

Wheat Market Outlook and Price Report: Nov. 6, 2023
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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 November 6, 2023

AMIS Market Monitor: November 2023

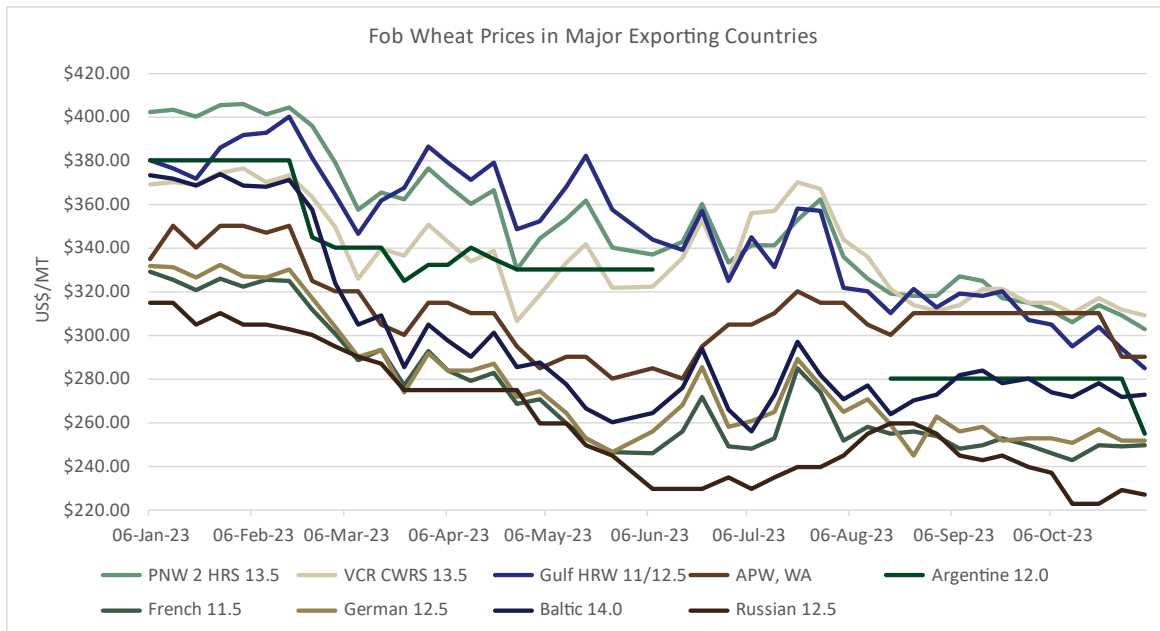
Wheat	FAO-AMIS			USDA		IGC		IN MILLION TONNES
	2022/23 est	2023/24 f'cast		2022/23 est	2023/24 f'cast	2022/23 est	2023/24 f'cast	
		5 Oct	2 Nov		12 Oct		19 Oct	
Prod.	803.1	784.7	785.1	789.5	783.4	804.6	783.5	
	665.3	648.2	648.6	651.8	646.4	666.9	647.0	
Supply	1098.8	1098.2	1100.4	1062.2	1051.0	1077.9	1066.0	
	827.1	820.1	822.3	787.7	775.2	808.4	790.3	
Utiliz.	778.6	783.3	789.5	794.6	792.9	795.4	803.4	
	635.9	640.3	641.5	646.6	639.9	652.6	653.9	
Trade	200.0	193.3	194.4	216.6	209.2	207.8	195.9	
	186.5	183.3	184.4	203.3	198.2	194.2	184.2	
Stocks	315.6	319.3	315.1	267.6	258.1	282.5	262.6	
	174.1	174.8	175.6	128.7	125.2	142.2	124.7	

Source: AMIS

- AMIS increased production and use in its latest Market Monitor. AMIS raised global wheat production by 400k mt from last month. U.S. production was put 2.1 million mt higher which was offset by smaller production in Kazakhstan.
- Global imports were raised by 1.1 million mt led by the EU importing larger volumes of Ukrainian wheat. Exports were similarly increased. AMIS had exports from Australia down by 500k mt while adding 500k mt to Canada's exports. Exports from Kazakhstan and the U.S. were each 500k mt lower, while Turkish exports were raised by 2.0 million mt.

