

Wheat Market Outlook and Price Report: April 11, 2022

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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 11, 2022

AMIS¹ April 2022 Global Wheat Supply-Demand Outlook:

Wheat	FAO-AMIS			USDA		IGC		IN MILLION TONNES
	2020/21 est	2021/22 f'cast		2020/21 est	2021/22 f'cast	2020/21 est	2021/22 f'cast	
		3 Mar	7 Apr		9 Mar		17 Mar	
Prod.	776.6 642.3	775.4 638.5	776.5 639.6	776.0 641.8	778.5 641.6	774.4 640.0	781.3 644.2	
Supply	1053.6 792.7	1063.7 796.4	1065.5 798.2	1072.8 788.6	1068.8 787.7	1049.3 786.1	1059.6 795.5	
Utiliz.	761.6 620.7	772.8 630.0	770.4 627.6	782.6 632.6	787.3 639.8	771.1 625.1	778.2 636.2	
Trade	189.2 178.4	194.0 184.5	189.8 180.3	198.7 188.1	204.8 195.3	190.3 179.3	194.0 184.4	
Stocks	289.0 158.6	291.1 157.3	295.6 161.8	290.3 146.2	281.5 139.3	278.3 150.0	281.4 149.6	

- *Last week's AMIS wheat outlook reflects the general market sentiment in the wheat market well:* Markets continue to be roiled by the ongoing Russia-Ukraine conflict. Price volatility is high, as traditional buyers of wheat and other commodities are trying to find new suppliers. For wheat, attention is also shifting to the conditions of the fall-planted crop emerging from dormancy in the northern hemisphere where the next two months will be critical. Spring plantings will also be watched closely. Early indications from the US suggest that increased wheat plantings are unlikely.

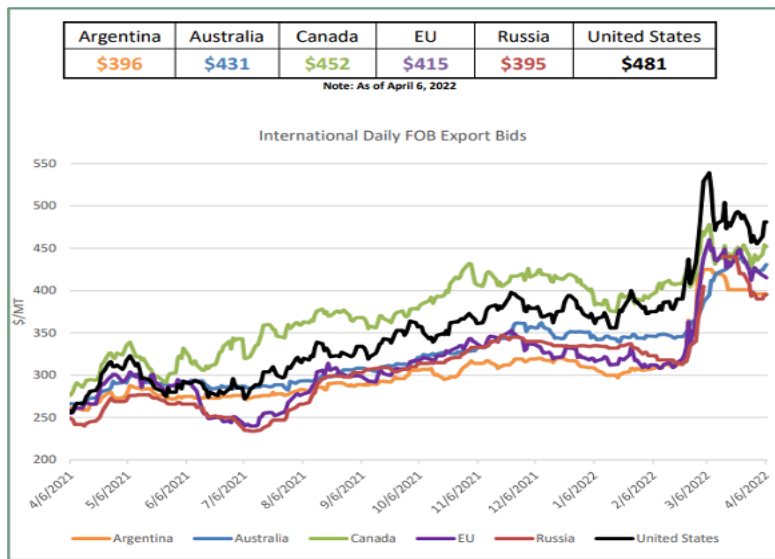
¹ AMIS: Agricultural Market Information System. Input comes from the ten organizations that form the AMIS Secretariat: FAO, IFAD, IFPRI, IGC, OECD, UNCTAD, World Bank Group, WFP, WTO, GLAM.

- Specifically, the **2021 global wheat production** was raised slightly month-over-month, based on an upward revision for Australia, and forecast near last year's record.
- **2021/22 wheat utilization** was scaled down due to slower growth in feed use than previously expected, mostly in India and the EU on account of higher export forecasts, but still up 1.2 percent from 2020/21.
- **Trade in '21/22** (June/July) was cut month-over-month on downward revisions for exports from the Russian Federation and Ukraine, and consequential reduced import expectations for several countries.
- **Ending stocks in 2022** were boosted month-over-month by higher inventories estimated in the Russian Federation and Ukraine, which outweighed inventory downgrades in several countries on account of lower imports.

