SaskWheat – Think Wheat 2017

Wheat Markets; Challenges in Marketing and Quality

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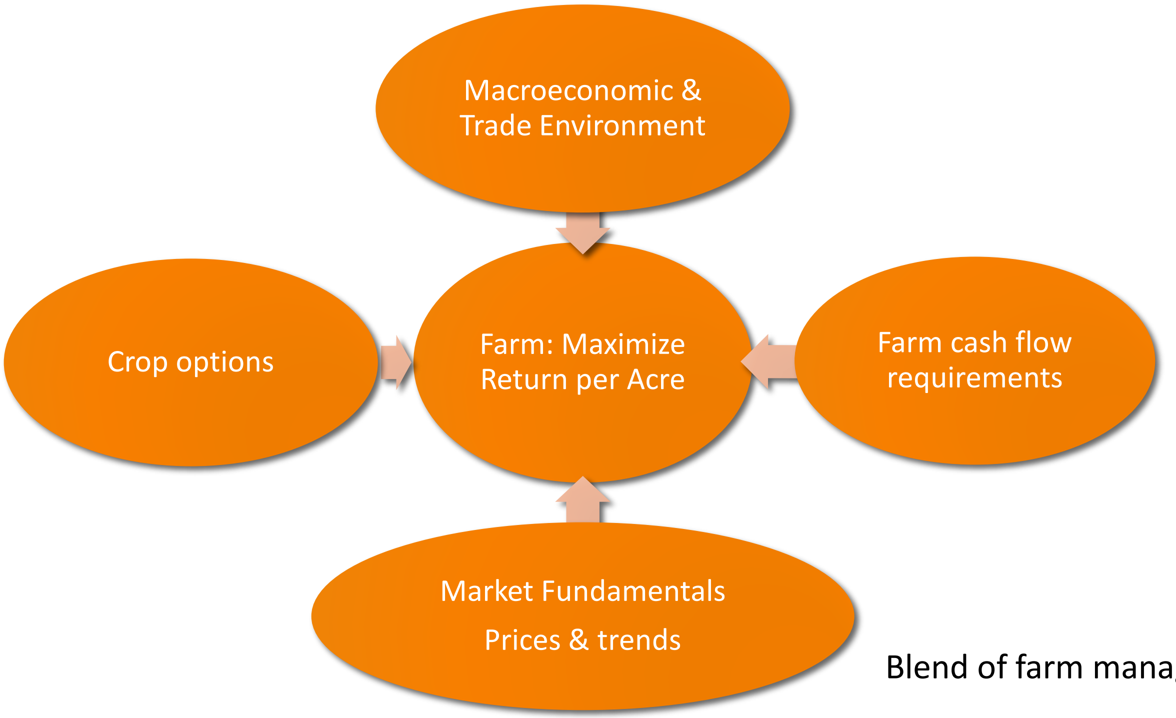
Outline

1. **Basics** – How marketing fits into the overall farm picture
2. **Wheat Market Fundamentals – global & domestic**
   - Ongoing crop year
   - Who are the buyers, and what quality do they buy
   - Are there still opportunities for Canadian farmers
3. **New crop acreage expectations – global & domestic**
   - Effects on forward prices
4. **Is wheat viable for next year on the Prairies?**

Steps to better marketing



Blend of farm management & marketing

The 'basics'

Step 1 – Covering the basics of looking at the market

It starts with crop choice

A. COP analysis – determine costs/ identify returns

- Tells us **what price is needed** to make a profit
- Tells us **how much to sell** to protect positive margins

(for ex., 'cover COP when forward price is favourable'); mitigates prod'n risk

- Allows to control costs (note current commodity environment)
- **Crop ranking** w.r.t. profitabilty
  - Disregards agronomics/ rotations

B. Cash-flow analysis – when need to sell

- Capital management
- Shows when cash is needed through the year
- *Avoids 'having to sell' when markets are not favourable*

Basics cont'd

Step 2 - Learning about the markets - **when to sell**

A. What are the **wheat fundamentals** in the world?

-- Follow the crops you grow -- Reduce speculation

B. Where are the **wheat prices in the marketplace**?

- In *international markets* (not at the elevator)
- How do these prices translate into inland positions (Sask. Elev.)
- How is this calculated
- Comparison to elevator bids

C. What are the expected **price trends** and why

- Influences timing of sales

Basics cont'd

Step 3 – Execution of plan

Which returns are acceptable

Reduce speculation

D. Contract execution/ logistics management

- managing operating risks

Wheat Fundamentals

1. Overall supply vs. demand balance current crop & new crop
2. Changes in global supply & changes in global demand
3. What type of wheat is increasingly in demand
4. Market for next year's wheat crop
5. Canadian idiosyncrasies – system challenges
   - Why is Canada losing market share?

Basic World Wheat Balance Sheet

ICG World Wheat Estimates					
million mt	**2013/14**	**2014/15**	**E2015/16**	**F2016'17**	**change 13/14 vs '16/17**
Production	716	730	736	752	105.0%
Trade	157	153	164	168	107.0%
Consumption	698	715	720	738	105.7%
Carryover Stocks	190	205	221	235	123.7%
Year/ Year change	*19*	*15*	*17*	*14*	
*Major Exporters**	*56*	*65*	*68*	*72*	

* Argentina, Australia, Canada, the EU, Kazakhstan, Russia, the Ukraine and the US are considered to be 'major exporters"

International wheat markets 2016

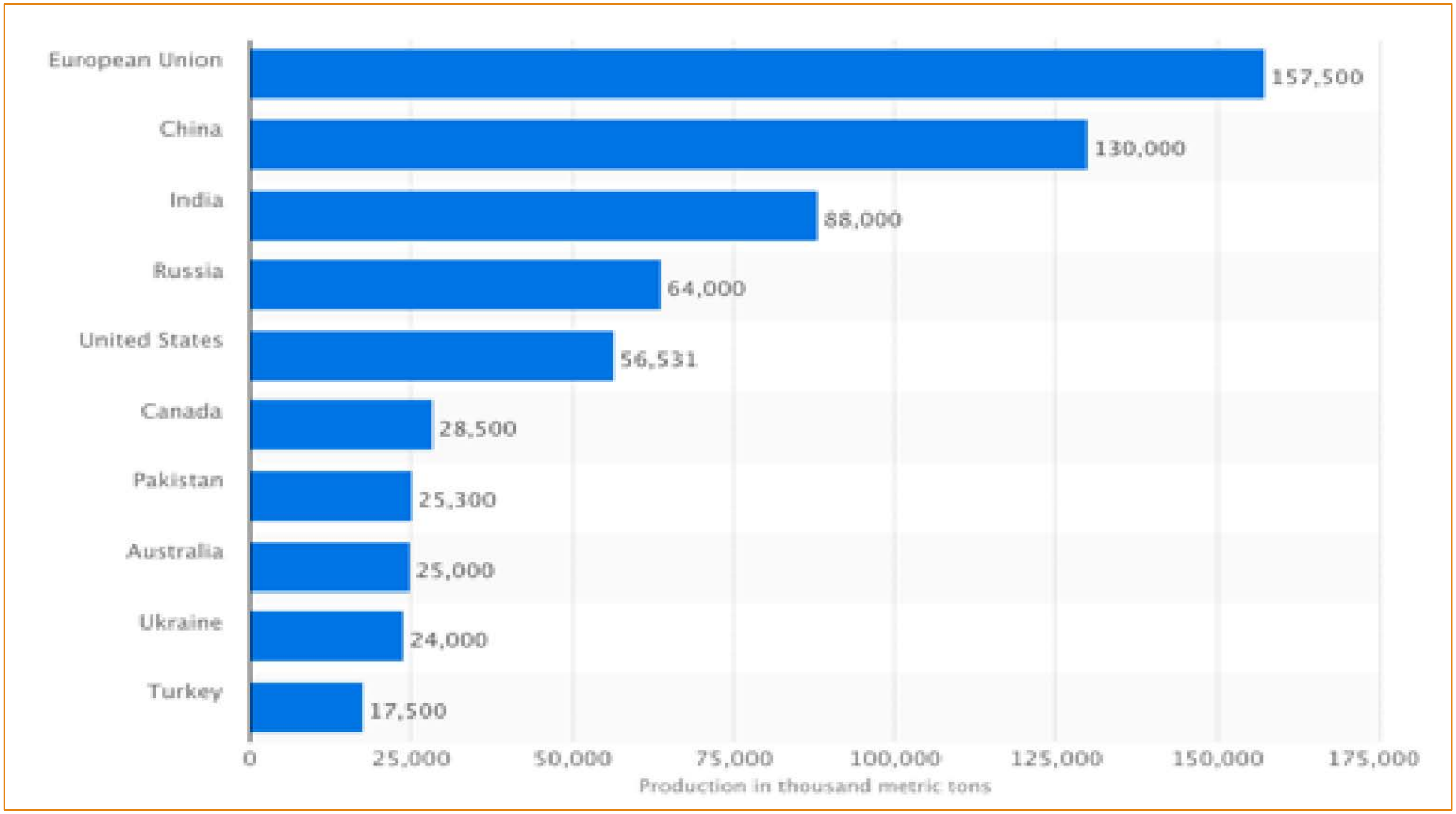
TOP PRODUCERS (2016)

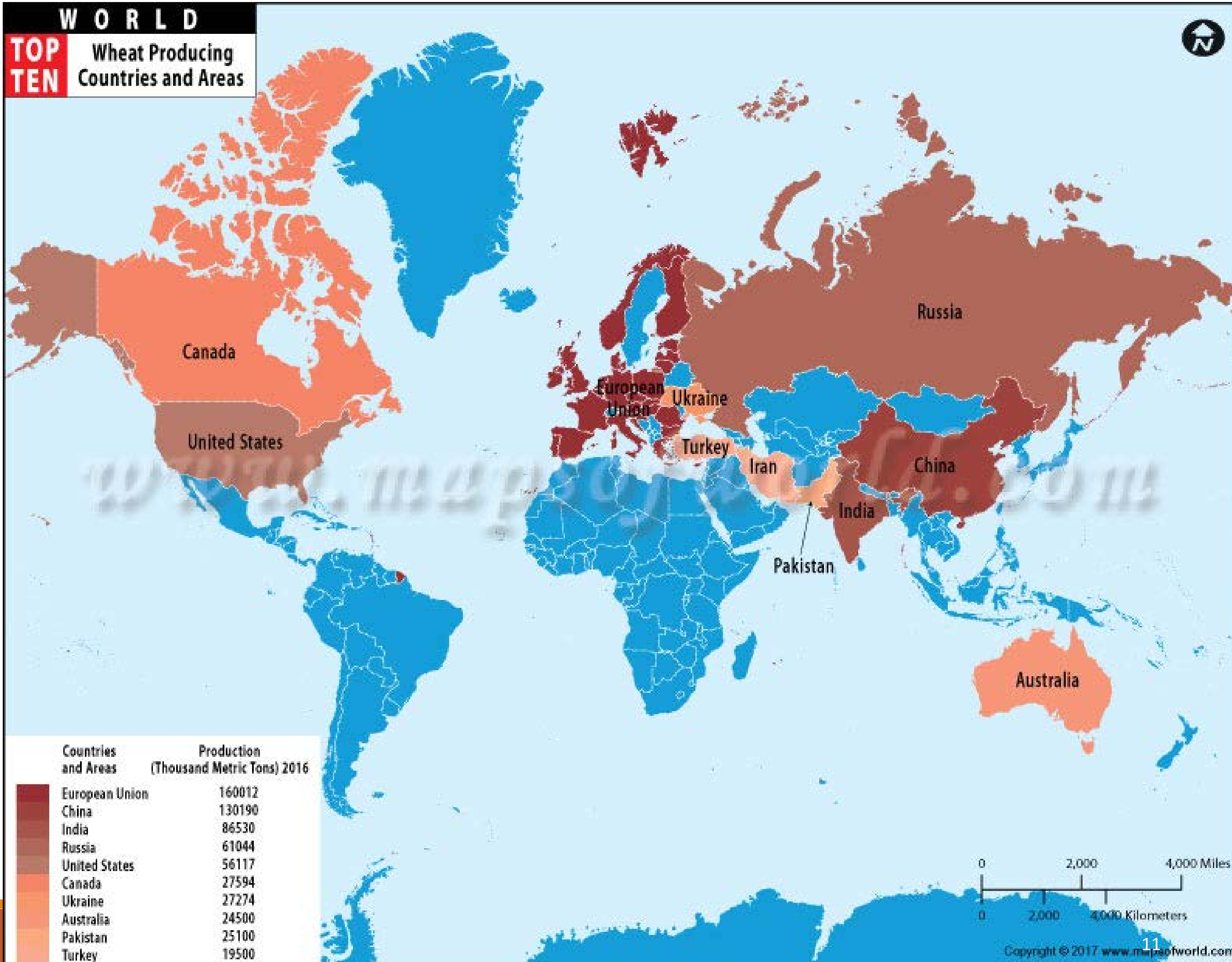
1. EU (27) (145 mln mt)
2. China (128 mln mt)
3. India (87 mln mt)
4. Russia (72.5 mln mt)
5. USA (63 mln mt)
6. Australia (33 mln mt)
7. **Canada (31.7 mln mt)**
8. Ukraine (27 mln mt)

TOP CONSUMERS (2015)

1. **EU (130 mln mt)**
2. **China (118 mln mt)**
3. India (97 mln mt)
4. Russia (39 mln mt)
5. Pakistan (25 mln mt)
6. Egypt (20 mln mt)
7. Iran (19 mln mt)
8. Turkey (18 mln mt)
9. Brazil (11.5 mln mt)

