

Wheat Market Outlook and Price Report: August 4, 2020
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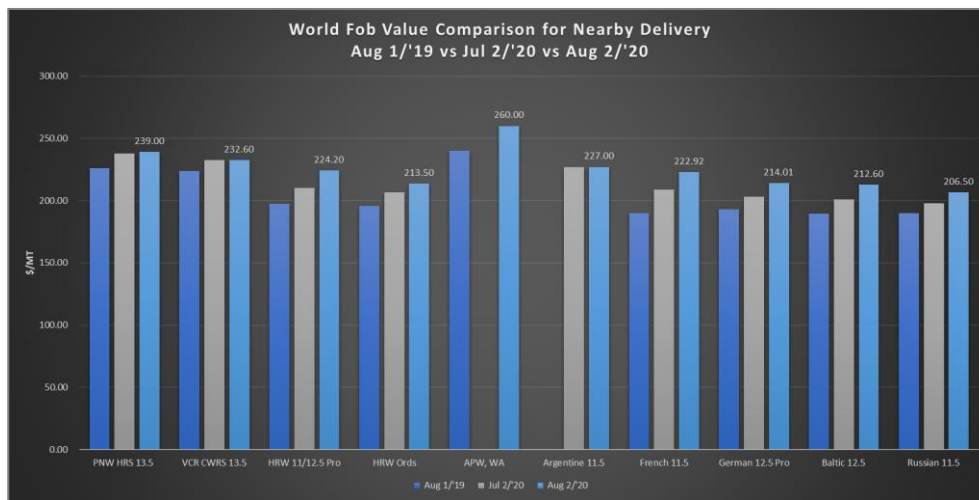
i) Background and Rationale for the Report

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 August 2, 2020

Global Cash Wheat Comparison: August 2'20, July 2'20 and Aug 1'19



- **Cash wheat prices around the world rose** an average of UD\$12.00/mt over the month of July. The largest price increases were seen in French 11.5 pro (up \$15.20) and Russian 12.5 pro (\$15.50).
- **North American prices were steady** with FOB Vancouver bid at \$232.60/mt for 13.5 pro.
- Last week **GASC bought 350,000 mt Russian and 120,000 mt Ukrainian wheat** for Sept 1-10 movement at \$228.50/mt C&F. Tunisia bought 50,000 mt Oct position at \$226.00-227.00/mt plus an additional 25,000 mt of durum at \$321.00/mt.
- These respective purchases illustrate the **large discount of Black Sea wheat versus North American origin.**
- The Russian crop seems to be even better than expected and sales by producers are brisk at very good return levels for farmers. **Russian growers are receiving better returns than Canadians this year.**

➤ **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:** Sept. '20 contract Chicago winter wheat closed at 531-2, up 1-6 cents on Friday, *down 8-2 cents for the week.*
- Sept '20 contract Kansas hard red winter wheat closed at 442-4, up 2-4 cents in Friday's trade, *down 7-0 cents for the week.*
- Minneapolis Sept. '20 contract hard red spring wheat closed at 514-0, up 1-0 in Friday's trade, *down 1-2 cents for the week.* Dec. '20 hard red spring wheat closed at 527-6, up 1-4 cents on Friday, *down 0-4 cents for the week.*
- **Matif** in Europe fell €3/mt.



- **Futures market summary:** As the Russian harvest pushes North, stronger than expected yields caused the Russian Agriculture Ministry to increase crop prospects. This news pressured wheat futures despite poor yields in the EU.