- Strong feed demand in China (up 5.0 million mt from last month) prompted AMIS to raise utilization by 6.2 million mt to 789.5 million mt.
- AMIS saw ending stocks falling by 4.2 million mt from last month to 315.1 million mt, now 500k mt lower than last year.

FOB Wheat Price Developments:



- Global wheat prices were mixed last week last week. Russian prices continued to drift lower while EU values were unchanged to slightly higher. Values in Australia and Argentina have fallen as new crop supplies hits the market. While there are yield concerns in the Southern Hemisphere, and seeding issues in Europe, the wheat complex is being overshadowed by a lack of visible 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:

- Dec. 2023 contract Chicago winter wheat closed at \$572-4, up 7-0 cents on Friday, *down 3-0 cents on the week.*
- Dec. 2023 contract Kansas hard red winter wheat closed at \$643-4, up 2-0 cents on Friday, *up 0-4 cents on the week.*
- Dec. 2023 Minneapolis hard red spring wheat closed at \$721-0, up 10-2 cents on Friday, *up 1-2 cents on the week.*
- At the time of writing, U.S. wheat futures are trading 1-5 cents higher while EU milling wheat is 1.25-2.00 euros lower this Monday morning.

CBOT Dec 2023 Wheat (1 yr.)



KC Dec 2023 Wheat

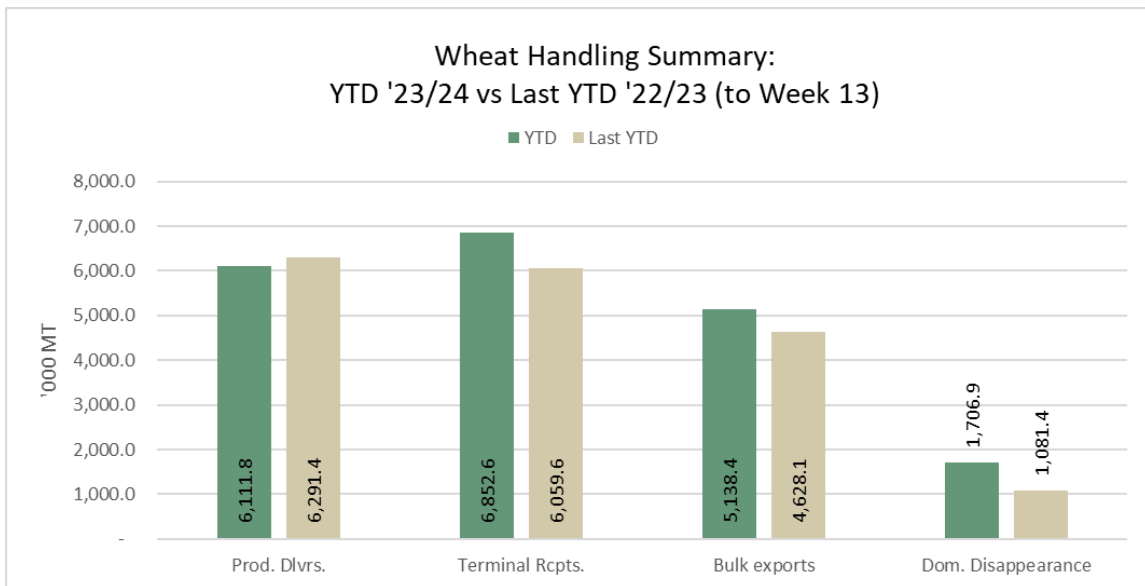


Mpls. Dec 2023 Wheat



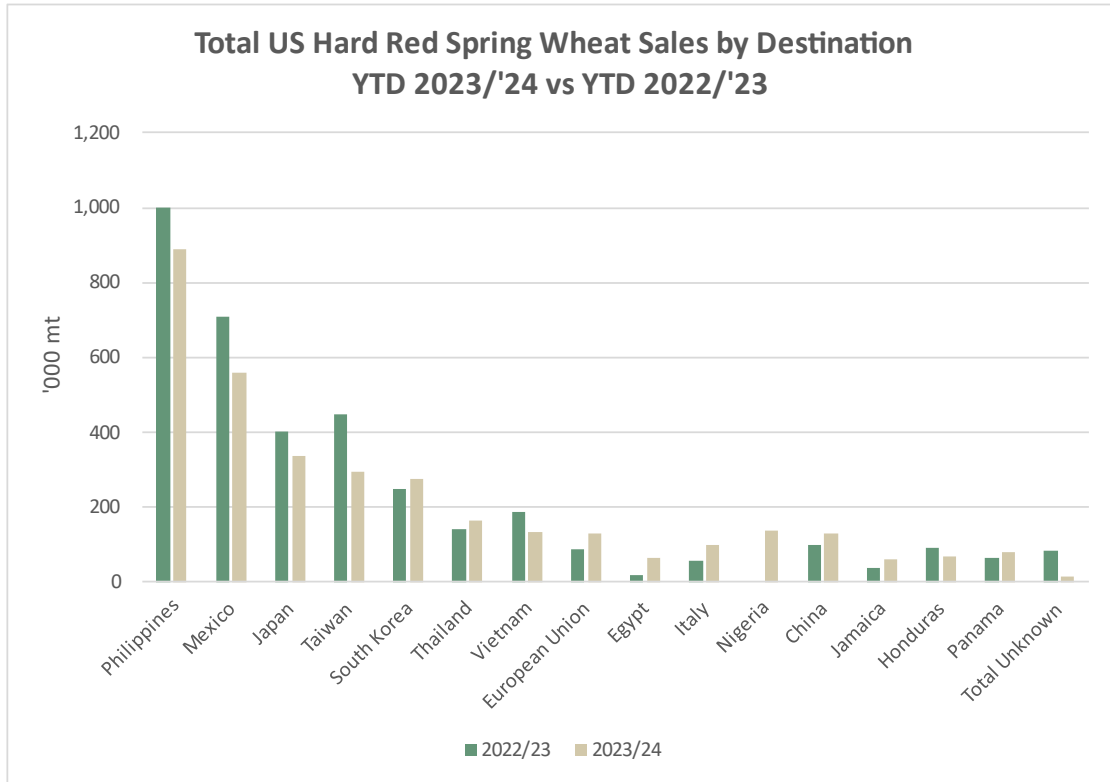
Canadian Wheat

- Weekly Canadian wheat exports:** Exports in shipping week 13 were large again at 526.3k mt. This brings the season total to 5.1 million mt, up 11 per cent from last year. The fall program for Canadian wheat exports usually peaks in October before slowing into the heart of winter. So far however, exports have not shown signs of slowing, and deliveries remain strong with another 482.9k mt delivered into the elevator system last week. Exports will slow eventually as supplies run tight. We have exports at 18.5 million mt, down nine per cent from last year while the AAFC is looking for a 13 per cent decrease to 18.0 million mt.