Largest wheat producing countries globally, 2016/17 ('000 mt, Source: Statista)




WORLD
TOP TEN
Wheat Producing Countries and Areas
Canada
United States
European Union
Ukraine
Turkey
Iran
Russia
China
India
Pakistan
Australia
Countries and Areas
Production (Thousand Metric Tons) 2016
European Union 160012
China 130190
India 86530
Russia 61044
United States 56117
Canada 27594
Ukraine 27274
Australia 24500
Pakistan 25100
Turkey 19500
0 2,000 4,000 Miles
0 2,000 4,000 Kilometers
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Big changes in wheat production over *last 5 years*

1. **Russia: 38 mln mt → 72.5 mln mt +91% (+34.5 mln mt)**
2. Ukraine: 16 → 27 mln mt +68% (+11 mln mt)
3. **Australia: 23 → 33 (35.1 Abare)** +53% (+12 mln mt)
4. China: 121 → 129 mln mt +7% (+8 mln mt)
5. Kazakhstan: 10 → 15 mln mt +50% (+5 mln mt)
6. Argentina: 9.3 → 15 mln mt +61% (+6 mln mt)
7. **Canada: 27 → 31 mln mt** **+15%** (+4 mln mt)

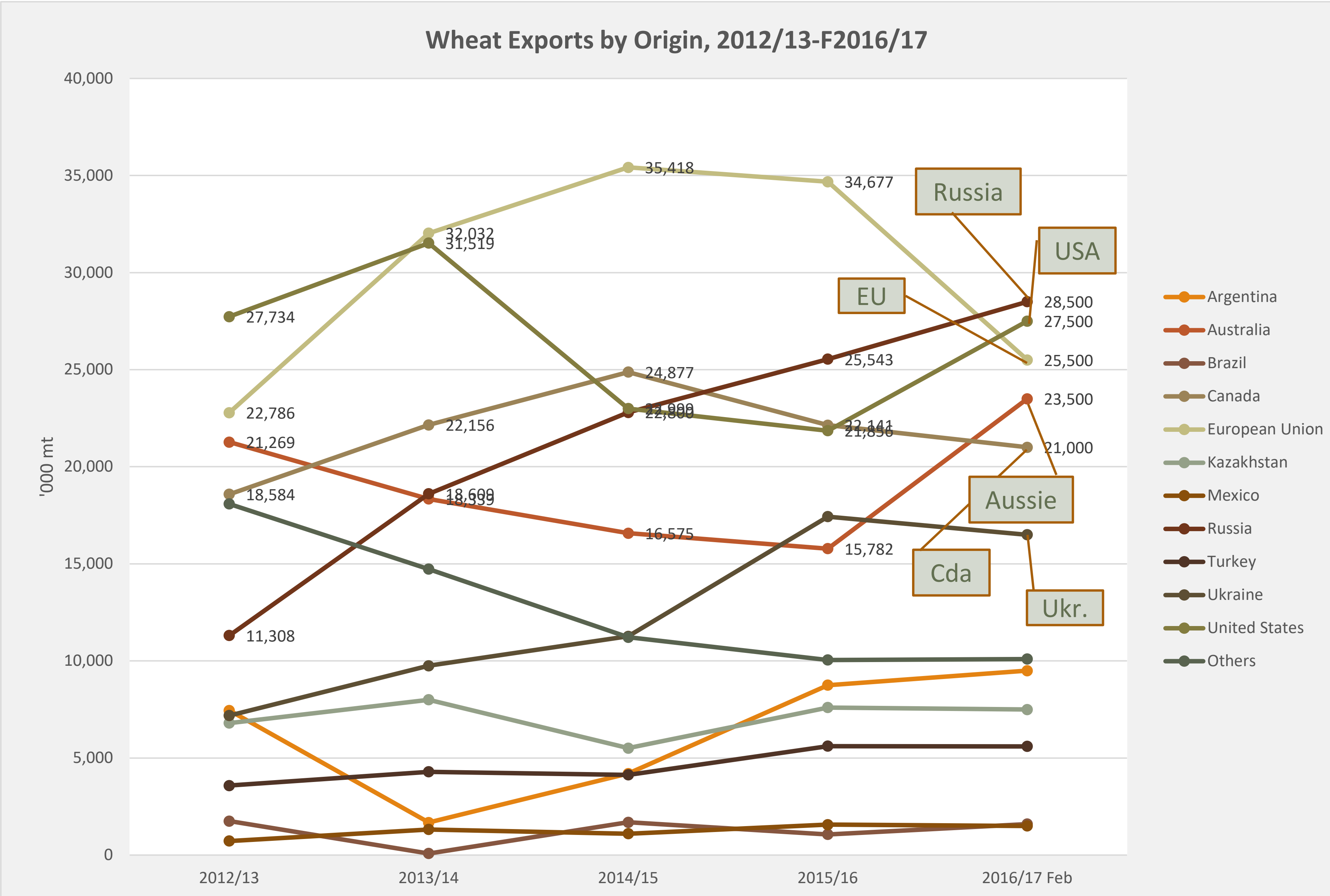
International wheat markets

TOP 10 TRADERS/ EXPORTERS (E'16/17)

1. **Russia (29 mln mt)**
   - **FSU (112 mln mt)**
2. USA (27.5 mln mt)
3. EU (26 mln mt)
4. Australia (25 mln mt)
5. Ukraine (17 mln mt)
6. **Canada (21.4 mln mt)**
   - **Wheat (16.7)**
   - **Durum (4.7)**
7. Argentina (9 mln mt)
8. Kazakhstan (7.5 mln mt)

TOP 10 BUYERS/ IMPORTERS (E'16/17)

1. **Egypt (12 mln mt)**
2. **Indonesia (10 mln mt)**
3. Algeria (8 mln mt)
4. India (6 mln mt)
5. Brazil (6 mln mt)
6. ***EU (6-7 mln mt)***
7. ***Japan (5.5 mln mt)***
8. Bangladesh (5 mln mt)
9. Morocco (4.5 mln mt
10. Philippines (5 mln mt)
11. Vietnam (3 mln mt)


Wheat Exports by Origin, 2012/13-F2016/17
'000 mt
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2012/13
2013/14
2014/15
2015/16
2016/17 Feb
35,418
34,677
32,032
31,519
27,734
22,786
21,269
18,584
22,156
24,877
18,609
18,359
16,575
15,782
11,308
25,543
28,500
27,500
25,500
23,500
21,000
Russia
USA
EU
Aussie
Cda
Ukr.
Argentina
Australia
Brazil
Canada
European Union
Kazakhstan
Mexico
Russia
Turkey
Ukraine
United States
Others

Black Sea **wheat balance sheet**

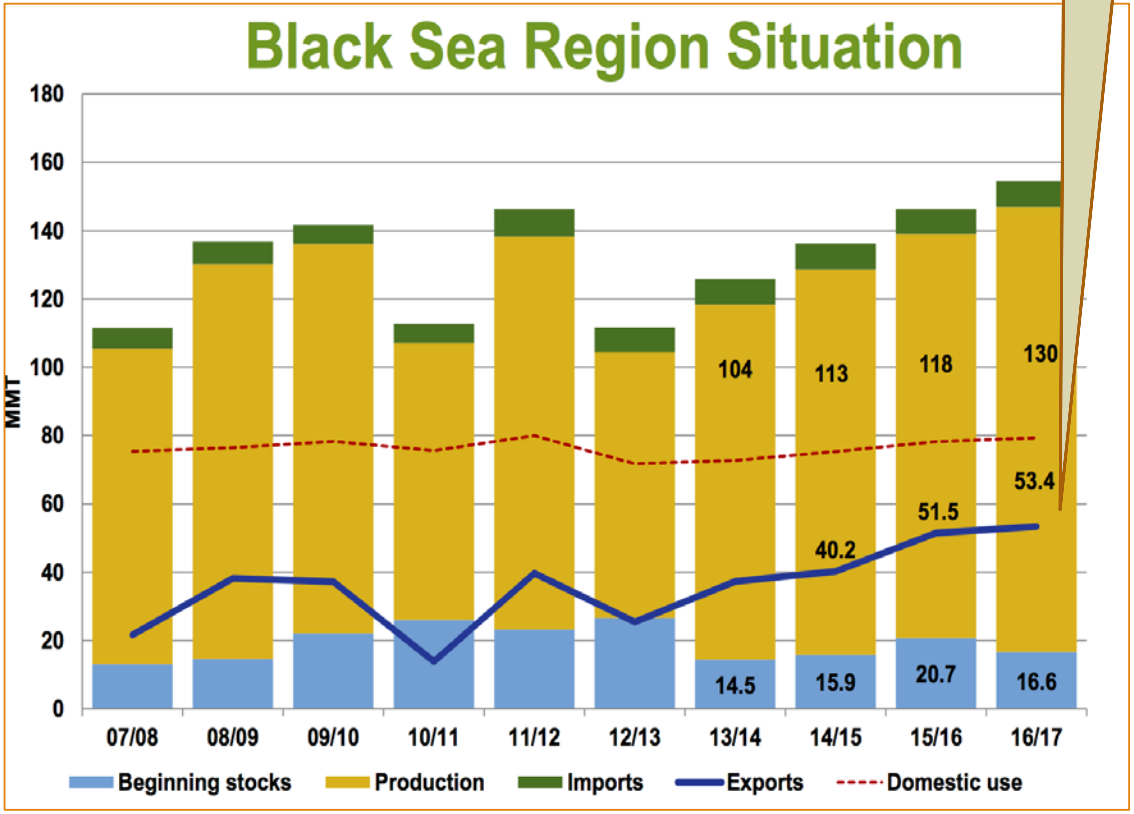
Sept. 26/16 N.Am.Gr.Conf.:

"Today, the Black Sea region has grain exports of 80 million tonnes as compared to an average of 30 million tonnes of imports in previous decades."

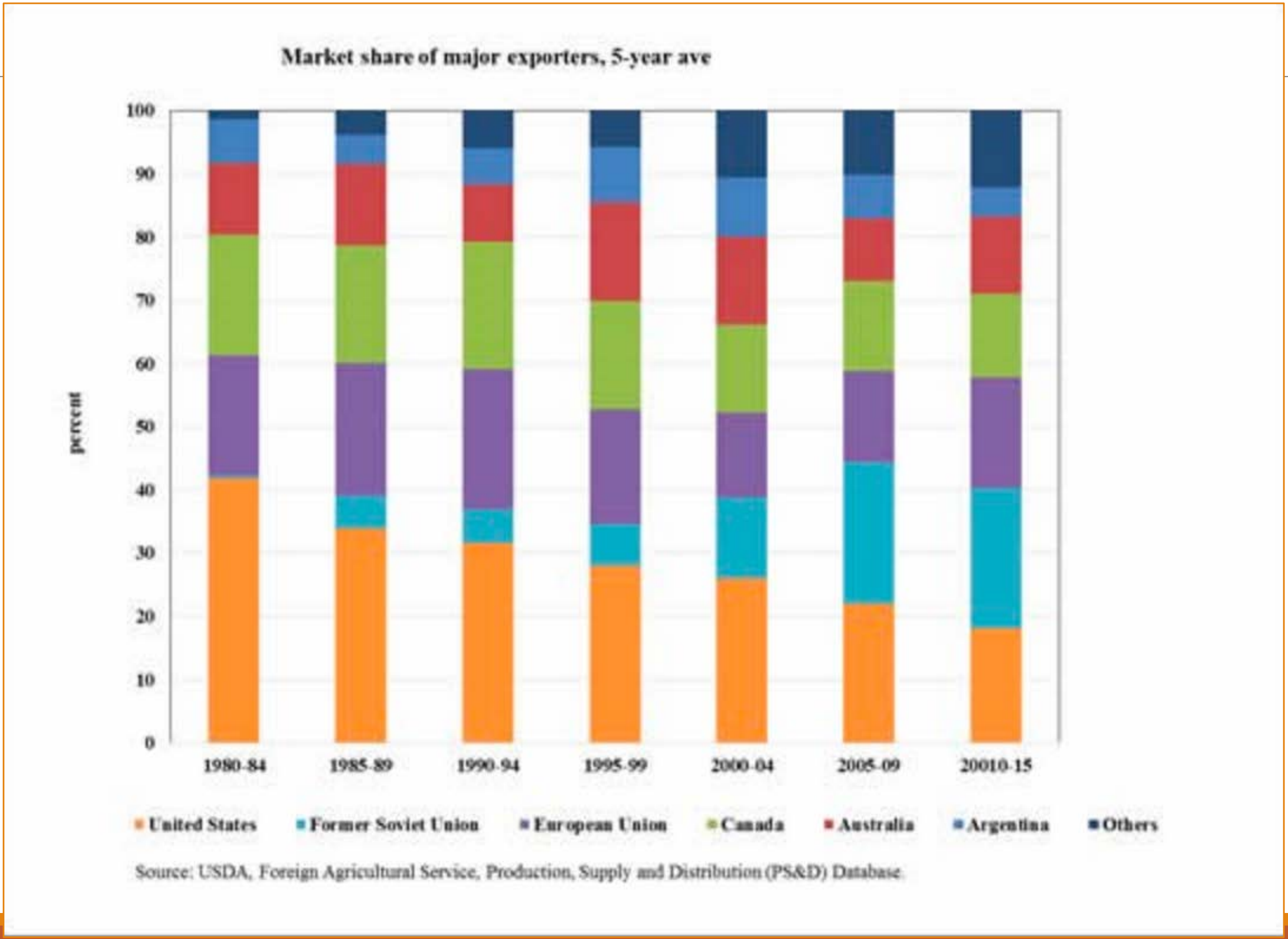
"… That's a shift of 110 million tonnes; that's bigger than China."