Canadian Wheat:

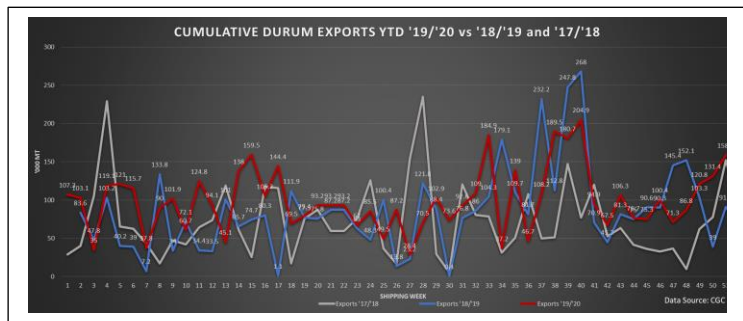
- North American **spring wheat crops** continue to look strong and yield results in Europe are mixed.
- Spring wheat Gd/Ex ratings were 81.6% in AB, up 1.3% from two weeks ago and up 10.9% from last year. In Saskatchewan, spring wheat is rated 84% Gd/Ex, down 2% from last week.
- **Weekly Canadian wheat exports** for the second last week of the 2019/20 marketing year were 274,000 mt for a year-to-date season total of 17.58 million mt, just 1% behind last year's shipments. We will reach 18.3-18.5 million mt of exports this year which would leave us with ending stocks of 5.2 million mt; lower than the 6.15 million mt expected earlier. This compares to 5 million mt ending stocks last crop year.
- Early Canadian sales will be important for the 2020/21 season, but demand is slow. The GASC/Tunisia sales show the price spread between Black Sea and North American origin. GASC's purchase (11.5 pro) backs off to ~\$207.00 after costings while Tunisia's purchase (11.5 pro) was around \$202.00 FOB parity.
- The focus of the market will remain on yields as harvest pushes further north in Europe and North America. Canadian winter wheat harvest is underway and spring wheat will follow in the coming weeks.
- *Although Canadian elevator bids remain relatively low compared to world values, we would watch some of the market fluctuations to use them as pricing opportunities.*

('000 mt)	Week 51 (to Apr. 26/20)			
	Producer Deliveries	Terminal Receipts	Exports	Domestic Disappearance
Current Week	489.00	433.60	273.80	102.10
Week Ago	590.50	495.90	565.00	106.70
YTD	21,949.70	20,248.90	17,578.50	3,879.40
Last YTD	20,714.80	20,293.10	17,763.50	4,066.30
YTD less Last YTD (k mt)	1234.9	-44.2	-185	-186.9
YTD over Last YTD (%)	6%	0%	-1%	-5%

World wheat values backed-off to Saskatchewan

	Aug	Aug	Aug	Aug	Aug	Aug	Aug	Aug	Aug	Aug	Aug
Current world price values usfmt											
price value equal fob vancouver variable usfmt											
price value equal fob vancover variable usfmt	\$228.34	\$209.79	\$260.00	\$218.00	\$208.00	\$200.00	\$210.00	\$180.00	\$265.00	\$397.03	\$357.11
exchange variable	0.7470	0.7470	0.7470	0.7470	0.7470	0.7470	0.7470	0.7470	0.7470	0.7470	0.7470
value in Canadian funds per tonne	\$305.67	\$260.84	\$348.06	\$291.83	\$278.45	\$267.74	\$281.12	\$240.96	\$354.75	\$531.50	\$478.06
per bushel	\$8.32	\$7.64	\$9.47	\$7.94	\$7.58	\$7.28	\$7.65				
value backoff cost to track country elevator											
port handling at cost			\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
call freight (base 102 cwt) Saskatoon/Rosetown			\$25.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00
call freight country to thag			\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
storage and interest max 60 days			\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
cleaning at cost			\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
country elevation at cost			\$44.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50
total backoff costs			\$303.56	\$242.33	\$228.95	\$282.24	\$231.62	\$191.46	\$305.25	\$482.00	\$428.56
net value can \$											
Estimate value per bushel track country elevator Can\$			\$8.26	\$6.60	\$6.23	\$5.94	\$6.30	\$4.17	\$8.31	\$10.93	\$11.66
theoretical old cwb price basis \$60.00 backoff to SK basis current world price				\$6.31	\$5.95	\$6.65	\$6.02	\$3.97			
canadian company track bids											
Mkt value where Elevator bids shud be Saskatoon/Rosetown				\$6.10	\$5.80	\$5.50	\$5.75	\$3.75	\$7.75	\$10.35	\$11.25
weyburn area basis 2cw or better premiums basis lower frt to vncv			\$7.60								
elevator margin above costs		avg margin									
Grain Company estimated margin over elevators at cost			\$24.33	\$18.22	\$15.86	\$16.17	\$20.37	\$15.38	\$20.52	\$25.63	\$15.24

