

Wheat Market Outlook and Price Report: Apr. 1, 2024
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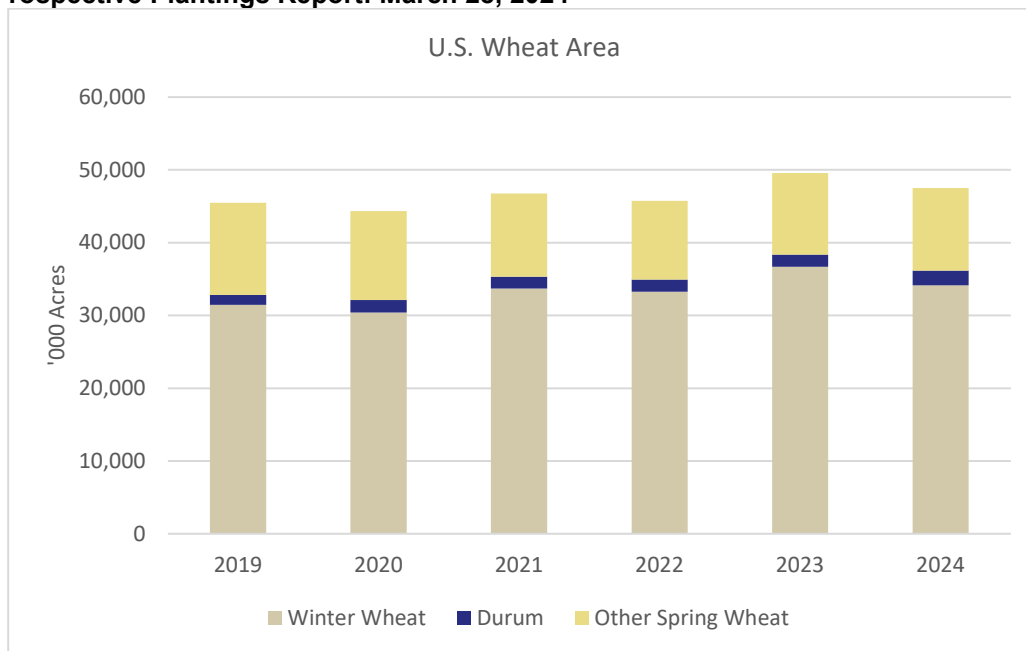
i) Background and Rationale for the Report

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 April 1, 2024

USDA Prospective Plantings Report: March 28, 2024



Source: Mercantile, based on USDA data

- The USDA Prospective Plantings Report was released on Thursday.
- U.S. all wheat seeded area is expected to fall by 4 per cent from last year to 47.5 million acres. All wheat acres were near the middle of the trade’s expectations but slightly higher than the average estimate of 47.3 million mt.
- The USDA has winter wheat area at 34.1 million acres which is seven per cent less than last year while the trade was expecting the area to be 34.9 million acres.

- “Other spring wheat” wheat area is expected to grow by one per cent to 11.3 million acres which would be one per cent more than last year. The trade thought spring wheat would be 10.9 million acres.
- The USDA is calling for a record durum area of two million acres (vs. the trade guess of 1.7 million acres), which reflects a 21 per cent increase from last year.
- Overall, the Prospective Plantings Report was mixed for wheat. Fewer winter wheat acres are supportive for prices in Chicago and Kansas, but more spring wheat area and record durum area will be negative for those markets (additional details below).

➤ **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 \$560-2, up 12-6 cents on Thursday, *up 13-4 cents on the week*.
- May 2024 contract **Kansas hard red winter wheat** closed at \$585-2, up 7-0 cents on Thursday, *up 3-4 cent on the week*.
- May 2024 **Minneapolis hard red spring wheat** closed at \$645-0, down 6-0 cents on Thursday, *down 16-0 cents on the week*.
- U.S. wheat futures are currently trading 7-14 cents lower at the time of writing. EU markets remain closed for Easter Monday.



