

**Wheat Market Outlook and Price Report: July 27, 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 July 27, 2020**

**Updated Global Wheat Balance Sheet – International Grains Council (IGC), July 2020:**

	17/18	18/19	19/20 est.	20/21 f'cast	25.06	23.07
million tons						
<b>WHEAT</b>						
<b>Production</b>	762	732	762	768	762	
<b>Trade</b>	176	168	182	180	180	
<b>Consumption</b>	740	740	747	751	750	
<b>Carryover stocks</b>	269	261	276	290	288	
<b>year/year change</b>	22	-8	15		12	
<b>Major exporters<sup>b)</sup></b>	83	70	66	65	62	

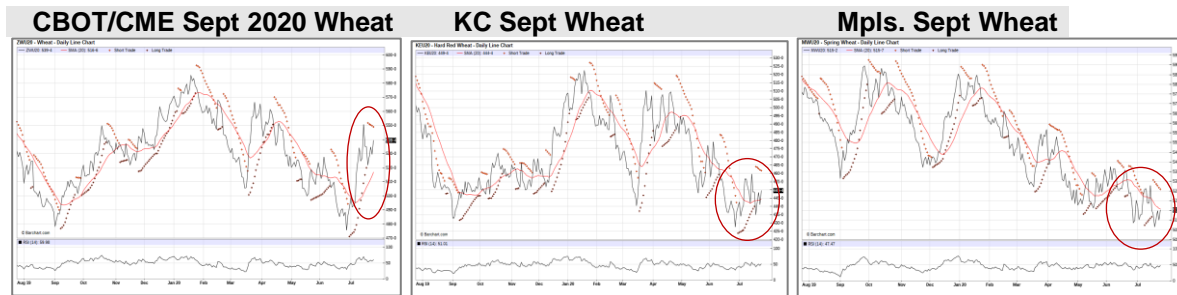
b) Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine, USA  
Source: IGC, July 23, 2020

- Due to disappointing harvest results in Europe and the Black Sea region, the IGC decreased their **global wheat production forecast for 2020/21** by 6 million mt from last month to 762 million mt.
- Their '20/21 **wheat trade projection** remained unchanged at 180 million mt but is down 2 million mt from last year.
- **Global '20/21 wheat consumption** was lowered by 1 million mt from last month to 750 million mt, still 3 million mt higher than in '19/20.
- **'20/21 Wheat carryover stocks** for the major exporters were lowered by 3 million mt from last month to 62 million mt. This is also 4 million mt smaller than the '19/20 wheat carryover stocks.

➤ **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.

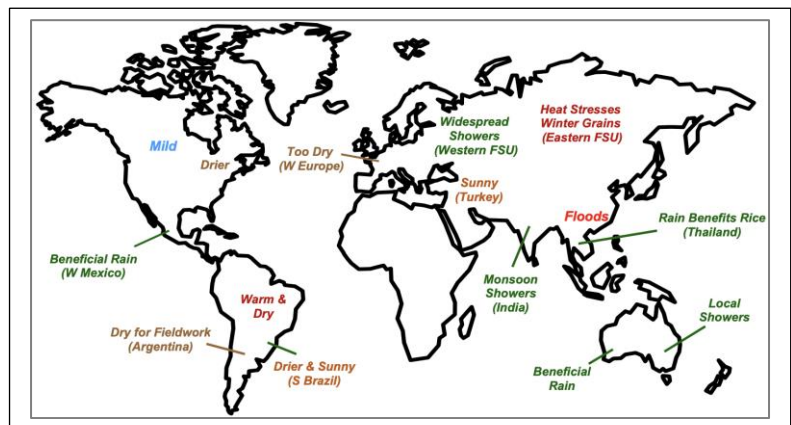
- **Futures:** Sept. '20 contract **Chicago winter wheat** closed at 539-4, up 10 cents on Friday, and up 4-8 cents for the week.  
Sept '20 contract **Kansas hard red winter wheat** closed at 449-4, up 8-2 cents in Friday's trade, and up 0-8 cents for the week.  
**Minneapolis** Sept. '20 contract **hard red spring wheat** closed at 515-2, up 5-2 in Friday's trade, up 2-6 cents for the week. Dec. '20 hard red spring wheat closed at 528-2, up 4-6 cents on Friday, and up 1-2 cents for the week.
- **Matif** in Europe closed up €1/mt.



