

Wheat Market Outlook and Price Report: September 11th, 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 September 11, 2023

AMIS¹ World Wheat Supply and Demand Outlook as of September 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	
		6 Jul	7 Sep		11 Aug		17 Aug	
Prod.	802.1	783.3	781.1	790.0	793.4	803.3	784.1	
	664.4	645.3	644.5	652.2	656.4	665.6	647.6	
Supply	1097.2	1094.4	1095.5	1062.6	1061.7	1076.9	1065.6	
	825.6	814.9	817.4	788.1	785.9	807.3	789.9	
Utiliz.	780.6	782.7	784.9	794.3	796.1	795.3	804.7	
	637.9	639.7	641.9	646.3	644.1	652.5	655.3	
Trade	200.2	195.3	193.3	214.0	211.8	206.6	197.2	
	186.7	185.3	183.3	200.7	199.8	193.0	185.0	
Stocks	314.4	313.9	315.2	268.3	265.6	281.6	260.9	
	172.9	167.9	170.6	129.5	130.7	141.2	122.5	

Data shown in the second rows refer to world aggregates without China.
Source: AMIS

¹ AMIS: Agricultural Market Information System. Input comes from the ten organizations that form the AMIS Secretariat: FAO, IFAD, IFPRI, IGC, OECD, UNCTAD, World Bank Group, WFP, WTO, GLAM.

- **Global wheat production in 2023** is now seen falling by 2.6 per cent below last year's level following a downward revision from last month on downgraded prospects in Canada and the EU owing to dry conditions, and in China due to heavy rains.
- **Wheat utilization in 2023/2024** was lifted from last month, mostly reflecting higher utilization in India stemming from higher production prospects, and still rising slightly above the 2022/2023 level.
- **Wheat trade in 2023/2024** (July/June) was lowered this month and is still heading for a decline from 2022/2023 with a fall in shipments from Australia and Ukraine outweighing an increase in exports from Argentina and the Russian Federation.
- **Wheat stocks** (ending in 2024) were raised slightly on upward revisions to inventories in the Russian Federation, Turkey, Ukraine and the U.S.

AMIS Wheat Crop Condition Report:

EU: harvest finalized under mixed conditions as persistent dryness impacted Lithuania and Latvia, and recent exceptionally wet conditions caused yield drops in Denmark and Sweden.

United Kingdom: end of season conditions are favourable despite recent below-average temperatures and excessive frequent rains.

Turkey: harvesting finalized under exceptional conditions due to conducive weather in May and June.

Ukraine: end of season conditions are favourable for unoccupied territories.

Russian Federation: winter harvesting is favourable. Persistent drought remains a concern for spring crops despite improved August rainfall.

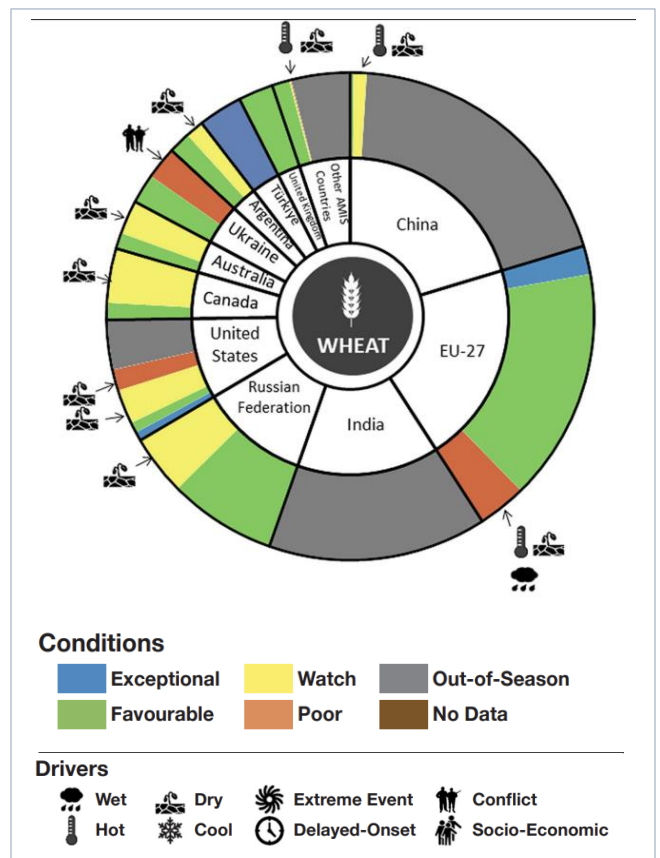
China: harvesting of spring crops is nearing completion with ongoing concern over the northwest and north-centre due to dry and hot weather.

