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March 2018

THINK WHEAT 2018

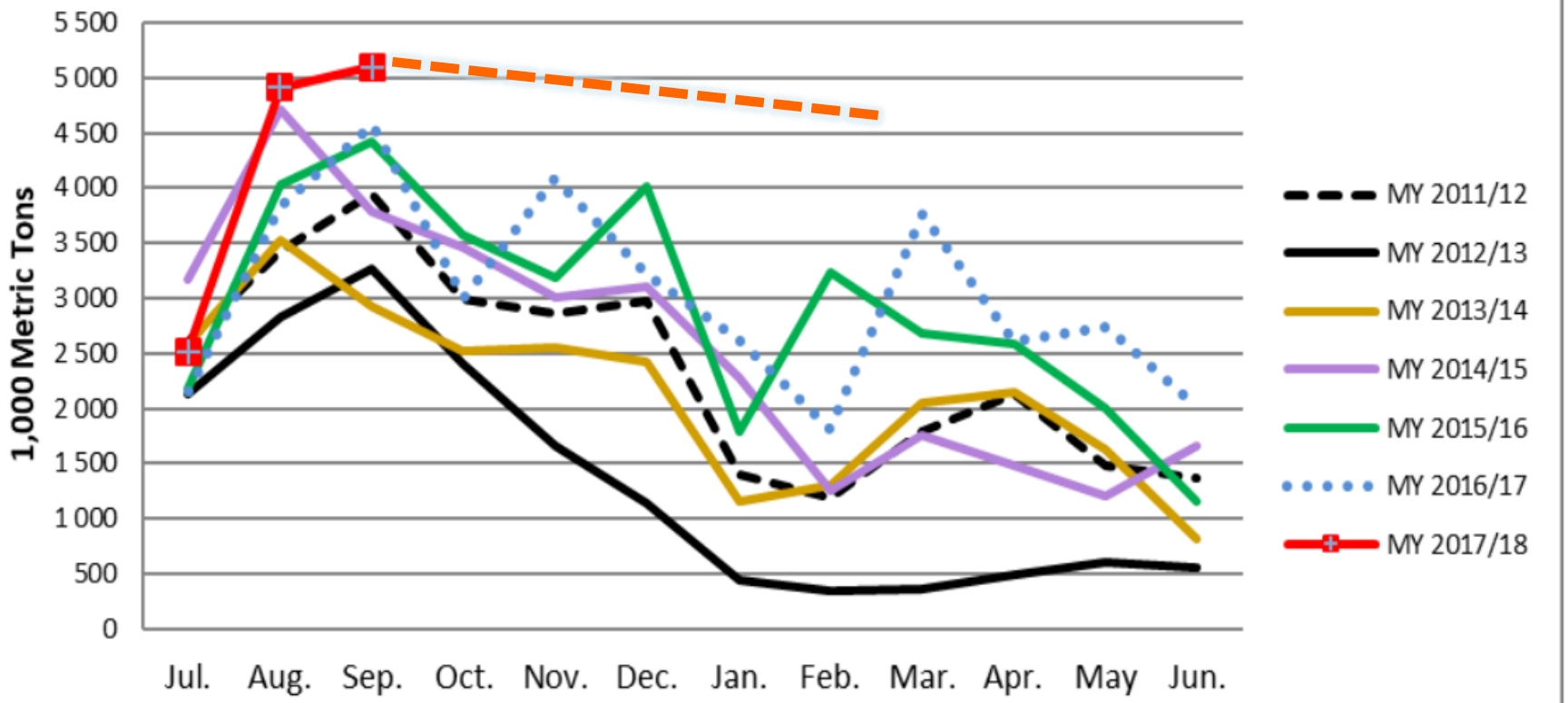
CHANGES IN THE WHEAT MATRIX

Outline

- **Changing Ag Environment**
- **Wheat**
- **Durum**
- **Canadian Outlook**

Ag Trade Environment

Chart 2. Russia's Total Grain Exports by Months



Source: FAS/Moscow based on Russia's Customs data. Exports in September 2017 is based on estimates of industry analysts

Increasing port capacities

Putin's bid for greater economic trade between Asia and Russia

Russia: Ninefold increase in grain export capacity - past 15 years (~45 mln mt)

--*up 23% so far this marketing year.*

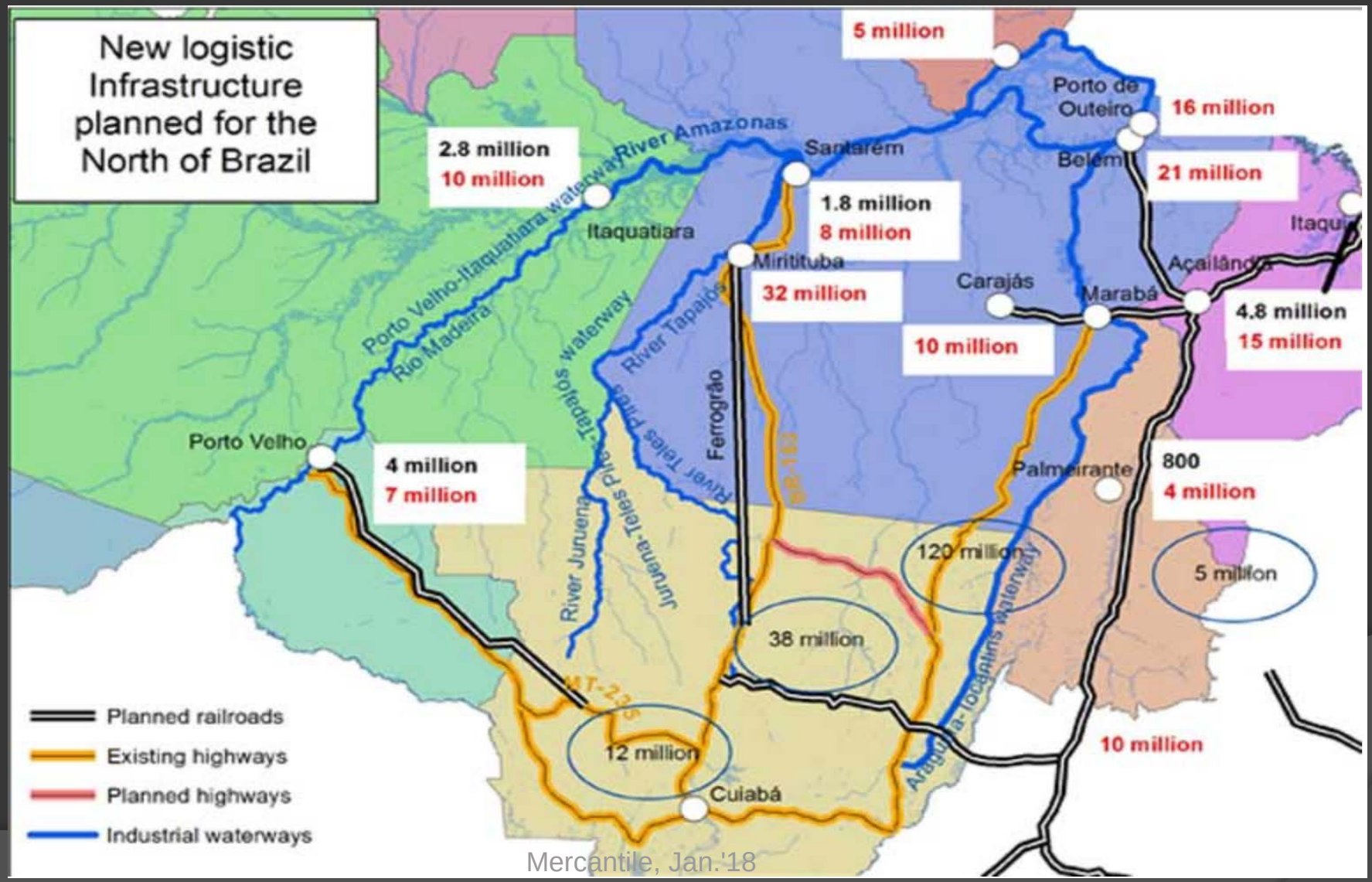
- MOSCOW, Nov 9 (Reuters) – Russia **aims to increase its grain export capacity by 50 percent to 7.5 million tonnes/mo. Next 3 yrears**
  - Deputy Minister Khatuov "… projects in Russia's Black Sea port of Taman … (and) far east and northern regions … to increase export capacity to 7.5 million tonnes of grain/mo." (current is 5 MT). … Russia *needs to expand grain supplies to Asia and Latin America*.

… increasing port capacities

- Reuters, Jan. 19/'18: "Russia continues to dominate global wheat export trade – *breaking one record after another*."
  - "addit. pressure came from Argentina, which conf'd its return as a major exporter in '17/18 with large shpmts. to Asia & Algeria."