- **Futures market summary:** Support to wheat futures was based on a 4-month low in the US\$ and reductions in the EU and Black Sea crops. However, this was counterbalanced by mostly favourable growing conditions in Canada and the S Hemisphere last week, and good wheat harvest progress in the US.

**Canadian Wheat:**

- North American **spring wheat crops** continue to look decent, but spring wheat in E Russia and Kazakhstan looks increasingly problematic with continued heat stress the biggest problem. Temperatures should be moderating forward. The USDA cut its wheat production forecast for **Kazakhstan** by 700,000 mt and export estimates by 900,000 mt. Kazakh exports would still be higher than last years. (Note about 5% of the Kazakh wheat acreage should be durum wheat).
- **Weekly Canadian wheat exports** (week 50) were again very good at 565,000 mt, for a year-to-date total of 17.3 million mt, now just 1% behind last year's shipments. Given the recent pace of loadings, we think we will actually 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

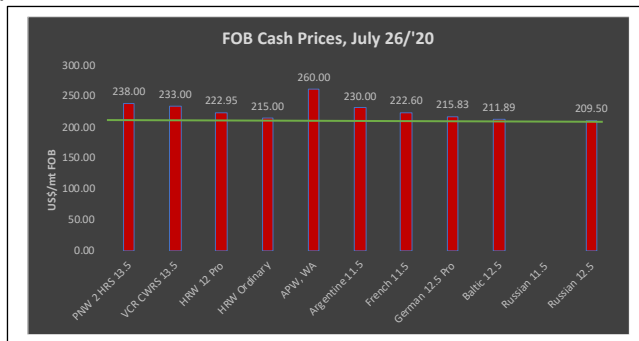


(CGC) Grain Handling Summary Wheat				(July 19/'20)	
('000 mt)	Wk. 50		Dom.		
	Prod. Dlvs.	Terminal Rcpts.	Bulk exports	Disappearance	
Wk. 50	590.5	495.9	565.0	106.7	
Week ago	511.8	515.3	461.2	57.3	
YTD	21,460.8	19,815.1	17,304.7	3,778.1	
Last YTD	20,424.1	19,951.2	17,535.3	3,916.3	
YTD less Last YTD	1,036.7	-136.1	-230.6	-138.2	
YTD over Last YTD	105%	99%	99%	96%	

Mercantile based on weekly CGC Handling Data

expected earlier. This compares to 5 million mt ending stocks last crop year. Again, too bad all these sales were made late in the year when pieces were down.

- There was talk in the markets about Canadian soft wheat pricing into the US, which weighed on all the markets rather than just the CBOT, and even the new lows in the US dollar couldn't provide any lift to futures. US HRW is now priced the same FOB as German wheat, but this still is ~ \$5/mt higher than Russian wheat.
- The focus of the market from here on will be actual harvest and yield data around the world and the actual demand (or lack of). This market is becoming interesting.
- *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.*



