≈ 1 CWRS 13.5%; HRS ≈ 2 CWRS 13.0%; HRW ≈ 3CWRS; SWW ≈ CPS  
<sup>4</sup> Values derived to Lakehead FOB