

Wheat Market Outlook and Price Report: January 7, 2025

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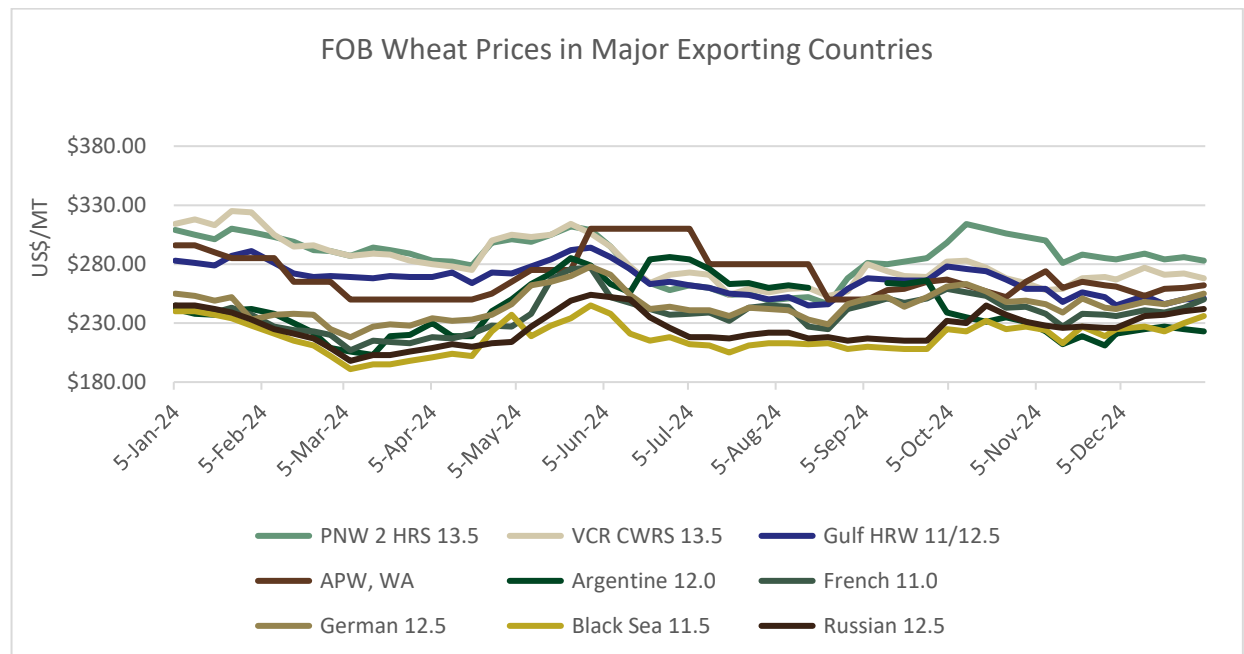
i) Background and Rationale for the Report

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 January 7, 2025

Year in Review: FOB Wheat Prices in Major Exporting Countries



- 2024 was an interesting year in the cash markets. Cash prices started the year strong, and then rapidly declined as the market adjusted to the strong crops in the Northern Hemisphere.
- The cash markets were dominated by Russia which, until recently, had been posting consecutive record monthly export volumes. Near the end of the year the government started implementing measures to restrict exports.

- Weak currencies in importing nations and declining cash prices kept buyers limiting purchases to their immediate needs.
- We expect that 2025 will look markedly different than 2024 for a couple of reasons. The rising U.S. dollar will push importers away from the U.S., and towards origins with weaker currencies. Additionally, lower stocks in Russia and the EU, and potentially smaller production in Europe (winter wheat crops are weak in Russia and had a late start in France) will make importers rely on the abundant crops that were just harvested in the Southern Hemisphere.
- Over the course of the year, North American FOB values declined by \$26.00-\$46.00/mt. FOB values fell in Australia by \$34.00/mt and in Argentina by \$19.00/mt. Meanwhile, FOB values in Europe were anywhere from \$4.00/mt lower (in Russia) to \$5.00-\$6.00/mt higher (in France and the Baltics).

