

**Wheat Market Outlook and Price Report: Mar. 11, 2024**  
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Mercantile Consulting Venture Inc.

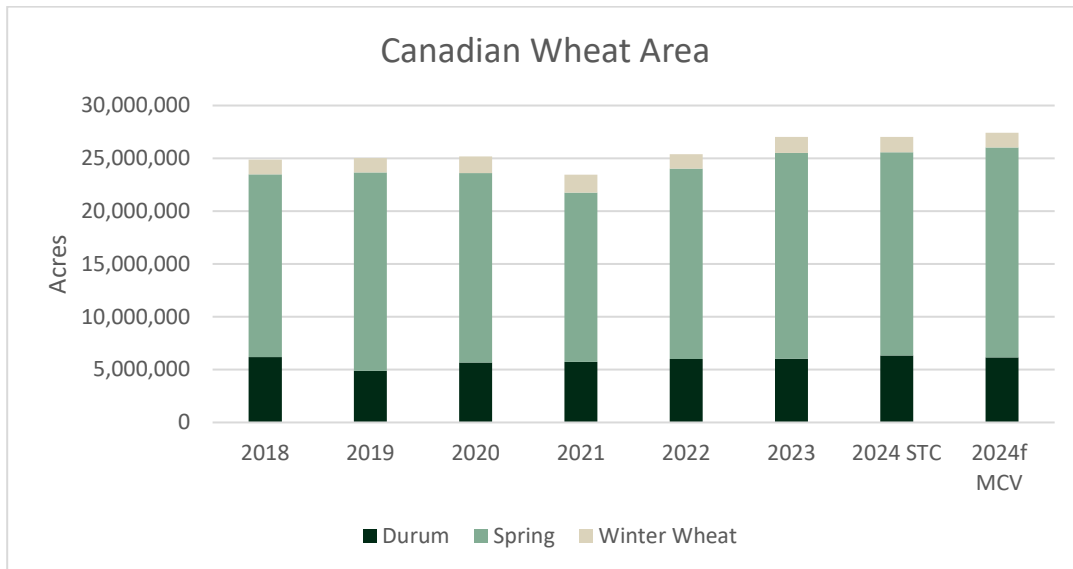
**i) Background and Rationale for the Report**