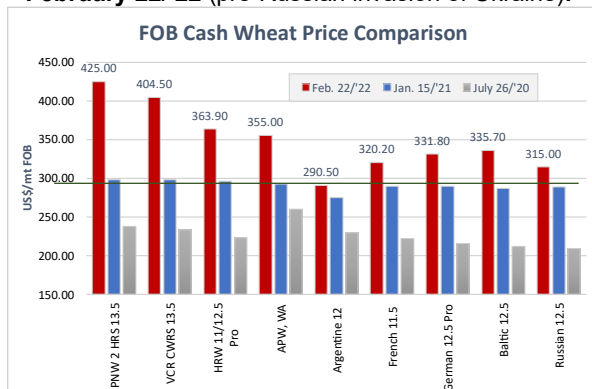
Recent Developments in Wheat Demand:

This month's AMIS report shows higher global grain stocks than last month's estimates, but this should not be interpreted as a sign of increased availability as stocks in Ukraine are essentially encumbered until ports reopen.

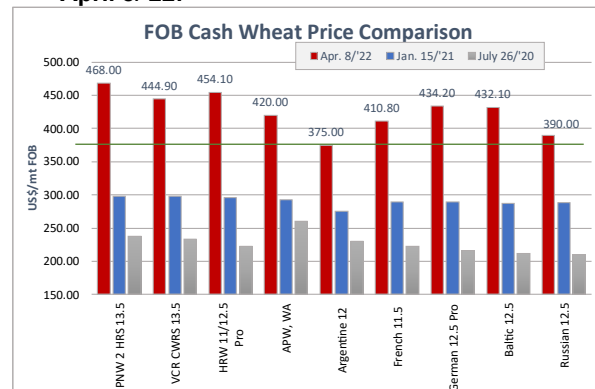
Global wheat prices have backed off their early March highs but continue to be supported by the war in Ukraine and weather issues for new crop.



February 22'22 (pre-Russian invasion of Ukraine):



April 8'22:



➤ **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 '21 contract **Chicago winter wheat** closed at 1051-4, up 31-4 cents on Friday, *up 67-0 cents on the week.*
- May '21 contract **Kansas hard red winter wheat** closed at 1106-6, up 36-0 cents in Friday's trade, *up 93-6 cents on the week.*
- May '21 **Minneapolis hard red spring wheat** closed at 1127-2, up 27-6 cents on Friday, *up 62-0 cents on the week.*

CBOT May 2022 Wheat (1 yr.)