U.S.: below average winter yields are expected in the Dakotas, Nebraska and the Pacific Northwest. Spring wheat conditions have been downgraded due to possible yield declines.

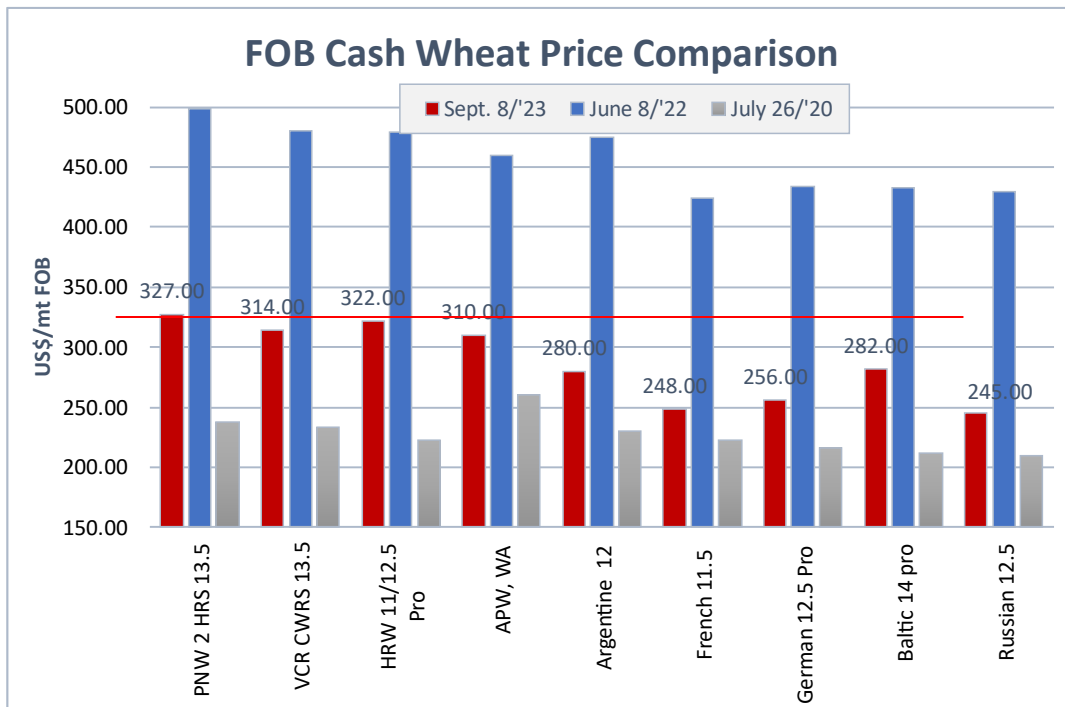
Canada: conditions remain mixed for both winter and spring crops with ongoing summer drought concerns in the western prairies expected to significantly hamper durum wheat production.

Australia: dry concerns are expanding into New South Wales while the south and southeast remain favourable.

Argentina: conditions are mixed with dryness in the centre and north.



FOB Wheat Price Developments:



- FOB wheat prices in North America firmed somewhat, while prices in Europe generally weakened, led by Russian wheat.

➤ **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.

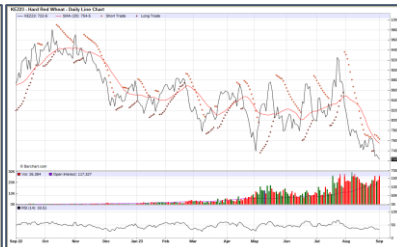
Futures:

- Dec. CBOT SRW futures were down six cents on the week, closing at \$5.96/bu.
- Dec. Kansas HRW futures were up six cents on the week, at \$7.321/bu.
- Dec. Mpls. HRS futures were down 18.5 cents on the week at \$7.71/bu.
- *Marché à Terme International de France* (MATIF) in Europe ended up €1.25/mt on the week.
- Today, Dec. MATIF milling wheat futures is currently down -€2.50/mt.
- This Monday, CBOT wheat futures are currently down 8-11 cents/bu.

CBOT Dec 2023 Wheat (1 yr.)