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 11, 2024**

**Statistics Canada, Estimates of Principle Field Crop Areas: Wheat**

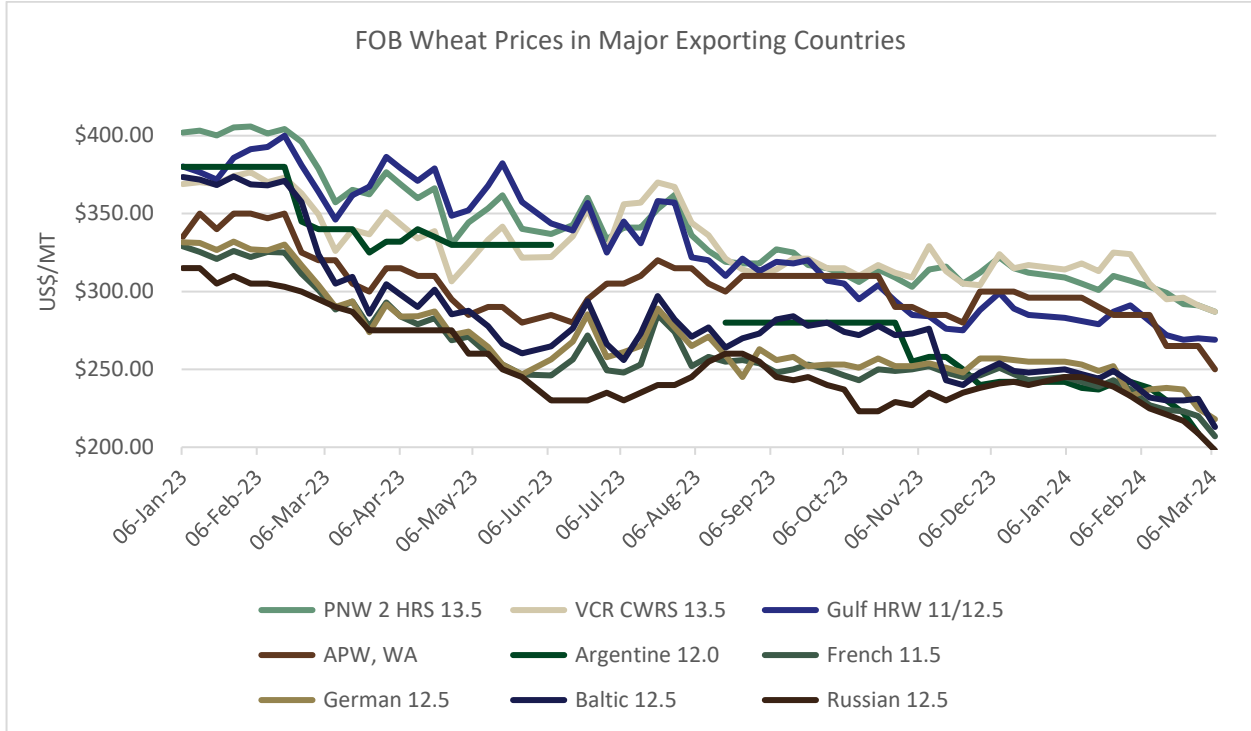


Source: Mercantile, based on STC and MCV data

- Stats Canada (STC) released its estimates of principal field crop areas on the morning of Mar. 11, 2024.
- STC is estimating that all wheat area will grow by 0.1 per cent to 27.0 million acres. This is compares with the average trade guess for a one per cent decline in wheat area to 26.7 million acres according to the Routers survey. We are anticipating a 0.9 per cent increase in wheat area at 27.3 million acres.
- STC is expecting that spring wheat area will be 19.2 million acres, reflecting a 1.2 per cent decrease from last year. This is inline with what the trade was expecting, but above our estimate of 19.7 million acres which is 1.0 per cent more than last year.

- For durum, STC is forecasting a 5.1 per cent increase in durum area to 6.3 million acres. This is well above both the trade's estimate for a 1.1 per cent increase in seeded area and our estimate of 6.2 million acres which would be two per cent more than last year.

**FOB Cash Values:**



Source: Mercantile

- Cash markets were lower in all major origins last week as Black Sea and EU wheat continue to compete for export demand.

➤ **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 \$537-6, up 9-2 cents on Friday, *down 20-0 cents on the week.*
- May 2024 contract **Kansas hard red winter wheat** closed at \$588-6, up 14-0 cents on Friday, *up 24-2 cent on the week.*
- May 2024 **Minneapolis hard red spring wheat** closed at \$588-6, up 14-0 cents on Friday, *up 24-2 cents on the week.*
- U.S. wheat futures are trading 4-10 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:** Canadian exports remain strong. There were another 455.4k mt of wheat shipped in week 31, which is over 100k mt above the average weekly pace needed to meet the AAFC’s export number. Deliveries were also steady at 412.4k mt, which should allow the current export pace to continue.

(CGC) Grain Handling Summary Wheat			Week 31	(Mar. 3, 2024)
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 31	412.4	424.4	455.4	53.8
Week ago	471.1	447.6	528.5	95.4
YTD	14,607.3	14,584.4	12,764.1	2,857.5
Last YTD	14,777.1	13,889.6	11,816.7	2,549.6
<b>YTD less Last YTD</b>	<b>-169.8</b>	<b>694.8</b>	<b>947.4</b>	<b>307.9</b>
<b>YTD over Last YTD</b>	<b>99%</b>	<b>105%</b>	<b>108%</b>	<b>112%</b>

Source: Mercantile, based on CGC data

- **Durum:** Turkey’s TMO sold another 150k mt lot of durum wheat. The prices ranged from \$317.50/mt for “low quality” to \$330/mt for the highest quality. Canadian durum costs about \$410-\$420/mt delivered to Italy. The more durum Turkey adds to the market, the less European and North African buyers will need to buy from Canada.
- There were showers in North Africa, but the forecast shows dryness will return over the region.
- Durum exports in week 31 were 81.7k mt. Average weekly exports need to be 62.3k mt for the remainder of the season to meet the AAFC’s 3.2 million mt export number. We suspect exports will be 200k mt less than this, which requires an average pace of 51k mt per week.