Canadian Wheat

- **Canadian weekly exports:** Although Canadian exports were smaller in week 34, 346k mt of exports were still in line with the average pace needed to meet the AAFC’s 10.25 million mt export forecast. Visible supplies grew due to large deliveries of 563k mt, which will allow exports to remain high.

(CGC) Grain Handling Summary Wheat		Week 34	(Mar. 24, 2024)	
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 34	563.4	400.5	346.0	46.5
Week ago	565.9	381.5	515.1	49.7
YTD	16,141.5	15,686.0	13,866.7	2,997.9
Last YTD	16,291.6	15,182.0	13,195.2	2,744.0
YTD less Last YTD	-150.1	504.0	671.5	253.9
YTD over Last YTD	99%	103%	105%	109%

Source: Mercantile, based on CGC data

- **Durum:** Week 34 Canadian durum exports were smaller at 62.0k mt, but still above the average weekly volume needed to meet the AAFC's export estimate. Two thirds of the exports were executed through the St. Lawrence.

(CGC) Grain Handling Summary Durum		Week 34	(Mar. 24, 2024)	
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 34	78.6	91.3	62.0	2.7
Week ago	63.3	80.3	135.7	16.0
YTD	2,769.5	2,705.7	2,245.5	370.3
Last YTD	4,080.0	4,098.0	3,595.7	412.7
YTD less Last YTD	-1,310.5	-1,392.3	-1,350.2	-42.4
YTD over Last YTD	68%	66%	62%	90%

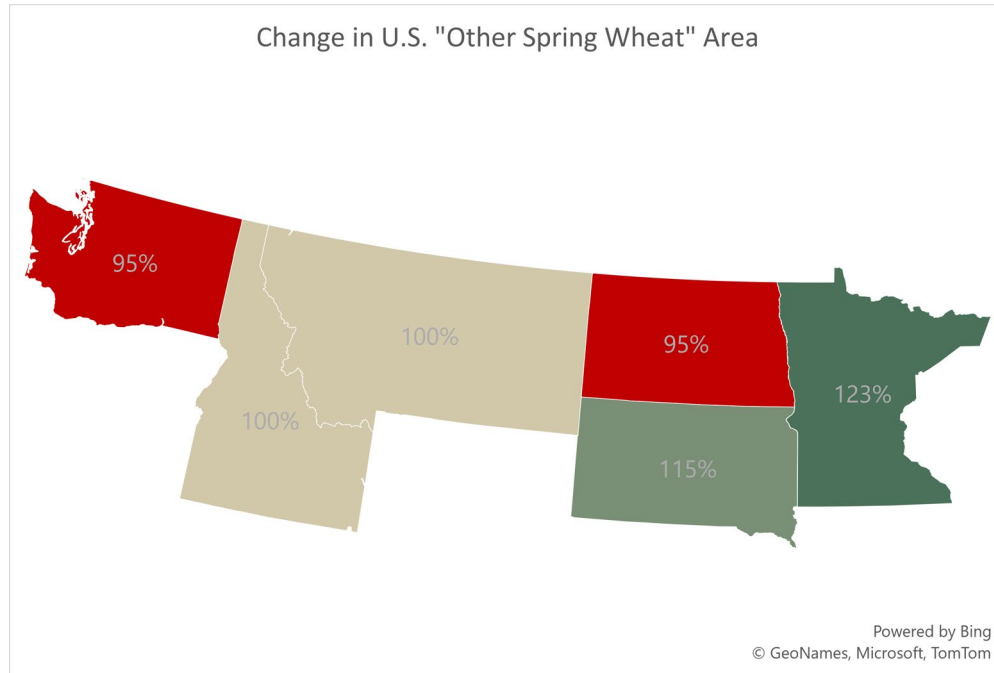
Source: Mercantile, based on CGC data

- *We are sold out of durum wheat and recommend selling 30 per cent of expected new crop at the current price.*