KC Dec 2023 Wheat



Mpls. Dec 2023 Wheat

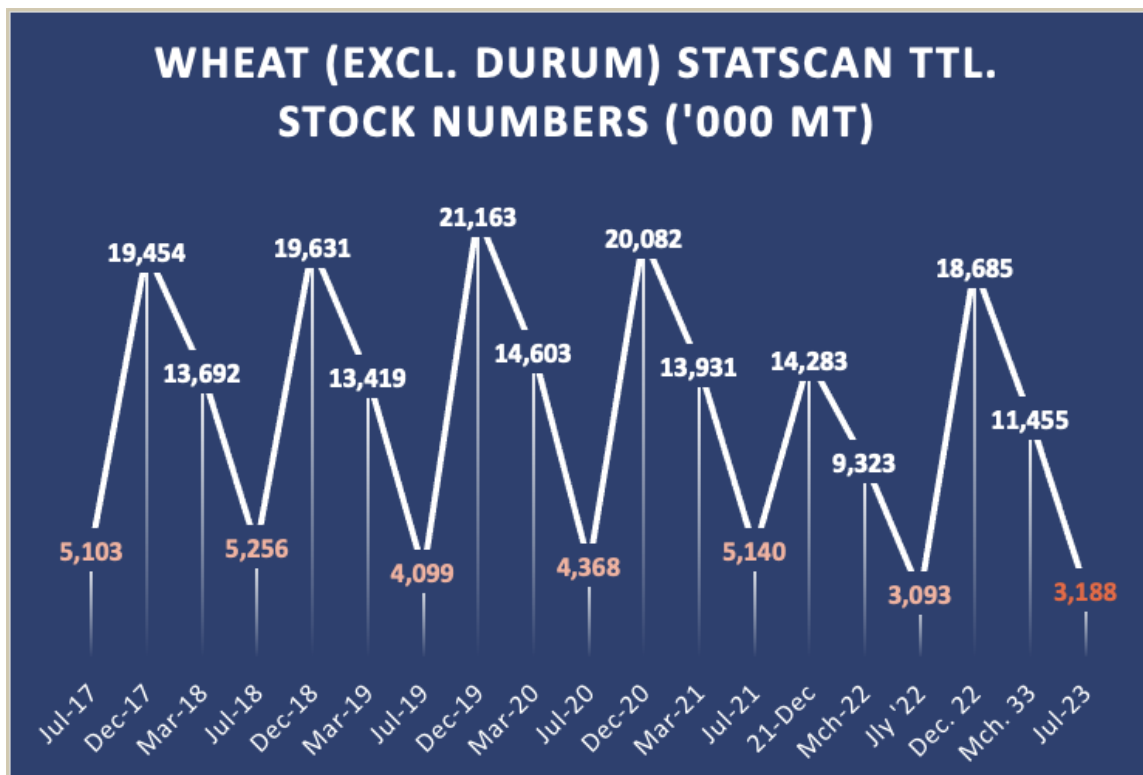


Canadian Wheat

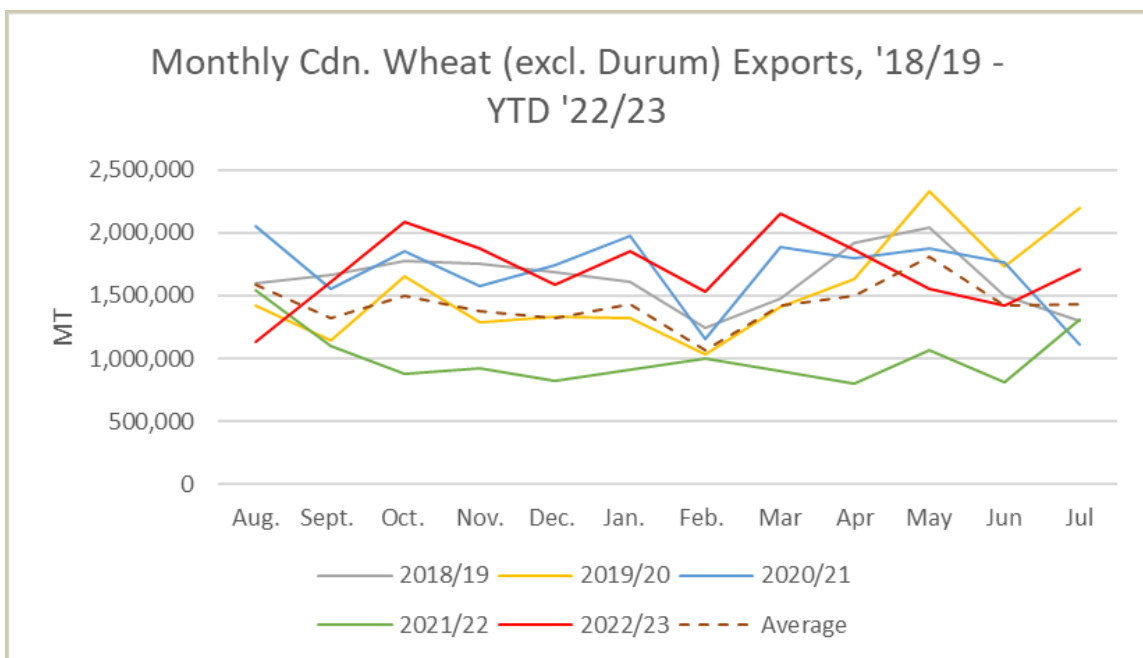
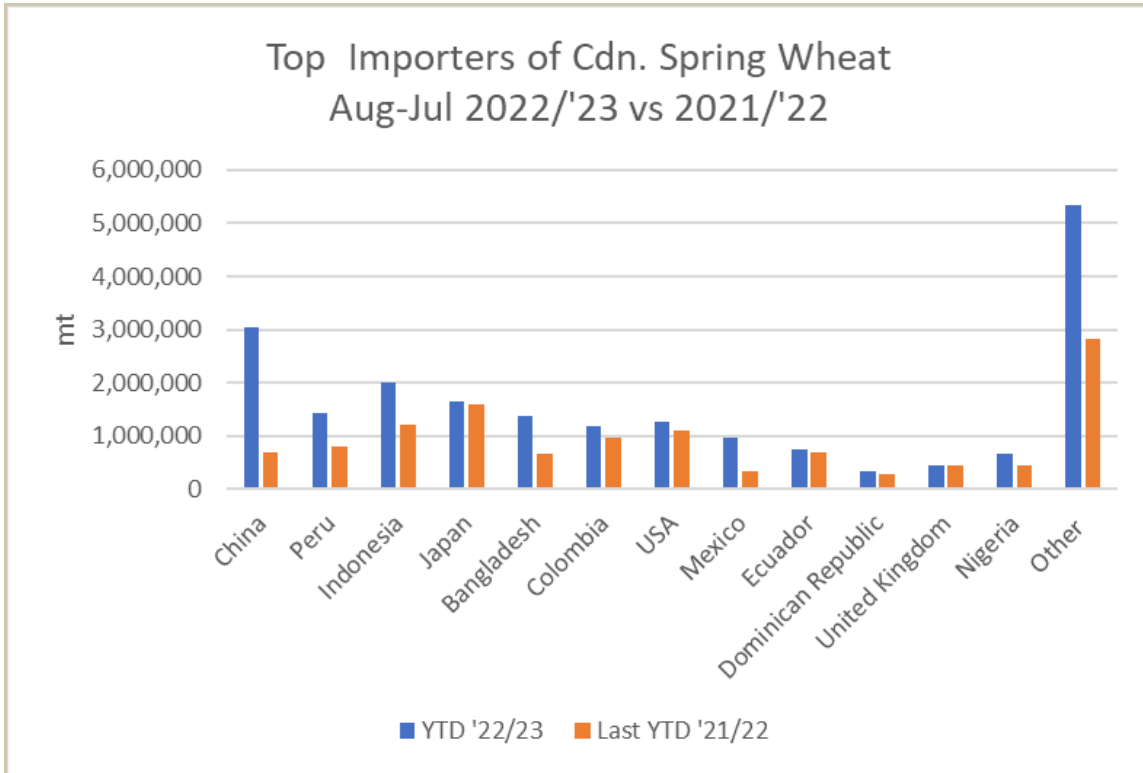
- Saskatchewan (SK) Ag thinks that 50 per cent of SK spring wheat is in the bins while 36 per cent of Alberta (Alta.) spring wheat is harvested. The yield assessment for SK wheat was at 42 bu/acre, while we had been using 43 bu/acre. The Alta. Ag yield assessment was at only 39.7 bu/ac. We continue to use a 23.5 million mt production number vs. StatsCan's at only 22.1 million mt.
- In the U.S., more than 80 per cent of the HRS crop is now harvested with South Dakota 97 per cent complete, Minnesota and Montana 85 per cent and North Dakota 64 per cent. Minnesota and North Dakota report harvest yields are better than anticipated. Overall, average yields are expected. No major harvest or quality issues have been reported thus far.
- **Canada wheat carry-in:** In their July 31, 2023, stocks report last Friday, StatsCan showed 3.6 million mt for all wheat, and 3.19 million mt for wheat excl. durum. *This was lower than any of the trade's pre-report estimates.* For the wheat exc. durum, 750k mt were in farmer's hands and 2.4 million mt in commercial hands. For comparison, the 2022 ending stocks were at 3.1 million mt.