According to some estimates, Ukraine has the capacity to double its agriculture production, while Russia may see its output increase by 40% in the next 10 years.

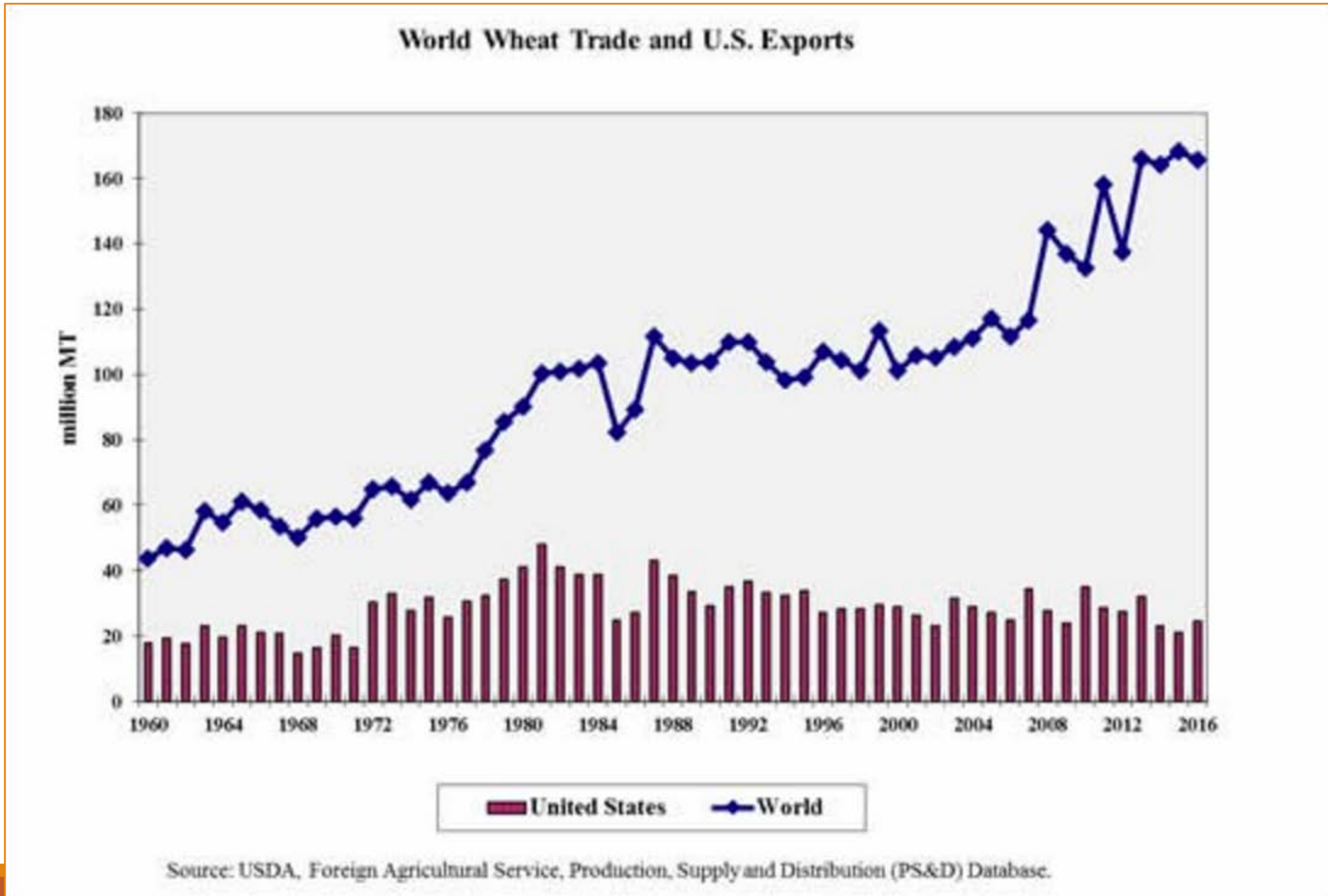
Note increase in Supply & Exports



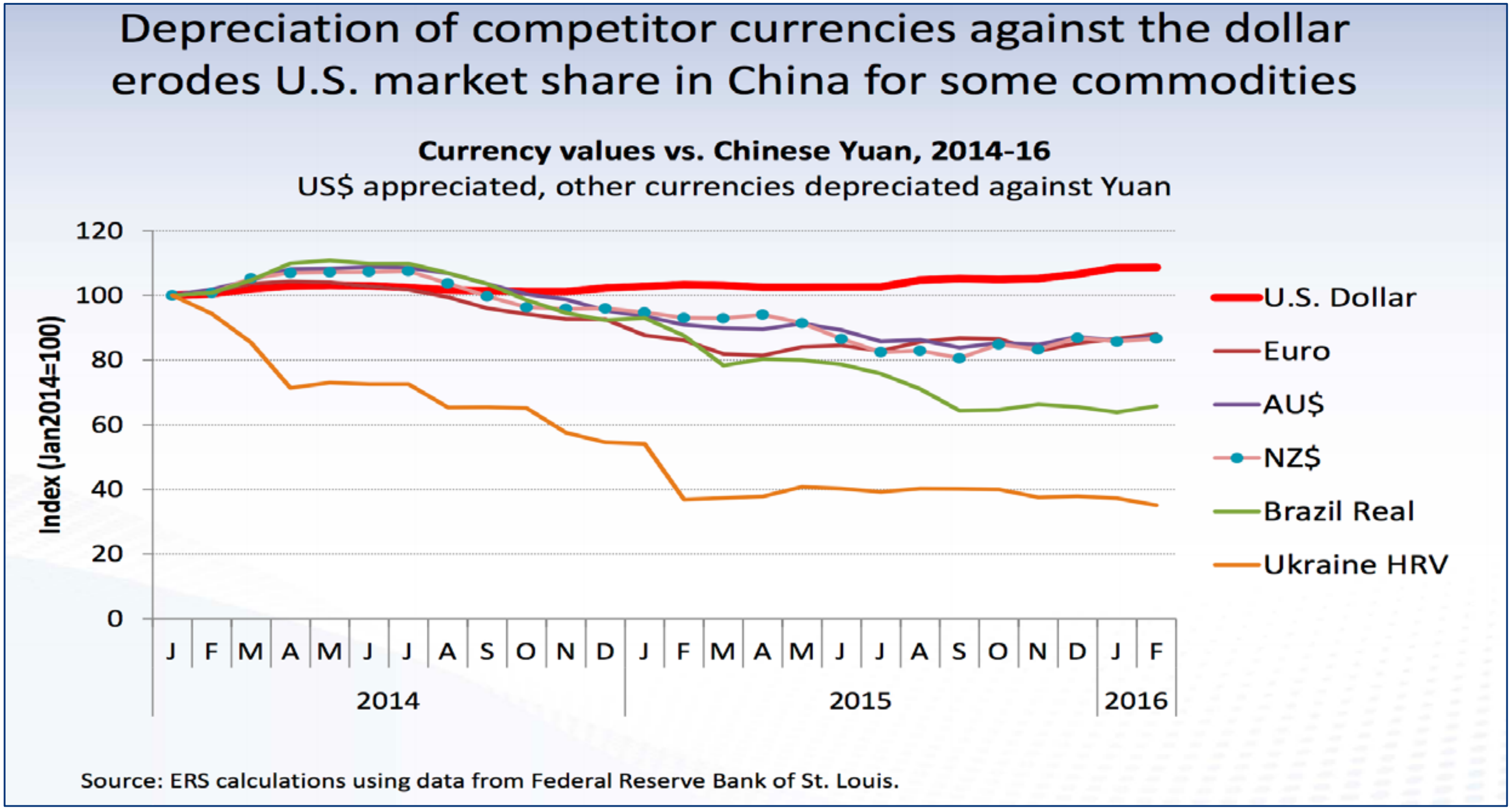
Market share major exporters



Share US wheat in world wheat trade



FX effect


Depreciation of competitor currencies against the dollar erodes U.S. market share in China for some commodities
Currency values vs. Chinese Yuan, 2014-16
US$ appreciated, other currencies depreciated against Yuan
Index (Jan2014=100)
120
100
80
60
40
20
0
J F M A M J J A S O N D J F M A M J J A S O N D J F
2014
2015
2016
U.S. Dollar
Euro
AU$
NZ$
Brazil Real
Ukraine HRV
Source: ERS calculations using data from Federal Reserve Bank of St. Louis.

Wheat export market share

0.8% of a 180 mln mt mkt. is 1.44 mln mt!

Wheat Export MarketShare						
	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17 Feb**	**change**
Argentina	5.1%	1.1%	2.9%	5.9%	6.5%	0.5%
Australia	14.4%	12.5%	11.3%	10.7%	16.0%	5.2%
Brazil	1.2%	0.1%	1.1%	0.7%	1.1%	0.4%
Canada	12.6%	15.0%	**16.9%**	15.0%	14.3%	**-0.8%**
European Union	15.5%	21.8%	**24.0%**	23.5%	17.3%	**-6.2%**
Kazakhstan	4.6%	5.4%	3.7%	5.2%	5.1%	-0.1%
Mexico	0.5%	0.9%	0.7%	1.1%	1.0%	0.0%
Russia	7.7%	12.6%	15.5%	17.3%	19.4%	2.0%
Turkey	2.4%	2.9%	2.8%	3.8%	3.8%	0.0%
Ukraine	4.9%	6.6%	7.7%	11.8%	11.2%	-0.6%
United States	18.8%	**21.4%**	15.6%	14.8%	18.7%	**3.8%**
Others	12.3%	10.0%	7.6%	6.8%	6.9%	0.0%
World Total	**147,271**	**162,512**	**161,793**	**172,069**	**178,297**	

Wheat Exports by Country in 1000 MT

Switch to: Growth Rate

Rank	Country	Exports (1000 MT)
1	Russian Federation	30,000.00
2	United States	26,535.00
3	EU-27	25,000.00
4	Canada	21,500.00
5	Australia	20,500.00
6	Ukraine	15,500.00
7	Kazakhstan	8,500.00
8	Argentina	8,000.00
9	Turkey	5,600.00
10	Mexico	1,500.00
11	Brazil	1,500.00
12	Serbia	1,300.00
13	Pakistan	900.00
14	China	800.00

Wheat Exports Annual Growth Rate by Country

Switch to: Quantity

Rank	Country	Exports - Annual Growth Rate
1	Colombia	150.00 %
2	Morocco	111.86 %
3	Georgia	108.33 %
4	Sri Lanka	54.64 %
5	Pakistan	50.00 %
6	Serbia	47.73 %
7	Brazil	41.64 %
8	Peru	34.33 %
9	Nicaragua	33.33 %
10	Australia	27.14 %
11	United States	25.79 %
12	Ecuador	25.00 %
13	Russian Federation	17.45 %
14	Korea, Republic Of	12.99 %

Wheat Exports Annual Growth Rate by Country

Switch to: Quantity

Rank	Country	Exports - Annual Growth Rate
1	Colombia	150.00 %
2	Morocco	111.86 %
3	Georgia	108.33 %
4	Sri Lanka	54.64 %
5	Pakistan	50.00 %
6	Serbia	47.73 %
7	Brazil	41.64 %
8	Peru	34.33 %
9	Nicaragua	33.33 %
10	Australia	27.14 %
11	United States	25.79 %
12	Ecuador	25.00 %
13	Russian Federation	17.45 %
14	Korea, Republic Of	12.99 %
15	Kazakhstan	11.84 %
16	New Zealand	11.11 %
17	Namibia	11.11 %
18	China	9.74 %
19	Indonesia	9.09 %
20	Malaysia	8.97 %
21	Thailand	6.38 %
22	Mauritius	5.26 %
23	Japan	4.65 %
24	Côte D'ivoire	3.57 %
25	El Salvador	2.56 %
26	Turkey	1.19 %
53	Moldova, Republic Of	-0.85 %
54	Hong Kong	-1.96 %
55	Singapore	-2.17 %
56	Canada	-2.86 %
57	Mexico	-4.34 %
58	Dominican Republic	-6.67 %
59	Guatemala	-6.98 %
60	Ukraine	-11.08 %
61	Argentina	-12.09 %
62	Costa Rica	-12.28 %
63	Honduras	-18.92 %
64	Paraguay	-27.78 %
65	EU-27	-27.91 %
66	Tunisia	-40.00 %
67	Belarus	-58.33 %
68	India	-64.60 %
69	Philippines	-72.73 %
70	Turkmenistan	-95.45 %
71	Nepal	-100.00 %
72	Bolivia	-100.00 %

Biggest wheat *import increases*

1. **India**: 20k mt in '12/13 to 6.5 mln mt '16/17 (bought 6.7 mln mt '06/07)
2. **Vietnam**: Vietnam's wheat imports for marketing year ending June 2017 is estimated to surge 67.4% year-on-year to 5 million mt, largely on strong feed demand
3. **SE Asia**: Per USDA, SE Asian wheat imports have more than doubled over the past decade.
   - *Milling-quality wheat* demand has grown as diets have shifted towards more wheat products. Also, *feed* and residual use in the region has more than doubled due to rapidly rising demand from the livestock, poultry, and aquaculture sectors. Food use is expected to continue rising.