U.S. Wheat:

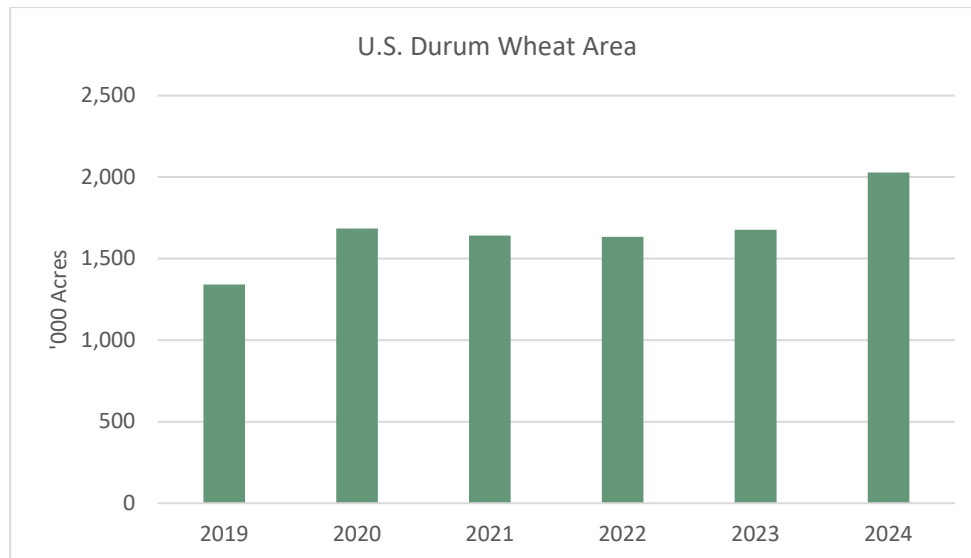
- U.S. wheat futures diverged last week as the USDA prospective plantings report was perceived to be supportive for winter wheat, but negative for spring wheat. A positive reaction to the planting report in the corn market added additional strength for Chicago wheat futures.

- The USDA has “other spring wheat” seeded area at 11.3 million acres which is 1.2 per cent (135k acres) more than last year. The trade’s guess was lower at 10.9 million acres. Most of the increase in prospective acres is in Minnesota where seeded area is expected to be 300k acres larger. Seeded area in Montana is unchanged while area in North Dakota is expected to shrink by 250k acres.