### World wheat values backed-off to Saskatchewan

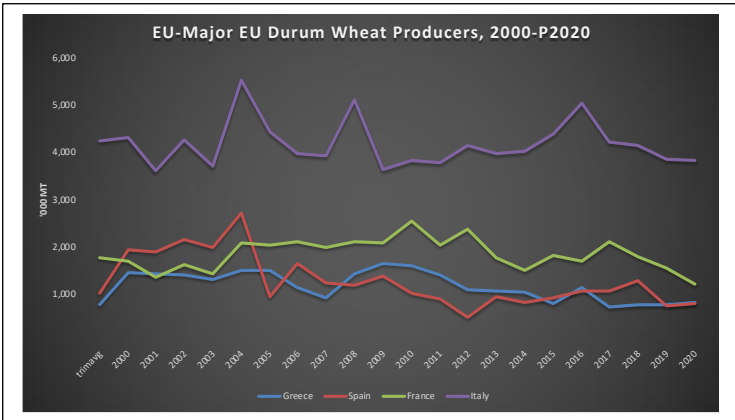
26-Jul-20	avg	avg	avg	avg	avg	avg	avg	avg	avg	avg	avg	avg
<b>Current world price values usf mt</b>	USA DNS M PRO price bid	hrw ords price bid	durum low	2cws 12.5 pro	3cws 300 hag 11.5 ab pro	feed wht	malt bly	feed barley	peas	canola fob vncvr	soybeans fob PNW	
price value equal fob tbyay variable usf mt	\$231.28	\$214.01	\$270.00	\$220.00	\$208.00	\$200.00	\$210.00	\$180.00	\$265.00	\$394.36	\$360.42	
price value equal fob vancover variable usf mt												
exchange variable	0.7469	0.7469	0.7469	0.7469	0.7469	0.7469	0.7469	0.7469	0.7469	0.7469	0.7469	
value in Canadian funds per tonne	\$309.65	\$286.53	\$361.49	\$294.55	\$278.48	\$267.77	\$281.16	\$241.00	\$354.80	\$528.00	\$482.55	
<b>per bushel</b>	<b>\$8.42</b>	<b>\$7.80</b>	<b>\$9.84</b>	<b>\$8.01</b>	<b>\$7.58</b>	<b>\$7.29</b>	<b>\$7.65</b>					
mine backoff cost to track country elevator			\$8.00	\$5.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
port tolling at cost				\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00
fall freight basis 112 cars basis Saskatoon/Rosetown			\$25.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
fall freight country to tbyag			\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
storage and interest max 60 days			\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
cleaning at cost			\$44.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50
country elevation at cost												
total backoff costs			\$316.99	\$245.05	\$228.98	\$218.27	\$231.66	\$191.50	\$305.30	\$478.50	\$433.05	
net value can \$												
<b>Estimate valu per bushel track country elevator Can\$</b>			<b>\$8.63</b>	<b>\$6.67</b>	<b>\$6.23</b>	<b>\$5.94</b>	<b>\$6.31</b>	<b>\$4.17</b>	<b>\$8.31</b>	<b>\$10.85</b>	<b>\$11.79</b>	
<b>theoretical old cwb price basis \$60.00 backoff to SK basis current world price</b>				<b>\$6.38</b>	<b>\$5.95</b>	<b>\$5.66</b>	<b>\$6.02</b>	<b>\$3.97</b>				
<b>canadian company track bids</b>												
<b>Mkt value where Elevator bids shud be Saskatoon/Rosetown</b>				<b>\$6.25</b>	<b>\$5.80</b>	<b>\$5.50</b>	<b>\$5.75</b>	<b>\$3.75</b>	<b>\$7.75</b>	<b>\$10.35</b>	<b>\$11.25</b>	
<b>weyburn area basis 2cw or better premiums basis lower frt to vncvr</b>			<b>\$8.00</b>									
elevator margin above costs		avg margin										
Grain Company estimated margin over elevators at cost			<b>\$23.07</b>	<b>\$15.43</b>	<b>\$15.89</b>	<b>\$16.20</b>	<b>\$20.41</b>	<b>\$15.41</b>	<b>\$20.56</b>	<b>\$22.13</b>	<b>\$19.73</b>	