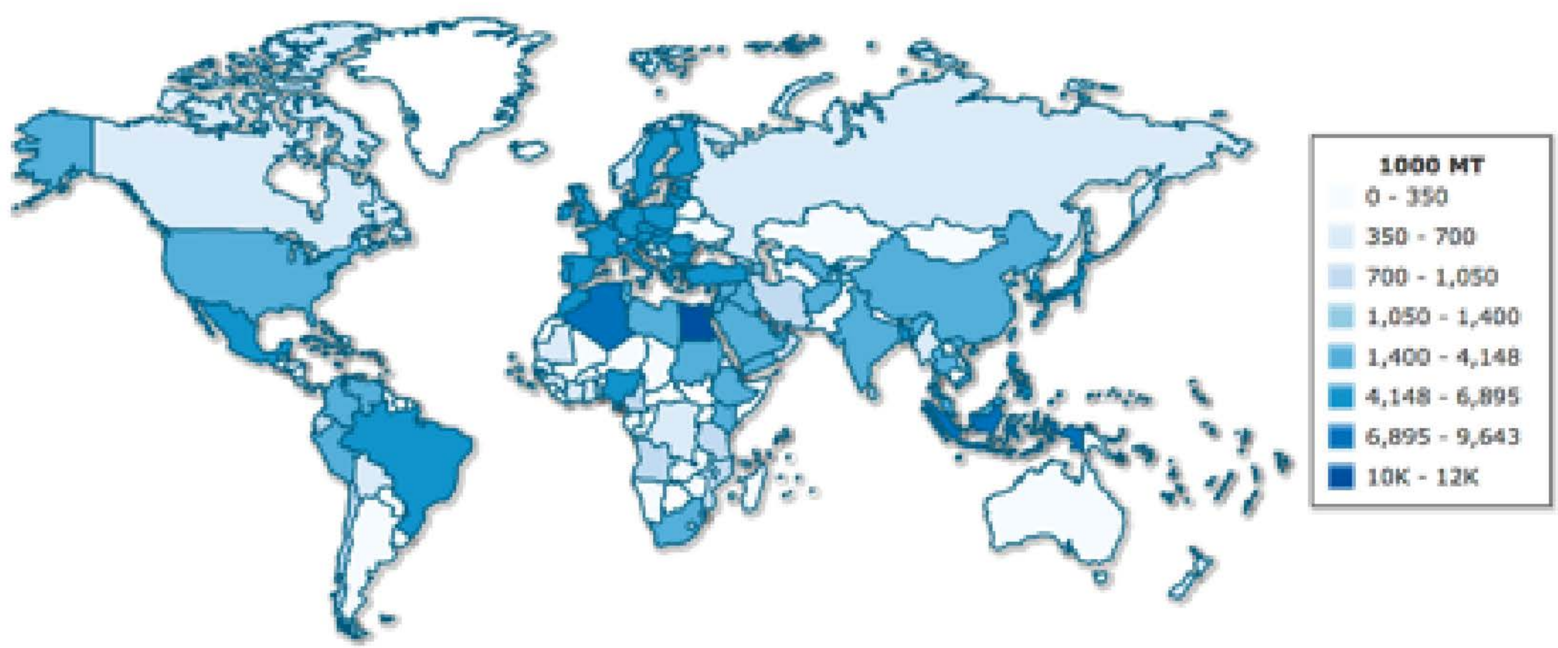
Biggest wheat *import increases last 5 years*

1. India: very small to 6.5 mln mt
2. Egypt: 8.4 → 11.8 mln mt +40%
3. Vietnam: 1.7 → 5 mln mt +290%
4. Bangladesh: 2.7 → 5.5 mln mt +200%
5. Indonesia: 7 → 9 mln mt +29%
6. China: 3 → 4 mln mt +33%
7. Morocco: 3.8 → 5.5 mln mt +45%
8. Philippines: 3.6 → 5 mln mt +43%
9. S. Arabia: 1.9 → 3.5 mln mt +84%
10. Thailand: 1.8 → 3.8 mln mt +211%
11. Turkey: 3.3 → 5 mln mt +43%

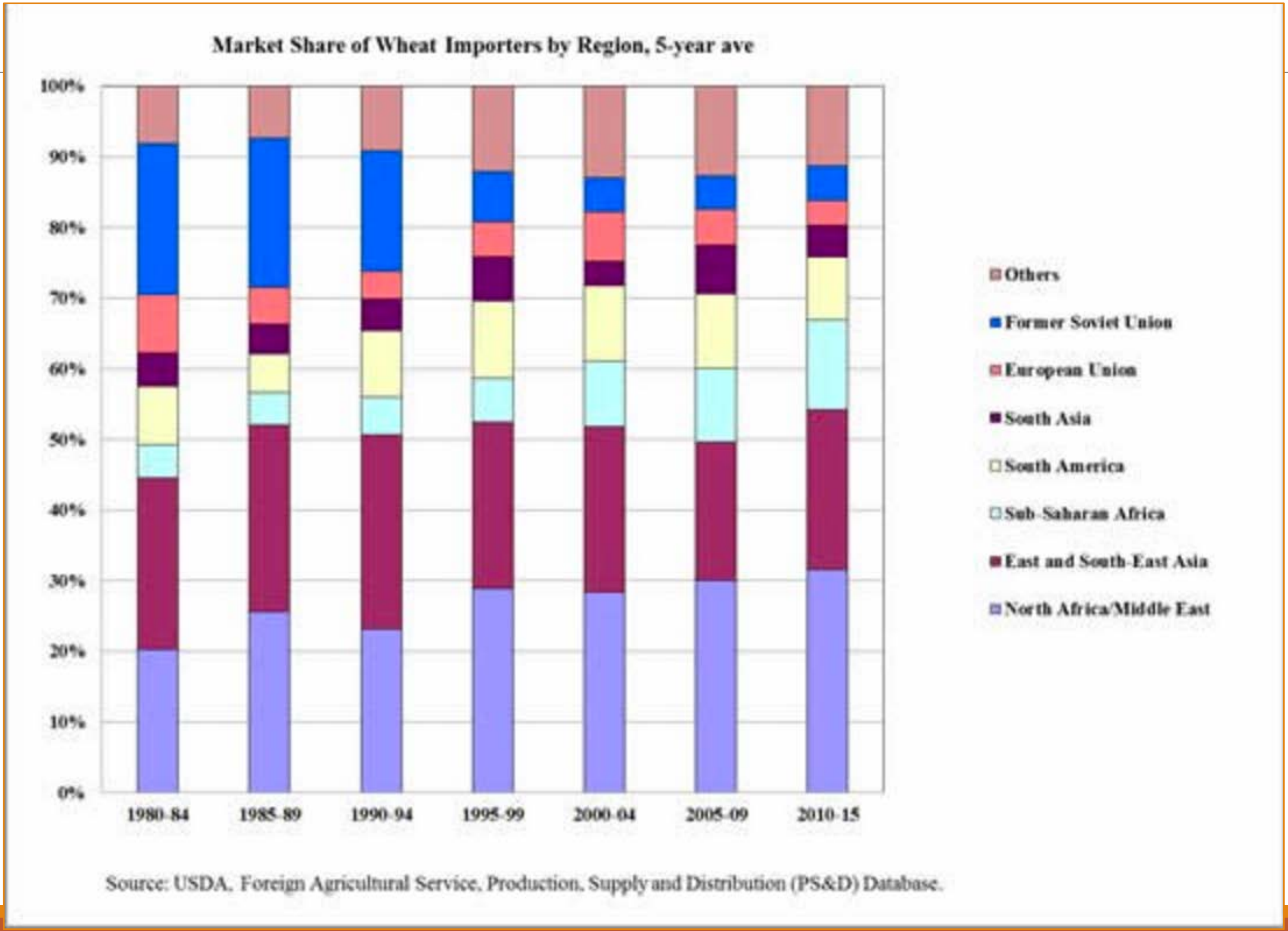
Qualities bought?

Wheat import countries

('000 mt, source: index mundi)



Market share major importers



Global wheat market summary

There have been major changes in the wheat markets over the past 10 years, or so:

- **Global production** has increased from 597 mln mt to 753 mln mt (+26%)
- **Global dom. consumption** has increased from 617 mln mt to 739 mln mt (+20%)
- **Global exports** have increased from 112 mln mt to 178 mln mt **(+59%)**

- **Canadian exports** have *decreased* from 30.3 mln mt (incl dur; 25.9 mln mt excl. dur) to 21 mln mt (incl. dur; 16.5 mln mt excl. dur) – **(-31%)**

Canada is losing market share!

Even if we have the right quality [see this yr], the system does not seem to respond.

What happened???

Costs / rail system capacity/ grading ?

Who is hitting the big tenders?
Ex. most recent GASC (Egypt) tender:

GASC Purchases Feb. 28//'17				
Tonnage ('000 mt)	Origin	FOB Px	Ocean Freight	US$ C&F Px
60	Russian	$197.80	$10.85	$208.65
60	Russian	$197.89	$11.40	$209.29
60	Russian	$198.85	$11.24	$210.09
60	Russian	$198.70	$11.64	$210.34
60	French	$197.00	$14.12	$211.12
55	Russian	$198.75	$12.90	$211.65
60	Romania	$200.50	$11.25	$211.75
60	Ukrainian	$199.50	$13.00	$212.50
60	French	$199.00	$14.12	$213.12
594k mt				

No. 1 CWRS 13.5 FOB px ~ US$251/mt FOB W. Coast

Could Canada compete at lower costs???

Current:

Cdn. Elevation primary & export elev.: $27.50/mt

Rail frt.: $45/mt (~1/2 for 113 car units)

CGC fees <u>$1.84/mt</u>

~$74.34/mt

<u>What if:</u>

Inl. Frt.: $25/mt

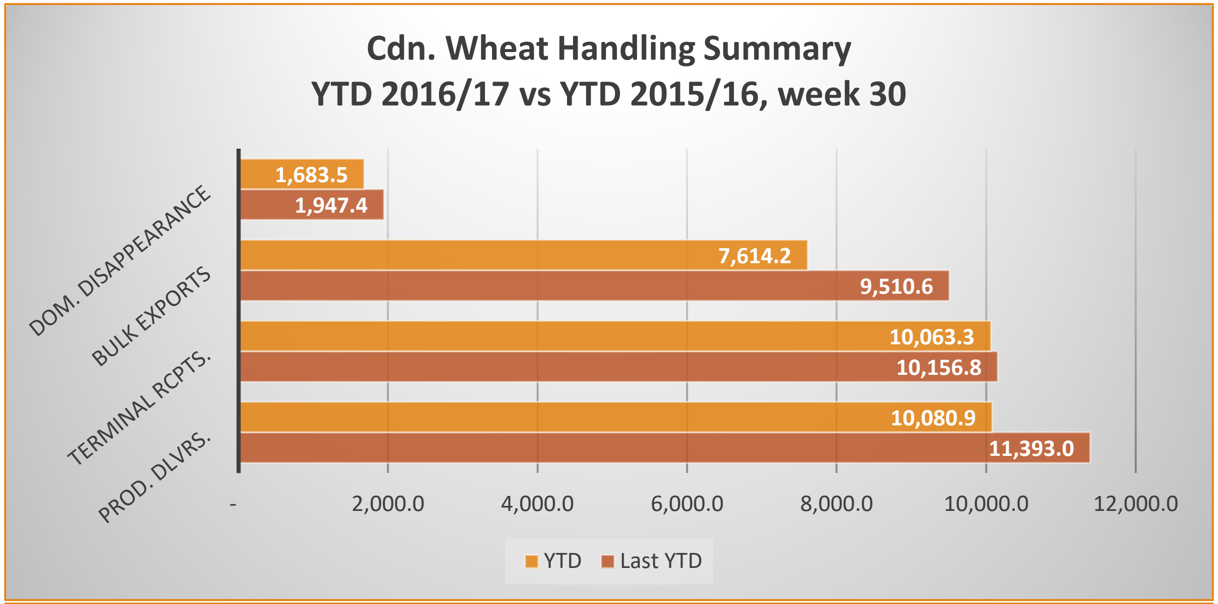
Compet. Elev'ns: $10/mt

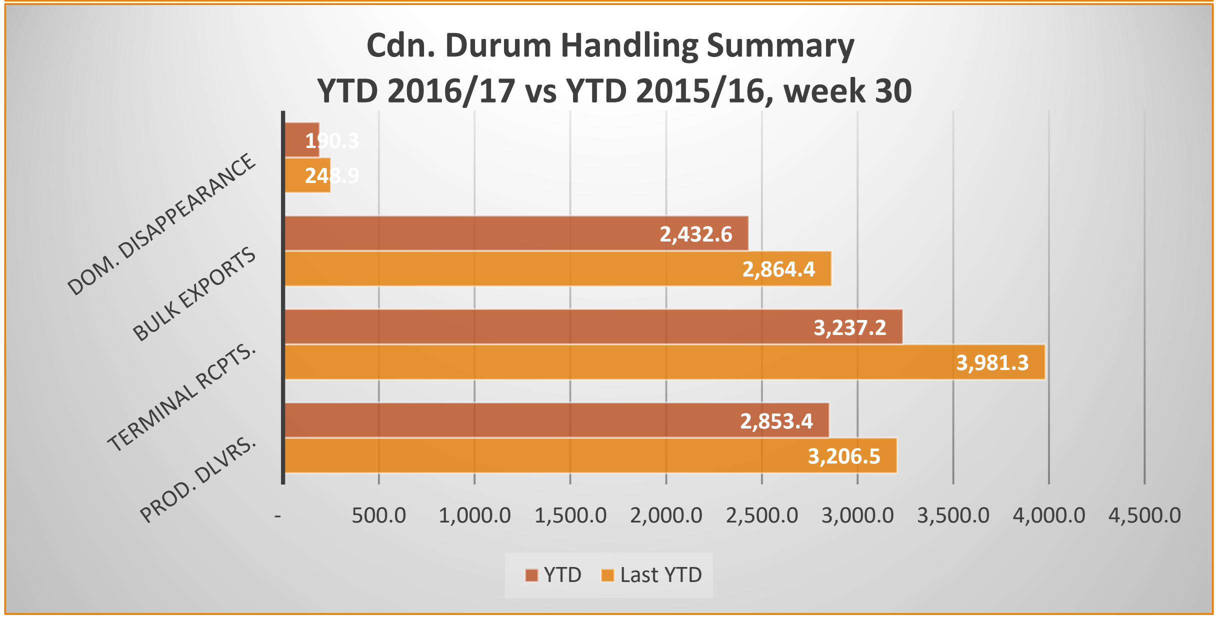
Fees: $ 1/mt

Oc. Frt.: ~US$27/mt → $63/mt

Elevator bids <u>CPS wheat</u>, wk. 29: $4.60/bu → C$169/mt → US$127/mt fob

→ US$190/mt C&F





Cdn. Export performance:

Per week 30, Canadian wheat exports lag last year's by 1.9 million mt or 20%.