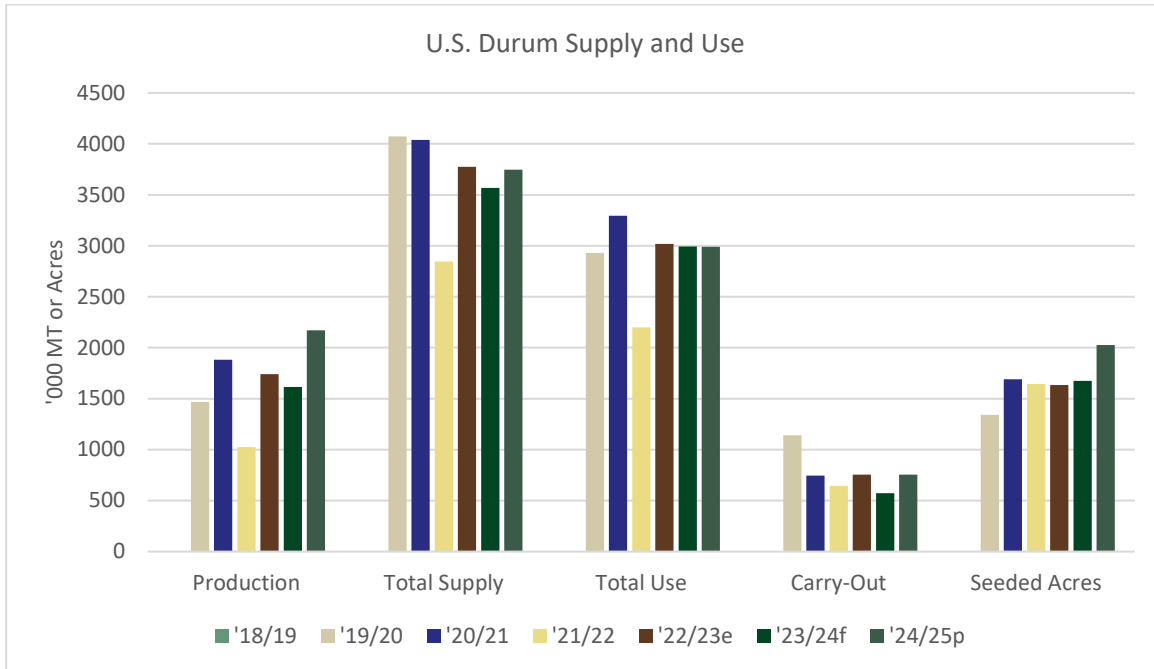
Source: Mercantile, based on USDA data

- U.S. Durum:** The USDA is forecasting that U.S. durum area to expand by 21 per cent (352k acres) from last year to a record of two million acres. Most of this increase is expected to be in North Dakota, where durum area is expected to expand by almost 200k acres to 1.1 million acres. Seeded area in Montana is expected to grow by just under 100k acres to 850k acres.



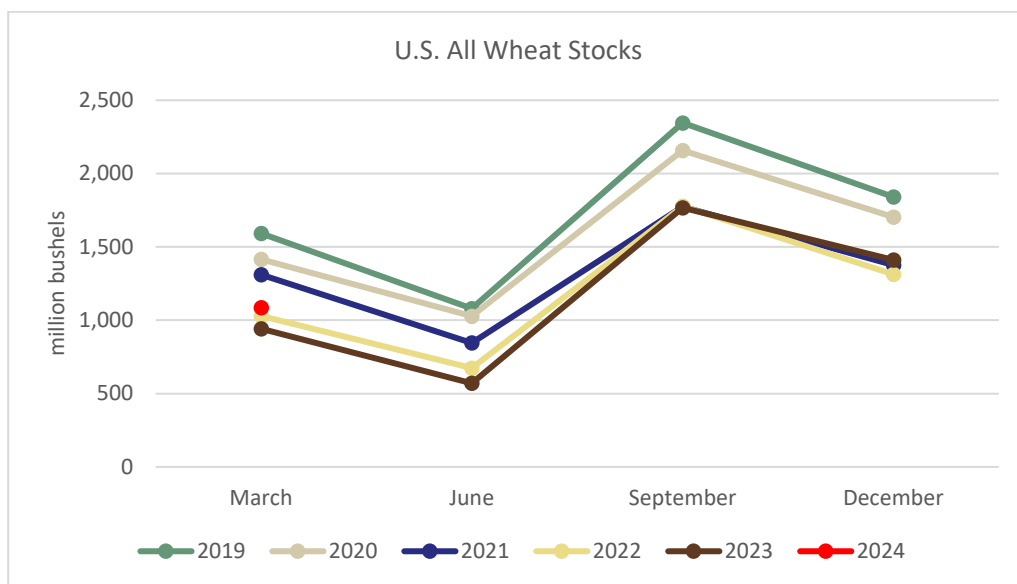
Source: Mercantile, based on USDA data

- The increase in seeded area and trend yields would produce a 35 per cent larger crop than last year of 2.2 million mt. Low beginning stocks and 200k mt fewer imports (which would impact demand in Canada) would mean total supply is 3.7 million mt which is just five per cent more than last year. If we leave use essentially unchanged, ending stocks would grow by 31 per cent from the low volume of 2023/2024 to a much more normal amount of 754k mt.



