

**Wheat Market Outlook and Price Report: Mar. 4, 2024**  
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Mercantile Consulting Venture Inc.

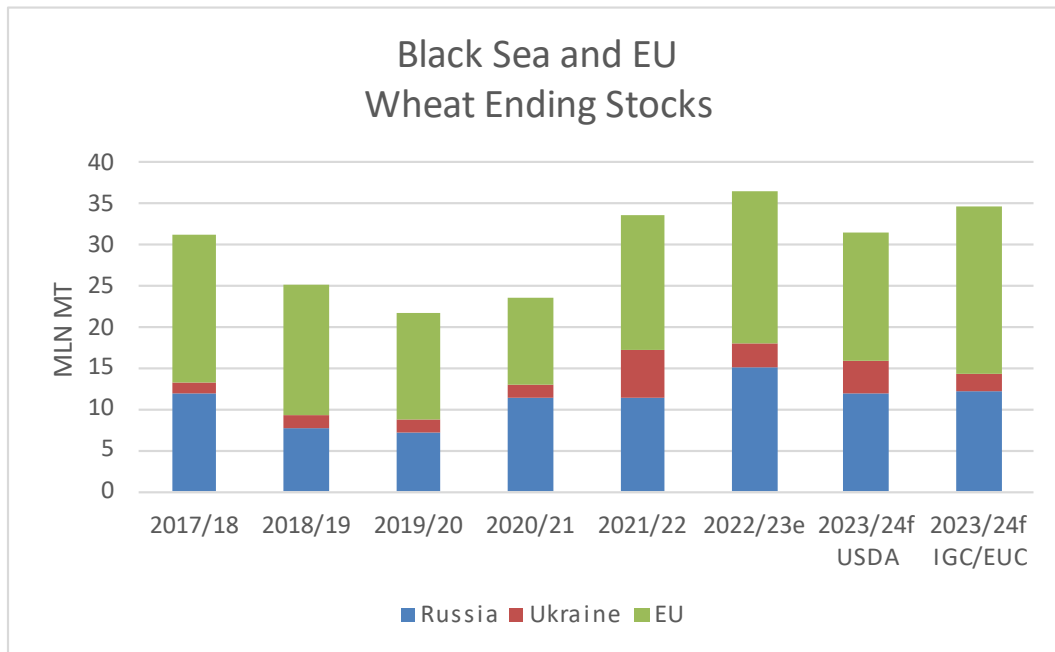
**i) Background and Rationale for the Report**

The following wheat market outlook and price report will be published on a weekly basis on the Sask Wheat Website. The report provides producers with an overview of world wheat markets, a market forecast, and benchmark prices at both the primary elevator and export positions (FOB Vancouver or elsewhere).

The report is made up of several sections. Following this section, a World Wheat overview is provided, which includes a summary of wheat market fundamentals, world production and trade, and a wheat market outlook. This is followed by several price tables, which include primary elevator bids at various Saskatchewan locations (Table 1), grain spreads (Table 2), and FOB port prices and basis (as measured by subtracting the primary elevator price (Rosetown) from the relevant port location price for individual crops) (Table 3). Table 3 is preceded by a description of the various assumptions, definitions and methodology used in arriving at the FOB port prices and in the export basis calculation.