Brazil – Matto Grosso SBN transportation

Source: Presentation by Cargill and SETRAN-PA 26 February 2016




Principais rotas de escoamento da safra
Roads in use
Roads being built
Railroad in use
Railroad in work
Railroad with planned works
Waterway in use
Waterway with little or no navigation

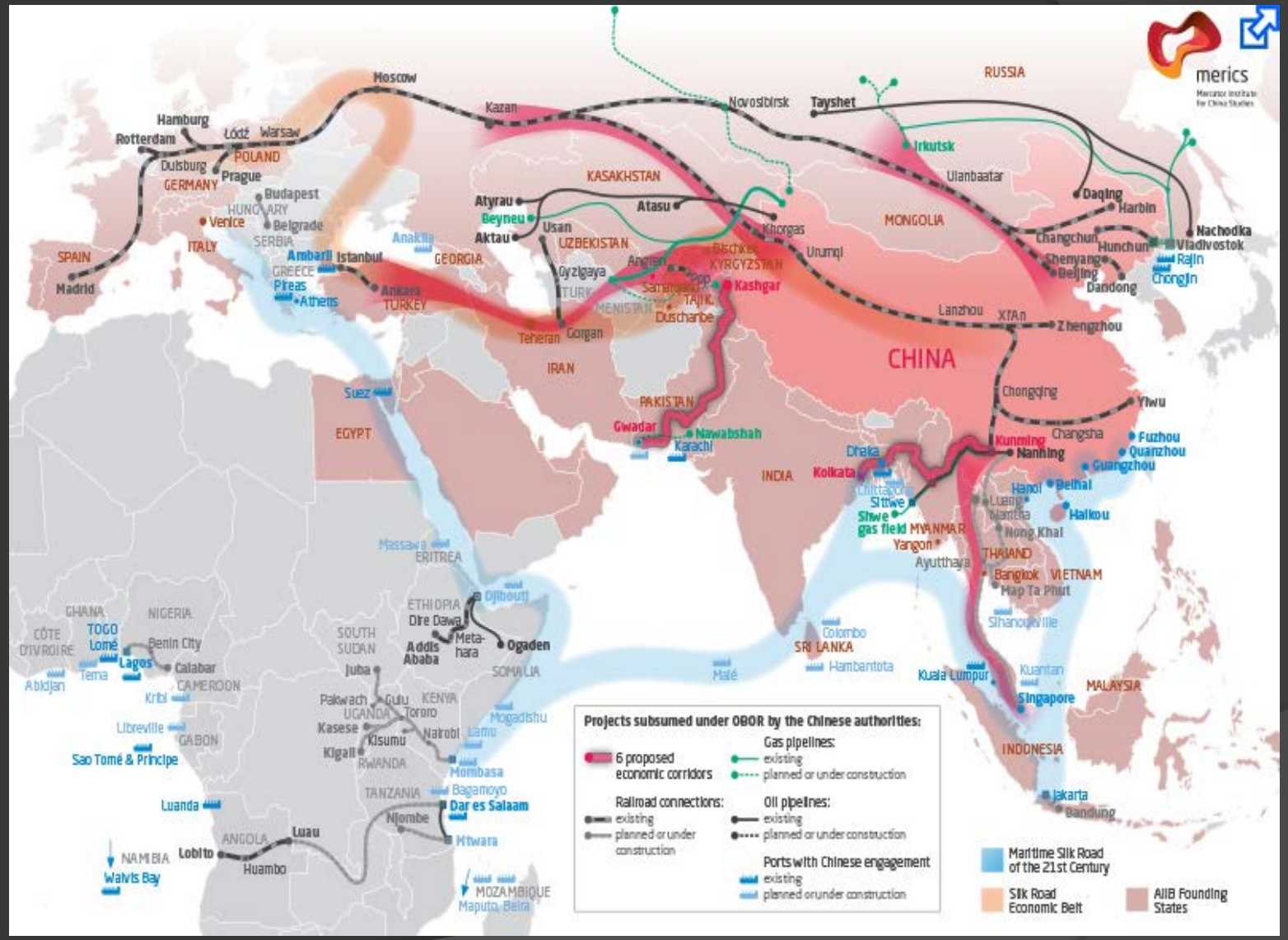
Brazil

The new silk road - China

With the Silk Road Initiative, China Aims to Build a Global Infrastructure Network

Chinese projects/ ports with Chinese engagement

- **To watch for: Rtdm-China frt at $10.00/mt via new silk road as of 2020/21**



Competitor's infrastructure changes, and what 'Silk Road' means to int'l trade?

- Different trade ties
- *Different handling and cost structure*
- Different trade matrix (who trades with whom)

Observation:

- Russia/ China striving to reduce overall costs of moving goods from A to B
- Cda.: Seems to strive to maximize the returns from the various pieces of infrastructure?

E.G. Australia – 'comparative costs'

- AEGIC's 2014 study looking at the cost of getting grain from farm to port in Australia
  - "the cost of a typical export grain supply chain in Canada is about A$107 per tonne compared with about A$87 per tonne in Australia."

Table 1: Export wheat supply chain costs in 2015/16 (Australian dollars).

	Russia		Australia		Ukraine		Canada	
	Cost (A$/t)	% supply chain cost	Cost (A$/t)	% supply chain cos	Cost (A$/t)	% supply chain cost	Cost (A$/t)	% supply chain cost
Cartage to bin	$3.46	6%	$7.80	9%	$4	8%	$11.4	13%
Storage	$5.13	9%	$9.00	11%	$3	5%	$17.7	21%
Upcountry handling	$9.21	17%	$18.40	22%	$8	14%	$16.2	19%
Transport to port	$15.52	28%	$26.70	32%	$13	23%	$49.8	59%
Handling at port	$22.18	40%	$13.10	15%	$23	40%	$10.7	13%
Ship at port	$0.18	0%	$6.80	8%	$1	2%	$4.0	5%
Levies	$0.10	0%	$2.80	3%	$5	9%	$3.2	4%
Supply chain cost	$55.79	32%	$84.60	28%	$57	30%	$113.0	37%
Production cost	$119.96	68%	$216.15	72%	$133	70%	$191.0	63%
Total cost ($/t)	**$175.74**		**$300.75**		**$190**		**$304.0**	

Cost of a typ. export grain supply chain in Canada is about A$107 per tonne compared with about A$87 per tonne in Australia

Candian Handling Summary - Week 30

	Wheat	Amber Durum	Total
Producer Deliveries			
Current Week	291.2	65.7	**856.3**
Week Ago	308.1	58.6	**876.8**
To Date	10,487.0	2,342.1	**32,533.1**
Year Ago	10,080.9	2,853.4	**34,253.0**
Terminal Receipts - Note: Large revisions have			
Current Week	207.6	18.5	**494.3**
Week Ago	195.0	56.2	**431.7**
To Date	9,960.5	2,606.0	**26,526.8**
Year Ago	10,063.3	3,237.2	**28,845.9**
Exports			
Current Week	250.5	5.7	**635.9**
Week Ago	244.8	29.6	**531.2**
To Date	8,896.4	2,291.1	**24,294.1**
Year Ago	7,614.2	2,432.6	**24,453.3**
Domestic Disappearance - Note: Large revisions			
Current Week	44.6	4.1	**250.0**
Week Ago	29.2	2.1	**229.5**
To Date	2,672.0	437.9	**11,280.4**
Year Ago	1,683.5	190.3	**9,565.8**

Commercial Stocks, Week 30, Ending February 25, 2018

(in 000's of tonnes)

	Wheat	Amber Durum	Total
Primary Elevators	1,764.7	421.4	**4,370.5**
Process Elevators	81.4	-	**372.1**
Pacific	298.6	61.7	**645.5**
Churchill	29.5	-	**29.5**
Thunder Bay	285.2	30.7	**552.4**
Bay & Lakes	140.5	20.8	**359.2**
St. Lawrence	420.3	128.0	**620.1**
Total	3,020.2	662.6	***6,949.3***

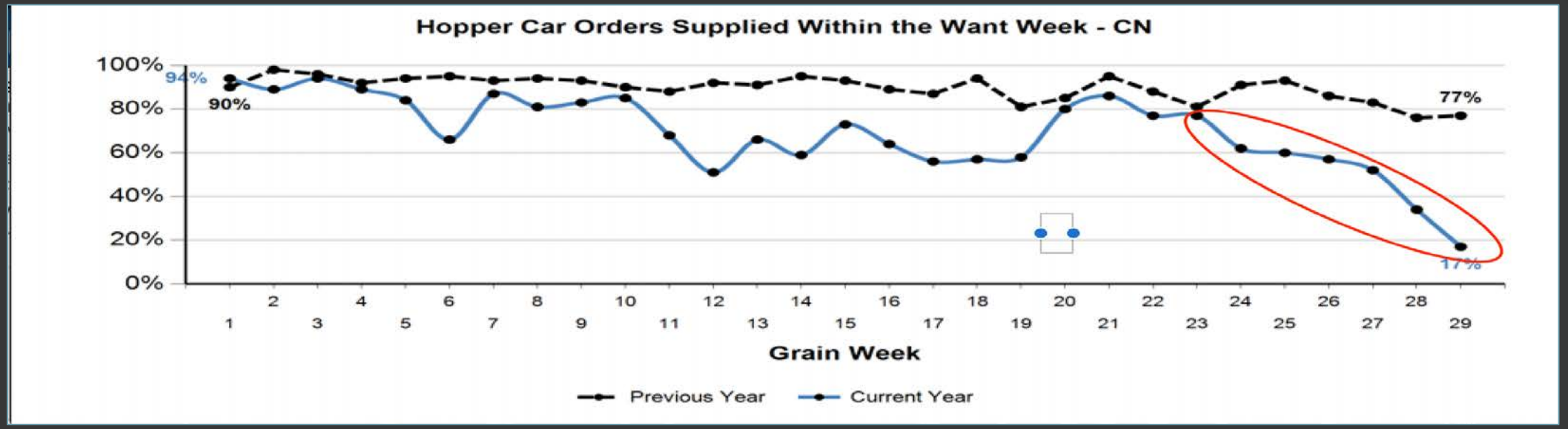
	Wheat	Amber Durum	Total
Current Week	136.5	4.4	**367.0**
Week Ago	1[illegible]	16.2	**408.6**