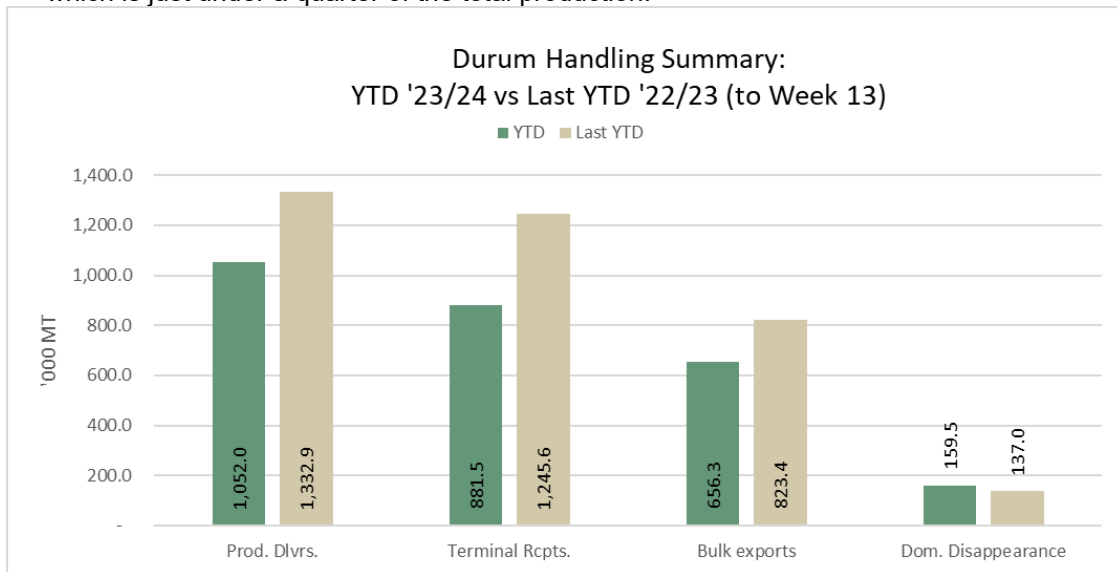
Source: based on CGC data

- In the U.S., sales of U.S. hard red spring wheat are running eight per cent ahead of last year at a year-to-date total of 3.9 million mt. The USDA is expecting an annual five per cent increase in HRS exports. While sales to most of the top U.S. HRS customers are larger than last year, sales to “unknown” countries are almost five times larger than last year as well. The U.S. is 42 per cent through the marketing year and has sold 64 per cent of the USDA’s estimated export volume.



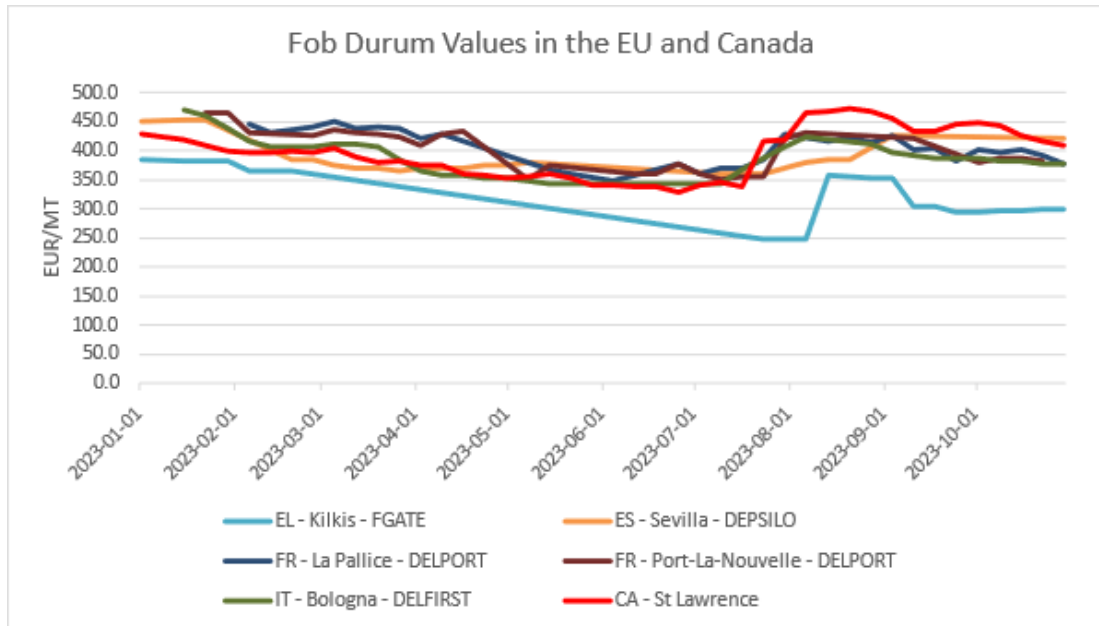
Source: based on USDA data

- Durum:** Canadian durum exports in week 13 were small with just 15k mt of supplies exported. Most of this was shipped from Vancouver. Total exports are 641.3k mt which is 19 per cent of the expected exports. Meanwhile, Canadian farmers have delivered almost one million mt of durum which is just under a quarter of the total production.



Source: based on CGC data

- Russia banned durum exports until May 31, 2023. This will have a limited impact on the market as they have already shipped most of their exportable surplus.
- Durum prices in the EU rose from the start of their marketing year in late June before peaking in late-July/early-August and falling as additional supplies hit the market. Prices last week were slightly higher in Lithuania, but lower in France and unchanged in Italy. Canadian prices in the St. Lawrence remain above most European values but have become more competitive in recent weeks.