**ii) Wheat Market Outlook March 4, 2024**

**Black Sea and European Union Wheat Stocks**

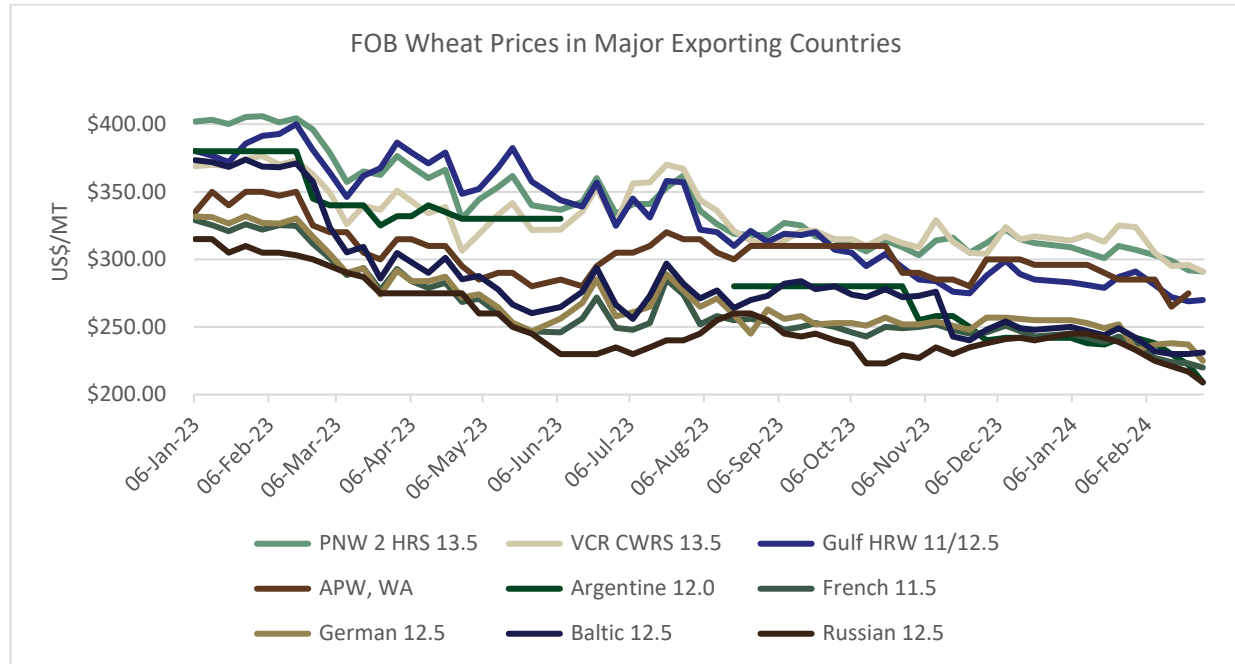


Source: Mercantile, based on USDA, IGC and EUC data

- Wheat futures have been following the cash markets. All the major wheat exporting countries have old crop left to sell and they are competing for demand as they try to make room for the new crop harvest that begins in June.
- There is a wide discrepancy between official estimates for what the carry-out will be in the Black Sea and the EU at the end of the year.

- Most official estimates have Russia’s carry-out around 12 million mt. For Ukraine, the USDA is forecasting a four million mt carry-out while the IGC is using a 2.3 million mt number. Given the pace of exports from Ukraine, the 2.3 million mt looks more reasonable.
- The biggest discrepancy comes with the EU carry-out numbers. There is a 4.8 million mt spread between the USDA, using a 15.5 million mt number, and the EU Commission using a 20.3 million mt number. This is a 4.8 million mt difference between the two estimates while the ICG is somewhere in the middle at 17.8 million mt.
- The market is acting like the EU commission’s number is currently the best guess.

**FOB Cash Values:**



➤ **Global wheat production and trade:**

There is a lot of competition in the wheat markets as wheat is produced around the world. Below is a brief synopsis on last week’s market events in the major wheat origins.

**Futures:**

- May 2024 contract **Chicago winter wheat** closed at \$557-6, down 18-4 cents on Friday, *down 11-2 cents on the week.*
- May 2024 contract **Kansas hard red winter wheat** closed at \$564-4, down 22-6 cents on Friday, *down 1-0 cent on the week.*
- May 2024 **Minneapolis hard red spring wheat** closed at \$643-6, down 15-2 cents on Friday, *down 3-0 cents on the week.*
- U.S. wheat futures are trading 4-12 cents higher at the time of writing.