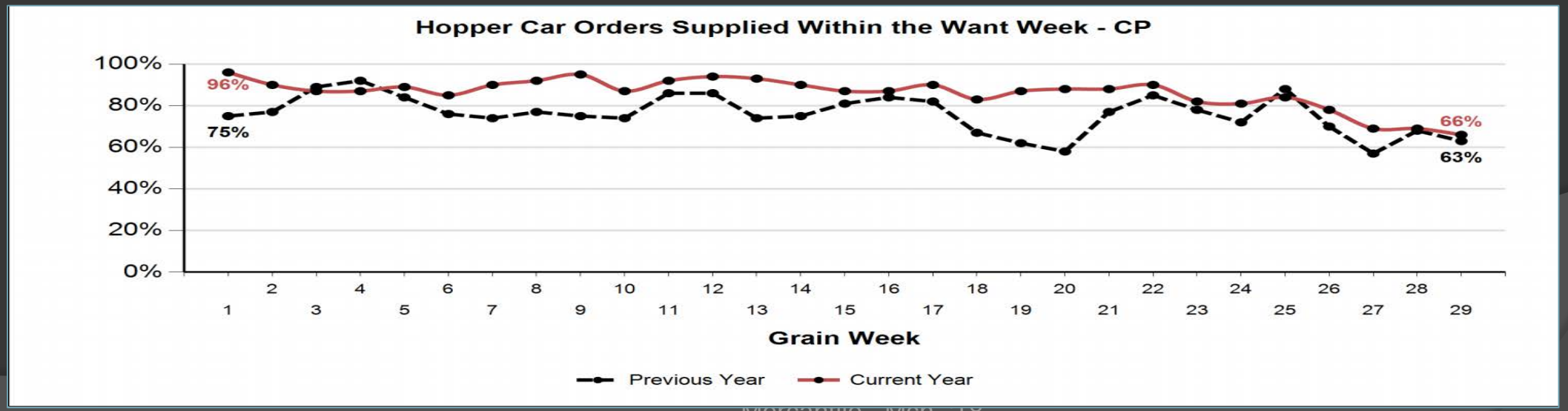
Railcar allocation wk. 30 = 5% of ttl.elev. stocks

Compared to Canada:

- Little concern for overall system costs/ competitiveness
- Little/ no progress on ag rail transportation capacity
- L.T. plan for future volume increases

Canada: Weekly Railcar Performance CN & CP (wk. 30)





Ethanol & Biodiesel mandates (US & EU) –'*mature*'

CROP BASED biofuel mandate growth is negative

- US growth will be 0
- But YoY world biod. D est'd up 3.5-4 mln (higher gasoline pxs)
- EU growth, post 2020, increasingly looks likely to be 0, maybe even negative
  - recommendations suggest zero or negative growth

Increased protectionism?

E.g.. vegetable oil import duty India

India – imports ~ 20% of world's vegetable oil imports.

- Est. India to buy 15.8 mln mt out of world 74.9 mln mt imported vegoils this crop year (USDA est. Nov).
- BUT:

- India raised import taxes on edible oils to 10 year high: import tax crude palm oil →15% to 30%, refined palm oil →25% to 40%
- Crude soybean oil →17.5% to 30% (17.5%) :refined soybean oil →20% to 35%.

Indian Protectionism: the result

Indian soybean oil and palm oil futures rose the 4% trading limit Monday, beans rose 3% and rapeseed 2%, India ‘s goal

AND overseas, Indian import duty on vegoils collapsed CPO & hurt SBO, rapeseed and canola, basically anything associated to vegoil.

Important questions to ask:

- What , if any, is Cdn. response going to be?
  - Port capacity west coast is changing; but dedicated ag rail capacity/ access to port?
  - System cost considerations?
- Handling of trade barriers?
- ‘How long’ will it take Canada to respond?
- Q of the adequacy/ timeliness of Canadian trade data

World Wheat Situation

World Wheat Balance Sheet - The numbers

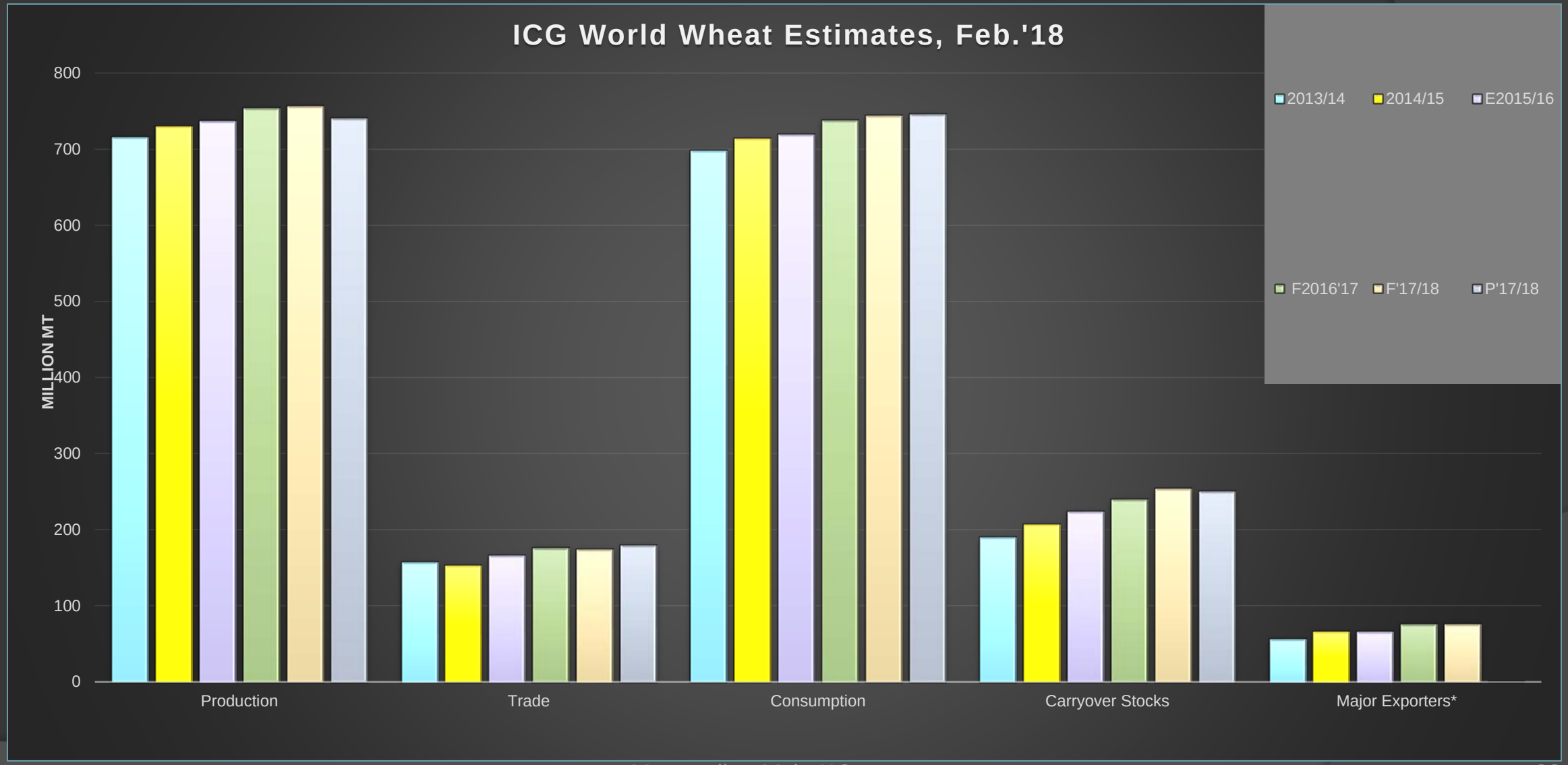
Last 4 yrs.: C/O up ~34%

ICG World Wheat Estimates							
million mt	2013/14	2014/15	E2015/16	F2016'17	F'17/18	change 13/14 vs '17/18	P'17/18
Production	716	730	737	754	**757**	105.7%	741
Trade	157	153	166	176	**174**	110.8%	179
Consumption	698	714	720	738	**744**	106.6%	746
Carryover Stocks	190	207	224	240	**254**	**133.7%**	250
Year/ Year change	*19*	*16*	*17*	*16*	***14***		*-4*
*Major Exporters**	*56*	*66*	*66*	*76*	***76***		