KC May '22 Wheat

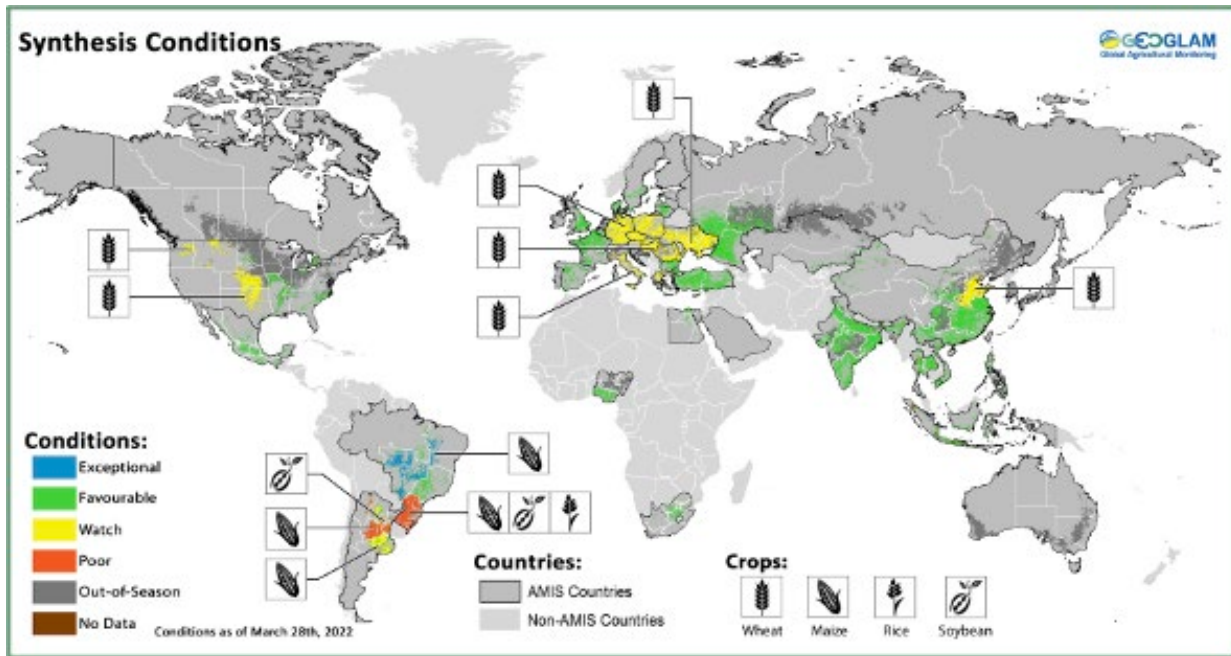


Mpls. May '22 Wheat



General Comment

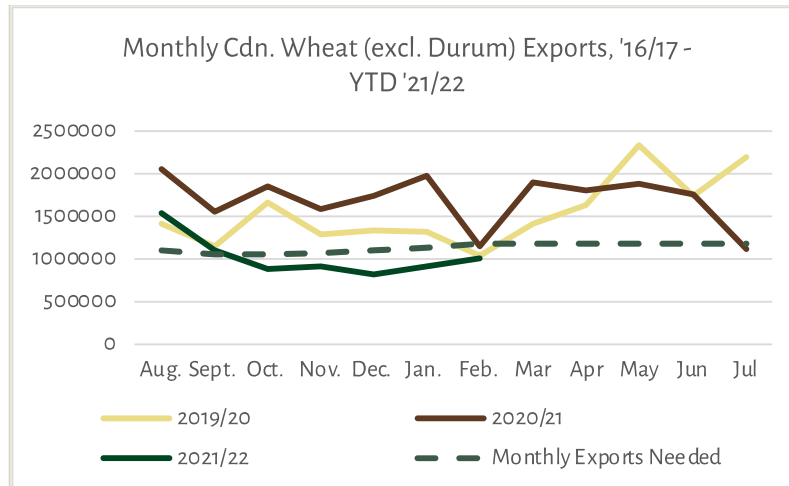
According to AMIS, a large portion of the wheat-producing areas in the US, Europe and China are not in great conditions due to a lack (US and Europe) or abundance (China) of moisture. The areas indicated in the map below shows that over 25% of all wheat production is under "watch" condition.



Source: AMIS, Apr. 7/22

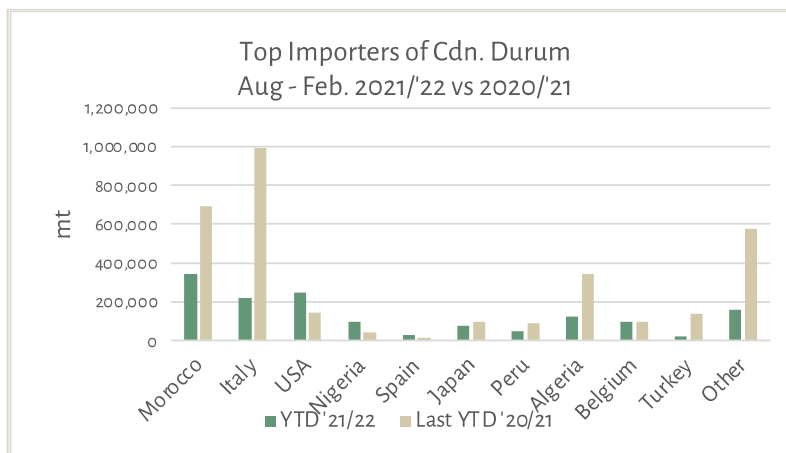
Canadian Wheat:

- According to Stats Canada, Canadian wheat exports during February were 1 million mt for an August-February total of 7.2 million mt. This is a 40% decline from last year. To meet AAFC's 13.2 projection, monthly exports need to be 1.2 million mt for the remaining 5 months of the marketing year. This amount has only been accomplished twice (August and September) this year. Weekly export amounts continue to be uninspiring as week 35 exports were just 188.7k mt.
- *Trader's attention is turning to new crop. Even in absence of some of Ukraine's crop, normal growing conditions in the rest of the world would provide ample wheat supply, but dry conditions in the US and Europe are concerning. The wheat market will be increasingly weather-driven.*



(CGC) Grain Handling Summary Wheat		Wk. 35 (Apr.31/'21)		
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk exports	Domestic Disappearance
Wk. 36	232.8	214.4	188.7	106.8
Week ago	233.1	147.4	171.3	46.7
YTD	11,155.3	9,778.3	7,834.8	2,788.1
Last YTD	15,072.4	14,986.5	13,257.0	2,698.4
YTD less Last YTD	-3,917.1	-5,208.2	-5,422.2	89.7
YTD over Last YTD	74%	65%	59%	103%

- **Durum:** The USDA left the US durum balance sheet unchanged.
- On a global level, USDA lowered EU all wheat imports by 300k mt to 4.5 million mt because of "reduced durum imports from Canada and the US, (and) fewer imports from Ukraine". Morocco's all wheat imports were raised 200k mt from strong demand and a drought-impacted 2022 crop.
- According to Stats Canada, total Canadian durum exports during February were 146.9k mt for a season total of 1.5 million mt, 45% of last year's amount. Morocco remains Canada's top durum customer, importing an August-February total of 343.7k mt of Canadian durum.



- New crop durum prices continue to rise as buyers are realizing that next year’s supply might be lower than they anticipated. We heard of a \$15.75/bu new crop special which should be sold.
- Just be warned about “#3 CWAD Milling” specs that have HVK (80%) and test weight specifications (392 g/hl) of a #1 CWAD. - We would sell up to 50% at those prices.

(CGC) Grain Handling Summary Durum

Wk. 34

(Apr. 3/'21)

('000 mt)	Producer Deliveries	Terminal Receipts	Bulk exports	Domestic Disappearance
Wk. 36	36.5	41.7	53.6	5.6
Week ago	22.6	16.7	40.9	2.9
YTD	1,906.5	2,176.0	1,651.5	295.9
Last YTD	4,475.4	4,895.9	4,123.9	381.4
YTD less Last YTD	-2,568.9	-2,719.9	-2,472.4	-85.5
YTD over Last YTD	43%	44%	40%	78%

US Wheat:

- The USDA made no changes to the US HRS balance sheet.
- US Spring wheat planting is 3% complete (2% last year).
- The USDA report on Friday was moderately supportive of wheat.
- **Global ending** stocks were reduced by 3.1 million mt from March to 278.4 million mt, which was a larger decrease than the trade was expecting.
- A 500k mt increase in Argentina’s production was offset by a 580k mt decrease in the EU.
- **Global trade** was reduced by 3.0 million mt. The decrease was primarily from lower **imports** in the Middle East and North Africa. **Exports** from the EU and US were seen 3.5 million mt and 0.5 million mt lower respectively. **Exports** in Brazil and Argentina were raised to 2.5 million mt (+800k mt) and 15.0 million mt (+500k mt) as both countries experienced strong production and are benefiting from strong prices and demand from the Middle East and Southeast Asia.