- **Durum:** The condition rating for the North Dakota durum crop dropped slightly from last week with 65% rated in good to excellent condition, down from 69% the previous week. Over 90% of the US durum has headed out, ahead of last year and the average. Approximately a fourth of the crop has started to turn color. There was no updated crop condition rating for the Canadian crop.
- Canadian **export shipments** for week 50 were quite good at 131,000 mt, for a year-to-date total of 5 million mt, 15% ahead of last year-to-date of 4.3 million mt. We expect Canadian crop year exports to reach 5.1 million mt. 2019/20 ending stocks should be down to ~600,000 mt, which gives us a good starting point to the 2010/21 crop year. *Given 5 million mt exports for next year, ending stocks will again be similar to this years.*
- **International durum update:** The **US durum outlook** is similar, and we expect the US to increase imports from Canada next crop year. [See balance sheet next page].
- **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*

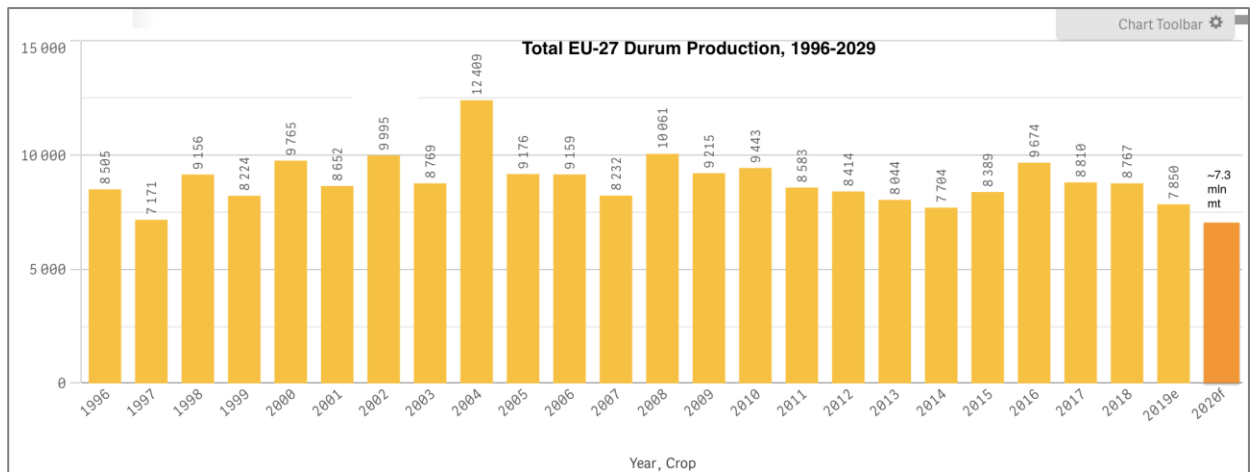
Merc. - Cdn. Durum Outlook		
('000 mt)	19/20	20/21
<b>Beginning stocks</b>	1,792	600
<b>Production</b>	4,977	5,967
<b>Imports</b>	90	30
<b>Total Supply</b>	6,859	6,597
<b>Dom. Use</b>	1,159	1,000
<b>Exports</b>	5,100	5,000
<b>Total Usage</b>	6,259	6,000
<b>Ending Stocks</b>	600	597
<b>Stock-to-Use Ratio</b>	10%	10%

average durum production. Ending stocks are low, so imports should at least match this year's durum imports, given overall demand holds up throughout the year. [See EU graph below.]

- Durum production detail by the **major EU durum production countries**: Especially the durum production in **France** (shown below in green) will be down 21% to 1.2 million mt. At 3.8 million mt, **Italy** (purple line) is the single biggest EU producer, unchanged from last year, but almost 10% below the 5-year average. Production in **Spain** (red line) at 794,000 mt will be up slightly over last years, but still is 22% below the 5-year average. At 806,000 mt, the **Greek** production (blue line) is expected to be up 5% over last years, and up 4% over their 5-year average.