Durum exports as of week 30 lag last year's by 432k mt or 15%.

Canadian wheat exports by destination YTD (Dec'16)

Wheat Exports		December 2016	December 2015	2016 - 2017 Crop Year to Date	2015 - 2016 Crop Year to Date
Western Europe	Belgium	-	5	35	5
	Italy	0	32	78	109
	United Kingdom	33	60	167	155
	other	0	0	0	68
	Total W. Eur.	**33**	**97**	**280**	**337**
Africa	Cameroon	7	14	21	70
	Congo	-	-	12	15
	Ghana	20	25	155	181
	Kenya	-	-	40	44
	Malawi	-	3	-	15
	Mozambique	31	17	148	57
	Nigeria	71	57	312	254
	South Africa	-	-	21	123
	Sudan	-	-	44	66
	Tanzania	-	-	-	45
	other	11	16	73	52
	Total Africa	**139**	**133**	**826**	**922**
Asia	Bangladesh	-	168	216	572
	China P.R.	63	60	205	319
	Indonesia	30	147	483	754
	Japan	54	130	623	619
	Malaysia	15	31	63	78
	Oman	-	-	27	39
	Singapore	-	-	33	11
	South Korea	-	-	92	60
	Sri Lanka	70	69	147	225
	United Arab Emirates	12	54	38	141
	Vietnam	11	10	17	89
	other	5	10	154	329
	Total Asia	**261**	**681**	**2,097**	**3,234**
Western Hemisphere	Brazil	32	-	105	-
	Chile	30	33	86	152
	Colombia	112	39	485	411
	Cuba	22	-	168	145
	Dominican Republic	-	22	44	88
	Ecuador	-	29	156	236
	Guyana	10	12	10	21
	Mexico	81	51	510	319
	Peru	51	200	379	565
	United States	53	108	391	463
	Venezuela	10	-	138	421
	other	19	0	135	70
	Toal W. Hemisphere	**420**	**494**	**2,606**	**2,891**
Total		***854***	***1,405***	***5,810***	***7,384***

	High Quality buyers	87	222	869	882
	% of total	**10.2%**	**10.2%**	**10.2%**	**10.2%**

Top 50 importers of Cdn. Wheat

Country	Quantity: (TNE) 2016	Quantity: (TNE) 2015	Quantity: (TNE) 2014	Quantity: (TNE) 2013
World	**15,543,777**	**19,079,024**	**18,574,595**	**15,326,015**
Japan	1,722,212	1,345,248	1,575,311	1,408,975
United States	1,573,198	1,832,489	2,660,944	2,424,499
Indonesia	1,465,387	1,776,348	1,394,543	1,293,999
Bangladesh	1,140,469	1,175,415	969,362	740,407
Colombia	1,095,297	943,623	1,071,957	625,678
Peru	1,026,977	1,310,108	1,106,530	607,494
Mexico	825,765	891,196	988,642	950,101
China	679,262	1,033,194	322,802	809,112
Nigeria	630,628	644,141	689,598	422,840
Ghana	433,766	386,853	233,540	389,896
Ecuador	433,247	544,869	346,450	341,521
Venezuela	409,282	841,895	770,369	688,992
Sri Lanka	442,701	646,535	558,476	343,562
United Kingdom	308,431	314,959	318,783	352,705
Cuba	237,603	212,516	215,843	209,884
United Arab Emirates	237,022	249,817	379,635	414,365
Korea, South	206,562	187,012	541,502	246,479
Chile	220,689	381,076	357,995	119,015
Italy	158,324	229,901	132,652	121,993
South Africa	160,002	261,138	133,328	21,125
Brazil	168,055	0	243,370	433,404
Malaysia	171,055	153,419	94,088	106,538
Cameroon	137,702	156,967	141,281	81,450
Kenya	124,004	87,500	111,847	87,057
Sudan	127,998	293,850	674,285	408,915
Thailand	105,113	348,564	109,184	131,092
Dominican Republic	108,398	149,951	67,468	0
Mozambique	101,835	111,259	227,548	105,201
Iraq	100,000	200,000	559,999	260,344
Oman	81,437	85,248	93,203	0
Costa Rica	83,104	85,694	95,046	53,381
Viet Nam	70,862	305,588	44,866	173,506
Tanzania, United Repu	63,282	50,492	85,495	100,611
Belgium	51,671	15,614	37,225	83
Saudi Arabia	68,250	438,811	568,173	120,750
Lebanon	55,002	23,003	0	0
Morocco	37,512	11,000	5,501	5,499
Niger	45,298	899	0	0
Togo	38,505	30,003	35,981	27,999
Guyana	38,178	23,104	13,601	23,306
Philippines	37,257	662,934	91,341	235,871
India	31,449	0	916	0
Haiti	25,811	11,891	0	0
Zimbabwe	26,666	10,000	8,413	4,001
Congo	23,532	0	0	0
Ivory Coast	22,399	27,700	15,162	23,598
Malawi	21,500	45,001	8,001	12,499
Algeria	21,060	0	0	0
El Salvador	21,220	0	0	0
Burkina Faso	19,005	10,000	0	1,000
Other	109,793	532,199	474,339	397,268

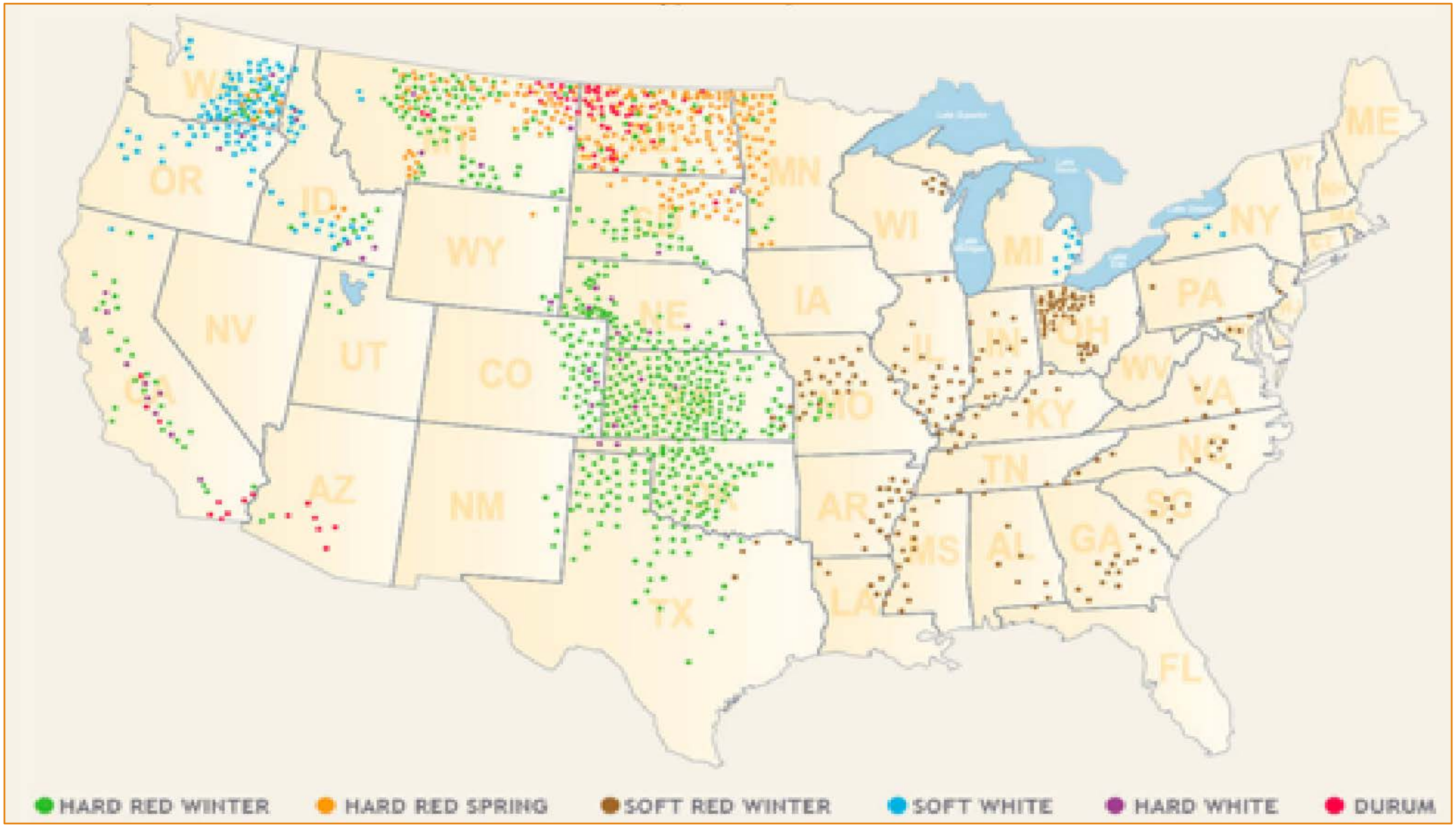
US wheat exports *by class*

US Wheat Exports By Class

(millon mt)	HRW		HRS		SRW		White		Durum		Total	
	15/16	**16/17**	**15/16**	**16/17**	**15/16**	**16/17**	**15/16**	**16/17**	**15/16**	**16/17**	**15/16**	**16/17**
Beginning Stocks	8.0	12.1	5.8	7.4	4.2	4.3	1.8	2.0	0.7	8.0	20.5	26.6
Production	22.6	29.5	15.5	13.4	9.8	9.4	6.0	7.8	2.3	2.8	56.1	62.9
Imports	0.2	0.1	1.3	16/17	0.5	1.1	0.2	0.2	0.9	0.9	3.1	3.3
Supply	30.8	41.7	22.5	21.9	14.5	14.8	8.0	10.0	3.9	4.5	79.7	92.8
Dom. Use	12.5	14.6	8.3	8.1	6.9	6.3	2.0	2.6	2.3	2.4	32.0	34.0
Exports	**6.2**	**10.9**	**6.9**	**8.2**	3.3	2.3	4.0	4.5	0.8	0.7	**21.1**	**26.5**
Ending Stocks	12.1	16.2	7.4	5.6	4.3	6.2	2.0	2.9	0.8	1.4	26.6	32.3

Source: USDA data

US wheat classes



Wheat specifications traded –**USA:** Pro, TW, Dmgd, FM, contrasting classes

Grade	Minimum Limits of - Test Weight per bushel: Hard Red Spring Wheat or White Club Wheat (pounds)	Minimum Limits of - Test Weight per bushel: All Other Classes and Subclasses (pounds)	Maximum Limits of - Damaged Kernels: Heat Damage (part of total) (percent)	Maximum Limits of - Damaged Kernels: Total (percent)	Foreign Material (percent)	Shrunken and Broken Kernels (percent)	Defects 1/ (percent)	Wheat of Other Classes 2/: Contrasting Classes (percent)	Wheat of Other Classes 2/: Total 3/ (percent)
U.S. No. 1	58	60	0.2	2	0.4	3	3	1	3
U.S. No. 2	57	58	0.2	4	0.7	5	5	2	5
U.S. No. 3	55	56	0.5	7	1.3	8	8	3	10
U.S. No. 4	53	54	1	10	3	12	12	10	10
U.S. No. 5	50	51	3	15	5	20	20	10	10

Grade name	Standard of quality				
	Minimum test weight kg/hL (g/0.5 L)	Variety	Minimum hard vitreous kernels %	Minimum protein %	Degree of soundness
No. 1 CWRS	75 (365)	Any variety of the class CWRS designated as such by order of the Commission	65	10	Reasonably well matured, reasonably free from damaged kernels
No. 2 CWRS	72 (350)	Any variety of the class CWRS designated as such by order of the Commission	No minimum	No minimum	Fairly well matured, may be moderately bleached or frost-damaged, reasonably free from severely damaged kernels
No. 3 CWRS	69 (335)	Any variety of the class CWRS designated as such by order of the Commission	No minimum	No minimum	May be frost-damaged, immature or weather-damaged, moderately free from severely damaged kernels
CW Feed	65 (315)	Any class or variety of wheat excluding amber durum and CWSP	No minimum	No minimum	Reasonably sweet, excluded from other grades of wheat on account of damaged kernels
Grade, if specs for CW Feed not met	*Wheat, Sample CW Account Light Weight*				