**CBOT 1-Yr. May 2023 Wheat**



**KC May 2023 Wheat**



**Mpls. May 2023 Wheat**



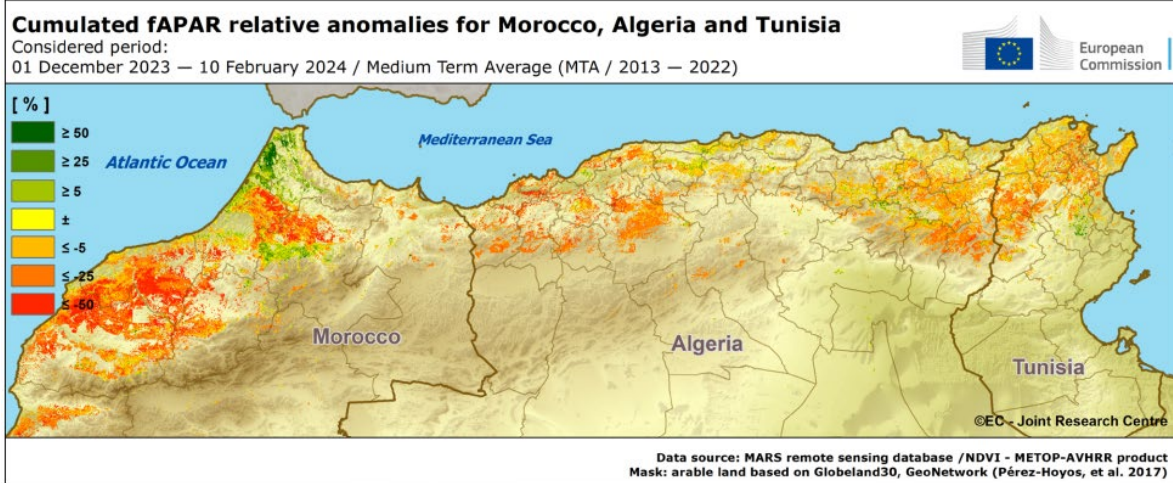
**Canadian Wheat**

- Canadian weekly exports:** Week 30 exports were strong at 528.5k mt creating a season total of 12.3 million mt, up 8 per cent from last year. Now, 58 per cent though the marketing year, Canada has shipped 61 per cent of the total volume that the AAFC is anticipating. We think exports should surpass the 20.25 million mt of exports that the AAFC is expecting which would draw down ending stocks.

(CGC) Grain Handling Summary Wheat		Week 30	(Feb. 25, 2024)	
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 30	471.1	447.6	528.5	95.4
Week ago	552.3	321.0	288.2	53.3
YTD	14,194.1	14,159.6	12,308.7	2,802.8
Last YTD	14,212.5	13,515.9	11,351.4	2,506.9
<b>YTD less Last YTD</b>	<b>-18.4</b>	<b>643.7</b>	<b>957.3</b>	<b>295.9</b>
<b>YTD over Last YTD</b>	<b>100%</b>	<b>105%</b>	<b>108%</b>	<b>112%</b>