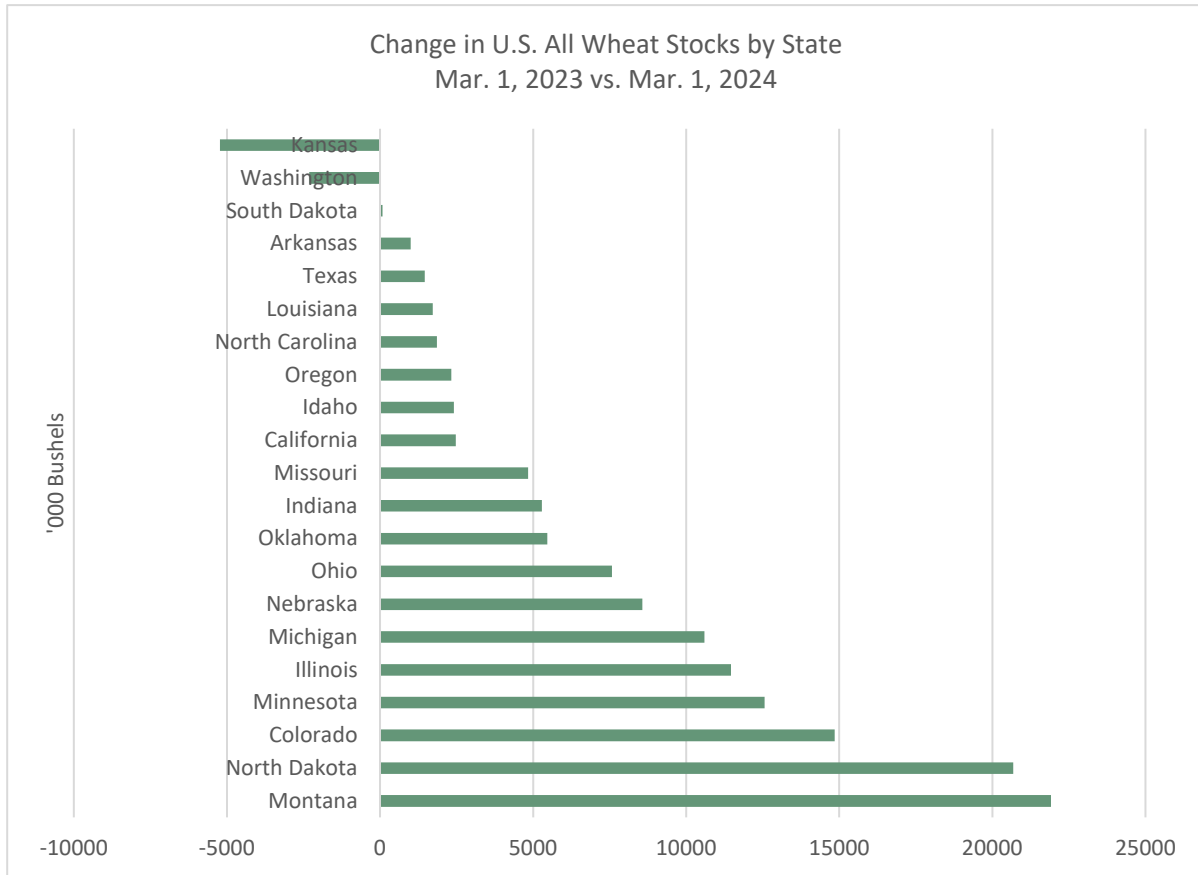
Source: Mercantile, based on USDA and MVC data

- **U.S. wheat stocks:** The USDA had U.S. all wheat stocks as of Mar. 1, 2024 at 1.1 billion bushels, up 16 per cent from last year. The trade was expecting that stocks would be one billion bushels. On-farm stocks are up 20 per cent from last year.