Source: based on EUC data

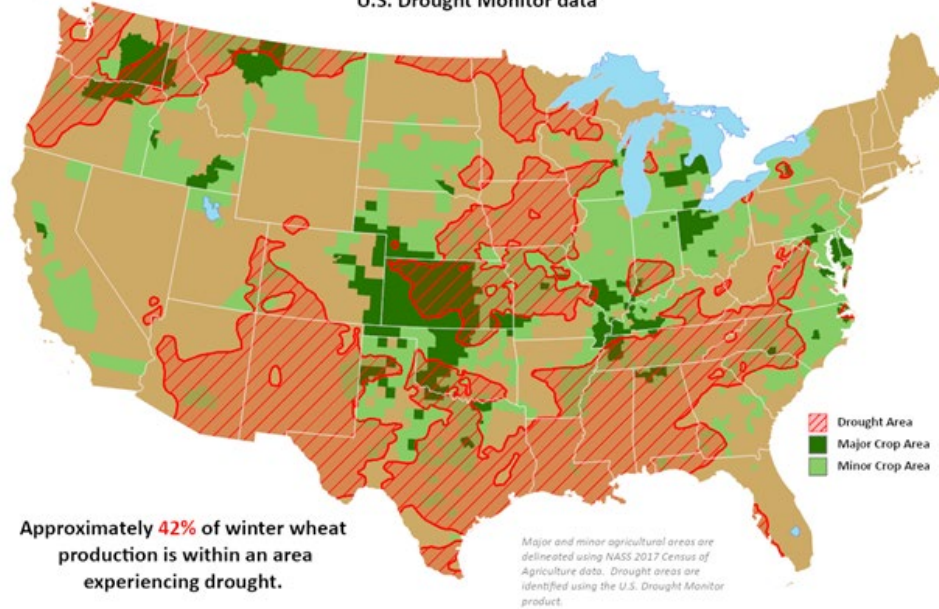
- Exports from Russia and Turkey are coming to an end. Additionally, Canadian durum is becoming more competitive with EU prices. We would target getting to 80 per cent sold at \$13.00/bu

U.S. Wheat:

- Weekly U.S. export sales were smaller than expected at 276k mt for a season total of 11.4 million mt, down seven per cent from last year compared to the USDA's eight per cent decline. We think the USDA will leave U.S. exports unchanged in this week's report.
- Winter wheat planting in the U.S. is 84 per cent complete, up seven per cent from last week and in-line with the average pace. The first winter wheat condition report put the crop at 48 per cent Gd/Ex which is 20 per cent better than last year and the strongest initial condition in four years.
- Rain across a large swath of the wheat belt improved drought conditions. The size of the winter wheat region considered to be under drought conditions shrunk by seven per cent last week to 42 per cent.