Statistics Canada Sept. 8/23 - Ttl. Stocks as of Jly. 31/23															
Type of stock Type of crop	Farm and commercial, total				Farm stocks				Commercial stocks						
	Mar-22	Jul-22	Dec-22	Mar-23	Jul-23	Mar-22	Jul-22	Dec-22	Mar-23	Jul-23	Mar-22	Jul-22	Dec-22	Mar-23	Jul-23
	000 MT														
Wheat, all	11,220	3,663	23,037	13,932	3,584	7,133	953	18,856	10,023	875	4,087	2,709	4,181	3,910	2,710
Wheat, durum	1,897	569	4,053	2,163	396	1,040	83	3,292	1,466	125	857	486	761	697	271
Wheat, all excl. duru	9,323	3,093	18,984	11,769	3,188	6,094	870	15,564	8,556	750	3,230	2,223	3,420	3,213	2,438

Pre-STC Report Trade Stock Estimates (Sept. 1/'23)					
(mIn MT)	STC 2023	Avg. Est.	Lo Est.	Hi Est.	STC 2022
All wheat	3,584	4.0	3.7	4.6	3.663
Durum	0.396	0.519	0.4	0.696	0.569



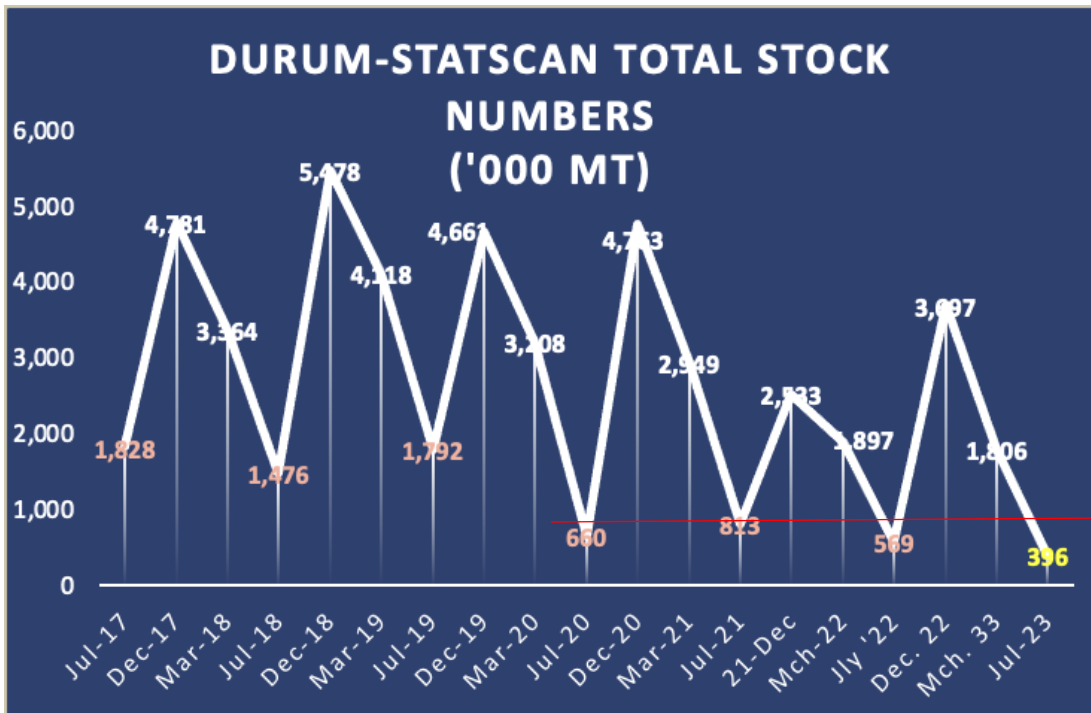
- StatsCan published their **July export numbers** and Canada exported 1.7 million mt of wheat, with 323k mt going to China, 308k mt to Indonesia, and 159k mt to Peru. Japan took another 129k mt in July, the USA 119k mt, and Bangladesh 114k mt. Total 2022/2023 wheat exports (excl. durum) added to 20.4 million mt (12 million mt the previous year).