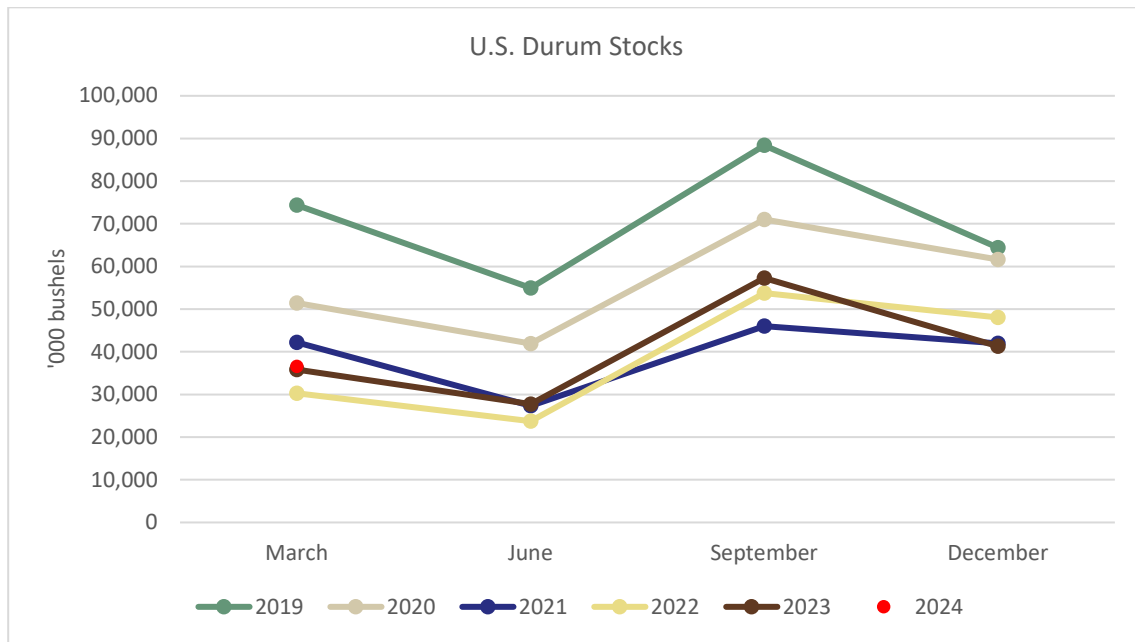


Source: Mercantile, based on USDA data

- Possibly the biggest reason why spring wheat fared so poorly on Thursday was the fact that almost 40 per cent of the increase in wheat stocks from last year is due to larger stocks in the major spring wheat producing states of Montana, North Dakota and Minnesota. The combined wheat stocks of these states as of Mar. 1, 2024 are 322.1 million bushels which is 21 per cent (55.2 million bushels) more than last year and account for 30 per cent of all the wheat stocks in the U.S. (vs 28 per cent last year).



- U.S. durum stocks as of Mar. 1, 2024 were 36.6 million bushels which is two per cent higher than last year. On farm stocks were up by 10 per cent, while off-farm stocks were down 10 per cent from last year. Indicated December to February disappearance was 8.7 million bushels, which is 29 per cent less than last year.



Source: Mercantile, based on USDA data

- U.S. HRS for April 2024 was valued at \$289.00/mt FOB PNW (*down \$3.00/mt from last week*), FOB Gulf HRW 11/12.5 pro is valued at \$269.00/mt (*down \$1.00/mt from last week*).

Australian Wheat:

- Australian wheat futures were pressured last week as the country looks forward to seeding and soil moisture levels are strong. The forecast looks dry for the next two-to-three weeks.
- FOB values in Australia: April 2024 APW, WA is valued at \$250.00/mt (*unchanged from last week*).

Argentine Wheat:

- Farmers in Argentina are restricting selling as there is talk that the country may devalue or even float its currency.
- FOB Argentine wheat (12 per cent pro) for April 2024 was quoted at \$220.00/mt (*up \$1.00/mt from last week*).