Winter Wheat Areas in Drought

Reflects **October 31, 2023**
U.S. Drought Monitor data



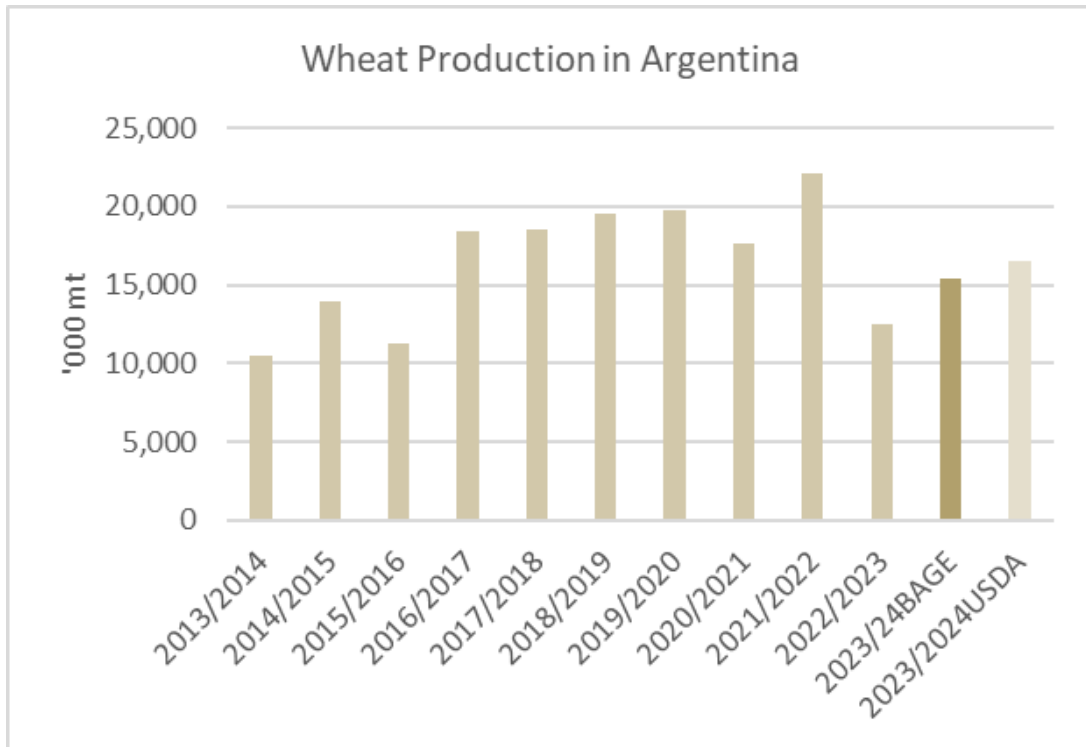
- U.S. HRS for Dec. 2023 was valued at \$303.00/mt FOB PNW (down \$6.00/mt from last week), FOB Gulf HRW 11/12.5 pro is valued at \$285.00/mt (down \$9.00/mt from last week).

Australian Wheat:

- Harvest in Australia continues to work its way south. Growers are not selling as local wheat futures fell to mid-July lows.
- FOB values in Australia: Dec. 2023 AWP, WA is valued at \$290.00/mt (unchanged from last week).

Argentine Wheat:

- Rain in Argentina was too late to help the wheat crop. BAGE decreased its wheat production estimate by five per cent (800k mt) to 15.4 million mt. Rosario GE's estimate is 14.3 million mt and the USDA is at 16.5 million mt.
- Harvest in Argentina is nine per cent complete, up two per cent from last week. So far, the average yield is 1.1 tonnes per hectare. Yields will improve as harvest is currently in some of the worst impacted areas. BAGE's numbers suggest an average yield of 2.65 t/ha. This is a 16 per cent improvement from last year. Crop ratings improved by two per cent from last week to 15 per cent Gd/Ex, up five per cent from last year.



Source: based on USDA and BAGE data

- FOB Argentine wheat (12 per cent pro) for Dec. was quoted at \$255.00/mt (*down \$25.00/mt from last week as new crop supply hits the market*).

EU Wheat:

- Parts of the EU are expected to received heavy rain for the next two weeks in the aftermath of Typhoon Ciaran. This will slow field work, but it will be difficult to assess the overall impact. French farmers are said to have planted 35-40 per cent of the French wheat crop.
- EU wheat exports are having their slowest start in three years. As of shipping week 12, just 9.6 million mt has been exported compared to 12.6 million mt last year.
- EU FOB prices: Dec. 2023 French 11.5 pro wheat closed at \$250.00/mt (*up \$1.00/mt from last week*); Dec. 2023 German 12.5 pro wheat closed at \$252.00 (*unchanged from last week*); Dec. 2023 Baltic 14.0 pro wheat closed at \$273.00/mt (*up \$1.00/mt from last week*).

Black Sea Wheat:

- Rumours of Russia abandoning its floor price have not proven to be true yet, but some exporters continue to ignore it outright. The Russian AgMin lowered the export duty on Russian wheat which might have buyers hoping for lower prices, but we do not think it will have a significant impact.
- Sov Econ lowered its estimate for Russian exports by 400k mt to 48.8 million mt.
- Russia's winter wheat area remains dry, but local crop estimates are still around 90 million mt, compared to the USDA's 85 million mt estimate.
- Ukraine's Grain Corridor resumed after a three day pause. However, Ukraine says Russia is "regularly" dropping explosive objects in the likely paths of vessels in the Black Sea. Ukraine says

that despite this the export corridor continues to function. Ukraine's wheat exports since June are 4.6 million mt compared to 5.1 million mt last year.

- We have Russian FOB values for 12.5 per cent protein wheat for November at \$227/mt (*down \$2.00/mt from last week*).