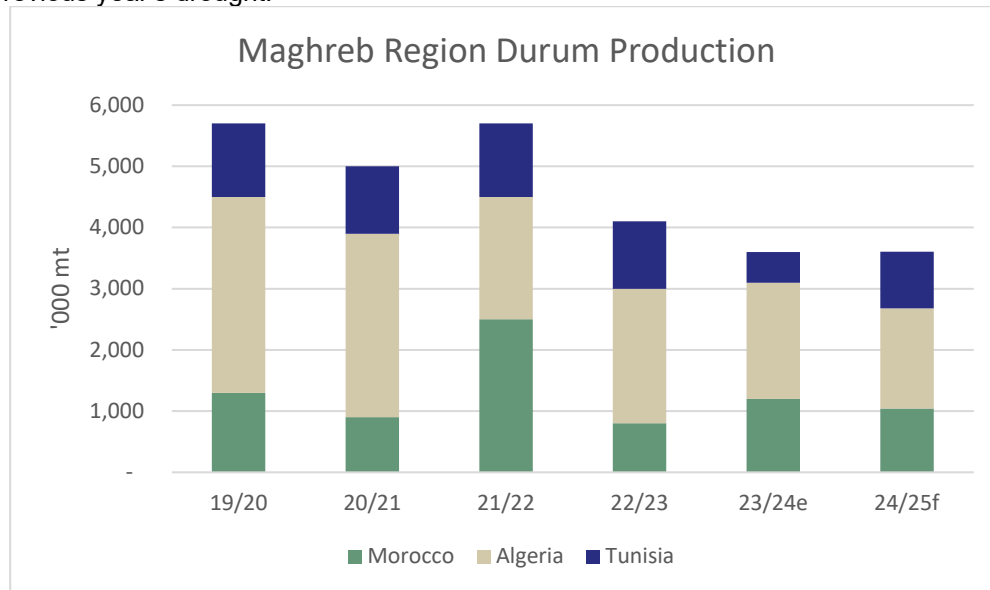
Source: Mercantile, based on CGC data

- Durum:** Conditions in the Maghreb countries seem to be variable as limited rain and warmer than normal temperatures have persisted in North Africa. Moisture in Morocco is well below average and the crops there have experienced irreversible damage in most of the cereal growing regions. Crop conditions in Algeria are mixed. Dryness delayed seeding and, while crop damage in the west looks irreversible, crops in the eastern central continental regions were able to recover. Seeding in Tunisia was delayed 20-30 days, but the crop seems to have essentially fully recovered. The crops in each country are entering the flowering stage and will need more rain before the end of the season.



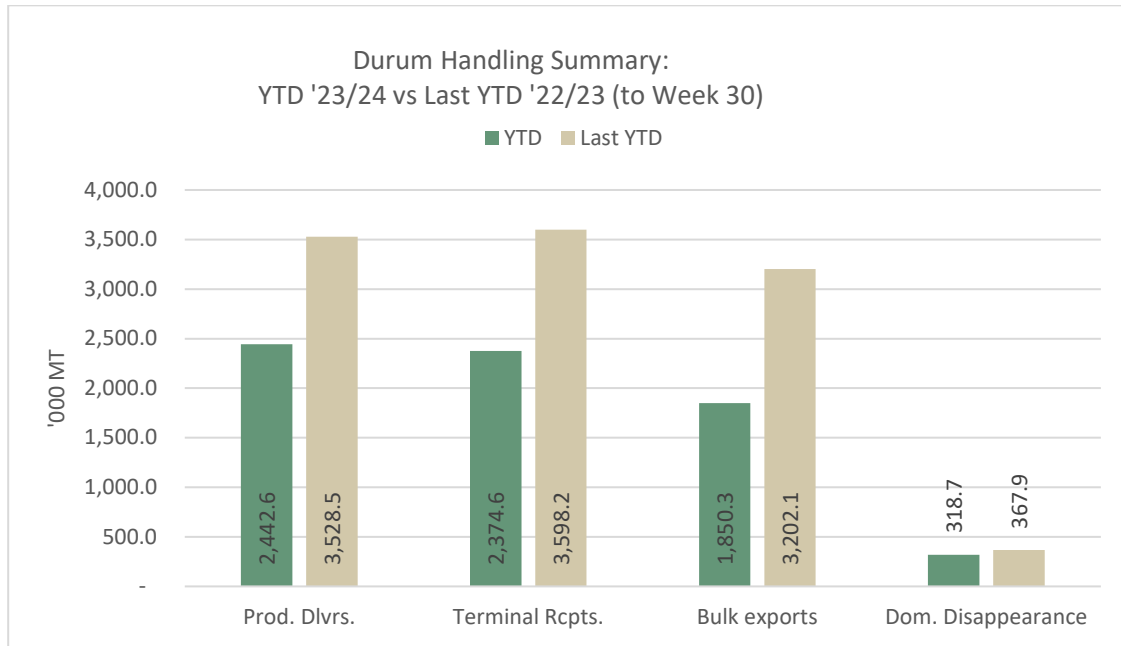
Source: MARS

- We estimate that the cumulative impact of the various conditions of the crops in North Africa will cause durum production there to be very similar to the 3.6 million mt that was growing during the previous year's drought.