Primary grade determinants tables for CWRS wheat - 2

Grade name	Foreign material					
	Ergot %	Excreta %	Matter other than cereal grains %	Sclerotinia %	Stones %	Total %
No. 1 CWRS	0.04	0.010	0.2	0.04	0.03	0.6
No. 2 CWRS	0.04	0.010	0.3	0.04	0.03	1.2
No. 3 CWRS	0.04	0.015	0.5	0.04	0.06	2.4
CW Feed	0.1	0.030	1	0.1	0.1	10
Grade, if specs for CW Feed not met	*Wheat, Sample CW Account Ergot*	*Wheat, Sample CW Account Excreta*	*Wheat, Sample CW Account Admixture*	*Wheat, Sample CW Account Admixture*	2.5% or less – *Wheat, Rejected grade, Account Stones* Over 2.5% – *Wheat, Sample Salvage*	*See Mixed grain*

Primary grade determinants tables for CWRS wheat - 3

Grade name	Wheats of other classes or varieties [1]		Artificial stain, no residue %	Dark, Immature %	Degermed %	Fireburnt %
	Contrasting classes %	Total %				
No. 1 CWRS	0.75	2.3	Nil	1	4	Nil
No. 2 CWRS	2.3	4.5	0.05	2.5	7	Nil
No. 3 CWRS	3.8	7.5	0.10	10	13	Nil
CW Feed	10%, either alone or in combination with each other, of amber durum and any variety of the class CWSP		2	No limit	No limit	2
Grade, if specs for CW Feed not met	Over 10%, either alone or in combination with each other, of amber durum and any variety of the class CWSP – Wheat, Sample CW Account Admixture		Wheat, Sample CW Account Stained Kernels			Wheat, Sample CW Account Fireburnt

Primary grade determinants tables for CWRS wheat - 4

Grade name	Fusarium damage %	Grass green %	Grasshopper, army worm %	Heated	
				Binburnt severely mildewed rotted, mouldy %	Total %
No. 1 CWRS	0.25	0.75	1	0.005	0.05
No. 2 CWRS	0.8	2	3	0.020	0.4
No. 3 CWRS	1.5	10	8	0.030	1.0
CW Feed	4	No limit	No limit	2.5	2.5
Grade, if specs for CW Feed not met	Wheat, Sample CW Account Fusarium Damage Over 10%- Wheat, Commercial Salvage			Wheat, Sample CW Account Heated	

Primary grade determinants tables for CWRS wheat - 5

Grade name	Natural stain %	Pink %	Sawfly, midge %	Shrunken and broken [2]			Smudge and blackpoint		Sprouted	
				Shrunken %	Broken %	Total %	Smudge %	Total %	Severely sprouted %	Total %
No. 1 CWRS	0.5	1.5	2.0	4	5	7	0.30	10	0.10	0.5
No. 2 CWRS	2	5	5	4	6	8	1	20	0.20	1.0
No. 3 CWRS	5	10	10	4	7	9	5	35	0.30	3.0
CW Feed	No limit	No limit	No limit	No limit	13	No limit within broken tolerances	No limit	No limit	No limit	No limit
Grade, if specs for CW Feed not met					*Sample Broken Grain*					

Canada Western Red Spring Wheat (CWRS):
Variety, hard vitreous, pro, Soundness, FM detail,
other classes, stain, Fus. Dmge, insect dmge,
shr. & broken, smudge, sprouted

‘Base Grade’ wheat

“Miniumum Quality Milling Wheat”

- **Min. Pro ~12%**
- **Min. Hagberg ~300**
- **TW 78-79 kg/hl**
- **Moisture 16% max.**

- **16% protein – premium**

Russian wheat: Pro, TW, Moisture

- No official body certifying; millers know what are buying

EU wheat: ditto

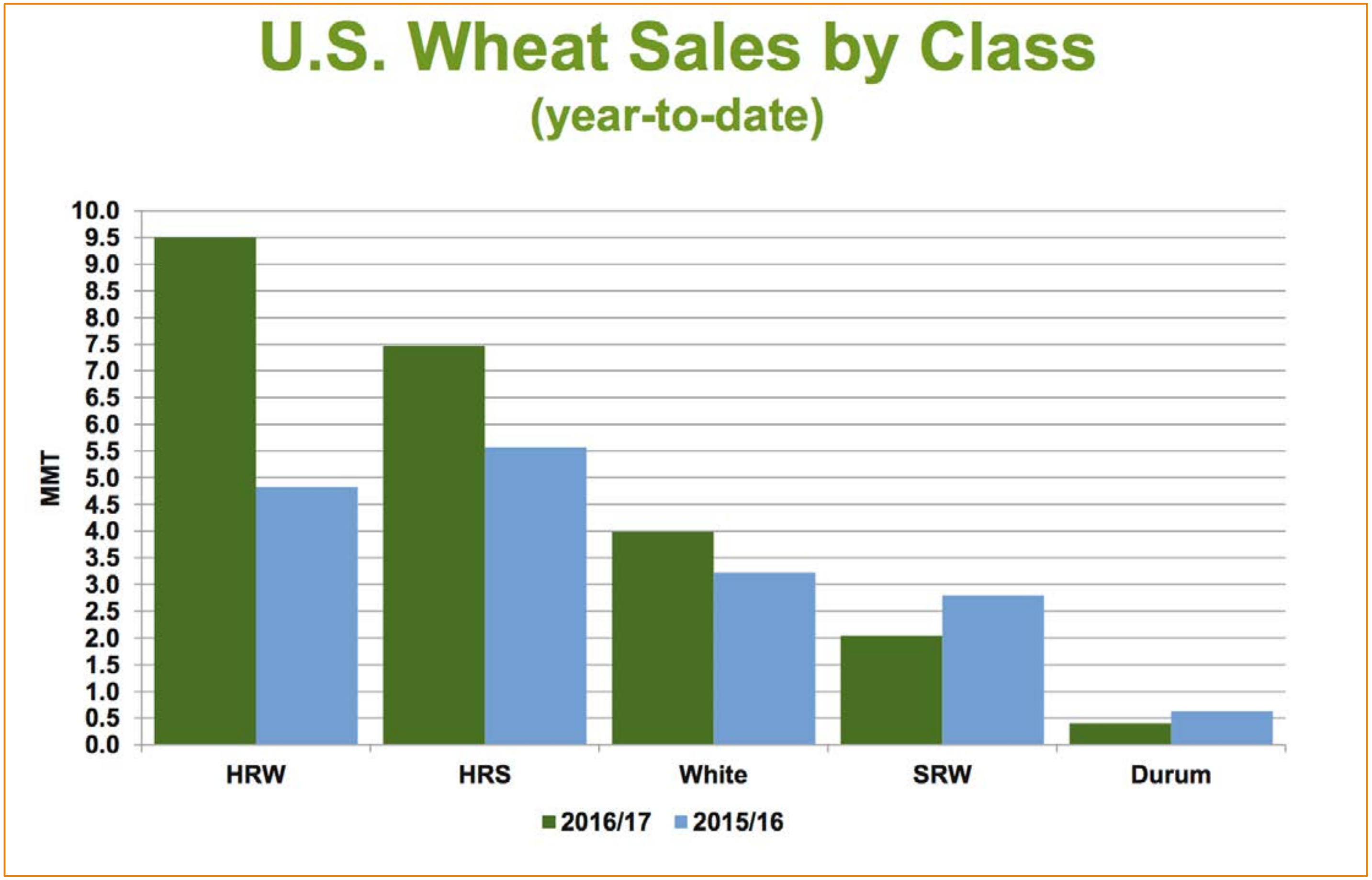
- *change in Canada is glacial….*

US wheat buyers

Source: USDA

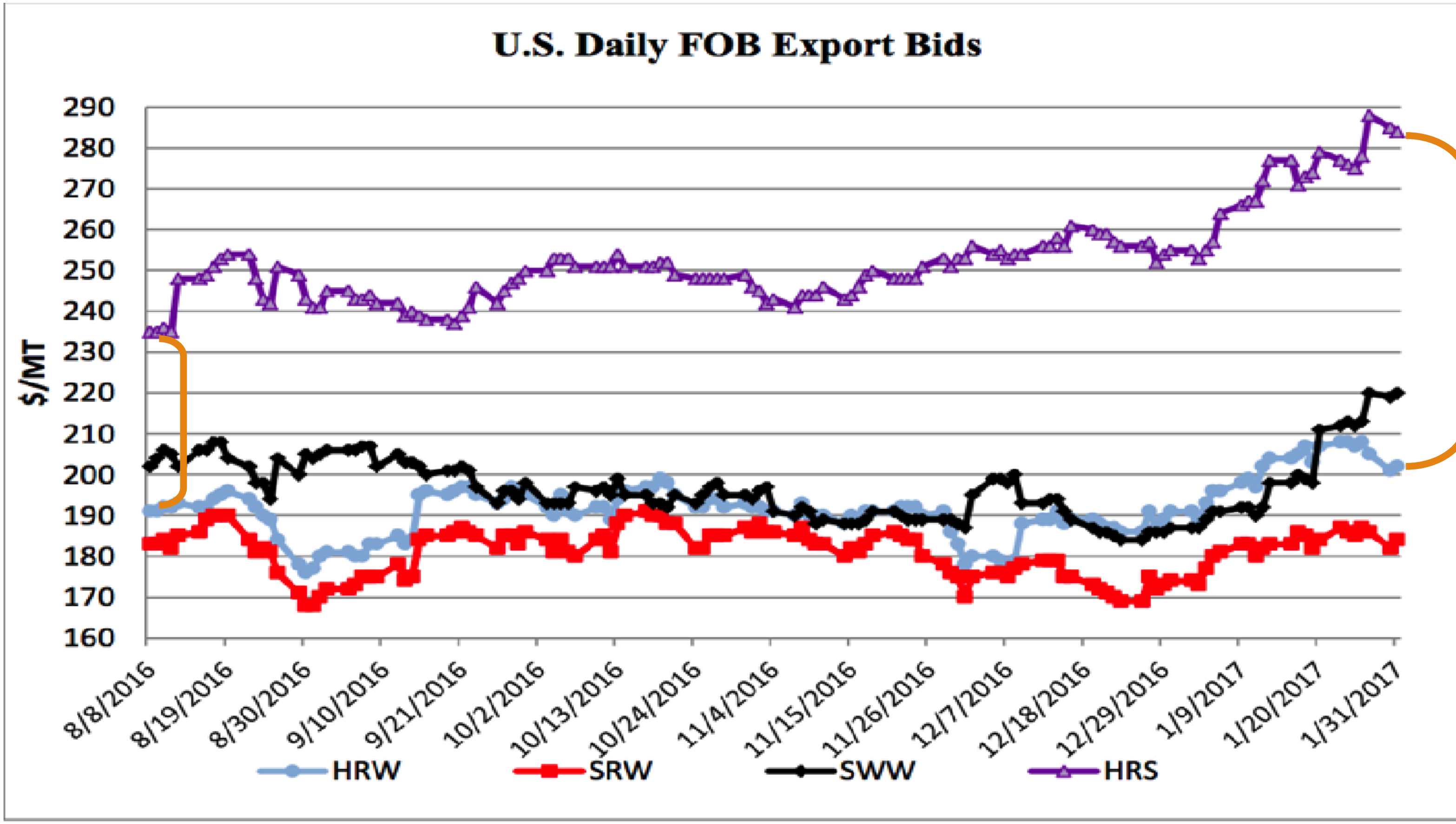
US wheat exports by class

Source: USDA



Market showed value for quality this year

Source: USDA



Source: USDA, FAS, Office of Global Analysis, Feb. '17

World wheat market prospects

New crop area & production outlook - USA

Acres: depends on acreage mix major crops:

A lot of farmers are moving away from wheat and going to soybeans, corn.

Farmers in western Kansas are switching acres from wheat to other crops.

Expectation is that we will see a significant reduction in winter wheat acres, and likely a reduction in spring wheat as well a current price relationships.