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

Nxt yr.: prod'n -2.2% C/O - 2.6%

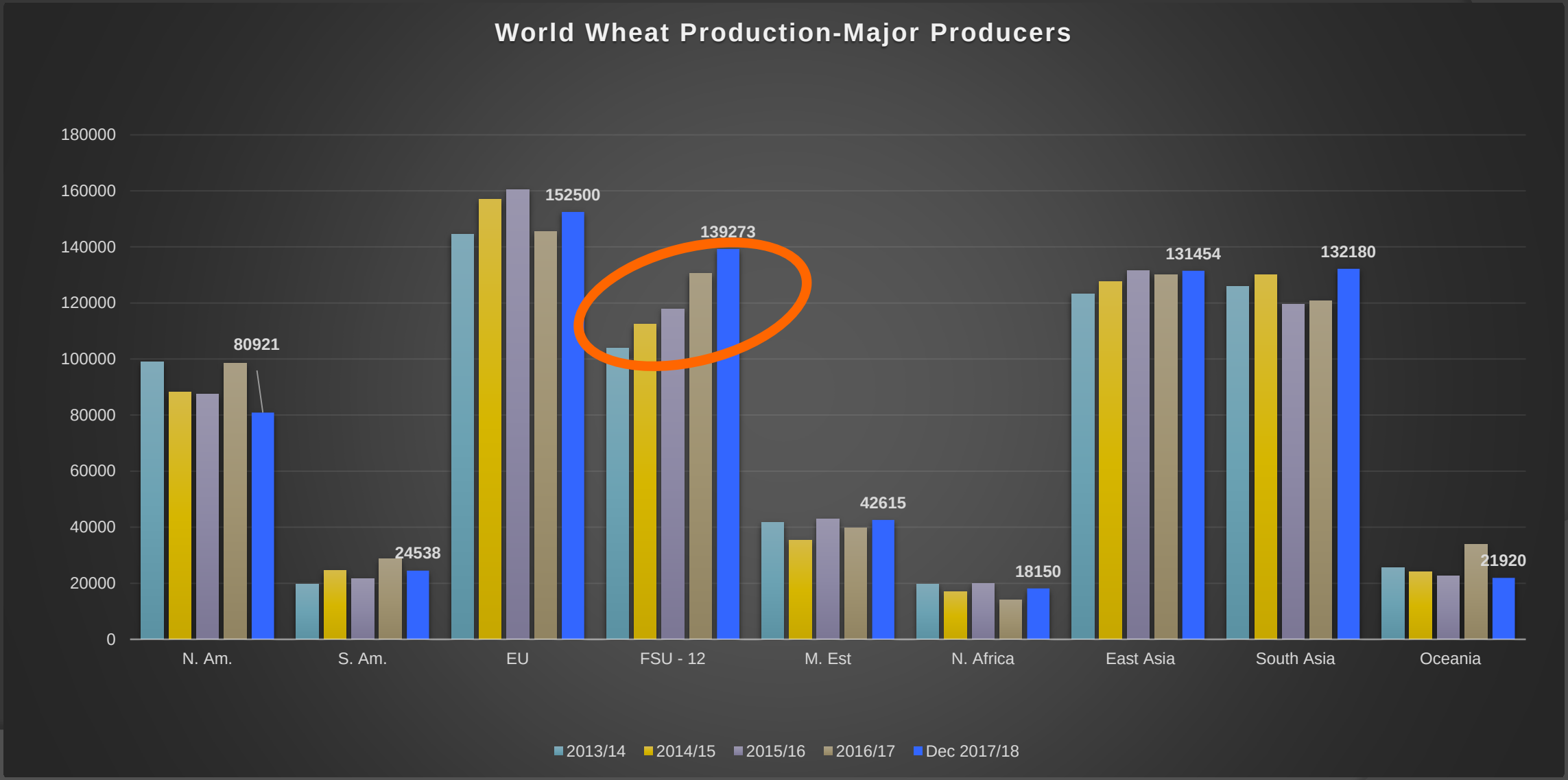
World Wheat Balance Sheet



What were the big changes?

- Changes in production espec. levels in Eastern Europe
- Improvements in rail & port infrastructure in E Europe and in S America
- Increased demand, espec. in N Africa & Asia

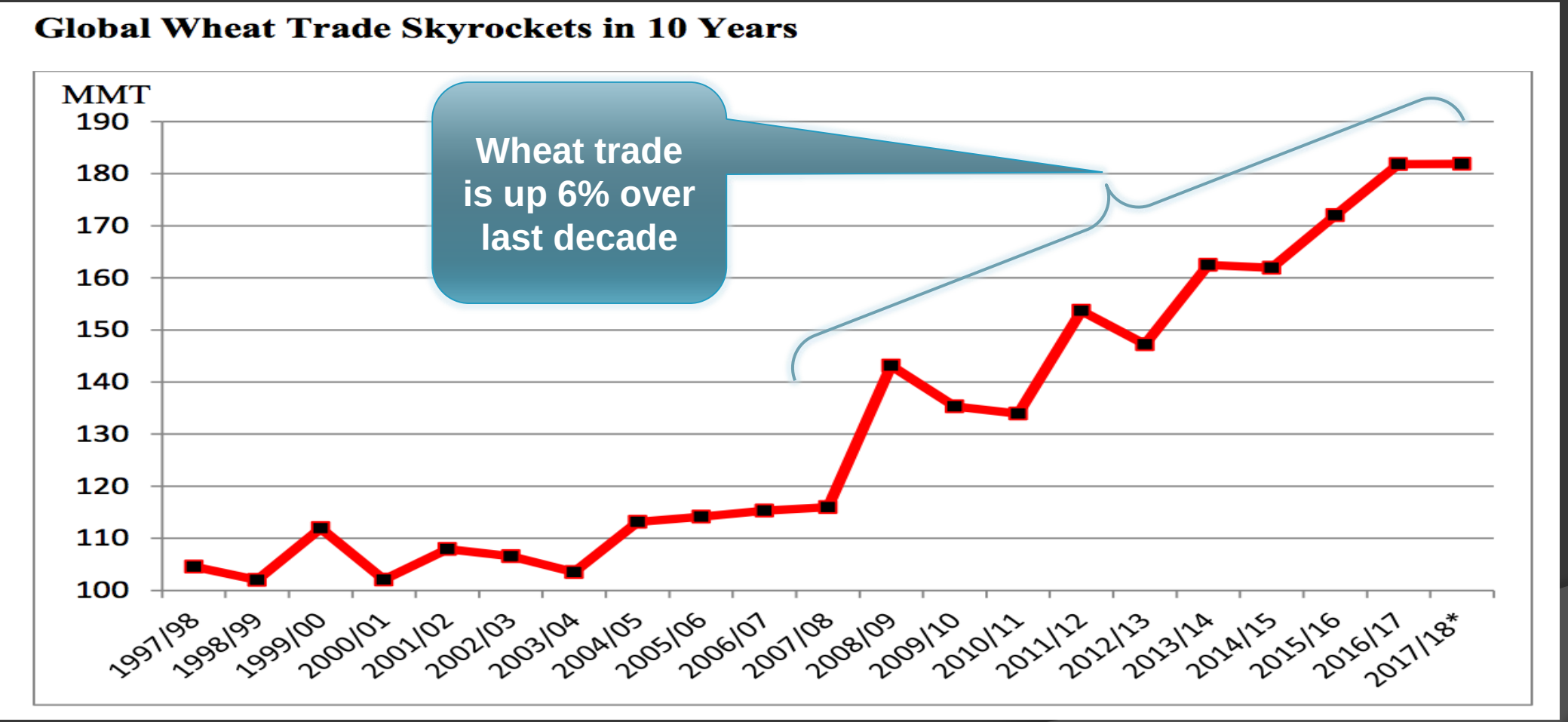
Changes in production - major producers



Global production

- Larger production in exporting countries has contributed to the rising tide of wheat trade.
  - major exporters: the EU, Russia, and Ukraine have most significant growth in production, b/c larger planted areas and higher yields
  - freight and logistical advantages in reaching many growth markets in Africa and the Middle East
  - Ukraine has greatly expanded shipments to Asia as well.

Global wheat trade (Soure: USDA)

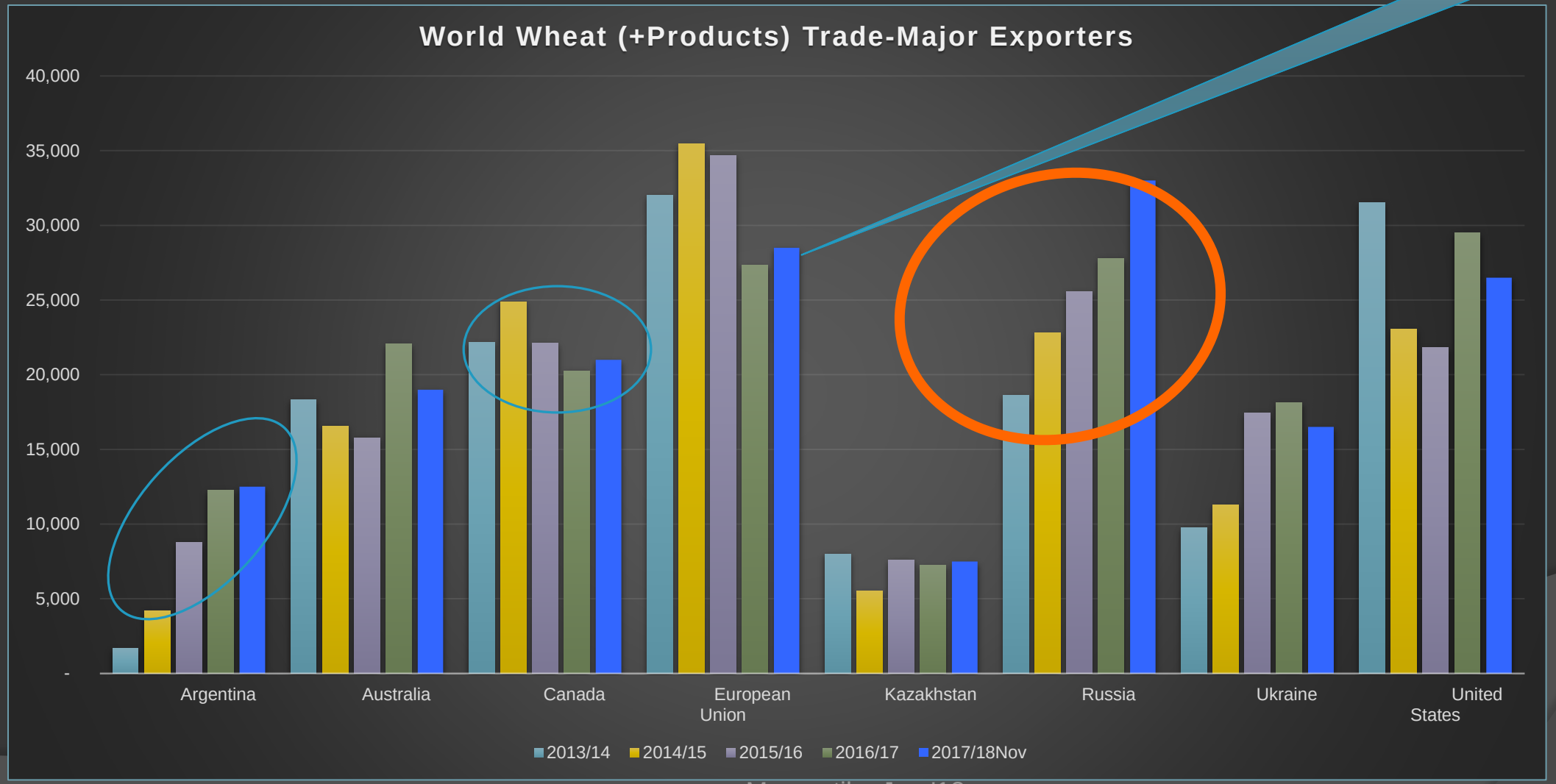


Global trade

- Global trade in 2017/18 is forecast at a record, having grown by nearly 60 percent over the last decade.
  - WHY? Increased demand in Southeast Asia, Sub-Saharan Africa, and the Middle East accounts for the majority of the growth in global trade.