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

- Mar '25 contract **Chicago winter wheat** closed at \$529-2, down 16-4 cents on Friday, *down 11-6 cents on the week*.
- Mar '25 contract **Kansas winter wheat** closed at \$539-0, up down 12-6 cents on Friday, *down 12-4 cents on the week*.
- Mar '25 **Minneapolis hard red spring wheat** closed at \$577-6, down 11-6 cents on Friday, down 16-2 cents on the week.
- U.S. wheat futures had a strong close on Monday and are currently trading 2-5 cents higher at the time of writing Tuesday morning.

CBOT 1-Yr. Mar. 2025 Wheat



KC Mar. 2025 Wheat



Mpls. Mar. 2025 Wheat



Source: Barchart

Canadian Wheat

- March spring wheat contracts broke through the \$5.85 support on Friday but regained this on Monday. We are currently testing the (blue) downward trend line which was established in June.



Source: Barchart

- On Friday, the Canadian dollar fell to \$0.69235, which was the lowest close since the spring of 2003. Monday's recovery brought us to \$0.69930, and we are currently trading a little lower at \$0.6910.

25-Year Canadian Dollar



Source: Barchart

- Canadian non-durum wheat exports in week 21 ending Dec. 29, 2024 were 192.3k mt. The YTD total is 8.4 million mt. There was no data given for the previous year as the CGC usually combines week 21 and week 22 in a single report. We should have this data again next week. In week 20, total exports of 8.2 million mt were exactly in-line with last year.

(CGC) Grain Handling Summary Wheat			Week 21	(Dec. 29, 2024)
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 21	171.3	283.2	192.3	114.9
Week ago	490.3	317.0	427.2	90.5
YTD	10,183.2	10,278.2	8,438.7	2,269.9

Source: Mercantile, based on CGC data

Canadian Durum

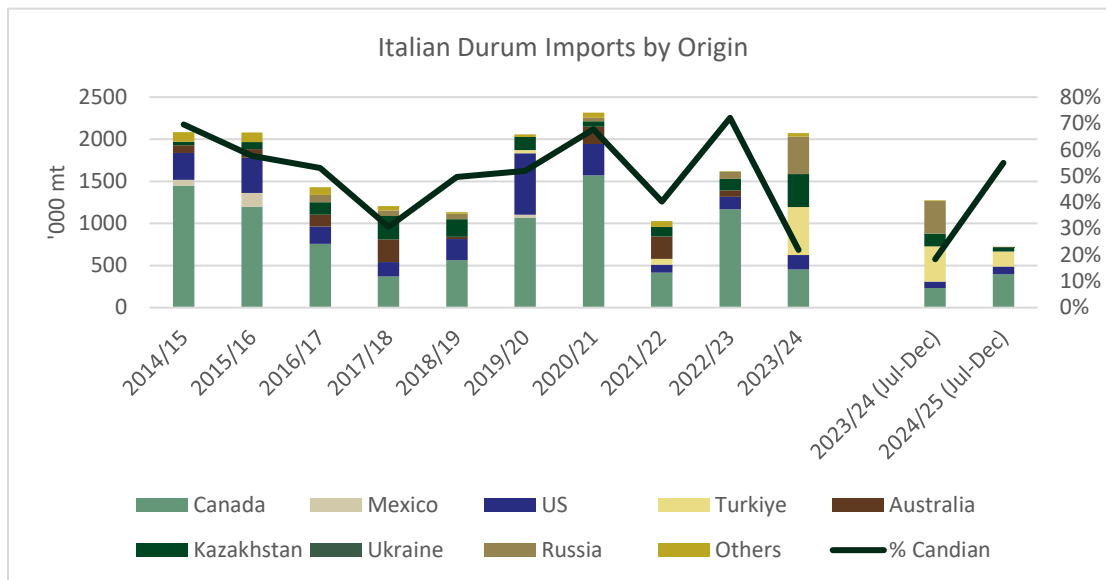
- Canadian durum exports in week 21 were 170.6k mt. The season total is now 2.3 million mt. As of week 20, durum exports were 79 per cent ahead of last year.