US DURUM (mln mt)		Supply			Disappearance						Ending stocks
					Domestic use			Exports	Total disappearance		
		Beginning stocks	Production	Total supply (incl. imports)	Food use	Feed and residual use	Total domestic use (incl. seed)				
2015/16	Durum	0.698	2.286	3.904	2.147	0.102	2.348	0.799	3.147	0.757	
2016/17	Durum	0.757	2.828	4.410	2.155	0.504	2.752	0.670	3.422	0.988	
2017/18	Durum	0.988	1.491	3.879	2.163	0.203	2.447	0.480	2.928	0.951	
2018/19	Durum	0.951	2.122	4.490	2.177	0.174	2.401	0.593	2.994	1.496	
2019/20	Durum	1.496	1.463	4.070	2.232	-0.554	1.760	1.145	2.904	1.166	
2020/21	Durum	1.166	1.513	4.039	2.177		2.259	0.680	2.939	1.100	



- **Durum demand:** EU-27: The new crop year in the EU started on July 1, and year-to-date durum imports, especially from Canada, are off to a quick start as EU supplies remain tight into harvest.
- We anticipate demand for durum by our Middle East buyers (Algeria, Morocco, Tunisia) to remain on the high end, as long as they are able to pay for the wheat. Projections for wheat imports by these destinations remain high as their own domestic production has been downgraded by dry conditions. [See below.]

EU Durum Imports, weeks 1-3					
Durum wheat					
Origin	MY 2020/21		MY / MY	MY 2019/20	
	tonnes	share		tonnes	share
Canada	112 240	76.8%	↑ +295.7%	28 367	48.7%
United States of America	33 469	22.9%	↑ +169.4%	12 426	21.3%
Kazakhstan	350	0.2%	↓ -97.7%	15 027	25.8%
Serbia	50	0.0%			
Lebanon	8	0.0%			

- *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.

#### Wheat import forecasts for selected countries and regions

	2017/18	2018/19	2019/20	2020/21*
Algeria	8.172	7.515	6.500	7.500
Egypt	12.407	12.347	13.300 (+0.3m m/m)	13.000
Morocco	3.672	3.724	5.100	5.800
<b>North Africa</b>	<b>27.441</b>	<b>26.949</b>	<b>27.950 (+0.3m)</b>	<b>29.700</b>
<b>Sub-Saharan Africa</b>	<b>25.312</b>	<b>22.495</b>	<b>26.320 (+0.15m)</b>	<b>26.225</b>
Saudi Arabia	3.492	2.902	3.400	3.200
Vietnam	4.709	3.149	3.300 (-0.2m)	3.600
Indonesia	10.763	10.934	10.800	10.800
<b>SE Asia</b>	<b>27.255</b>	<b>27.381</b>	<b>27.535 (-0.06m)</b>	<b>27.350</b>

Source: USDA (data in million tonnes, incl. flour, July/June); \*forecast

North Africa = Algeria, Egypt, Libya, Morocco and Tunisia

South East Asia = Indonesia, Malaysia, Philippines, Thailand and Vietnam

#### US Wheat:

- **Us wheat condition:** 74% of the 2020 US winter wheat acreage had been harvested by July 19, 8% ahead of last year but 1% behind the 5-year average. Winter wheat harvest progress continued, with advances of 20% or more reported in Colorado, Michigan, Nebraska, and South Dakota. Spring wheat was 91% headed as of July 19<sup>th</sup>, 3% behind average.
- The USDA **weekly Export Sales report** showed 617,000 mt of wheat sales for the week ending July 9. That was at the high end of pre-report estimates, and up from the prior 4-week average.
- US HRW is now priced the same FOB as German wheat, but this still is ~ \$5/mt higher than Russian wheat.
- The FOB value for 13.5 pro HRS in the PNW for August increased by \$2.00/mt from last week to \$238.00/mt, while PNW White wheat increased by \$1.50/mt to \$227.50/mt.

#### Australian wheat:

- Australian new crop futures were unchanged for the week.
- There is rain in the forecast for QLD, but NSW and WA look dry for at least the next 10 days. We think the crop is not yet made and the most critical crop period is still several weeks away.
- Aug. APW is worth around \$260/mt FOB Western Australia.