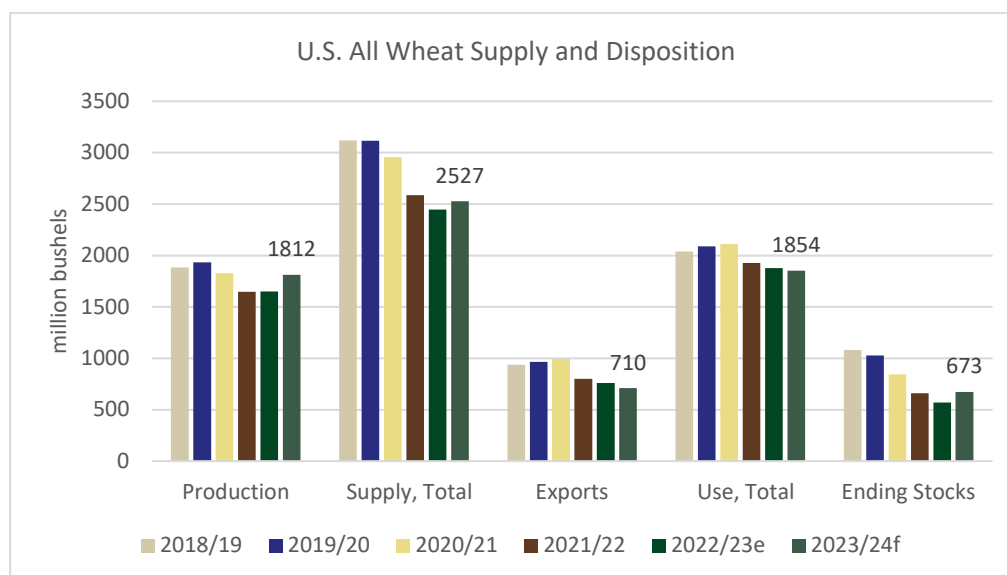
(CGC) Grain Handling Summary Durum		Week 31			(Mar. 3'24)
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance	
Week 31	81.1	61.4	81.7	27.0	
Week ago	97.0	88.6	18.2	4.7	
YTD	2,523.8	2,436.0	1,932.0	345.7	
Last YTD	3,699.3	3,694.9	3,270.2	375.6	
<b>YTD less Last YTD</b>	<b>-1,175.5</b>	<b>-1,258.9</b>	<b>-1,338.2</b>	<b>-29.9</b>	
<b>YTD over Last YTD</b>	<b>68%</b>	<b>66%</b>	<b>59%</b>	<b>92%</b>	

Source: Mercantile, based on CGC data

- Producers should be sold of out of old crop durum. For the new crop, we are not ready to make commitments yet, but watch for opportunities in your area should buyers start looking to get some early coverage.

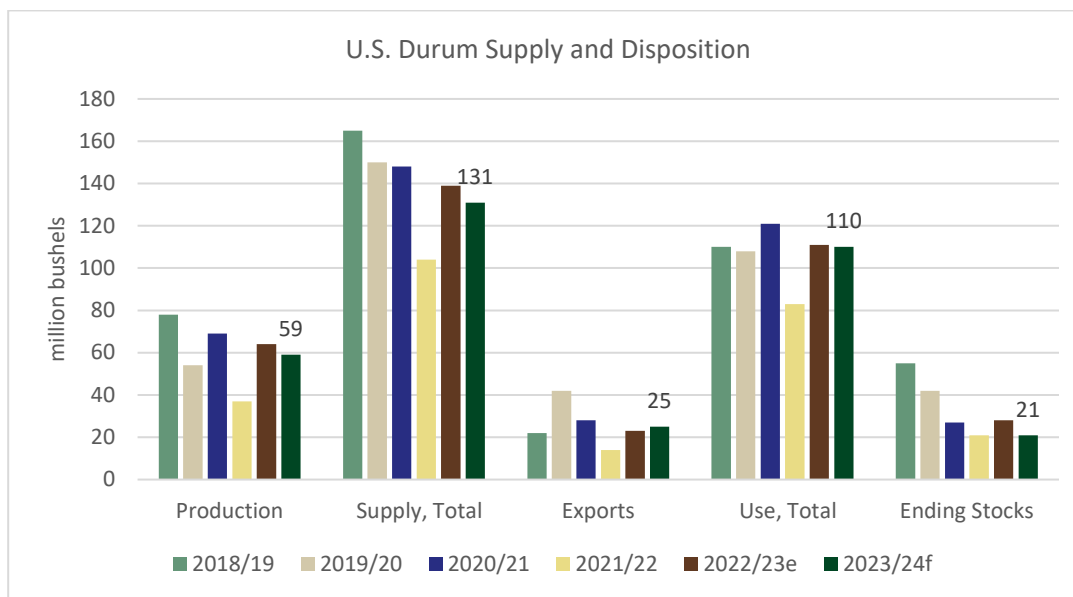
### U.S. Wheat:

- U.S. wheat was mixed. Chicago wheat was lower, mostly on Chinese purchase cancellations. Kansas City was up on dryness in winter wheat areas, although HRW ratings remain well above last year.
- The USDA report was largely as expected. U.S. all wheat exports were reduced by 15 million bushels (410k mt) because of decreases in HRW and SRW wheat exports (meanwhile the USDA is too low on HRS exports). US exports are expected to be 710 million bushels (19.3 million mt) which is 6 per cent less than last year. Ending stocks were raised by 15 million bushels to 673 million bushels which is now 18 per cent higher than last year.



Source: Mercantile, based on USDA data

- The USDA left the U.S. HRS balance sheet entirely unchanged. The USDA has HRS exports too low. Total HRS commitments are now 6.22 million mt vs the USDA's total export estimate of 6.26 million mt.
- The USDA increased U.S. durum imports by four million bushels from last month to 44 million bushels. This is 14 per cent less than last year. The increase in imports went directly into ending stocks which were raised to 21 million mt, which is still down 25 per cent from last year.



Source: Mercantile, based on USDA data

- There were some by-state winter wheat crop conditions released. Each crop rating reflected a strong improvement from last year:
  - Texas: 43 per cent Gd/Ex vs 19 per cent last year
  - Kansas: 53 per cent Gd/Ex vs 17 per cent last year
  - Oklahoma: 65 per cent Gd/Ex vs 39 per cent last year.
- U.S. wheat export sales were at the low end of expectations at 271.1k mt. Total commitments are now 18.4 million mt, up four per cent from last year vs. the USDA's updated number which is six per cent less year-over-year. Sales of HRS wheat accounted for 143.3k mt of the total weekly volume.
- The FAS has reported several cancellations of SRW wheat sold to China. China has cancelled a combined 500k mt of SRW sales over the past few days. *China is preferring the much cheaper European wheat.*
- U.S. HRS for April 2024 was valued at \$287.00/mt FOB PNW (down \$4.00/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:

- Australia's ABARES raised its estimate for the country's 2023/24 crop by 500k mt to 26 million mt. This was matched by the USDA on Friday.
- ABARES is forecasting Australia's 2024/2025 crop will be 28.4 million mt which reflects a nine per cent improvement from the previous year. ABARES noted that above average precipitation in several wheat growing regions should support above average yields.

- FOB values in Australia: April 2024 APW, WA is valued at \$250.00/mt (*down \$15/mt from last week*).

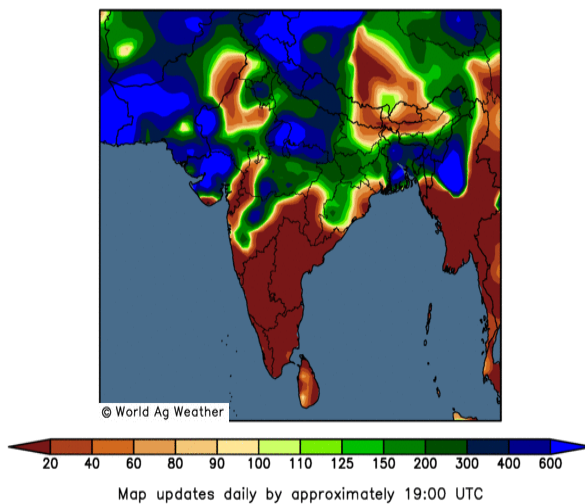
**Argentine Wheat:**

- Argentina exported 1.6 million mt of wheat in January which is three times larger than the January 2023 volume. December to February exports look like they will reach four million mt which is 2.5 million mt more than the previous year.
- The USDA raised its production estimate for Argentina’s 2023/2024 crop by 400k mt to 15.9 million mt.
- FOB Argentine wheat (12 per cent pro) for April 2024 was quoted at \$206.00/mt (*down \$3.00/mt from last week*).