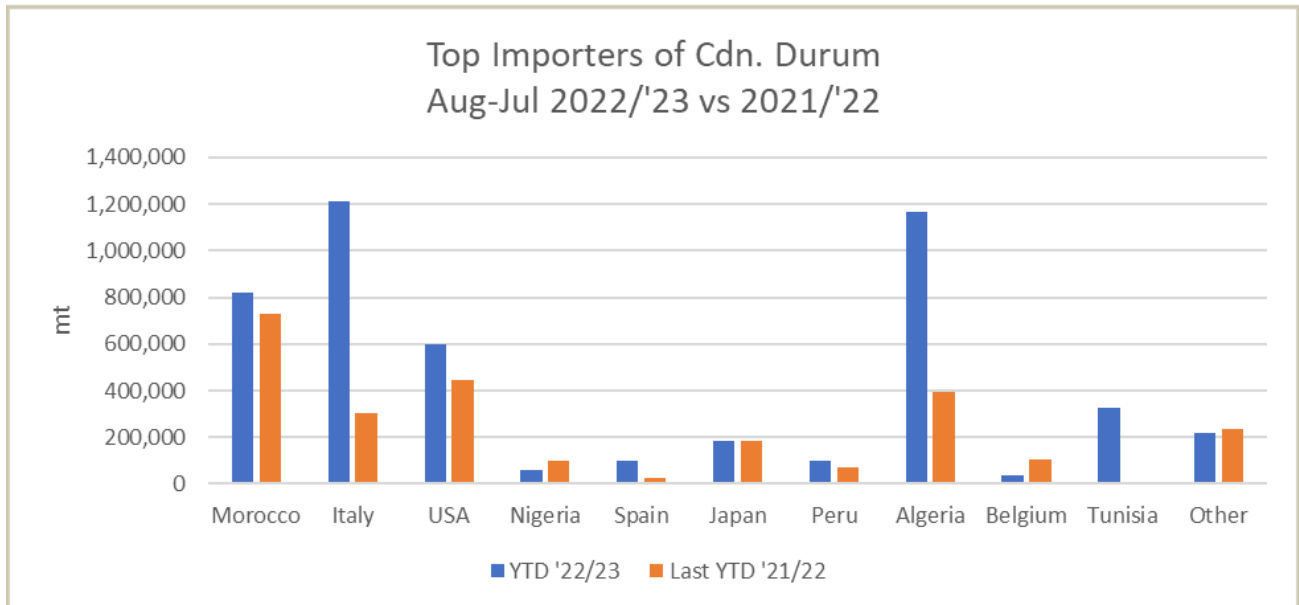
- **Weekly Canadian wheat exports** for week five were at 410k mt, advancing YTD wheat exports to 1.7 million mt, well above last year's. Deliveries into the system were also strong at 883k mt.

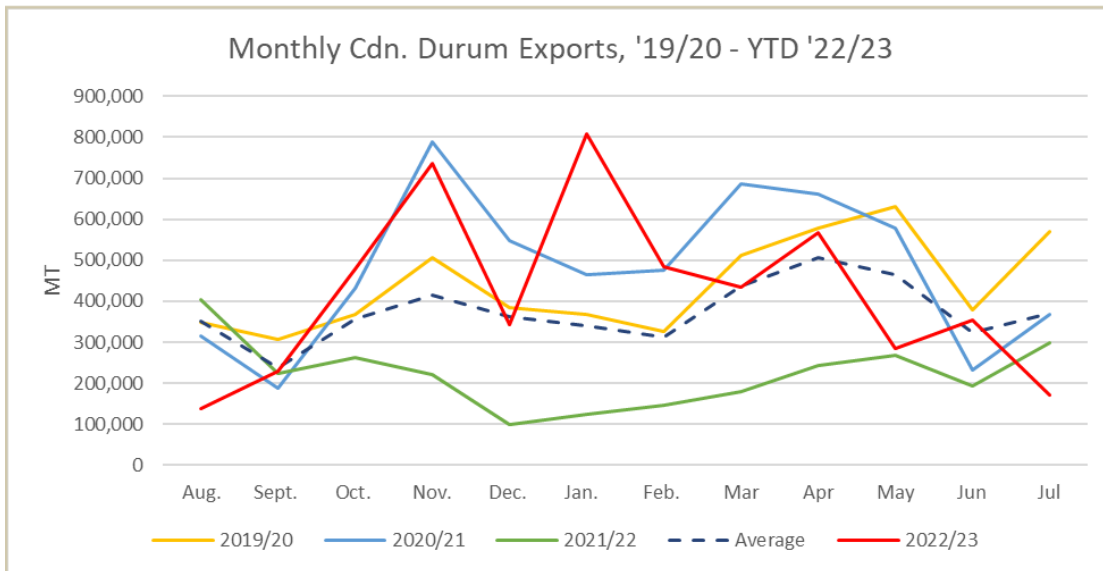
(CGC) Grain Handling Summary Wheat		Week 5	(To Sept. 3, 2023)	
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 5	882.5	531.3	410.0	179.1
Week ago	402.8	539.9	344.4	216.2
YTD	1,995.2	2,449.2	1,656.6	823.7
Last YTD	1,572.5	1,634.7	1,176.4	414.8
YTD less Last YTD	422.7	814.5	480.2	408.9
YTD over Last YTD	127%	150%	141%	199%

- **Durum:** According to SK Ag, 73 per cent of SK durum is harvested. Alta. Ag showed 79 per cent of durum harvested.
- The SK Ag yield assessment for durum came in at a low 23 bu/acre average, with the worst yields in the Southwest (17 bu/ac). We are using a somewhat higher 25.3 bu/ac avg. for SK. The verdict on overall quality is also still out. We have repeatedly discussed our production numbers, so there is not much more to add until the final numbers are out.
- In the U.S., 83 per cent of the crop durum is now harvested in Montana and 49 per cent in North Dakota. Reps report good quality and colour with average to below average yields.
- **Carry-in:** StatsCan came out with their July 31, 2023 stock numbers last Friday. For durum, stocks were at a relatively small 396k mt (*well below the pre-report trade estimates; see table on page 3*), with 125k mt left on farms, and 271k mt in commercial hands. In comparison, last year's stocks amounted to 569k mt.