Source: Mercantile

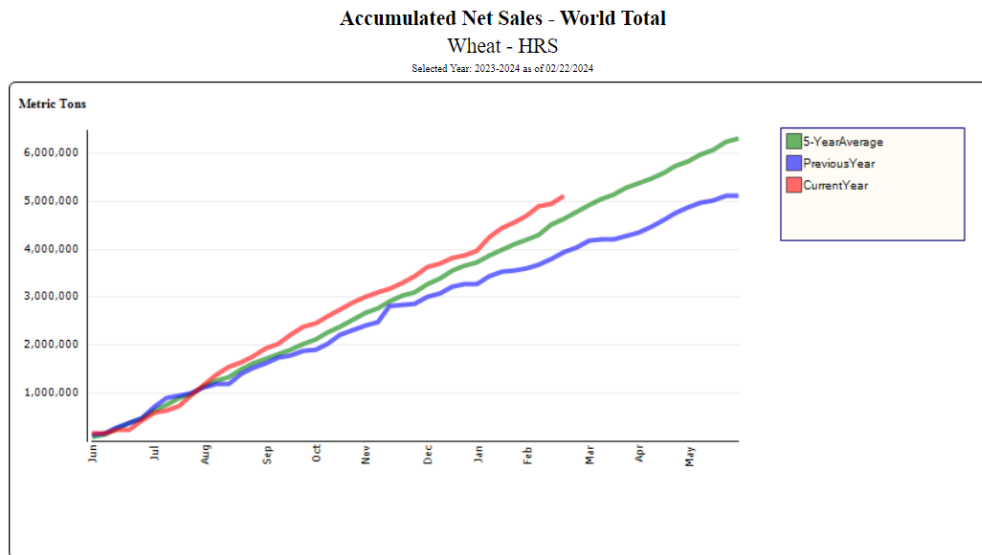
- Durum exports in week 30 were small at 18.2 million mt. Now 58 per cent through the marketing year, Canada has shipped 58 per cent of the AAFC's 3.2 million mt export projection.
- Durum exports in week 29 were lower than last week's at 68.7k m. This yields a season total of 1.8 million mt, down 40 per cent from last year which is inline with the pace expected by the AAFC.



- We would finish old crop durum sales but are not ready to make new crop commitments yet. We would, however, watch for opportunities in your area should buyers start looking to get some early coverage.

**U.S. Wheat:**

- U.S. wheat futures were lower last week from on-going competition from the Black Sea.
- Weekly U.S. wheat sales were uninspiring at 327.3k mt for a season total of 18.2 million mt, up six per cent from last year. Almost half of the sales were of hard red spring wheat. Total HRS commitments are 6.1 million mt compared to the USDA's total export estimate of 6.2 million mt. Mexico, the USA's largest customer of HRS wheat has increased HRS purchases by 40 per cent from last year having bought a year-to-date total of 1.1 million mt.



- U.S. HRS for April 2024 was valued at \$291.00/mt FOB PNW (*down \$1.00/mt from last week*), FOB Gulf HRW 11/12.5 pro is valued at \$270.00/mt (*down \$1.00/mt from last week*).

**Australian Wheat:**

- Exports from Australia remain thin as wheat futures continued to decline and farmers are not selling.
- FOB values in Australia: April 2024 APW, WA is valued at \$285.00/mt (*up \$10/mt from last week*).