EU Wheat:

- Official data shows that EU exports are two per cent behind last year. There are, however, chronic issues with the data, specifically the French numbers. EU exports may actually be larger than last year.
- The EU is close to finalizing the structure on controls of Ukrainian grain imports. It looks like it will have limited impact on the flow of Ukrainian grain into the EU.
- The condition of the French wheat crop was reported to be unchanged from last week at 66 per cent Gd/Ex.
- EU FOB prices: April 2024 French 11 pro wheat closed at \$213.00/mt (*down \$1.00/mt from last week*); April 2024 German 12.5 pro wheat closed at \$228.00 (*down \$1.00/mt from last week*); April 2024 Baltic 12.5 pro wheat closed at \$229.00/mt (*up \$2.00/mt from last week*).

Black Sea Wheat:

- The Russian government awarded the remaining volume of the February to June export quota. Exporter, Grain Gates got 77.5 per cent of the total volume, while RIF Trading house was not given any. Reports say RIF still has upwards of 400k mt of wheat that is being prevented from leaving ports.
- Russian wheat exports in March are on pace to be a record for the month at five million mt.
- We have Russian FOB values for 12.5 per cent protein wheat for April 2024 at \$206.00/mt (*up \$3.00/mt from last week*).

➤ **Significant purchases/ trades:**

- Early Monday morning, the **Saudi Arabia** GFSA (General Food Security Authority) booked 795k mt of wheat for June - July 2024 arrival at an average price of \$256.40/mt CFR Jeddah. This is about \$28/mt cheaper than their last purchase in December.
- U.S. old crop wheat sales were 339.6k mt. New crop wheat sales were 212.8k mt.

➤ **Wheat Market Outlook:**

Significant events over the past week:

- The markets were closed on Friday and EU markets are closed today (Monday) for the **Easter Weekend**.
- The **USDA Prospective Plantings Report** had corn area two million acres below that the trade was expecting at 90.0 million acres, down five per cent from last year. U.S. all wheat area was 200k acres above the grade guess at 47.5 million acres, down four per cent from last year.
- The **USDA Stocks Report** showed corn stocks stored in all positions were slightly lower than the trade was expected, but still a four-year high of 8.35 million bushels. Wheat stocks were 100 million bushels more than expected at 1.1 billion bushels, up 16 per cent from last year.
- **Corn harvest in Argentina** is 5.7 per cent complete with an average yield of 8.3 tph. Their national forecast is 7.5 tph. Crop condition ratings fell two per cent to 22 per cent Gd/Ex.
- **Central and Northern Brazil** look like they will get more rain this week while **Southern Brazil and Argentina** will remain dry.

Mercantile's Weekly Outlook:

According to Mercantile, lower quality wheat has some strength due to weather in Europe and some Black Sea problems. In general, Mercantile expects wheat will move mostly sideways. With most European markets closed Monday, Mercantile would leave them alone this week.

iii) Primary Elevator Price Tables and Grade Spreads

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

Date: April 1, 2024

NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Jun '24 (bu.)	Jun '24 (mt.)
1 CWRS 13.5	\$8.32	\$305.71	1 CWRS 13.5	\$8.29	\$304.61
1 CWAD 13.0	\$10.51	\$386.18	1 CWAD 13.0	\$10.22	\$375.52
1 CPSR 11.5	\$7.63	\$280.36	1 CPSR 11.5	\$7.50	\$275.58
SW Sask			SW Sask		
1 CWRS 13.5	\$8.27	\$303.87	1 CWRS 13.5	\$8.24	\$302.77
1 CWAD 13.0	\$10.59	\$389.12	1 CWAD 13.0	\$10.30	\$378.46
1 CPSR 11.5	\$7.52	\$276.31	1 CPSR 11.5	\$7.41	\$272.27
NE Sask			NE Sask		
1 CWRS 13.5	\$8.14	\$299.10	1 CWRS 13.5	\$8.07	\$296.52
1 CWAD 13.0	\$10.46	\$384.34	1 CWAD 13.0	\$10.26	\$376.99
1 CPSR 11.5	-	-	1 CPSR 11.5	-	-
SE Sask			SE Sask		
1 CWRS 13.5	\$8.04	\$295.42	1 CWRS 13.5	\$8.03	\$295.05
1 CWAD 13.0	\$10.57	\$388.38	1 CWAD 13.0	\$10.35	\$380.30
1 CPSR 11.5	\$7.29	\$267.86	1 CPSR 11.5	\$7.15	\$262.72