- **Durum:** Ratings for the northern US durum crop did not change much this week with North Dakota now at 65% good to excellent and Montana at 40%. Most of the crop has headed and 40% of the crop is turning color.
- Durum conditions in SK are 74% Gd/Ex, down 4% from last week.
- **Canadian export shipments for week 51** were strong at 158.8,000 mt. for a TYD total of 5.16 million mt. 16% ahead of last year's 4.43 million mt.
- Week 52 export are usually sub-100,000 mt, but we can safely say total 2019/20 exports will be 5.2 or better. Ending stocks will be 600,000 mt or lower creating a strong position to start the 2020/21 MY.
- Following the challenges with marketing different qualities over the past several years, many Saskatchewan farmers are waiting to see their samples before selling the crop. Given this year's balance sheet, this should not pose a major problem. Lower ending stocks and smaller farm commitments will likely cause durum exports to be slower to start the year.



- **International durum update:**
- We expect the **US to increase imports from Canada** next crop year.
- **EU durum crop:** The total EU-27 durum wheat production is projected at 7.3 million mt, down 3% from last year's 7.6 million mt, and down 15% from the 5-year average durum production. Ending stocks are low, so imports could be as high as 1.9 million mt next crop year.

EU Durum Wheat balance sheet	2016/17	2017/18	2018/19	2019/20	2020/21
<i>last updated: 25/06/2020</i>					
Beginning stocks	3,053	3,619	3,249	2,959	2,339
Usable production	9,572	8,718	8,675	7,491	7,267
Area (thousand ha)	2,773	2,545	2,481	2,188	2,201
Yield (tonnes/ha)	3	3	3	3	3
Imports (from third countries)	1,839	1,620	1,439	2,200	1,886
Total supply	14,464	13,957	13,362	12,651	11,492
Total domestic use	9,347	9,439	9,389	9,011	9,022
Human consumption	8,013	8,032	8,048	8,071	8,083
Seed	400	473	407	400	400
Industrial uses	94	94	94	95	95
of which bioethanol/biofuel	0	0	0	(0)	(0)
Animal feed	800	800	800	400	400
Losses	40	40	40	45	44
Exports (to third countries)	1,497	1,269	1,014	1,300	1,269
Total use	10,845	10,708	10,403	10,311	10,291
Ending stocks**	3,619	3,249	2,959	2,339	1,201
Change in stocks**	566	-370	-289	-620	-1,138
* Marketing year: from July to June					
** At the end of the marketing year					

- **Durum demand:** EU-27: The new crop year in the EU started on July 1, and YTD durum imports, especially from Canada, are off to a quick start as EU supplies remain tight into harvest.
- Demand in Spain, Italy and Maghreb is down because of absent tourism. This will need to be watched. Canada would do well to have strong Q1 sales on the books.
- We anticipate demand for durum by our Middle East buyers (Algeria, Morocco, Tunisia) to remain on the high end, so long as they can pay for the wheat.
- *International demand prospects for durum look quite positive and should roughly match the demand seen during 2019/20. We expect to see prices in the \$8.00/bu (+) range. Given the demand outlook and the general downgrading factors used by elevators, there is no problem for farmers to wait to see what the harvested quality looks like this year.*
- For now, we would target new sales at \$8.50/bu.