#### Argentine wheat:

- In their latest report, BAGE put plantings at 94% complete (compared to 96% last year) with crop ratings unchanged at 22% Gg/Exc. This still is way below last year's 44% Gd./Exc. Central and northern regions remain dry, the south and east had sufficient precipitation, but nationally soil moisture is just 40% good compared to 75% last year.
- Argentine FOB wheat (12% pro) for nearby shipment nominally is at \$225-235/mt.

#### EU wheat:

- Matif in Europe closed up €1/mt.
- French harvest reports are disappointing with wheat estimates falling to close to 30 million mt (39.6 million mt last crop year).
- French wheat is overpriced at current prices and will not trade internationally. There were no French offers to Egypt last week.
- EU shipments in the new crop year are already slow, harvest in Germany and the Baltic has yet to start, and the trade is eagerly awaiting the first data on yields while rain is still presenting a possible quality issue.
- **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 up across various origins: French 11.5 pro increased by \$4.87/mt to \$222.60/mt, while German 12.5 pro wheat increased by \$2.19/mt over the week to \$215.83/mt, and UK wheat increased by 1.99/mt to 235.79/mt.



**Black Sea wheat:**

- Black Sea cash started the week lower, but rallied sharply by the weekend to close little changed.
- Winter crops look good, but spring wheat in both Russia and Kazakhstan does not look promising.
- Russian 12.5 pro wheat for July shipment was down by \$0.50/mt at \$209.50/mt.

➤ **Significant purchases/ trades:**

It was a slow week in the wheat trade with many sellers not prepared to accept the new 180-day credit terms by Egypt.

- **Egypt** (GASC) bought 115,000 mt of Ukrainian wheat for Aug 21-31 shipment at \$224.50 and \$227.25/mt (based 180-day L/C's).
- The **Philippines** purchased 55,000 mt of feed wheat at \$223/mt.
- **Korea** bought Oct feed wheat also at \$223.
- **Jordan** bought 60,000 mt of Oct hard wheat at \$235/mt.
- **US inspections** were 501,000 mt (season total 131 myn bushels, up 5%), sales were 617,000 mt (season total 329 myn bushels also up 5%).
- **EU** soft new crop year wheat shipments of 460,000 mt remain 53% behind last year's shipments.

➤ **Wheat Market Outlook:**

**Significant events:**

- Due to disappointing harvest results in Europe and the Black Sea region, the IGC decreased their **global wheat production forecast for 2020/21** by 6 million mt from last month to 762 million mt.
- The **durum** demand outlook remains promising.
- **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.
- Against this we poor EU shipments, thin vessel line-ups, and worries about demand.
- The **US\$ is dropping hard-and-fast**; the US\$ index is currently trading at 93.6 compared to 96.9 on July 1<sup>st</sup> and 99.1 on May 15<sup>th</sup>. The Euro is doing the opposite. The Australian \$ and Canadian \$ are moving higher. All of this are good for US grain exports in the world market. However, the Russian Ruble and Brazilian Real aren't moving much, which would help US grains the most.

- **Global Wheat News:**

- **Dryness in northern and central Argentina** is affecting the development of recently planted wheat fields, the Buenos Aires Grains Exchange said on Thursday, having twice cut its planting estimate in recent weeks due to persistently bad weather. The exchange, widely referenced by farmers and grains traders, expects 6.5 million hectares of wheat to be sown this season, down from an original forecast of 6.8 million hectares.
- **Russia** shipped two wheat cargoes to Brazil this month, totaling 60,000 tonnes, in the first trades of their kind this year, according to people with knowledge of the matter. Purchases of the Russian cereal, confirmed by sources at trading firms Sodruzhestvo and Glencore, followed a new tariff-free quota for Brazilian wheat imports from outside the Mercosur bloc, which includes neighboring Argentina, Brazil's main wheat supplier.
- The USDA cut its wheat production forecast for **Kazakhstan** by 700,000 MT and export estimates by 900,000 MT. Poor weather and a lack of moisture dragged down estimates. Early plantings fell by as much as 50%. Despite the reduced export estimates, Kazakhstan is expected to export 6.2 MMT, a 7% increase compared to last year.
- The USDA raised its most recent forecast for **Australian wheat production** in 2020/21 by 1.0 MMT. Following welcome rains in the eastern states after years of drought, Australian wheat production is now estimated at 27.0 MMT, 7% higher year-on-year and 14% above the 10-year average.