Data source: PDQ, Apr. 1, 2024

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

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

Data source: PDQ, Apr. 1, 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 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 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:

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.”

- DNS 14 per cent in the Pacific Northwest (PNW) ≈ 1 CWRS 13.5 per cent in Vancouver
 - HRS in the Pacific Northwest (PNW) ≈ 2 CWRS 13.0 per cent in Vancouver
 - HRW in the Pacific Northwest (PNW) ≈ 3 CWRS in Vancouver
 - SW (lowest price wheat) ≈ CPS red (mostly fed domestically)
 - HAD (Lakes) ≈ CWAD (Thunder Bay/ Lawrence)
 - Abbreviations: DNS (Dark Northern Spring Wheat); HRS (Hard Red Spring Wheat); HRW (Hard Red Winter Wheat); SW (Soft Wheat); HAD (Hard Amber Durum Wheat); CWRS (Canadian Western Red Spring Wheat); CPS (Canada Prairie Spring Wheat); CWAD (Canadian Western Amber Durum Wheat)
- Hard wheat price calculations:
Exporters in Western Canada generally derive their primary elevator wheat prices from HRS values at the West Coast (Pacific Northwest - PNW). Similarly, HRW values are used for lower grade (3) CWRS.
- West Coast HRS and HRW values essentially dominate the international hard wheat trade and determine its basic value.
 - If premiums are paid for 1 CWRS 13.5, elevator companies are often able to retain the premium.
- Durum wheat price calculations:
The primary export route for Canadian durum wheat is still through Thunder Bay, not the West Coast of Canada.
- Nevertheless, the Pacific Coast has increased in importance for durum over time with 38 per cent of total export volume crop year to date.
 - Italy is the single biggest buyer of Canadian durum wheat with 27 per cent of total Canadian durum exports YTD (East Coast shipments).
- Optional origin grain sales:
Most major international grain companies sell 'optional origin' wheat to their customers and often cover their sales 'at best' closer to the shipment position. The Canadian grain system is not conducive to servicing optional origin sales because the volume of wheat kept in storage in port today is much smaller than prior to deregulation of the Canadian wheat market.

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

Relevant FOB Prices and Export Basis				April 1, 2024
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	\$368.26	Closed		
HRS	\$363.23			
HRW 11.5	\$327.90			
SWW 12.0	\$291.02			
1 CWRS 13.5 ³	\$368.26		\$295.05	\$73.21
2 CWRS 13.0 ³	\$363.23		\$284.03	\$79.20
3 CWRS ³	\$327.90		\$260.15	\$67.75
CPS ³	\$284.05		\$267.86	\$16.18
1 CWAD ⁴		Closed	\$385.81	
Competing wheat: US\$/mt				
Russia 12.5 (Black Sea, 25k mt)	\$206.00		Apr. '24	
French 11.5 (Rouen)	\$213.00		Apr. '24	
APW 10.5 (W Coast)	\$250.00		Apr. '24	
Argentine 12.5	\$220.00		Apr. '24	
¹ FOB Prices CDA = FOB US\$ converted into Canadian Currency ² Basis = FOB Prices CDA minus Street Price ³ DNS 14% ≈ 1 CRWS 13.5%; HRS ≈ 2 CWRS 13.0%; HRW ≈ 3CWRS; SWW ≈ CPS ⁴ Values derived to Lakehead FOB				