US Wheat:

- The HRW harvest is gaining momentum in the north and northwest with steady to improving quality. The SRW harvest is done and the crop condition is stronger than 2019.
- **US spring wheat conditions** rose 2% from last week to 70% Gd/Ex. The spring wheat Gd/Ex ratings are +1% to 80% in MT (vs the 51% avg.), +2% to 64% in ND (70% avg) and unchanged at 63% in SD (44% avg).
- **Spring wheat harvest** in the US is 1% complete. Yields in ND are expected to be lower (-4 bushels-per-acre) than last year at 45 bushels-per-acre because of dry conditions in the west and excessive moisture in the southeast. Crops have struggled in MT where yields are expected at 38 bushels-per-acre. SD yields are expected to be strong at 41 bushels-per-acre or better while yields in Minnesota are expected to be in-line with last year at 57 bushels-per-acre.
- The USDA **weekly Export Sales** report showed 676,000 mt of wheat sales for the week ending July 23rd. This was up 10% from the previous week and 30% more than the 4-week average. Exports of 505,400 mt were down 4% from the previous week, and lower than the 4-week average by 2%.
- US HRW is now cheaper than German 12.5 pro but more expensive than Baltic 12.5 pro on a FOB basis.
- The FOB value for 13.5 pro HRS in the PNW for August increased by \$1.00/mt from last week to \$239.00/mt, while PNW White wheat increased by \$4.50/mt to \$232.00/mt.

Australian wheat:

- Australian new crop futures were lower for the week.
- Crop prospects seem mixed with crops in the East looking strong and the crops in the West (which account for the bulk of exports) are dry. *The forecast has beneficial rains in the West by the end of the week.*
- August APW is worth around \$260/mt FOB Western Australia, unchanged from last week.

Argentine wheat:

- BAGE put plantings at 96% complete (compared to 93% last year).
- Area planted was kept at 6.5 million ha, but BAGE indicated cold soil temperatures and the potential of frost damage could hurt the crop.
- The USDA Attaché in Argentina cut the country's wheat output by 1 million mt from the USDA's official number to 20 million mt. The reduction was due to prolonged periods of drought and lower planted area. Argentina's export forecast was also seen 1.1 million mt lower than USDA's official number at 13.4 million mt.
- Argentine FOB wheat (12% pro) for nearby shipment nominally is at \$225-235/mt, unchanged from last week.

EU wheat:

- Matif in Europe closed down €3/mt.
- France AgriMer increased the country's soft wheat crop ratings 2% from last week to 57% Gd/Ex (75% last year). Soft wheat harvest is 71% complete as of July 20th, showing strong progress from last week.
- Despite the increase in ratings, MARS decreased EU soft wheat yield expectations slightly (-0.06 t/ha) to 5.54 t/ha. The decrease came as heavy rain has worsened crop prospects in Romania and Hungary.
- Agritel put *the French wheat crop at the lowest level in 25 years at 29.22 million mt, down 26% from last year.*
- The European Commission decreased its forecast for EU wheat production to 116.6 million mt from the 117.2 million mt previous. Exports were unchanged at 25 million mt.
- **Demand for wheat and flour** across southern Europe (Spain, Italy, Greece) is sharply lower, largely due to the collapse in the tourist trade. The same is true for Egypt, Turkey and N Africa.
- FOB values in the EU were mixed: French 11.5 pro increased by \$0.32/mt to \$222.92/mt, while German 12.5 pro wheat decreased by \$1.82/mt over the week to \$214.01/mt, and UK wheat decreased by \$4.04/mt to 239.83/mt.

Black Sea wheat:

- Rosstat put Russia's wheat area at 29.4 million ha vs the USDA's 27.7 million ha. The vast difference in numbers is because the USDA's number is harvested area and does not include Crimea, Rosstat's number is planted area adjusted for winterkill and includes Crimea.
- Russia's IKAR raised its forecast for the Russian 2020 wheat crop by 1.5 million mt to 79.5 million mt. The increase was due to higher than expected yields as harvest moves into the Volga region.
- Meanwhile, SovEcon cut their production estimate by 400,000 mt to 79.3 million mt.
- According to the Russian Agriculture Minister, the country harvested 74.5 million mt of wheat in 2019. The Agriculture Minister's current production forecast is at 75 million mt.
- There are reports of some politically motivated yield doctoring, but aside from this, reports indicate that **the Russian crop is getting larger**. Sales by producers are brisk at very good return levels for farmers. *Russian growers are receiving better returns than Canadians this year.*
- Russian 12.5 pro wheat for July shipment was down by \$1.00/mt at \$208.50/mt.