(CGC) Grain Handling Summary Durum			Week 21	(Dec. 29, 2024)
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 21	51.5	94.9	170.6	0.9
Week ago	100.5	204.9	181.7	17.8
YTD	2,629.4	2,747.1	2,250.8	286.8

Source: Mercantile, based on CGC data

Global Durum

- Turkey extended its ban on durum wheat exports until May 31, 2025.
- Russia's 2024 durum crop was said to be a record at 1.9 million mt. Domestic demand for high quality Russian durum is said to have grown from 800k mt to 950k mt. Most of the Russian durum quality is considered class 3 or 4, and little to no Russian durum makes class 1 or 2 on an average year (steps are being taken to change this). So, Russian durum rarely achieves a strong enough grade to compete with Canadian durum into the Italian market. With that said, Russia sold a record, 445k mt of durum to Italy (according to EUC data) during 2023. The Russian war and weak ruble put Russian durum at a steep discount to the relatively expensive Canadian durum.
- Italian Jul-Dec (extra-EU) durum imports are just 57 per cent of last year's volume to date at 724k mt. Last year, Italy was importing large volumes of durum from Russia and Turkey. This year, durum exports from Turkey are being restricted and Russian grain exports are banned from the EU. Canada has regained its footing as the main supplier of durum to Italy at 55 per cent of the Jul-Dec total (compared to 18 per cent YTD last year).



Source: Mercantile, based on EUC and EU customs data

- We would target sales up to 55 per cent sold at \$9.50-\$10.00/bu depending on your location.

U.S. Wheat

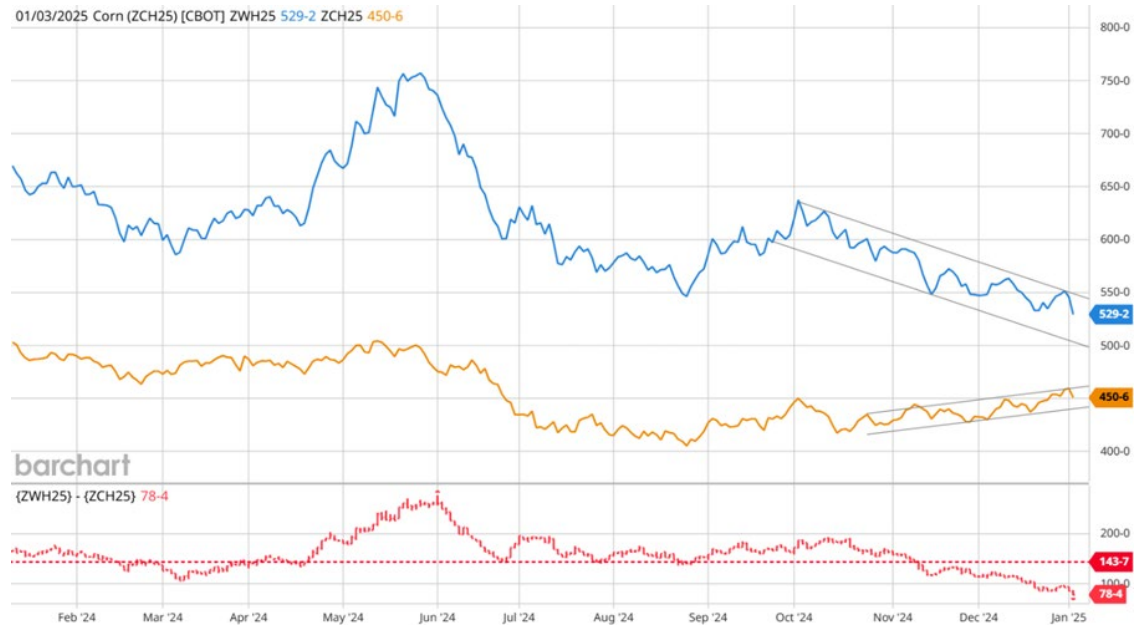
- U.S. wheat futures were lower last week largely because of the strong U.S. dollar.
- The U.S. dollar rose to 108.8 on Friday. This is the strongest close since November 2022. The U.S. Federal Reserve has indicated it will be cautious with further cuts to the interest rates given the strong U.S. economy and strong job market data.



Source: Barchart

- Wheat sales for the week ending Dec. 26, 2024, were 140.6k mt. A marketing year low, and less than the 200k-500k range of expectations. Total commitments are now 16.9 million mt, 10 per cent ahead of last year compared to the USDA's estimate for a 20 per cent increase.