- The StatsCan **July export numbers** for durum listed 170k mt of durum exports for the month, with 52k mt going to Morocco, 22.6k mt to Algeria, 9,700 mt to Japan and 9,545 to Belgium. Total 2022/2023 durum exports added to a very decent 5.03 million mt (2.7 million mt in 2021/2022). The chart below highlights the importance of Italy, Algeria, Morocco, the U.S. and Tunisia (EU, MENA, USA) to our export program.





- **Durum exports** for week five were at 50k mt, for a YTD total of 197k mt, compared to 145k mt last YTD. Producer deliveries are increasing as harvest progresses.
- The July 2023 durum exports were at 170k mt for a 2022/2023 total of 5.1 million mt (CGC number).

(CGC) Grain Handling Summary Durum		Week 5 (To Sept. 3, 2023)		
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 5	134.7	9.8	49.7	5.8
Week ago	72.1	45.8	45.0	14.3
YTD	307.6	130.4	197.4	45.7
Last YTD	323.1	265.3	145.4	58.5
YTD less Last YTD	-15.5	-134.9	52.0	-12.8
YTD over Last YTD	95%	49%	136%	78%

- Mercantile expects prices to improve once the harvest pressure from Turkey and by Black Sea exporters passes, and when additional good quality durum is needed in the EU (and potentially North Africa).

U.S. Wheat:

- The commitment of traders' report indicates that funds added to net short positions for the wheat complex and to corn.

- There were scattered showers forecast for the weekend, which will benefit winter wheat planting, but further delays the remaining harvest.
- *The U.S. dollar continues to strengthen with the dollar index now at six-month highs.*
- USDA reported 370k mt of wheat was sold for export during the week, which was near the low end of the expected range.
- The next USDA-WASDE report will come out on Tuesday.
- U.S. HRS for Sept. 2023 was valued at \$327.00/mt FOB PNW (*up 6.00/mt from last week*), FOB Gulf HRW 11/12.5 pro is valued at \$322.00/mt (*down \$10.00/mt from last week*).

Australian Wheat:

- Australian wheat futures had their highest weekly close since Nov. 22 amidst declining crop outlooks, a dry forecast, and a 10-month low in the AUD.
- FOB values in Australia: Sept. 2023 AWP, WA is valued at \$310.00/mt (*unchanged from last week*).

Argentine Wheat:

- In Argentina, crop condition ratings were left unchanged at 18 per cent Gd/Ex., still well below average but around the same as last season.
- BAGE estimated the wheat crop at 16.5 million mt, well above last year's 12.2 million mt and above the estimate by the Rosario Grain Exchange with 15.6 million mt. But all are well below the USDA's 17.5 million mt.
- FOB Argentine wheat (12 per cent pro) for Oct. was quoted at \$280.00/mt, with no trade activity.

Indian Wheat

- There still is nothing further regarding a potential Russia-India volume wheat deal.

EU Wheat:

- MATIF wheat was firm and supported by a weak euro.
- The September futures expire today and might leave the board with the widest carry recorded.
- EU export shipments remain slow (down 32 per cent on last year), and there is little additional visible demand.
- EU FOB prices: Sept. 2023 French 11.5 pro wheat closed at \$248.00/mt (*down \$1/mt from last week*); Sept. 2023 German 12.5 pro wheat closed at \$256.00 (*down \$4.00/mt from last week*); Sept. 2023 Baltic 14.0 pro wheat closed at \$282.00/mt (*up \$12.00/mt from last week*).

Black Sea Wheat:

- Last Wednesday, Russia announced plans to sell 1.0 million mt of wheat to African countries at a discounted price. Turkey has agreed to handle the exports on behalf of Russia with financing from Qatar.
- We worry about more volume Russian sales at discounted prices.
- We would put effective Russian FOB values for 12.5 per cent protein wheat for Oct. at \$245/mt. (Down \$5/mt from last week).

➤ **Significant purchases/ trades:**

Still not a lot of activity.

- Russian 11.5 per cent pro milling wheat was reportedly sold to **Bangladesh** on Thursday for Oct. shipment at \$280 CFR. However, we wonder if the volume was as high as 700k mt.
- **Thailand** bought 88k mt of Nov.-Dec. U.S. wheat.
- **Korea** bought 57k mt of feed wheat for Oct.-Nov. at \$272.75/mt.