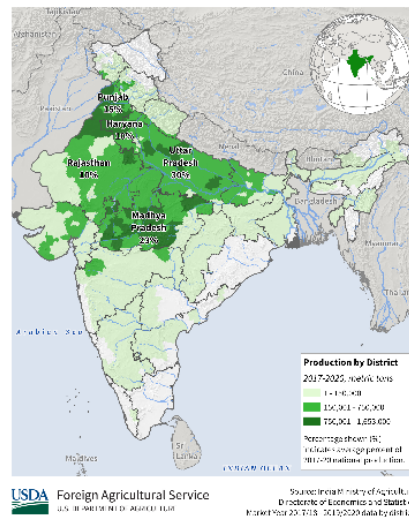
**Indian Wheat:**

- Heavy rain and hailstorms brought 15-30 mm of rain to northern India just ahead of wheat harvest. It is unknown how much damage the rain caused, but some say as much of three million mt worth of production could be impacted. India’s estimate of the total crop size is for a record 112 million mt crop. Most analysts think this is far to high, and the recent crop damaged has reignited speculation that India could be a major wheat importer in 2024/2025. Currently, large tariffs make wheat imports prohibitive. These will likely remain in place until at least after the country holds its election in April-May.

14-day Precipitation Analysis  
Percent of normal through 3 Mar 2024



**India: Wheat Production**



**EU Wheat:**

- The USDA trimmed production in the EU by 350k mt to 133.7 million mt. Imports and use were raised by one million mt each which caused ending stocks to fall by 350k mt.
- According to the European Commission, EU exports are 400k (two per cent) mt behind last year’s pace.
- EU FOB prices: April 2024 French 11 pro wheat closed at \$207.00/mt (*down \$13.00/mt from last week*); April 2024 German 12.5 pro wheat closed at \$218.00 (*down \$7.00/mt from last week*); April 2024 Baltic 12.5 pro wheat closed at \$213.00/mt (*down \$18.00/mt from last week*).

**Black Sea Wheat:**

- The USDA lifted Russia’s 2023/2024 wheat production by 500k mt to 91.5 million mt. The increase went directly to ending stocks which are now expected to be 12.4 million mt.
- Russia will need to export 17.0 million mt in March to June to meet IKAR’s export estimate. This would need to surpass last year’s record volume during that timeframe by 100k mt. Russian prices have fallen below \$200/mt for the first time since June 2020.
- We have Russian FOB values for 12.5 per cent protein wheat for April 2024 at \$198.00/mt (down \$11.00/mt from last week).

➤ **Significant purchases/ trades:**

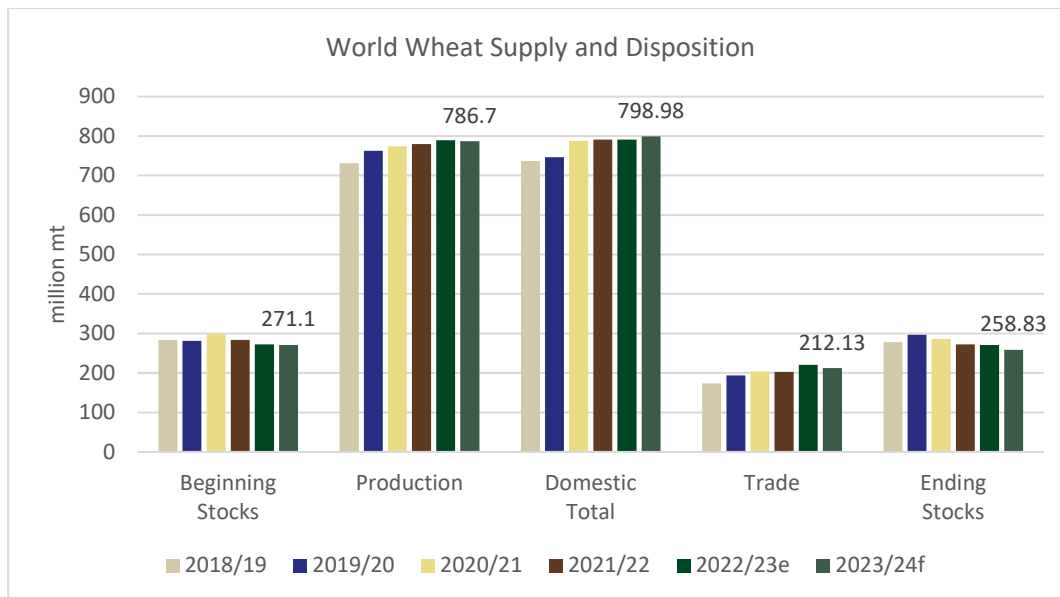
There was little volume business to speak of.