→ USDA projections for wheat plantings of 50.2 million acres and harvesting of 43.9 million acres in 2016-17 (down 9% from 55 million planted acres and 7% from 47.3 harvested acres estimated for 2015-16)

USDA outlook est's (Feb. 22)

U.S. Wheat USDA February Outlook Estimates vs Final

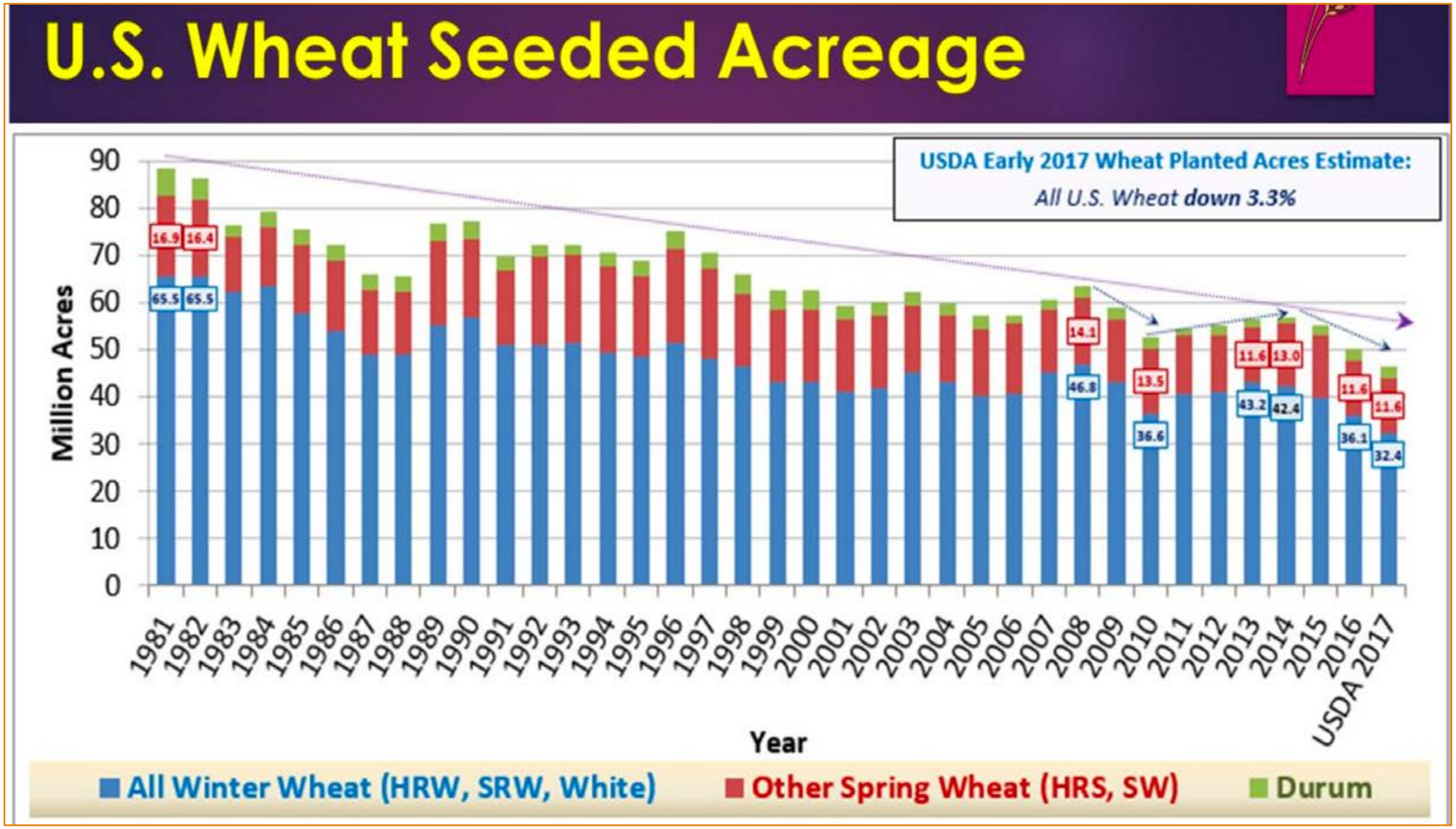
-million acres-

U.S. Planted Acreage	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Feb Outlook	58.0	58.0	60.0	64.0	58.0	53.8	57.0	58.0	56.0	55.5	55.5	51.0	46.0
Final	57.2	57.3	60.5	63.6	59.0	52.6	54.3	55.3	56.2	56.8	54.6	50.2	
Change	-0.8	-0.7	0.5	-0.4	1.0	-1.2	-2.7	-2.7	0.2	1.3	-0.9	-0.8	
Percent Change	-1%	-1%	+1%	-1%	+2%	-2%	-5%	-5%	+0%	+2%	-2%	-2%	

Acres down 10% (initial est.)
The 2017/18 wheat average farm price is seen $4.30/bushel vs $3.85 for 2016/17.