➤ Significant purchases/ trades:

Harvest pressure is starting to build in Europe and demand is slow. **Egypt** (GASC) bought 350,000 mt of Russian and 120,000 mt of Ukraine wheat for 1-10 Sep at \$228.50 C&F

- **Tunisia** bought 50,000 mt of October soft wheat at \$226-227 plus 25,000 mt of durum at \$321.
- **USA** inspections were 544,000 mt (season total 152 million bu up 8%), sales were 677,000 mt (season total 353 million bu, also up 8%). The weekly Export Inspections report from USDA showed 500,100 mt of wheat shipped on the week ending July 30. That was down 43,900 mt week to week but was 83,933 mt above the same week last year. HRW and white wheat were the top varieties exported on the week, and 71.1% of the total. The Philippines was the top destination for the week's wheat exports, with 20% of the total.

➤ Wheat Market Outlook:

Significant events:

- There was a new **record single biggest-ever purchase of 1.937 million mt of US corn** sold to China for 2020/21 delivery. This will show up in next week's sales report. The sale surpasses the previous record of 1.762 million mt that was made two weeks ago.

- **Vessel freight rates from the Great Lakes** to Spain and Italy jumped significantly this week due to increased demand for ocean freight and higher elevation prices due to limited capacity in Chicago and Great Lakes export terminals.
- **Good weather is helping speed the 2020 HRW harvest.** South Dakota is close to 80% complete, Montana 17%, Idaho 18% and Washington 25%, with favorable conditions ahead to build momentum. Industry is pleased with the overall quality of this crop. Read the U.S. Wheat Associates (USW) July 31 Harvest Report to learn more about the 2020 U.S. wheat harvest.
- According to Stratégie Grains, **Canadian durum production** in 2020/21 is expected to reach 6.16 myn tonnes, up 24% on the year due to significantly increased planted area and slightly increased average yields. Stratégie Grains expects total U.S. durum production will jump 14% on the year to 1.67 myn tonnes as more planted area should offset reduced average yields. This is not good news for Canadian durum prices. Ensure all old crops are sold.
- **The Russian wheat harvest** is well underway. Data from Russia's Ministry of Agriculture shows that 41.8 myn tonnes of wheat have been harvested so far in 2020/21, slightly ahead of this time last year. So far, the average wheat yield is 53.1 bu/acre (3.57 MT/hectare), down 3% from the same period in 2019. These Ministry estimates are too low in our view.
- **Weather Outlook:**
 - The bulk of the **USA** Midwest will see generalized rains this week but the Plains and the south-east look drier than normal. However only the western Plains have any real heat with cooler than normal temps elsewhere. **Canada** remains warmer and drier than normal. Many parts of the country are enjoying ideal growing conditions and currently an above average Canadian crop is to be expected. In **Europe** rain will remain mostly in the south-east with temperatures warming up significantly following a cooler start to the week. The **Black Sea** looks mostly dry and warm, Western spring wheat regions **Russian and Kazak** should see decent rain this week, but the east remains dry. Temperatures are above normal everywhere. **Argentina** again looks completely dry with more frosts; **Australia** maintains a wet forecast for both the West and East. We are now seeing harvest pressure to sell from the FSU/Russia and the EU.

➤ **Outlook:**

Yields in Russia's central Black Earth region remain good and much above last year. Spring wheat prospects continue to cause significant concern but in our view are better than the news services suggest. The forecast for rain in Australia is very important, if they also remain decent and on time wheat is going to find it tough to appreciate in price. Wheat markets continue to struggle with numerous unknowns on the demand sides and pressured by harvest in Europe. There is no compelling case for either a bull or a bear move, but the spark for a sustained rally remains absent. A secondary resurge of "coronavirus" is bearish. In our view CBOT wheat is too high priced to Kansas/Minneapolis.