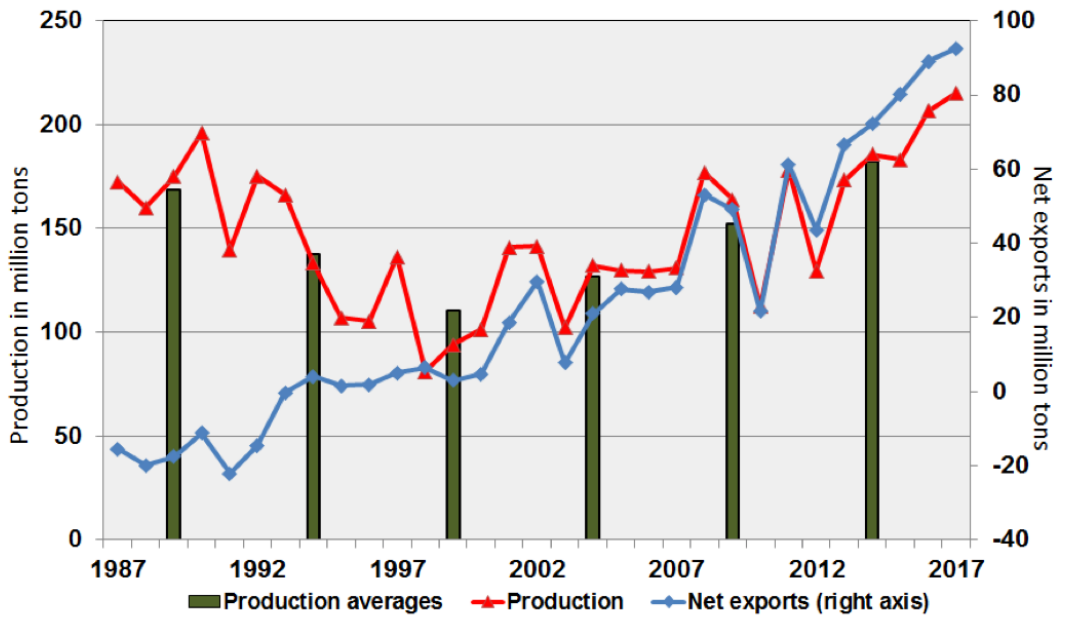
Changes in wheat trade

EU > 8 mln mt behind US exp. Proj'n



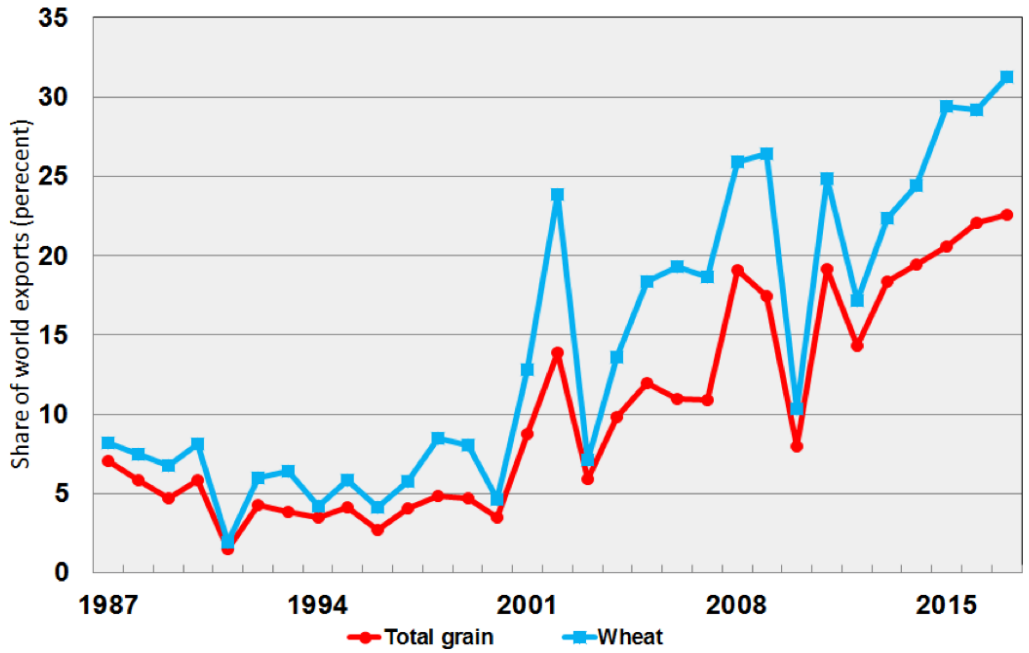
World's largest new wheat exporter

Figure 1. KRU grain production and exports



Note: KRU is Kazakhstan, Russia, and Ukraine (combined). The bars give average annual grain production over the periods 1987-1991, 1992-96, 1997-2001, 2002-06, 2007-11, and 2012-17.
Source: State Statistics of Kazakhstan, Russia, and Ukraine; USDA PS&D.

Figure 2. KRU region supplies a large share of world grain exports

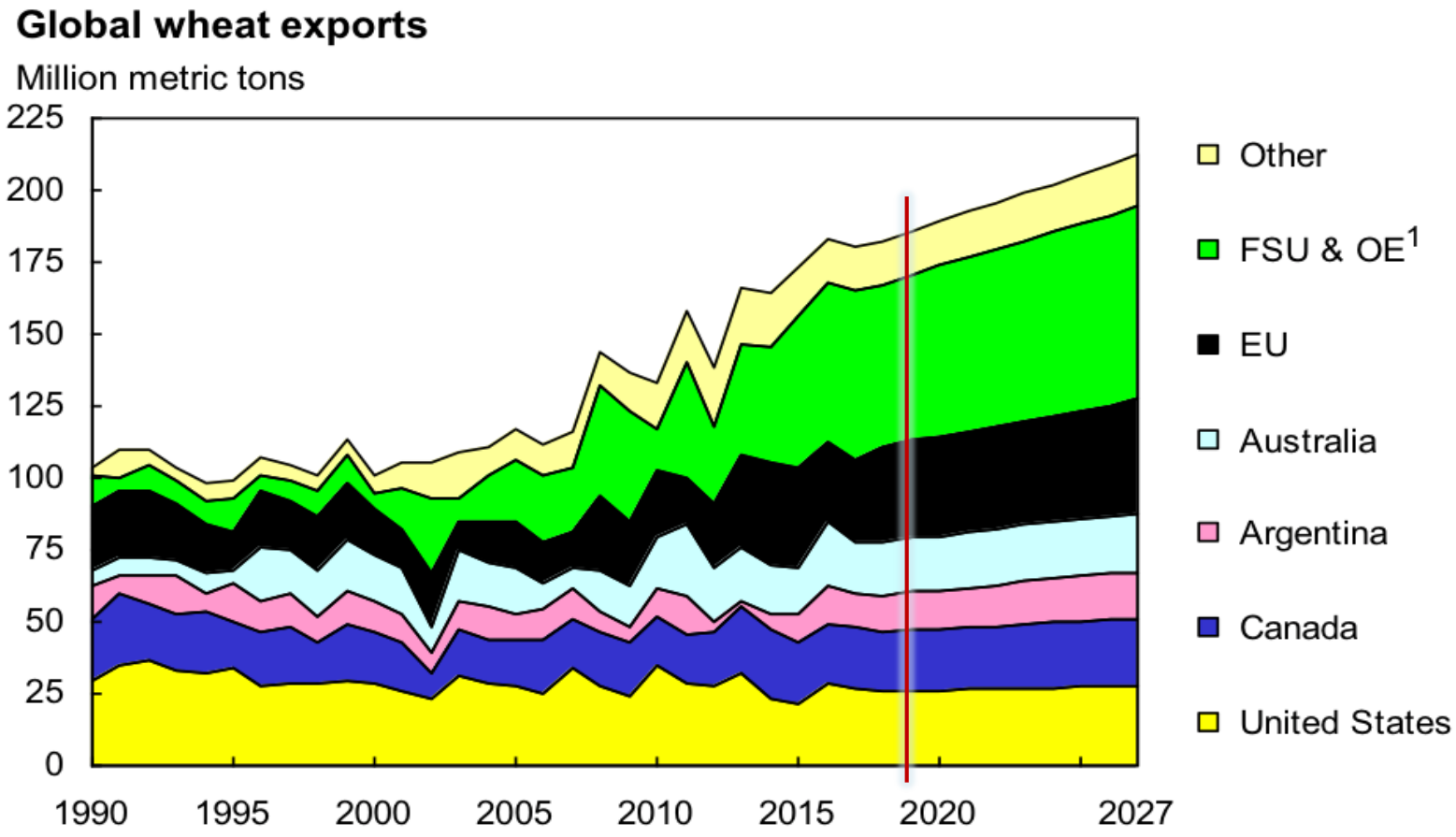


Note: KRU is Kazakhstan, Russia, and Ukraine (combined). Exports are gross.
Source: USDA PS&D.