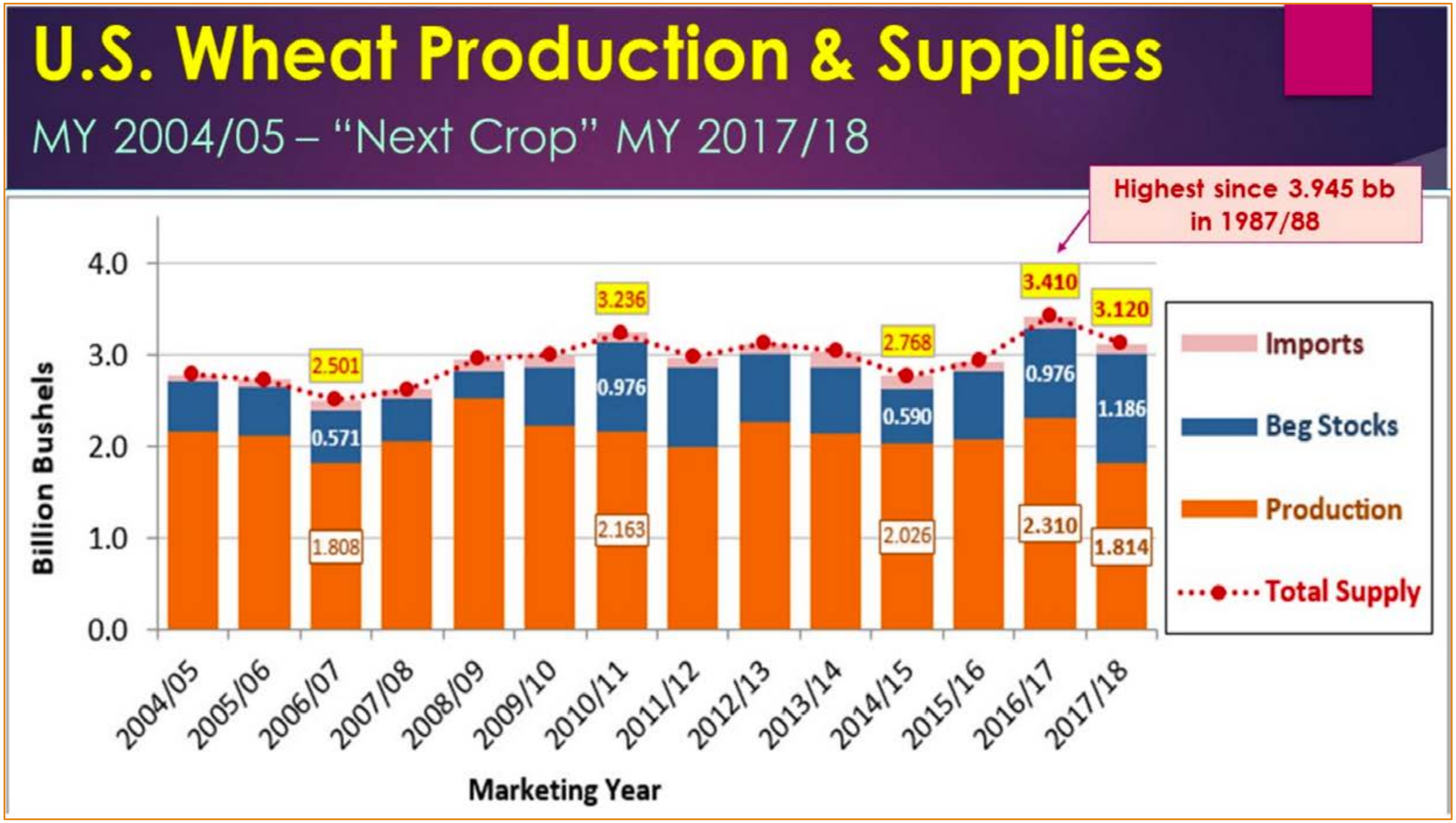
US wheat acres

Source:UKC, USDA



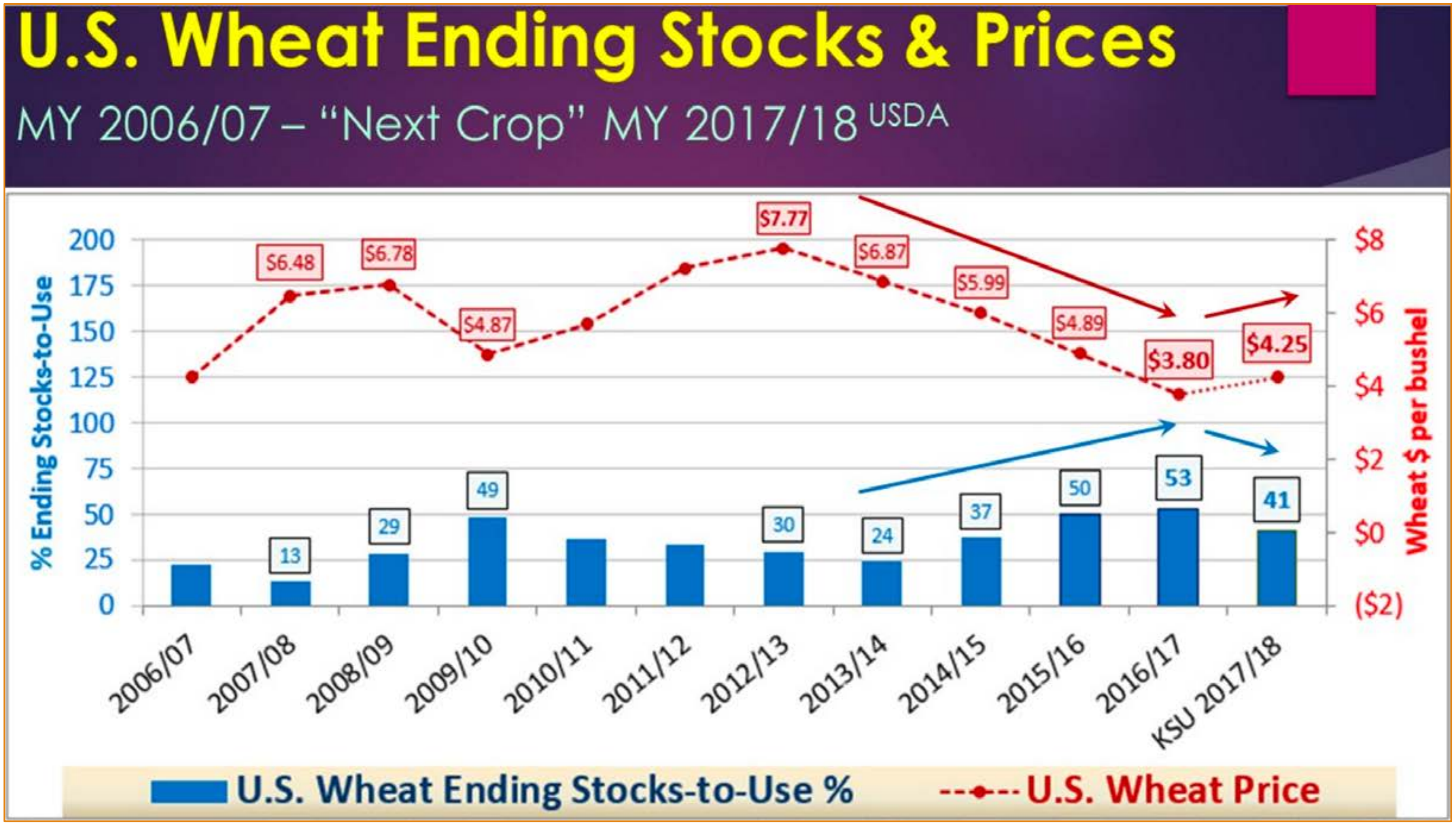
US wheat production

Source:UKC, USDA



US ending stocks & price

Source:UKC, USDA

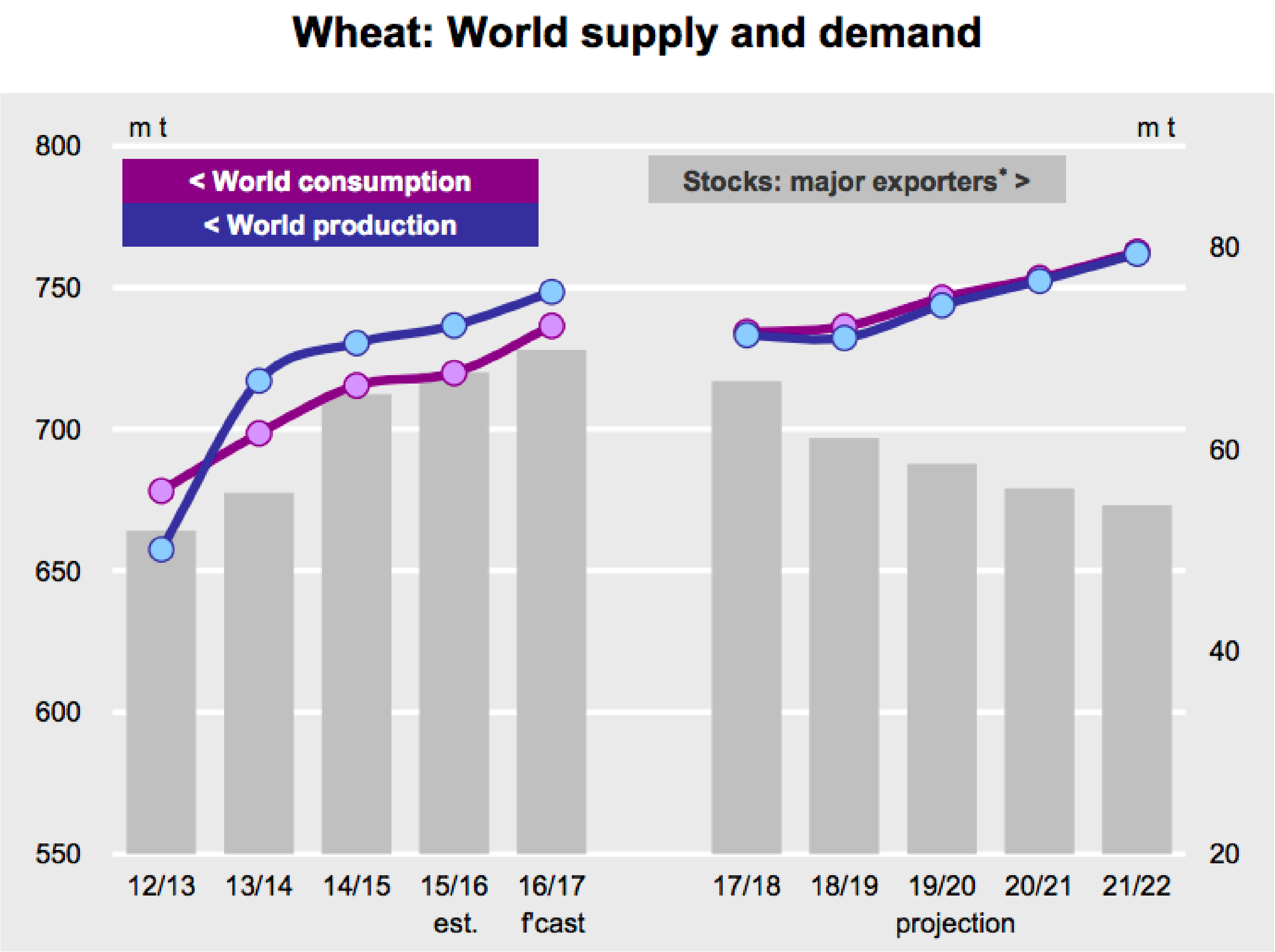


ICG 5-yr projections – world wheat

Wheat: Medium term supply and demand summary

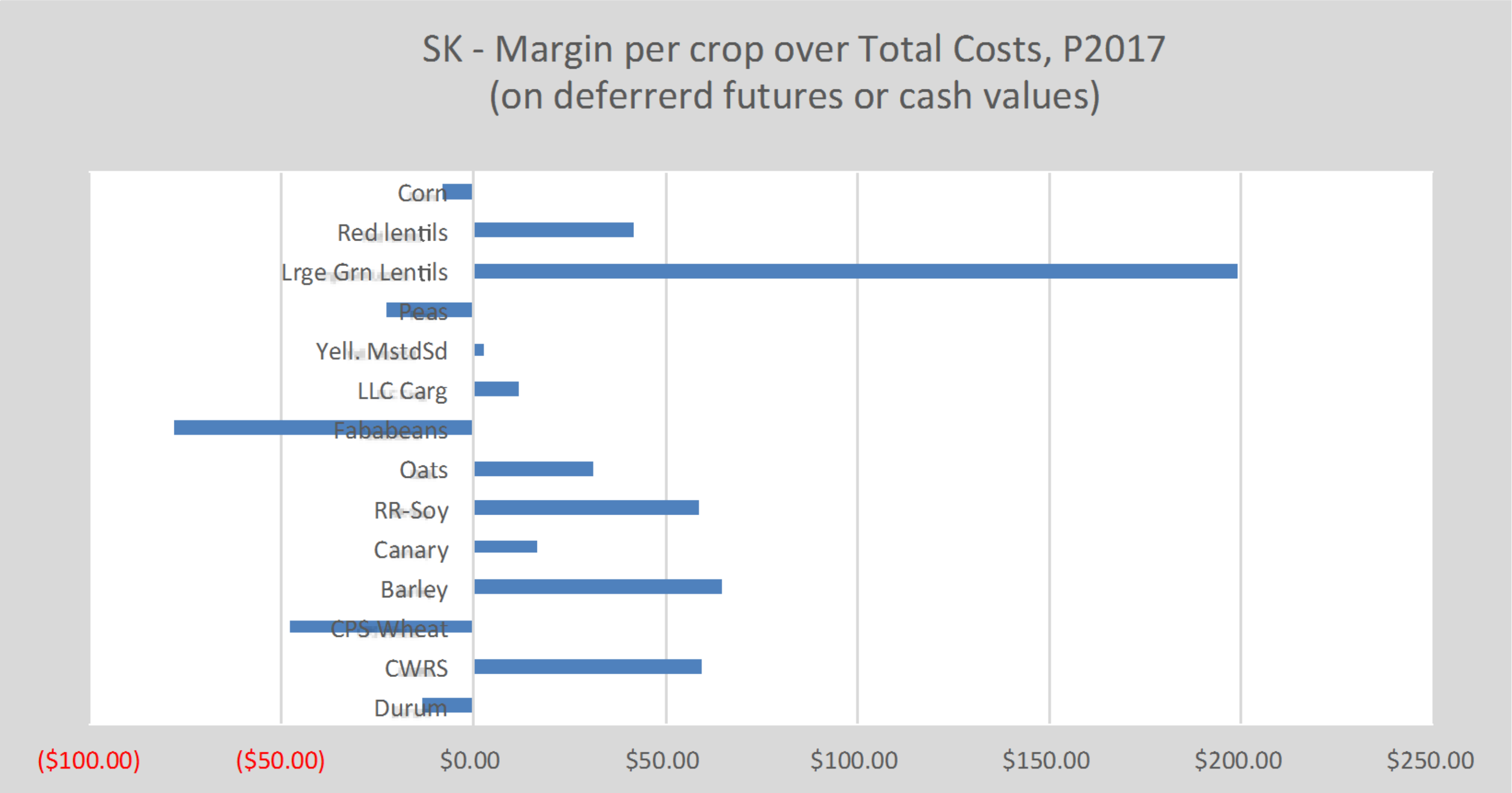
	15/16 est.	16/17 f'cast	17/18 proj.	18/19 proj.	19/20 proj.	20/21 proj.	21/22 proj.	y/y change previous five year average*	y/y change 17/18	y/y change average 18/19-21/22
Yield (t/ha)	3.3	3.4	3.3	3.3	3.4	3.4	3.5	*1.4%*	*-1.9%*	*1.0%*
Area (m ha)	225	222	221	219	220	220	221	*0.1%*	*-0.1%*	*-0.1%*
Production (m t)	**737**	**748**	**733**	**732**	**744**	**752**	**762**	*1.5%*	*-2.0%*	*1.0%*
Consumption (m t)	**720**	**736**	**734**	**736**	**746**	**753**	**763**	*1.0%*	*-0.3%*	*1.0%*
of which:										
food	*487*	*494*	*500*	*506*	*512*	*518*	*524*	*1.5%*	*1.2%*	*1.2%*
feed	*146*	*151*	*144*	*140*	*143*	*143*	*145*	*-0.2%*	*-4.7%*	*0.2%*
industrial	*22*	*23*	*22*	*22*	*22*	*22*	*22*	*1.5%*	*-2.5%*	*0.2%*
of which ethanol	*8*	*8*	*8*	*8*	*8*	*8*	*8*	*-0.3%*	*-1.4%*	*0.4%*
Trade (Jul/Jun, m t)	**164**	**167**	**161**	**163**	**165**	**168**	**170**	*2.8%*	*-3.6%*	*1.4%*
Stocks (m t)	**222**	**233**	**232**	**228**	**226**	**225**	**224**	..	..	..
y/y change	*+ 17*	*+ 12*	*- 1*	*- 4*	*- 3*	*- 1*	*- 1*	..	..	..
*major exporters***	*68*	*70*	*67*	*61*	*59*	*56*	*54*	..	..	..

Notes:*2012/13 – 2016/17 ** Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine, US



Note: * Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine, US

Return per Acre outlook - SK



Yields & prices used….

	Durum	CWRS	CPS Wheat	Barley	Canary	RR-Soy	Oats	Fababeans	LLC Carg
yield bu (lb)/ac	45	60	60	80	1500	35	100	45	36
price $/bu	$7.00	$6.75	$4.80	$5.00	$0.24	$11.50	$3.25	$7.00	$11.00
MARGIN	($13.00)	$59.40	($47.60)	$65.20	$16.60	$58.60	$31.00	($78.00)	$11.80

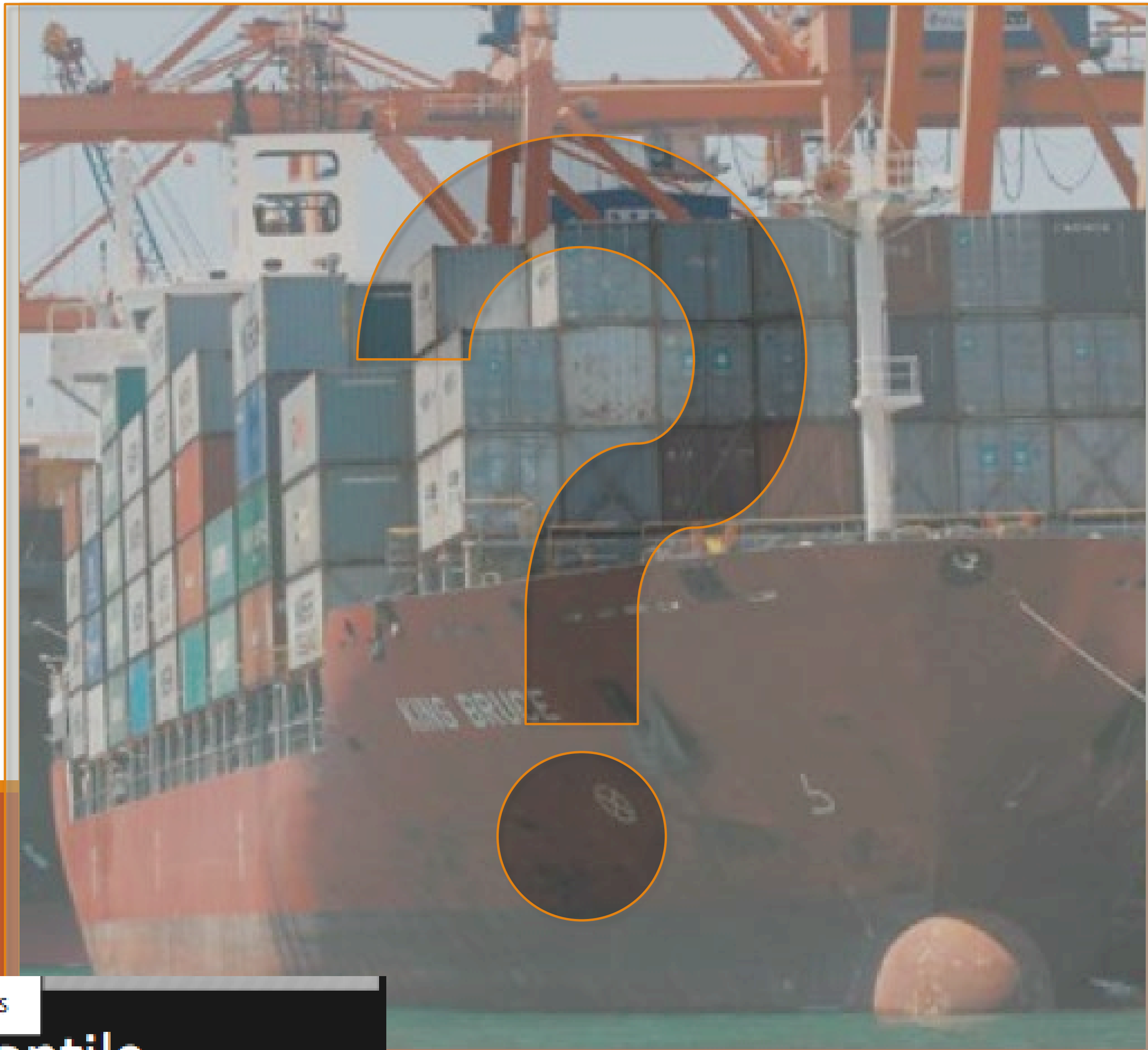
Peas	rge Grn Lentil	Red lentils	Corn
40	1500	1600	120
$8.00	$0.35	$0.23	$4.25
($22.90)	$199.00	$42.00	($8.00)

Canadian wheat projections

Cdn. Wheat excl. Durum				plus 9% ac
('000)	2014/15	2015/16	2016/17	F2017/18
Area seeded (kha)	7,869	7,445	6,915	**7,537**
Area harvested (kha)	7,594	7,250	6,511	**7,097**
Acres sdd.	19,444	18,397	17,087	**18,625**
Acres hrvstd.	18,765	17,915	16,089	**17,537**
Yield (t/ha)	3	3.06	3.68	**3.30**
Yield (bu/ac)	44.6	45.5	54.7	**49.1**
Production	24,227	22,205	23,967	**23,967**
Imports	81	95	100	100
Total supply	32,973	28,398	28,127	28,127
Exports	18,780	17,179	16,500	16,500
Food & Industrial Use	3,345	3,238	3,450	3,350
Feed, Waste & Dockage	3,984	3,187	3,725	3,094
Total Domestic Use	8,094	7,149	7,927	7,200
Carry-out Stocks	6,098	4,070	3,500	3,500
Stock-Use ratio	22.7%	16.7%	14.3%	14.8%

Cdn. Durum Wheat				less 15% ac
('000)	2014/15	2015/16	2016/17	F2017/18
Area seeded (kha)	1,922	2,355	2,505	**2,129**
Area harvested (kha)	1,886	2,327	2,367	**2,012**
Acres sdd.	4,749	5,819	6,190	**5,261**
Acres hrvstd.	4,660	5,750	5,849	**4,972**
Yield (t/ha)	2.75	2.32	3.28	**2.78**
Yield (bu/ac)	40.9	34.5	48.8	**41.4**
Production	5,193	5,389	7,762	**5,600**
Imports	8	13	10	10
Total supply	6,940	6,358	8,873	8,400
Exports	5,177	4,541	4,500	4,800
Food & Industrial Use	221	180	200	200
Feed, Waste & Dockage	359	298	1,177	905
Total Domestic Use	807	716	1,573	1,310
Carry-out Stocks	956	1,101	2,800	2,290
Stock-Use ratio	16.0%	20.9%	46.1%	37.5%

Questions?



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