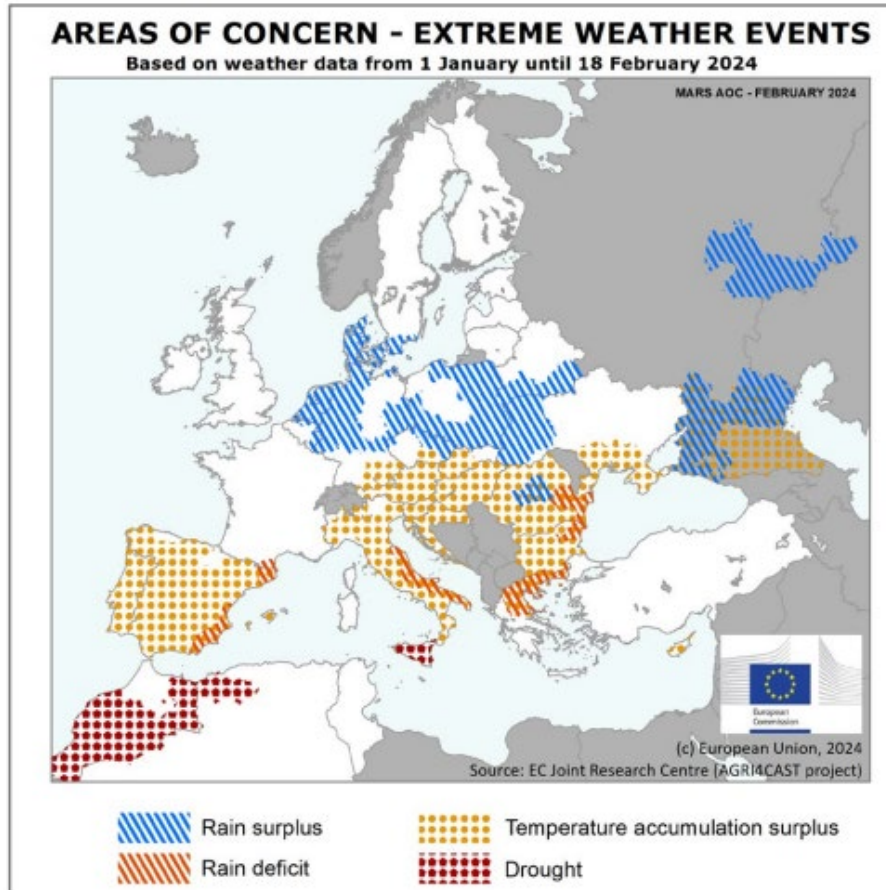
**Argentine Wheat:**

- Fresh news in Argentina was limited.
- Farmer sales advanced another 300k mt to 7.9 million mt. Exporters have bought 5.9 million mt of the total volume.
- FOB Argentine wheat (12 per cent pro) for April 2024 was quoted at \$209.00/mt (*down \$13.00/mt from last week*).

**EU Wheat:**

- MATIF wheat futures fell another 4-7 euros over the week as the March contract is now at fresh lows. In need of cash and space, farmers in the EU have been selling, allowing the Funds to buy in some of their short position amidst declining futures prices. The funds seem to be reducing their short position as we get closer to spring/summer weather markets.
- EU wheat exports continued to improve on last year. Total wheat exports from the EU are now 20.5 million mt which is down three per cent from last year having closed the year-over-year gap by two per cent over the week.
- Brussels lifted EU ending stocks by 200k mt as a 500k mt increase in imports was slightly offset by a 200k mt decrease in production. Exports were left unchanged. Ending stocks are now expected to be 20.3 million mt compared to the USDA's 15.5 million mt. Recent price action implies that the Brussels number is closer than the USDA's.
- Excessive moisture continues to plague parts of the EU including the Benelux countries, western Germany, Denmark, and southeastern Sweden. Over abundant rain has caused localized flooding, water logging and has prevented fertilization. Meanwhile, southern EU countries are dry. Southeastern Romania and northeastern Bulgaria have received less than half of the average rainfall amount. Dry conditions are expanding in Spain, and parts of Italy are recording some of the driest conditions in recent history.