➤ **Outlook:**

The main focus of the wheat market remains on Russian wheat yields and the resulting production number for the coming 2-3 weeks, before shifting to the Southern Hemisphere precipitation by the middle of next month, but still with the underlying seemingly poor demand looming in the background.

Farmers have cash and storage space, and for now are not sellers. However, unless there are some severe weather conditions that prevent crop development, prospects for much higher priced markets do not look good. - *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**

					Date:	27-07-2020
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	
<b>SW Sask</b>			<b>SW Sask</b>			
1 CWRS 13.5	\$6.18	\$227.08	1 CWRS 13.5	6.01	\$220.83	
1 CWAD 13.0	\$7.56	\$277.78	1 CWAD 13.0	7.13	\$261.98	
1 CPSR 11.5	\$5.59	\$205.40	1 CPSR 11.5	5.30	\$194.74	
<b>NE Sask</b>			<b>NE Sask</b>			
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	
<b>SE Sask</b>			<b>SE Sask</b>			
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**

<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>	(0.10)	-3.67
<b>1 CWRS 12.5</b>	(0.15)	-5.51
<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>	(0.10)	-3.67
<b>2 CWAD 12.5</b>	(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



nearly international markets (Table 3). To express the Export Basis<sup>1</sup> (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)
  - 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 YEAR-TO-DATE (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.

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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.”

**Table 3: Relevant FOB Prices and calculated Basis, US & Canadian Dollars per MT**

Relevant FOB Prices and Export Basis				27-07-2020
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	\$313.57	\$384.84		
HRS	\$306.20			
HRW 11.5	\$288.51			
SWW 12.0	\$289.49			
1 CWRS 13.5 <sup>3</sup>	\$313.57		\$220.46	\$93.11
2 CWRS 13.0 <sup>3</sup>	\$306.20		\$200.25	\$105.95
3 CWRS <sup>3</sup>	\$288.51		\$181.88	\$106.62
CPS <sup>3</sup>	\$282.61		\$200.99	\$81.62
1 CWAD <sup>4</sup>		\$377.96	\$284.77	\$93.19
Competing wheat:	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$209.50	August		
French 11.5 (Rouen)	\$222.60	August		
ASW 10.5 (W Coast)	\$250.00	August		
Argentine 12.0	\$230.00	August		

<sup>1</sup> FOB Prices CDA = FOB US\$ converted into Canadian Currency

<sup>2</sup> Export Basis = FOB Prices CDA minus Cdn. Street Price

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

<sup>4</sup> Values derived to Lakehead FOB

## ADDENDUM

### Futures Driven Basis Calculation, Canadian Dollars per MT

Canadian Wheat - World Price Parities				27-07-2020
<b>Canadian Funds</b>		<b>Grade</b>		
<b>PNW value/Vancouver</b>	<b>2CWRS</b>	<b>3CWRS</b>	<b>Winter wht.</b>	<b>CPS</b>
<b>Sept/Oct delivery</b>	\$8.15	\$7.66	\$5.75	\$5.75
<b>Parity Track Rosetown</b>	\$6.65	\$6.17	\$6.19	\$6.19
<b>Track Bid Rosetown Area</b>	\$5.45	\$4.95	\$5.47	\$5.47
<b>Gross Margin at Elevator (\$/bu)*</b>	\$1.20	\$1.22	\$0.72	\$0.72
<b>Gross Margin at Elevator (\$/mt)*</b>	\$44.08	\$44.76	\$26.63	\$26.63
* to cover elevation, elevator market risk, margin				