- Ukraine's exports were reduced by 1 million mt to 19 million mt. The entirety of this decrease was made up for by a 1 million mt increase in exports from Russia to 33 million mt. There are conflicting views on Russian movement. While some say that there is "little to no" Russian wheat being exported, others say that Russia exported 1.8 million mt of wheat in March 2022, which is a large increase over the 1.0 million mt that was exported in March 2021. Ukrainian wheat exports are currently banned by Ukraine's government.
- **Global consumption** was put 3.8 million mt higher.
- **In the US: Ending stocks** were raised by 25 million bushels to 678 million bushels. This was 25 million bushels higher than what the trade was expecting.
 - The increase in ending stocks came from 10 million bushels lower **domestic use** and a 15 million bushel decrease in **exports** (to 785 million bushels).
 - By class, HRW exports were reduced by 10 million bushels while SRW was 5 million bushels lower.
- *There was a strong reaction to the first national crop condition estimates which pegged the US winter wheat crop at 30% Gd/Ex compared to the 40% that the trade was expecting and the 53% Gd/Ex rating of the same time last year. This is the lowest early April winter wheat condition rating in 26 years and the 2nd lowest on record. Crop conditions in Kansas are rated as 32% Gd/Ex compared to 54% last year.*
- US HRS for April '22 is valued at \$468.00/ mt FOB PNW (up \$13/mt from last week, and up \$43/mt since Feb. 14), FOB Gulf HRW 11/12.5 pro is valued at \$464.80/mt (up \$10.30/mt from last week, up \$0.10/mt since February 24).

Australian wheat:

- It looks like Australia could be heading for a third straight bumper crop as La Nina continues to support soil moisture levels.
- Australian FOB APW wheat for April '22 was quoted at \$420.00/mt, down \$10/mt over the past week.

Argentine wheat:

- Private reports suggest any acreage loss in Argentina could be offset by gains in Brazil where the exportable surplus could reach ~3 million mt. But this is all still a long way off.
- April shipment Argentine 12% pro wheat was valued at ~\$375.00/mt FOB, unchanged from the previous week.

EU wheat:

- Matif lost another €3 out of the old crop-new crop inverse, *as demand continues to be pushed into new crop.*
- Rain in Europe remains mostly near normal although there are renewed dry pockets developing in the east and Iberia.
- FOB prices in the EU: April '22 French 11.5 pro closed at \$410.80/mt, down \$17.10/mt from last week (up \$90.30/mt since February 24). April German 12.5 pro wheat closed at \$434.20/mt, down \$14.20/mt (up \$102.20/mt since February 24). April Baltic 12.5 pro wheat was at \$432.10/mt, down \$14.10/mt (up \$100.20/mt since February 24).

Black Sea wheat:

- Ukraine and S Russia are again showing additional rain in this morning's maps.
- Russian spring plantings are reported to be ahead of last year's.
- Maritime insurance companies are reportedly asking war risk premiums of up to 10% of the value of the vessel to go to the Black Sea.
- On the war, it seems Russia has no intention to wind down the offensive. This is developing into a long, protracted war!

➤ **Significant purchases/ trades:**

There is not too much activity.

- Jordan passed on their tender.
- The **Philippines** bought 50k mt of Indian wheat for August at \$365-370/mt.
- Reports suggest **Iran** bought another 180k mt this week, but we have no details.
- Iraq said it had procured 3 million mt of *local* wheat.
- Egypt/GASC is also said to be concentrating on the *local* crop.
- Tunisia announced it will raise the price paid to farmers of soft wheat by 50% to 100 dinars (approx. \$335/mt) and durum by 30% to 130 dinars (\$436/mt), aiming at eventual self-sufficiency in durum wheat.
- US export sales of 156k mt left the season total of 713 million bu still down 24% from last year's exports.

➤ **Wheat Market Outlook:**

Significant events:

- Markets continue to be roiled by the **ongoing Russia-Ukraine conflict**. Price volatility is high, as traditional buyers of wheat and other commodities are trying to find new suppliers.
- For wheat, attention is also shifting to the **conditions of the fall-planted crop emerging** from dormancy in the northern hemisphere where the next two months will be critical. Spring plantings will also be watched closely. Early indications from the US suggest that increased wheat plantings are unlikely.
- Global wheat prices have **backed off their early March highs** but continue to be supported by the war in Ukraine and weather issues for the new crop.
- **Canadian wheat exports** continue to be slow.
- Buyers are starting to worry about the new crop durum outlook.
- The first national **US crop condition estimates** pegged the US winter wheat crop at 30% Gd/Ex compared to the 40% that the trade was expecting and the 53% Gd/Ex rating of the same time last year. This is the lowest early April winter wheat condition rating in 26 years and the 2nd lowest on record.
- **Russian spring plantings** are reported to be ahead of last year's.
- There was not too much activity on the **cash trade side**; attention is shifting towards new crop purchases.