➤ **Significant purchases/ trades:**

- **Bangladesh** tendered for 50k mt of wheat. The lowest offer was \$294.95 linear-out and is thought to be Russian origin.
- **South Korea** bought 50k mt of Feb shipment U.S. wheat.
- **Jordan** is scheduled to tender for 120k mt of January to February wheat on Nov. 7, 2023. This is their first tender since August.
- **Algeria** will tender on Tuesday for Dec through January imports. We expect this will be covered from Black Sea/Russian origin. The trade will carefully watch the price it is sold at.
- Commercial **U.S. wheat sales** were 276k mt for a season total of 11.4 million mt, down seven per cent from last year.

➤ **Wheat Market Outlook:**

Significant events over the past week:

- **Egypt is raising its wheat procurement price** by 60 per cent from the initial 2023 price of \$346/mt. Wheat procurement has fallen below the last two targets.
- **The Russian government lowered the Nov. 9-Nov. 14 export tax on wheat** by ~U.S.\$48.62/mt.
- **Russia banned durum exports until May 31, 2023.**

Outlook:

Mercantile expects it will be a slow week with a new WASDE report due on Wednesday. Buyers might hope that wheat prices are lower due to the Russian duty reduction, however, Mercantile does not think so. According to Mercantile, wheat is struggling for fresh input amidst a visible lack of demand, while the funds still hold a near record short, and there are planting issues in parts of Europe and South American weather conditions are of concern. Mercantile would hold additional sales 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: November 6, 2023

NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Jan '24 (bu.)	Jan '24 (mt.)
1 CWRS 13.5	\$9.13	\$335.47	1 CWRS 13.5	\$9.09	\$334.00
1 CWAD 13.0	\$12.72	\$467.38	1 CWAD 13.0	\$12.78	\$469.59
1 CPSR 11.5	\$7.89	\$289.91	1 CPSR 11.5	\$8.06	\$296.16
SW Sask			SW Sask		
1 CWRS 13.5	\$9.14	\$335.84	1 CWRS 13.5	\$9.14	\$335.84
1 CWAD 13.0	\$12.75	\$468.49	1 CWAD 13.0	\$12.76	\$468.85
1 CPSR 11.5	\$7.70	\$282.93	1 CPSR 11.5	\$7.77	\$285.50
NE Sask			NE Sask		
1 CWRS 13.5	\$8.90	\$327.02	1 CWRS 13.5	\$8.85	\$325.18
1 CWAD 13.0	\$12.60	\$462.97	1 CWAD 13.0	\$12.65	\$464.81
1 CPSR 11.5	n/a	n/a	1 CPSR 11.5	n/a	n/a
SE Sask			SE Sask		
1 CWRS 13.5	\$8.92	\$327.76	1 CWRS 13.5	\$8.84	\$324.82
1 CWAD 13.0	\$12.69	\$466.28	1 CWAD 13.0	\$12.67	\$465.55
1 CPSR 11.5	\$7.57	\$278.15	1 CPSR 11.5	\$7.67	\$281.83

Data source: PDQ, Nov. 6, 2023

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	(0.10)	-3.67
1 CWRS 12.5	(0.30)	-11.02
1 CWAD 13.0	Base Grade	Base Grade
1 CWAD 13.5	0.00	0.00
2 CWAD 13.0	(0.10)	-3.67
2 CWAD 12.5	(0.15)	-5.51

Data source: PDQ, Nov. 6, 2023

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 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

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.”

(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:
 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				November 6, 2023
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	\$418.37	\$397.27		
HRS	\$412.00			
HRW 11.5	\$361.11			
SWW 12.0	\$353.58			
1 CWRS 13.5 ³	\$418.37		\$331.43	\$86.94
2 CWRS 13.0 ³	\$412.00		\$320.41	\$91.59
3 CWRS ³	\$361.11		\$313.06	\$48.05
CPS ³	\$346.55		\$276.31	\$70.23
1 CWAD ⁴		\$638.85	\$474.00	\$164.85
Competing wheat:				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$227.00		December	
French 11.5 (Rouen)	\$250.00		December	
APW 10.5 (W Coast)	\$290.00		December	
Argentine 12.5	\$255.00		December	
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				