Source: MARS

- EU FOB prices: April 2024 French 11 pro wheat closed at \$220.00/mt (down \$3.00/mt from last week); April 2024 German 12.5 pro wheat closed at \$225.00 (down \$12.00/mt from last week); April 2024 Baltic 12.5 pro wheat closed at \$231.00/mt (up \$1.00/mt from last week).

#### Black Sea Wheat:

- Russia and Ukraine are estimated to have exported a combined 6.5 million mt of wheat in February. This would be two million mt more than the previous year and a February record.
- We have Russian FOB values for 12.5 per cent protein wheat for April 2024 at \$209.00/mt (down \$8.00/mt from last week).

#### ➤ Significant purchases/ trades:

There was little volume business to speak of.

- **Thailand** bought April-May shipment feed wheat from the EU at \$248.50 Liner Out.
- **Jordan** bought 60k mt of new crop (July shipment) wheat at \$240.00/mt C&F which was \$0.50/mt less than its old crop purchase last week. The price indicates that it will likely be filled with Black Sea wheat and reflected a \$20/mt discount to French wheat.
- **U.S.** commercial sales were 327.3k mt for a season total of 18.2 million mt.

➤ **Wheat Market Outlook:**

**Significant events over the past week:**

- In response to the **Polish farmer protests**, government officials are discussing banning agricultural imports from Russia.
- Drought followed by excessive moisture in the fall is expected to **decrease Kazakhstan's 2023-24 wheat production**. The FAS lowered Kazakhstan wheat production by 26 per cent from the previous year to 12.1 million mt. Just 21 per cent of the crop was food grade, 29 per cent was feed quality and the remaining half of the crop tested as "non-class".
- **Chinese researchers** are said to have used gene editing to develop a variety that has both a longer and heavier grain. China is the world's largest wheat producing nation and is in the process of commercializing gene edited and GMO grains in its push for food security.
- The decline in wheat prices has caused **farm margins to shrink** into negative territory in many locations including Russia. Officials there have started to point out this fact, but it is unclear what, if anything, the Russian government will do about it.

**Mercantile's Weekly Outlook:**

Mercantile says there are few buyers left for the current crop wheat so prices could be headed even lower whilst they still have current crop sellers who need to sell. However, Mercantile does expect some Fund buying so *they would leave cash markets alone for the time being.*

**iii) Primary Elevator Price Tables and Grade Spreads**

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

		Date: March 4, 2024			
NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Jun '24 (bu.)	Jun '24 (mt.)
1 CWRS 13.5	-	-	1 CWRS 13.5	-	-
1 CWAD 13.0	\$10.68	\$392.43	1 CWAD 13.0	\$10.54	\$387.28
1 CPSR 11.5	\$7.21	\$264.92	1 CPSR 11.5	\$7.15	\$262.72
<b>SW Sask</b>			<b>SW Sask</b>		
1 CWRS 13.5	\$7.98	\$293.22	1 CWRS 13.5	\$7.89	\$289.91
1 CWAD 13.0	\$10.67	\$392.06	1 CWAD 13.0	\$10.53	\$386.91
1 CPSR 11.5	\$6.87	\$252.43	1 CPSR 11.5	\$6.74	\$247.65
<b>NE Sask</b>			<b>NE Sask</b>		
1 CWRS 13.5	-	-	1 CWRS 13.5	-	-
1 CWAD 13.0	-	-	1 CWAD 13.0	-	-
1 CPSR 11.5	-	-	1 CPSR 11.5	-	-
<b>SE Sask</b>			<b>SE Sask</b>		
1 CWRS 13.5	\$7.77	\$285.50	1 CWRS 13.5	\$7.78	\$285.87
1 CWAD 13.0	\$10.62	\$390.22	1 CWAD 13.0	\$10.54	\$387.28
1 CPSR 11.5	\$6.66	\$244.72	1 CPSR 11.5	\$6.87	\$252.43