- **South Korean** millers bought 88k mt of U.S. milling wheat.
- Apparently, U.S. durum was involved in last week's sales.
- There is still no sign/confirmation of Indian purchases of Russian wheat.
- USDA reported 370k mt of **U.S. wheat** was sold for export during the week, which was near the low end of the expected range.

➤ **Wheat Market Outlook:**

Significant events over the past week:

- **Canada spring wheat** is about 60 per cent harvested with disappointing yields.
- Ditto for **durum** wheat.
- StatsCan showed 3.6 million mt **July 31, 2023, stocks** for all wheat, 3.19 million mt for wheat excl. durum, and 396k mt for durum. *These were lower than any of the trade's pre-report estimates.*
- **Australia** remains dry with the threat of declining crop prospects.
- **Argentine** crop condition ratings were left unchanged at only 18 per cent Gd/Exc.

But:

- The **U.S. dollar** continues to strengthen with the dollar index now at six-month highs.
- **EU export shipments** remain slow (down 32 per cent on last year), and there is little additional visible demand.
- Mercantile worries about more volume **Russian sales** at discounted prices.

Outlook:

Mercantile says the focus of the markets will be the USDA-WASDE reports next Tuesday. The seasonal tendencies for wheat prices to rise into the winter and the anticipation of reduced Southern Hemisphere and Canadian supplies are the main bullish motives in coming weeks, according to Mercantile. The counter arguments are that this is already priced in with the large carries in the cash and futures market. Mercantile is worried about the aggressiveness by Russia into the export markets despite reports of problems with their spring wheat crop. Russia is taking up a lot of import capacity, in Mercantile's opinion. Mercantile still expect markets to move higher in the New Year, but from what level?

The wheat market remains very complicated, but Mercantile expects it to move higher in the New Year, so storage is important.

iii) Primary Elevator Price Tables and Grade Spreads

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

Date: **11-09-2023**

NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Dec. '23 (bu.)	Dec. '23 (mt)
1 CWRS 13.5	\$9.23	\$339.15	1 CWRS 13.5	\$9.17	\$336.94
1 CWAD 13.0	\$13.80	\$507.07	1 CWAD 13.0	\$13.84	\$508.54
1 CPSR 11.5	\$8.43	\$309.75	1 CPSR 11.5	\$8.52	\$313.06
SW Sask			SW Sask		
1 CWRS 13.5	\$9.20	\$338.04	1 CWRS 13.5	\$9.18	\$337.31
1 CWAD 13.0	\$13.95	\$512.58	1 CWAD 13.0	\$13.90	\$510.74
1 CPSR 11.5	\$8.33	\$306.08	1 CPSR 11.5	\$8.43	\$309.75
NE Sask			NE Sask		
1 CWRS 13.5	\$9.01	\$331.06	1 CWRS 13.5	\$8.96	\$329.23
1 CWAD 13.0	\$13.70	\$503.39	1 CWAD 13.0	\$13.70	\$503.39
1 CPSR 11.5	n/a		1 CPSR 11.5	n/a	
SE Sask			SE Sask		
1 CWRS 13.5	\$9.07	\$333.27	1 CWRS 13.5	\$9.11	\$334.74
1 CWAD 13.0	\$13.76	\$505.60	1 CWAD 13.0	\$13.76	\$505.60
1 CPSR 11.5	\$8.28	\$304.24	1 CPSR 11.5	\$8.51	\$312.69

Data source: PDQ, Sept. 11, 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, Sept. 11, 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 2013/2014 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 Basis² (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:

² 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.”

- 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				11-09-2023
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	\$413.06	\$429.03		
HRS	\$405.58			
HRW 11.5	\$379.64			
SWW 12.0	\$338.73			
1 CWRS 13.5 ³	\$413.06		\$330.70	\$82.37
2 CWRS 13.0 ³	\$405.58		\$316.00	\$89.58
3 CWRS ³	\$379.64		\$286.60	\$93.03
CPS ³	\$331.75		\$297.99	\$33.75
1 CWAD ⁴		\$634.56	\$515.15	\$119.41
Competing wheat:	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$245.00	Sept. '23		
French 11.5 (Rouen)	\$248.00	Sept. '23		
APW 10.5 (W Coast)	\$310.00	Sept. '23		
Argentina 12.0	\$280.00	Sept. '23		

¹ FOB Prices CDA = FOB US\$ converted into Canadian Currency

² Export Basis = FOB Prices CDA minus Cdn. Street Price

³ DNS 14% ≈ 1 CRWS 13.5%; HRS ≈ 2 CWRS 13.0%; HRW ≈ 3CWRS; SWW ≈ CPS

⁴ Values derived to Lakehead FOB