- *We would make sure to use some of the market fluctuations as pricing opportunities.*

iii) Primary Elevator Price Tables and Grade Spreads

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

NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Oct. '20 (bu.)	Oct. '20 (mt.)
1 CWRS 13.5	\$6.35	\$233.32	1 CWRS 13.5	\$6.16	\$226.34
1 CWAD 13.0	\$7.56	\$277.78	1 CWAD 13.0	\$7.12	\$261.62
1 CPSR 11.5	\$5.70	\$209.44	1 CPSR 11.5	\$5.38	\$197.68
SW Sask			SW Sask		
1 CWRS 13.5	\$6.18	\$227.08	1 CWRS 13.5	\$6.01	\$220.83
1 CWAD 13.0	\$7.56	\$7.73	1 CWAD 13.0	\$7.13	\$261.98
1 CPSR 11.5	\$5.59	\$205.40	1 CPSR 11.5	\$5.30	\$194.74
NE Sask			NE Sask		
1 CWRS 13.5	\$6.05	\$222.30	1 CWRS 13.5	\$5.89	\$216.42
1 CWAD 13.0	\$7.79	\$286.24	1 CWAD 13.0	\$7.48	\$274.85
1 CPSR 11.5	\$5.50	\$202.09	1 CPSR 11.5	\$5.16	\$189.60
SE Sask			SE Sask		
1 CWRS 13.5	\$6.01	\$220.83	1 CWRS 13.5	\$5.89	\$216.42
1 CWAD 13.0	\$7.80	\$286.60	1 CWAD 13.0	\$7.46	\$274.11
1 CPSR 11.5	\$5.48	\$201.36	1 CPSR 11.5	\$5.13	\$188.50

Table 2: Grade Spreads, in Canadian Dollars per Bu and per 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	(0.15)	-5.51
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	(0.20)	-7.35

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/mt. During the 2013/14 crop year the export basis for wheat widened to approximately C\$250/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 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/mt, depending on number of cars moved and elevator used.

- Approximate relationship between U.S. wheat classes and Canadian wheat classes:
 - DNS 14% in the Pacific North West (PNW) ≈ 1 CWRS 13.5% in Vancouver
 - HRS in the Pacific North West (PNW) ≈ 2 CWRS 13.0% in Vancouver
 - HRW in the Pacific North West (PNW) ≈ 3 CWRS in Vancouver
 - SW (lowest price wheat) ≈ CPS red (mostly fed domestically)

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.”

- 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% of total export volume crop year to date.
 - Italy is the single biggest buyer of Canadian durum wheat with 27% 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, US & Canadian Dollars per MT

Relevant FOB Prices and Export Basis			July 4, 2020	
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	\$328.81	\$320.01		
HRS	\$322.13			
HRW 11.5	\$302.92			
SWW 12.0	\$299.81			
1 CWRS 13.5 ³	\$328.81		\$221.20	\$107.61
2 CWRS 13.0 ³	\$322.13		\$217.52	\$104.60
3 CWRS ³	\$302.92		\$166.08	\$136.84
CPS ³	\$292.56		\$191.07	\$101.50
1 CWAD ⁴		\$398.20	\$284.77	\$113.43
Competing wheat:				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$208.50			
French 11.5 (Rouen)	\$222.92			
APW 10.5 (W Coast)	\$260.00			
Argentine 12.5	\$225-\$235			
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				

ADDENDUM

Futures Driven Basis Calculation, Canadian Dollars per MT

Canadian Wheat - World Price Parities					
July 4, 2020					
Canadian Funds					
	1CWRS13.5	2CWRS	Grade 3CWRS	Winter wht.	CPS
PNW value/Vancouver					
May/June delivery	\$8.75	\$8.57	\$8.05	\$7.96	\$7.96
Parity Track Rosetown	\$7.25	\$7.07	\$6.55	\$6.47	\$6.47
Track Bid Rosetown Area	\$6.02	\$5.92	\$4.52	\$5.20	\$5.20
Gross Margin at Elevator (\$/bu)*	\$1.23	\$1.15	\$2.03	\$1.27	\$1.27
Gross Margin at Elevator (\$/mt)*	\$45.38	\$42.37	\$74.60	\$46.51	\$46.51
* to cover elevation, elevator market risk, margin					