KRU prod'n & exports

KRU share of world exports

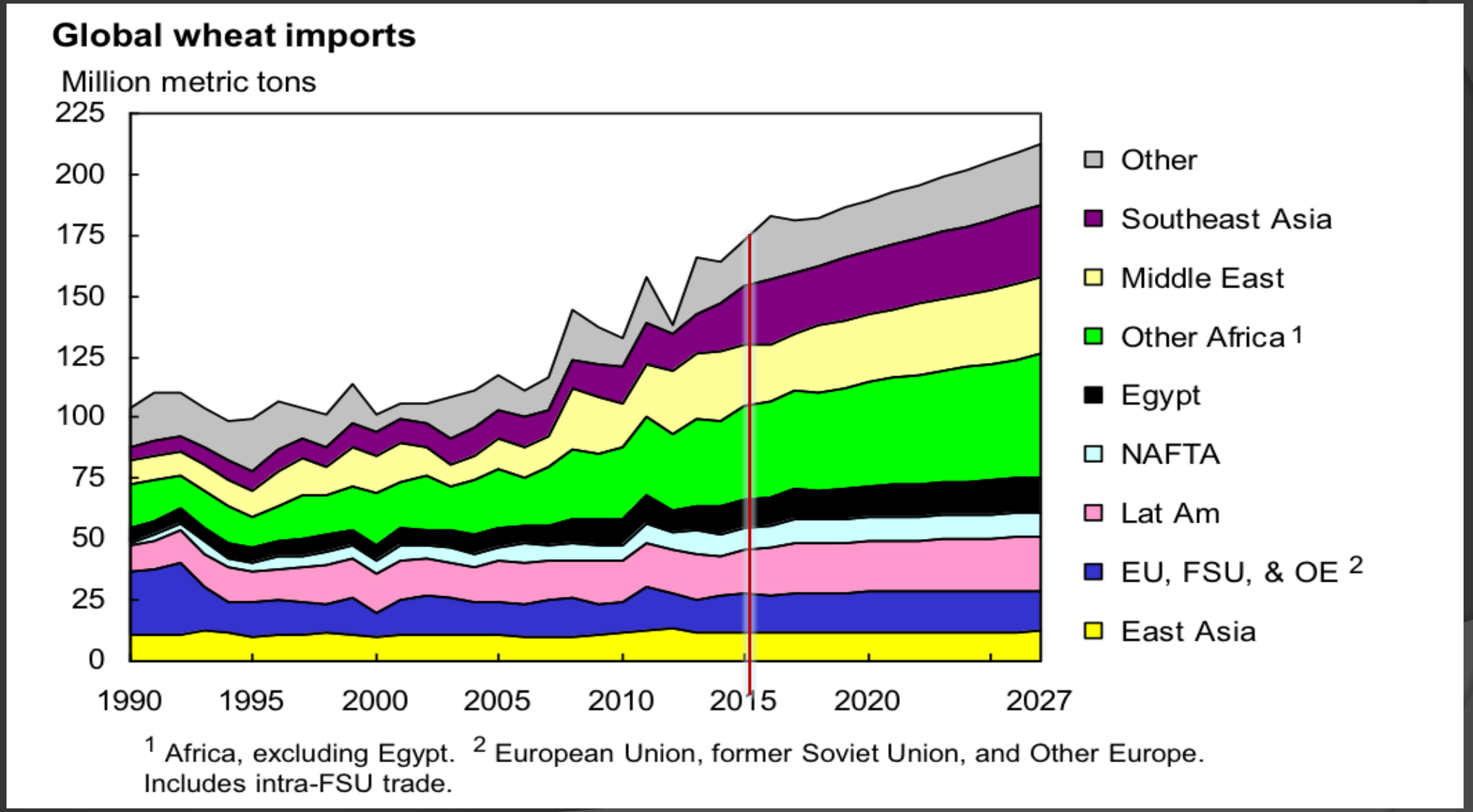
Projection global wheat **exports by origin**



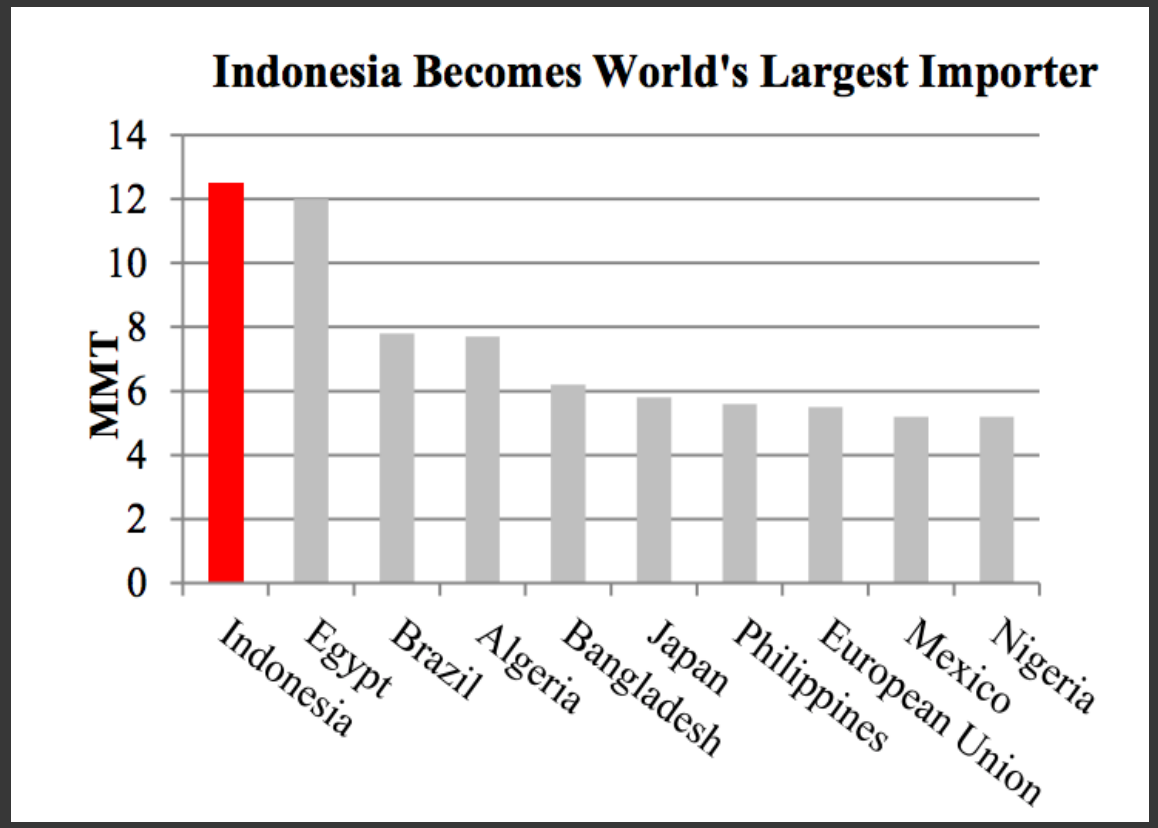
Biggest change

- Russian wheat exports July-Feb were put at 27 mln mt ; up 43% on last year
- Annualised export remains potential of 37-39 mln mt.
  - Russian 12.5 pro for April at US$213-215
    (up US$8/mt since Jan.).
  - With the 11.5 pro discount at $6, the Russian spreads compared to EU quality fell to just $5-6 and the EU is starting to take back W African demand

Projection global wheat **imports by destination**



New world's largest importer



Indonesia's D by exporter

Indonesian D growth

International wheat markets ’17/18

Top producers (2017/18)

1. EU-27 (151.6 mln mt)
2. China (130 mln mt)
3. India (98.4 mln mt)
4. Russia (85 mln mt)
5. USA (47.4 mln mt)
6. **Canada (30 mln mt)**
7. Ukraine (27 mln mt)
8. Australia (21.5 mln mt)
9. Argentina (18 mln mt)

Top Consumers (2017/18)

1. **EU (128.8 mln mt)**
2. **China (117 mln mt)**
3. India (100 mln mt)
4. Russia (45 mln mt)
5. Pakistan (25 mln mt)
6. Egypt (19.7 mln mt)
7. Iran (18.4 mln mt)
8. Turkey (17.9 mln mt)
9. Brazil (12.1 mln mt)