- Wheat (blue) has become increasingly cheap to corn (orange). The wheat-corn spread (red) narrowed by 10 cents over the holidays to \$0.78. This compares with the average \$1.44 premium wheat has commanded over corn since October 2024.



Source: Barchart

- U.S. Hard Red Spring (HRS) for Feb. 2025 is valued at \$283.00/mt FOB Pacific Northwest (*down \$1.00/mt over the holidays*). FOB Gulf Hard Red Winter (HRW) 12/13.5 pro is valued at \$258.00/mt (*up \$4.00/mt over the holidays*); Gulf HRW 11/12.5 pro is at \$251.00/mt (*up \$5.00/mt over the holidays*).

Australian Wheat

- Harvest in Australia is complete. Australian futures rose to two-month highs, and were closed before U.S. prices fell.
- FOB values in Australia: Feb. 2025 Australian Premium White Wheat (APW), WA was valued at \$262.00/mt (*up \$3.00/mt over the holidays*).

Argentine Wheat

- Harvest in Argentina rose to 95 per cent complete. Buenos Aires Grain Exchange (BAGE) let its production estimate unchanged at 18.6 million mt. Cash prices in Argentina fell \$4.00/mt over the Christmas holidays and remain the cheapest in the world on a FOB basis. Argentina's wheat exports are running at a three-year high.
- FOB Argentine 12 pro wheat upriver for Feb. 2025 is \$223.00/mt (*down \$4.00/mt over the holidays*).

EU Wheat

- International futures market of France (MATIF) wheat futures rose to a two-month high as the euro lost value compared to the U.S. dollar. These gains were lost on Friday in sympathy to the declines in the U.S. wheat contracts.
- EU FOB prices: Feb. 2025 French 11 pro wheat closed at \$250.00/mt (*up \$11.00/mt over the holidays*); Feb. 2025 German 12.5 pro wheat closed at \$255.00 (*up \$9.00/mt over the holidays*); Feb. 2025 Baltic 12.5 pro wheat closed at \$256.00/mt (*up \$9.00/mt over the holidays*).

Black Sea Wheat

- SovEcon lowered its estimate for Russian 2024/25 wheat exports by 400k mt to 43.7 million mt. They expect exports in the 2025/26 season will be 36.4 million mt.
- The Russian state weather agency says 37 per cent of the Russian winter wheat crop is in poor condition.
- We have Russian FOB values for 12.5 per cent protein wheat for Feb. 2025 at \$242.00/mt (*up \$5.00/mt over the holidays*).

➤ **Significant Purchases/Trades**

- Cash markets were quiet over the holidays.

Significant Events Over the Past Week

- **Turkey extended its ban on durum exports** until May 31, 2025. **It increased its import quota on soft wheat**, now allowing its mills to import 25 per cent of their needs vs 15 per cent previously. Turkey's total 2024 wheat production (durum and soft wheat) was estimated at 20.8 million mt, down 5.5 per cent from last year
- **Funds worked to buy in part of its short position over the holidays.** The MATIF short shrank to 113k contracts.
- **Egypt's new state grain buying agency, MISR, received its first load of wheat** on Dec. 30, 2024. The new agency had a slow start in fulfilling its duties to buy the country's wheat given uncertainty and lack of clarity on payment and shipping terms. The vessel that arrived, however, was part of the Russian "ghost fleet", which had participated in the shipping of stolen Ukrainian grain and does not actually add a whole lot of clarity to what is going on.

Mercantile's Weekly Outlook:

According to Mercantile, the rising U.S. dollar is having an increasingly large impact on trade flows as buyers switch away from the U.S. to origins with weaker currencies. Trade flows in 2025 will be notably different than in 2024. Mercantile says fewer exports from Europe (Russian and France) will send buyers to source from the abundant crops in the Southern Hemisphere (Australia and Argentina). The fundamentals heading into the new year are not necessarily bullish, but Mercantile says the funds currently hold a ~300k contract global short position in wheat (similar to this time last year) and will likely be prompted to buy it back in the next six months. – Mercantile would hold sales for now.