Data source: PDQ, Mar. 4, 2024



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

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

Data source: PDQ, Mar. 4, 2024

#### **iv) FOB Wheat Prices and Export Basis Calculation**

##### Background and Rationale:

Reporting FOB prices at port position and primary elevator prices allows the reader to gain an understanding of both local and international wheat prices and to understand the relationship between the two, as measured by the export basis. Export basis can be defined as FOB port position prices minus the primary elevator prices at any given prairie delivery location and is therefore reflective of transportation costs plus any premiums being captured by terminal grain elevator companies or the railway companies, at any given time.

In general, a widening basis is indicative of decreasing system performance in terms of either reduced port capacity or rail service, or both. A narrowing basis is indicative of increased available port capacity and/or better ability of the railways to provide ample service to grain shippers. In this regard, tracking these prices over time has value both in terms of producers being able to time the selling of their grain but also in terms of evaluating and setting policy related to various transportation and capacity issues.

Gray (2015) has calculated a normal basis to be in the range of C\$72/million mt. During the 2013/14 crop year the export basis for wheat widened to approximately C\$250/million mt, which indicated an inability of the grain handling and transportation system to adequately handle the record crop produced that year. This occurrence has highlighted the need to improve the level of rail service and take measures to expand port capacity where possible. It has also underscored the need for better price transparency and market information within the grain sector.

##### Assumptions, Definitions, and Methodology

The following background information should assist in understanding and interpreting international market signals and to relate them to the 'local' Saskatchewan wheat market:

- The price information generated for the weekly report is designed to show farmers at what price levels several wheat classes are trading at local primary elevators (Table 1) and in nearby international markets (Table 3). To express the Export Basis<sup>1</sup> (see *Export Basis* in Table 3) defined as 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:
  - 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.

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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.”

- Italy is the single biggest buyer of Canadian durum wheat with 27 per cent of total Canadian durum exports YTD (East Coast shipments).
- Optional origin grain sales:  
Most major international grain companies sell ‘optional origin’ wheat to their customers and often cover their sales ‘at best’ closer to the shipment position. The Canadian grain system is not conducive to servicing optional origin sales because the volume of wheat kept in storage in port today is much smaller than prior to deregulation of the Canadian wheat market.

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

Relevant FOB Prices and Export Basis				March 4, 2024
Type of Wheat	FOB Prices CDA <sup>1</sup> (calculated)		Street Prices	Export Basis <sup>2</sup>
	West Coast (Cdn./mt\$)	Great Lakes (Cdn.\$/mt)	Rosetown (Cdn.\$/mt)	Basis: West Coast-Centr. SK (Cdn\$/mt)
DNS 14.0	\$377.08	Closed		
HRS	\$372.07			
HRW 11.5	\$328.39			
SWW 12.0	\$295.10			
1 CWRS 13.5 <sup>3</sup>	\$377.08		\$296.16	\$80.92
2 CWRS 13.0 <sup>3</sup>	\$372.07		\$285.13	\$86.94
3 CWRS <sup>3</sup>	\$328.39		\$261.25	\$67.14
CPS <sup>3</sup>	\$288.15		\$262.35	\$25.80
1 CWAD <sup>4</sup>		Closed	\$400.88	
<b>Competing wheat:</b>				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$209.00		Apr. '24	
French 11.5 (Rouen)	\$220.00		Apr. '24	
APW 10.5 (W Coast)	\$285.00		Apr. '24	
Argentine 12.5	\$209.00		Apr. '24	
<sup>1</sup> FOB Prices CDA = FOB US\$ converted into Canadian Currency <sup>2</sup> Basis = FOB Prices CDA minus Street Price <sup>3</sup> DNS 14% ≈ 1 CRWS 13.5%; HRS ≈ 2 CWRS 13.0%; HRW ≈ 3CWRS; SWW ≈ CPS <sup>4</sup> Values derived to Lakehead FOB				