- **Egypt** (GASC) backed away from its last tender saying that prices were too high. The lowest offered price was Bulgarian at \$225.70/mt on a Fob basis. Egypt offered \$220/mt for all origins, but this was rejected by sellers.
- **Jordan** bought July wheat at \$236/mt which is another \$4/mt cheaper than last week’s purchase for the same delivery timeframe.
- **Algeria** bought June shipment wheat at \$228/mt which is a whopping \$38/mt less than its last tender. The tender was optional origin.
- **China** was rumored to have bought more French wheat and has cancelled a combined 500k mt of U.S. SRW wheat sales.
- **U.S.** commercial sales were 271.1k mt. Total commitments are now 18.4 million mt, up four per cent from last year.

➤ **Wheat Market Outlook:**

**Significant events over the past week:**

- **The USDA report was largely as expected. Global ending stocks** were reduced by 600k mt from last month as a one million mt increase in production was offset by larger usage. Production was lifted in Australia, Argentina, and Russia by 500k mt, 400k mt and 500k mt, respectively. Production in the EU was reduced by 350k mt. Smaller global ending stocks were driven by a one million mt decrease in China’s stocks. Global ending stocks of 258.83 million mt reflect a 4.5 per cent decrease from last year.



Source: Mercantile, based on USDA data



- **China has cancelled a total of 500k mt of SRW sales** over the past several days. China is preferring cheaper European wheat.
- StoneX is estimating that **Brazil's 2024/2025 wheat crop** will be 9.2 million mt, up 14 per cent improvement from the previous year. The increase is driven by higher expected yields as seeded area is forecast to shrink by 11 per cent year-over-year.

**Mercantile's Weekly Outlook:**

Mercantile expects some weakness in wheat futures following the decline in cash values. Mercantile says there will be more pressure on the old crop as weather concerns and low returns makes new crop sellers reluctant. Chinese cancellations of wheat changed the United State's tone, according to Mercantile. Cash wheat markets remain weak as the EU and Black Sea search for old crop demand. Mercantile would finish old crop sales but would hold off selling new crop 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: March 11, 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	\$10.69	\$392.79	1 CWAD 13.0	\$10.56	\$388.02
1 CPSR 11.5	\$7.40	\$271.91	1 CPSR 11.5	\$7.49	\$275.21
<b>SW Sask</b>			<b>SW Sask</b>		
1 CWRS 13.5	\$8.27	\$303.87	1 CWRS 13.5	\$8.29	\$304.61
1 CWAD 13.0	\$10.70	\$393.16	1 CWAD 13.0	\$10.59	\$389.12
1 CPSR 11.5	\$7.13	\$261.98	1 CPSR 11.5	\$6.96	\$255.74
<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	\$8.04	\$295.42	1 CWRS 13.5	\$8.05	\$295.79
1 CWAD 13.0	\$10.65	\$391.32	1 CWAD 13.0	\$10.55	\$387.65
1 CPSR 11.5	\$6.90	\$253.53	1 CPSR 11.5	\$7.12	\$261.62

Data source: PDQ, Mar. 11, 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. 11, 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.
  - Italy is the single biggest buyer of Canadian durum wheat with 27 per cent of total Canadian durum exports YTD (East Coast shipments).

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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.”

➤ 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 11, 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	\$383.37	Closed		
HRS	\$378.41			
HRW 11.5	\$337.92			
SWW 12.0	\$278.64			
1 CWRS 13.5 <sup>3</sup>	\$383.37		\$319.67	\$63.70
2 CWRS 13.0 <sup>3</sup>	\$378.41		\$294.32	\$84.09
3 CWRS <sup>3</sup>	\$337.92		\$270.07	\$67.85
CPS <sup>3</sup>	\$271.72		\$272.27	-\$0.55
1 CWAD <sup>4</sup>		Closed	\$396.84	
Competing wheat:				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$198.00		Apr. '24	
French 11.5 (Rouen)	\$207.00		Apr. '24	
APW 10.5 (W Coast)	\$250.00		Apr. '24	
Argentine 12.5	\$206.00		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				