iii) Primary Elevator Price Tables and Grade Spreads

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

		Date:		January 7, 2025	
NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Apr. '25 (bu.)	Apr. '25 (mt.)
1 CWRs 13.5	n/q		1 CWRs 13.5	n/q	
1 CWAD 13.0	\$8.60	\$316.00	1 CWAD 13.0	\$8.68	\$318.94
1 CPSR 11.5	\$7.37	\$270.80	1 CPSR 11.5	\$7.48	\$274.85
SW Sask			SW Sask		
1 CWRs 13.5	\$7.63	\$280.36	1 CWRs 13.5	\$7.74	\$284.40
1 CWAD 13.0	\$8.64	\$317.47	1 CWAD 13.0	\$8.72	\$320.41
1 CPSR 11.5	\$7.22	\$265.29	1 CPSR 11.5	\$7.24	\$266.03
NE Sask			NE Sask		
1 CWRs 13.5	n/q		1 CWRs 13.5	n/q	
1 CWAD 13.0	n/q		1 CWAD 13.0	n/q	
1 CPSR 11.5	n/q		1 CPSR 11.5	n/q	
SE Sask			SE Sask		
1 CWRs 13.5	\$7.51	\$275.95	1 CWRs 13.5	\$7.54	\$277.05
1 CWAD 13.0	\$8.70	\$319.67	1 CWAD 13.0	\$8.74	\$321.14
1 CPSR 11.5	\$6.92	\$254.27	1 CPSR 11.5	\$6.96	\$255.74

Data source: PDQ, Jan 7, 2025

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	0.03	1.13
1 CWRs 13.5	Base Grade	Base Grade
2 CWRs 13.5	(0.06)	-2.20
1 CWRs 12.5	(0.10)	-3.67
1 CWAD 13.0	Base Grade	Base Grade
1 CWAD 13.5	0.00	0.00
2 CWAD 13.0	(0.03)	-1.10
2 CWAD 12.5	(0.03)	-1.10

Data source: PDQ, Jan. 7, 2025

iv) FOB Wheat Prices and Export Basis Calculation

Background and Rationale:

Reporting FOB prices at port position and primary elevator prices allows the reader to gain an understanding of both local and international wheat prices and to understand the relationship between the two, as measured by the export basis. Export basis can be defined as FOB port position prices minus the primary elevator prices at any given prairie delivery location and is

therefore reflective of transportation costs plus any premiums being captured by terminal grain elevator companies or the railway companies, at any given time.

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

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

Assumptions, Definitions, and Methodology

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

- The price information generated for the weekly report is designed to show farmers at what price levels several wheat classes are trading at local primary elevators (Table 1) and in nearby international markets (Table 3). To express the Export Basis¹ (see *Export Basis* in Table 3) defined as Cdn. FOB Prices minus primary elevator bids, the FOB prices are translated into Cdn. dollars from US dollars and compared to current actual primary elevator Street prices at Rosetown, Saskatchewan (see *Street Prices* in Table 3). Rosetown is used as a proxy for all primary elevators in the basis calculation. The actual handling and transportation costs from the West Coast to delivered elevator (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 North West (PNW) ≈ 1 CWRS 13.5 per cent in Vancouver
 - HRS in the Pacific North West (PNW) ≈ 2 CWRS 13.0 per cent 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

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."

(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				January 7, 2025
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	\$359.43	Closed		
HRS	\$355.33			
HRW 11.5	\$339.98			
SWW 12.0	\$317.39			
1 CWRs 13.5 ³	\$359.43		\$279.25	\$80.17
2 CWRs 13.0 ³	\$355.33		\$271.54	\$83.79
3 CWRs ³	\$339.98		\$256.84	\$83.14
CPS ³	\$310.03		\$261.98	\$48.05
1 CWAD ⁴		Closed	\$327.02	
Competing wheat:				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$236.00		Feb '25	
French 11.0 (Rouen)	\$250.00		Feb '25	
APW 10.5 (W Coast)	\$262.00		Feb '25	
Argentine 12.5	\$223.00		Feb '25	
¹ FOB Prices CDA = FOB US\$ converted into Canadian Currency ² Basis = FOB Prices CDA minus Street Price ³ DNS 14% ≈ 1 CWRs 13.5%; HRS ≈ 2 CWRs 13.0%; HRW ≈ 3 CWRs; SWW ≈ CPS ⁴ Values derived to Lakehead FOB				