Outlook:

We do not see a major shortage of wheat unless there is a serious weather problem. However, the markets saw wheat stronger based on the Ukraine situation and the second-worst initial USA winter crop ratings on record. Putin does not appear to be lessening his invasion plans in Ukraine, so this dispute will continue and while it does, markets will be volatile and stay firm while inflation continues to climb as money seeks assets for security.

While the weather remains a concern, we see no need to sell grains for the present.

iii) Primary Elevator Price Tables and Grade Spreads

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

					Date:	11-04-2022
NW Sask	Spot		NW Sask	Deferred		
	(bu.)	(mt)		Aug. '22 (bu.)	Aug. '22 (mt)	
1 CWRS 13.5	\$13.88	\$509.86	1 CWRS 13.5	\$12.85	\$472.16	
1 CWAD 13.0	\$15.58	\$572.47	1 CWAD 13.0	\$14.40	\$529.11	
1 CPSR 11.5	\$13.09	\$480.98	1 CPSR 11.5	n/a		
SW Sask			SW Sask			
1 CWRS 13.5	\$13.79	\$506.70	1 CWRS 13.5	\$12.57	\$461.87	
1 CWAD 13.0	\$15.67	\$575.78	1 CWAD 13.0	\$11.71	\$430.27	
1 CPSR 11.5	\$13.03	\$478.77	1 CPSR 11.5	\$12.18	\$447.54	
NE Sask			NE Sask	Sept. '22		
1 CWRS 13.5	\$13.67	\$502.29	1 CWRS 13.5	\$12.72	\$467.38	
1 CWAD 13.0	\$15.93	\$585.33	1 CWAD 13.0	\$13.03	\$478.77	
1 CPSR 11.5	n/a		1 CPSR 11.5	n/a		
SE Sask			SE Sask	Sept. '22		
1 CWRS 13.5	\$13.62	\$500.45	1 CWRS 13.5	\$12.55	\$461.14	
1 CWAD 13.0	\$15.69	\$576.51	1 CWAD 13.0	\$12.71	\$467.02	
1 CPSR 11.5	\$12.77	\$469.22	1 CPSR 11.5	\$12.06	\$443.13	

Data source: PDQ, Apr. 11/22

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

Avg. Grade Spread/ Pro Discounts	Cdn\$/bu.	Cdn.\$/mt
1 CWRS 13.5	Base Grade	Base Grade
2 CWRS 13.5	(0.10)	(3.67)
1 CWRS 12.5	(0.02)	(0.85)
1 CWAD 13.0	Base Grade	Base Grade
1 CWAD 13.5	0.00	0.00
2 CWAD 13.5	(0.09)	(3.31)
2 CWAD 12.5	(0.11)	(4.04)

Data source: PDQ, Apr. 11/22

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 Basis² (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/million 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

² 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.”

- 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 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				11-04-2022
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	\$572.86	\$758.09		
HRS	\$565.90			
HRW 11.5	\$584.47			
SWW 12.0	\$528.76			
1 CWRS 13.5 ³	\$572.86		\$511.11	\$61.75
2 CWRS 13.0 ³	\$565.90		\$507.43	\$58.46
3 CWRS ³	\$584.47		\$498.25	\$86.22
CPS ³	\$522.26		\$455.63	\$66.64
1 CWAD ⁴		\$751.59	\$551.16	\$200.43
Competing wheat:	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$390.00	April		
French 11.5 (Rouen)	\$410.80	April		
APW 10.5 (W Coast)	\$420.00	April		
Argentina 12.0	\$375.00	April		

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