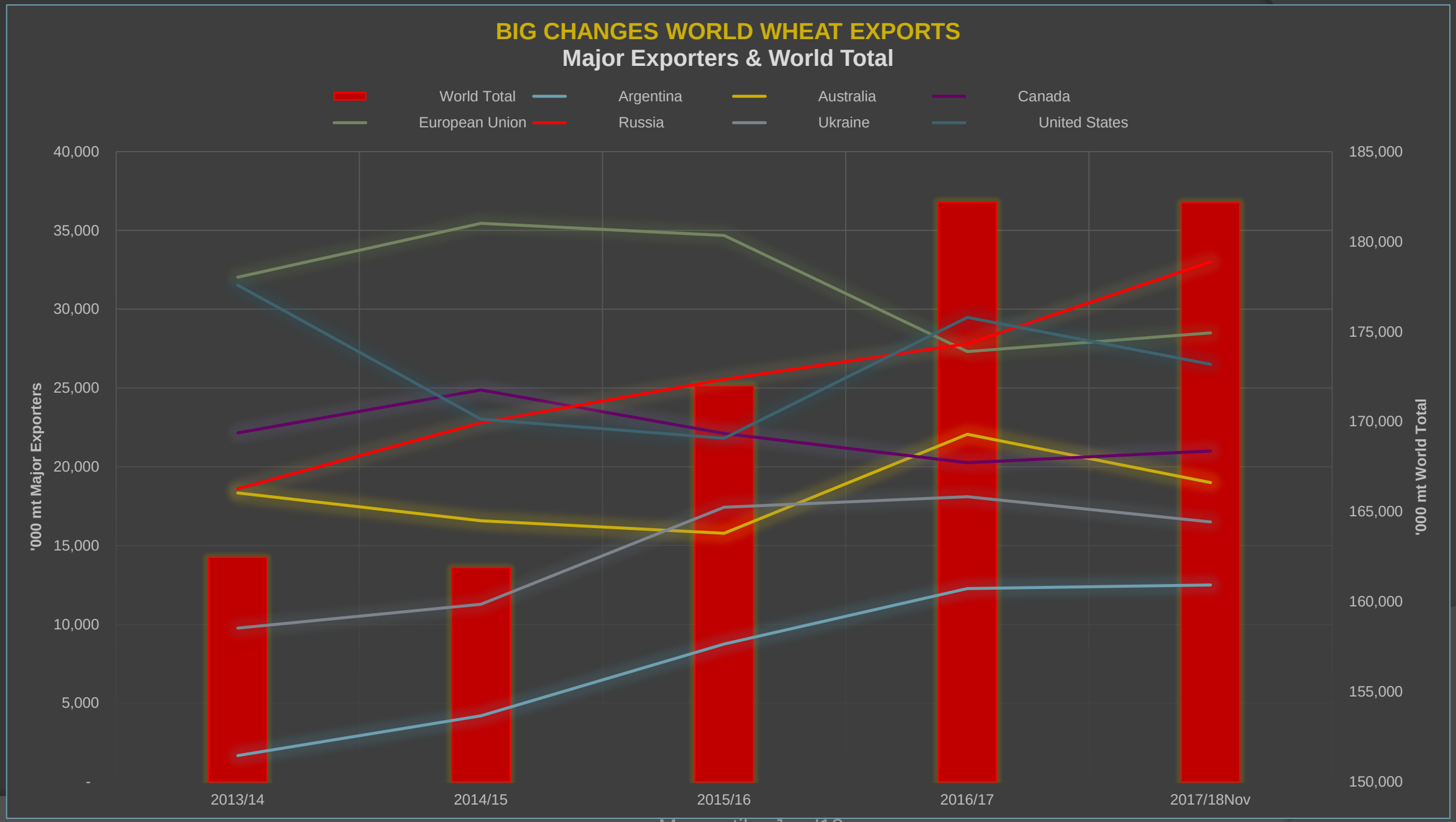
World wheat markets

Top 10 Traders/ exports (’17/18); Ttl. 184 mln mt

1. **Russia (37 mln mt)**
2. USA (25 mln mt)
3. EU (26 mln mt– 21 mlm mt)
4. **Canada (22 mln mt)**
   - **Wheat (18)**
   - **Durum (4)**
5. Australia (17.5 mln mt)
6. Ukraine (17 mln mt)
7. Argentina (13.5 mln mt)
8. Kazakhstan (7.5 mln mt)

Top 10 Buyers/ Imports (E’17/18)

1. **Indonesia (12.5 mln mt)**
2. **Egypt (12 mln mt)**
3. Algeria (7.7 mln mt)
4. Brazil (7.8 mln mt)
5. ***EU (5.5 mln mt)***
6. Bangladesh (6.2 mln mt)
7. ***Japan (5.8 mln mt)***
8. Philippines (5.6 mln mt)
9. Morocco (4.8 mln mt
10. Turkey (4.5 mln mt)
11. Vietnam (4 mln mt)
12. India (2 mln mt)


BIG CHANGES WORLD WHEAT EXPORTS
Major Exporters & World Total
World Total
Argentina
Australia
Canada
European Union
Russia
Ukraine
United States
'000 mt Major Exporters
'000 mt World Total
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
-
185,000
180,000
175,000
170,000
165,000
160,000
155,000
150,000
2013/14
2014/15
2015/16
2016/17
2017/18Nov

Latest significant trades:

- GASC/ Egypt
  - GASC called it on an up day in the US & made their decision within an hour of getting the offers.
  - GASC paid $5-7 more than last time with little hesitation; highest px in past 3 yrs..
  - Could it be their stocks are not quite as large as they would have us believe?

Bought 21 Feb	120kt	Russian	@ $208.08+$15.50 = $223.58

Bought Mch. 5	55kt	Russian	@ $213.00+$16.75 = $229.75
	60kt	Russian	@ $214.95+$16.10 = $231.05
	60kt	Russian	@ $215.00+$16.10 = $231.10

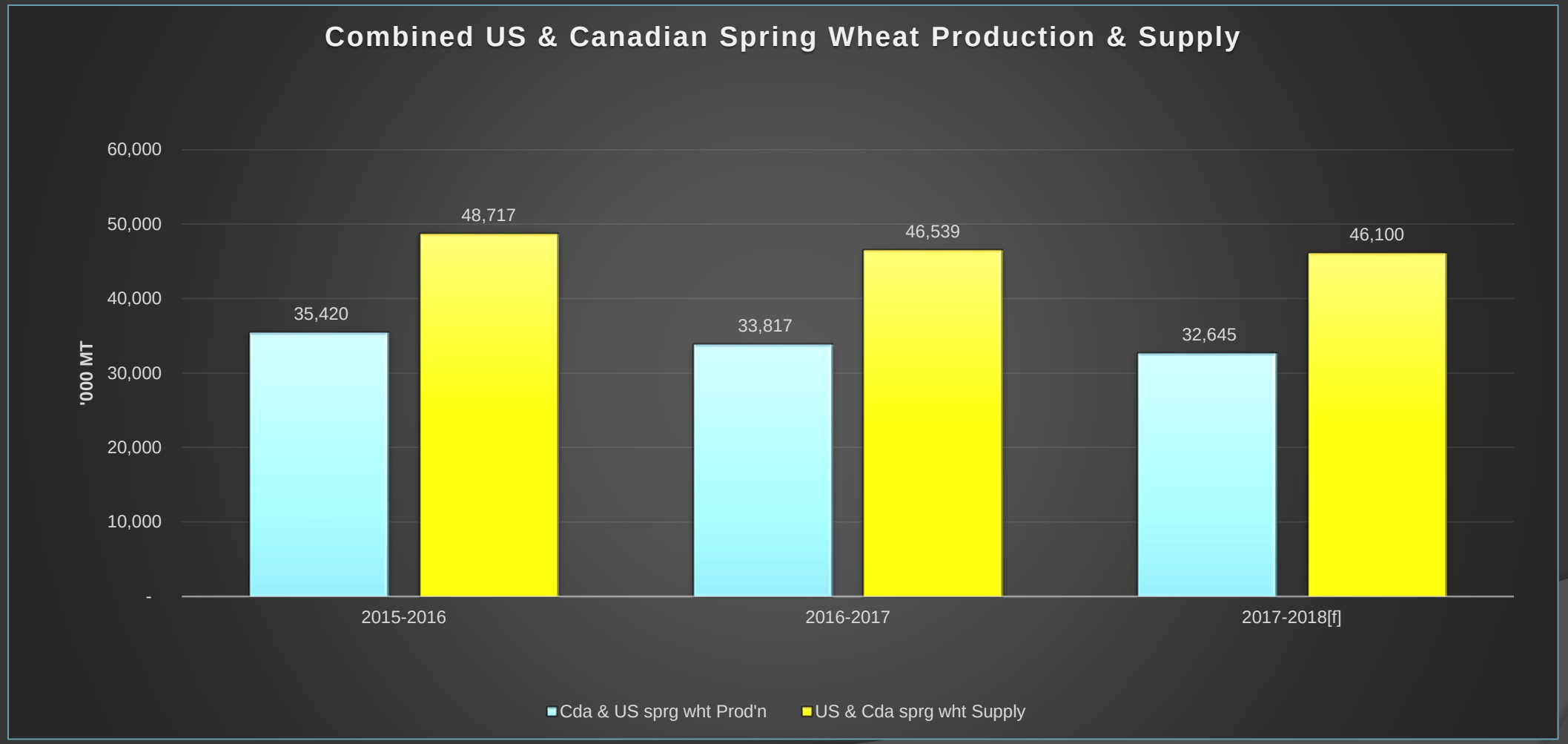
Cash Wheat Price Comparison

Cash Wheat Comparisons - Mch. 1/'18			
US$/MT FOB US/Cda./Arg./W. Austr.			
Wheat	Month	**Last**	Change
HRS 13.5	Mar	**279.00**	3.00
CWRS 13.5	Mar	**262.70**	7.00
HRW 11.5/13 Pro	Mar	**262.70**	5.50
HRW Ords	Mar	**237.00**	5.50
APW, WA	Mar	**242.50**	0.00
French 11.5	Mar	**208.80**	0.20
German 12.5 Pro	Mar	**211.80**	0.20
Baltic 12.5	Mar	**210.60**	0.20
Russian 11.5	Mar	**200.00**	0.00

Cash Wheat Comparisons – Mch. 5/'18			
US$/MT FOB US/Cda./Arg./W. Austr.			
Wheat	Month	**Last**	Change
HRS 13.5	Mar	**280.00**	1.00
CWRS 13.5	Mar	**262.00**	(0.70)
HRW 11.5/13 Pro	Mar	**263.50**	0.80
HRW Ords	Mar	**243.30**	6.30
APW, WA	Mar	**242.50**	0.00
French 11.5	Mar	**207.00**	(1.80)
German 12.5 Pro	Mar	**212.50**	0.70
Baltic 12.5	Mar	**210.60**	0.00
Russian 11.5	Mar	**201.00**	1.00

Cdn. & US spring wheat – summer events

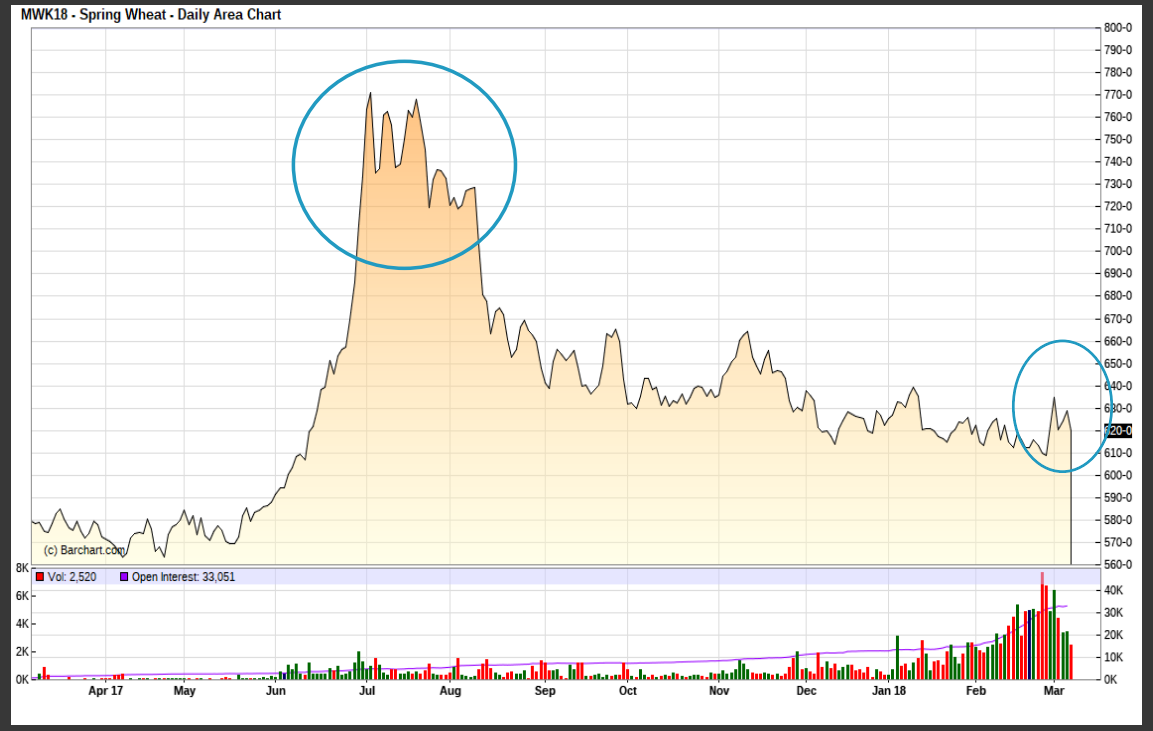
Combined US & Cdn. spring wheat

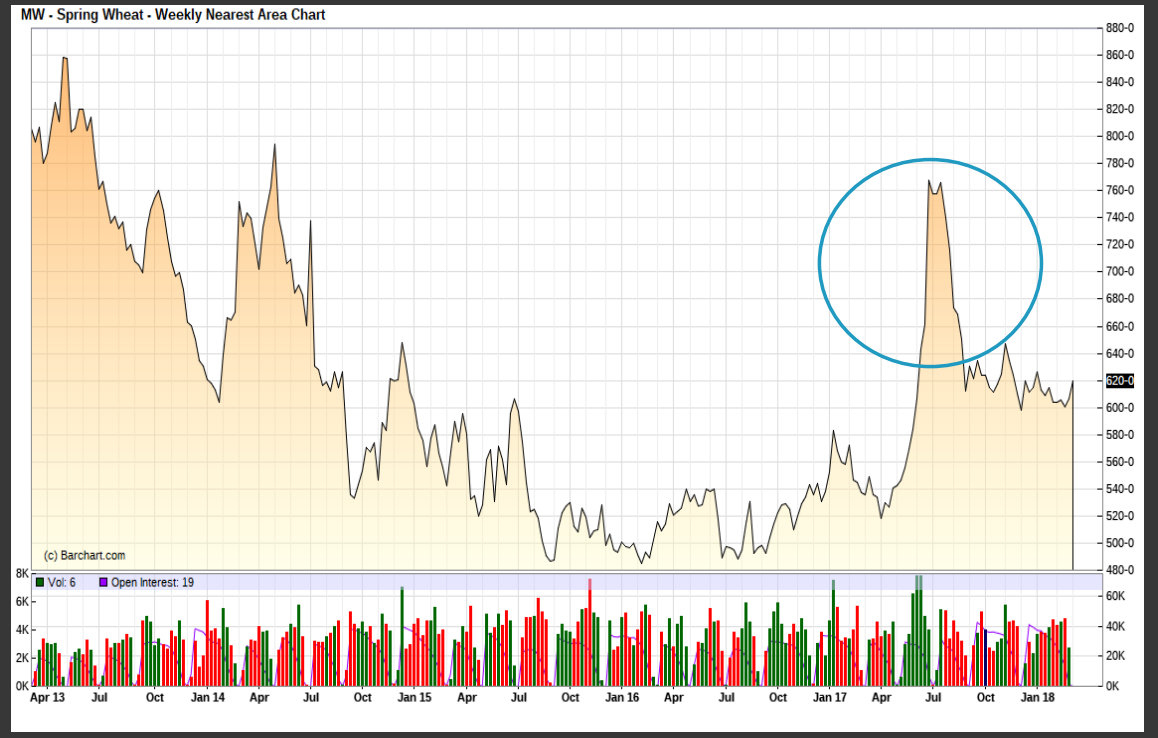


Versus: ‘Pure spring wheat’ buyers

- Japan: 5-6 mln mt
- China: 1 mln mt
- EU: 500k mt
- S. Arabia: 100k mt
- USA: 500k mt
- Total: ~ 7.5-8 mln mt

Minneapolis wheat





1 year chart

5 year chart

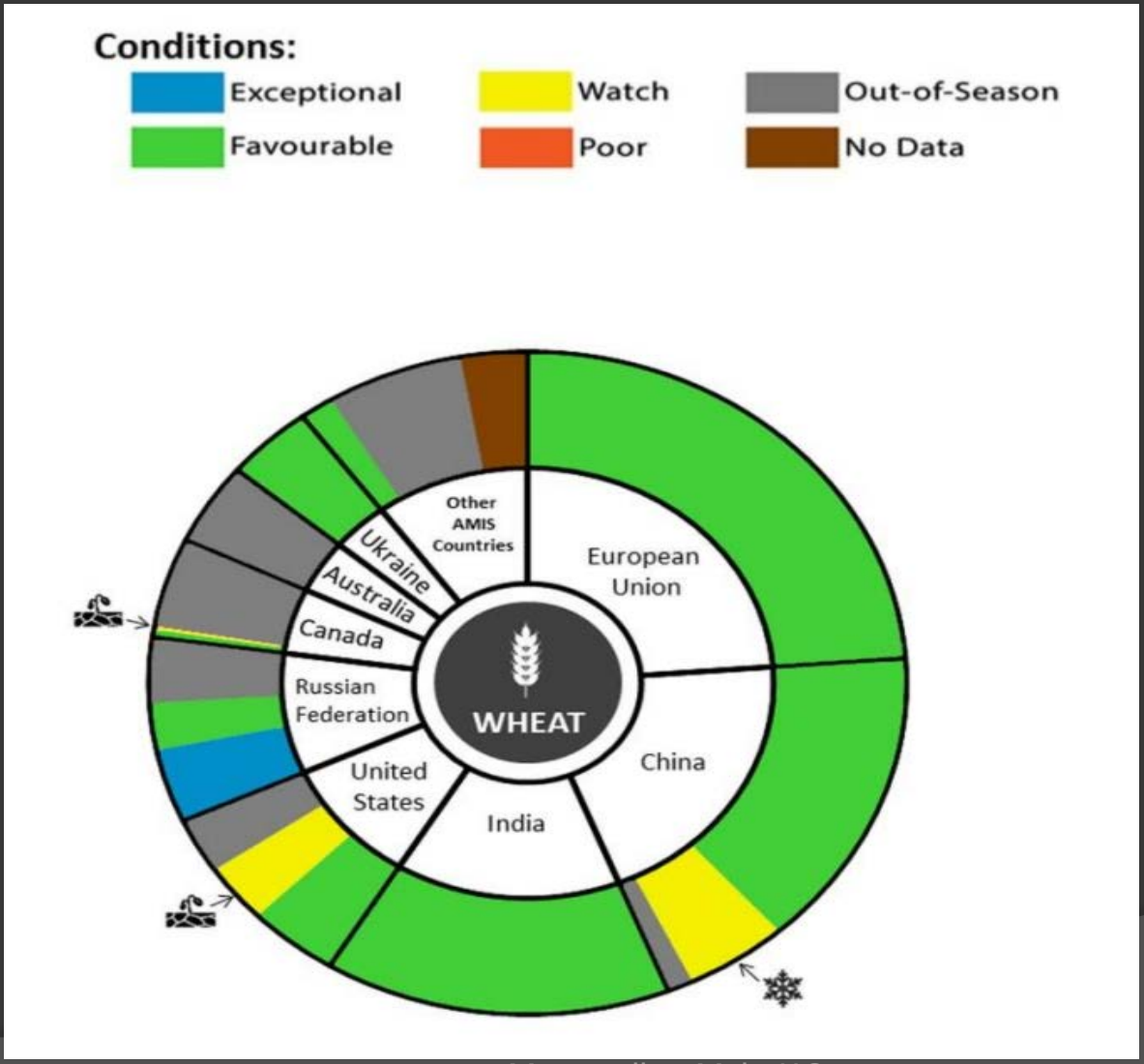
Mpls vs KC vs Chic. Wheat 5 yr spread: Jan.'13-Jan.'18

Recent developments

- Dryness US plains
- Huge Fund reversal
  - E.g., Feb. 5 Spec Fund: -25 mln mt Wht.
  - Mch. 6 Spec Fund: -5.4 mln mt Wht.

2018/19 Crop Year

Wheat condition report



World wheat outlook (USDA numbers)

World Wheat Production

	16/17		17/18	
	Feb	Mar	Feb	Mar
US	62.83	62.83	47.37	47.37
EU-27	145.25	145.25	151.60	151.60
Canada	31.73	31.73	30.00	30.00
Australia	30.36	30.36	21.50	21.50
Argentina	18.40	18.40	18.00	18.00
China	128.85	128.85	130.00	**129.77**
FSU	130.48	130.48	142.15	**142.75**
India	87.00	87.00	98.38	**98.51**
Pakistan	25.60	25.60	26.50	26.50
Other	89.94	90.01	92.75	92.79
World	750.44	750.51	758.25	**758.79**

World Wheat End Stocks

	16/17		17/18	
	Feb	Mar	Feb	Mar
US	32.13	32.13	27.47	**28.15**
EU-27	10.77	10.77	13.12	**14.12**
Canada	6.84	6.84	6.14	6.14
Australia	4.37	4.37	3.22	3.22
Argentina	0.25	0.25	0.26	0.26
China	111.05	111.05	127.05	**126.82**
FSU	21.11	21.11	25.45	**24.48**
India	9.80	9.80	9.68	**11.31**
Pakistan	4.33	4.35	4.86	4.68
Other	51.99	51.93	48.85	**49.71**
World	252.64	252.60	266.10	**268.89**

World wheat outlook

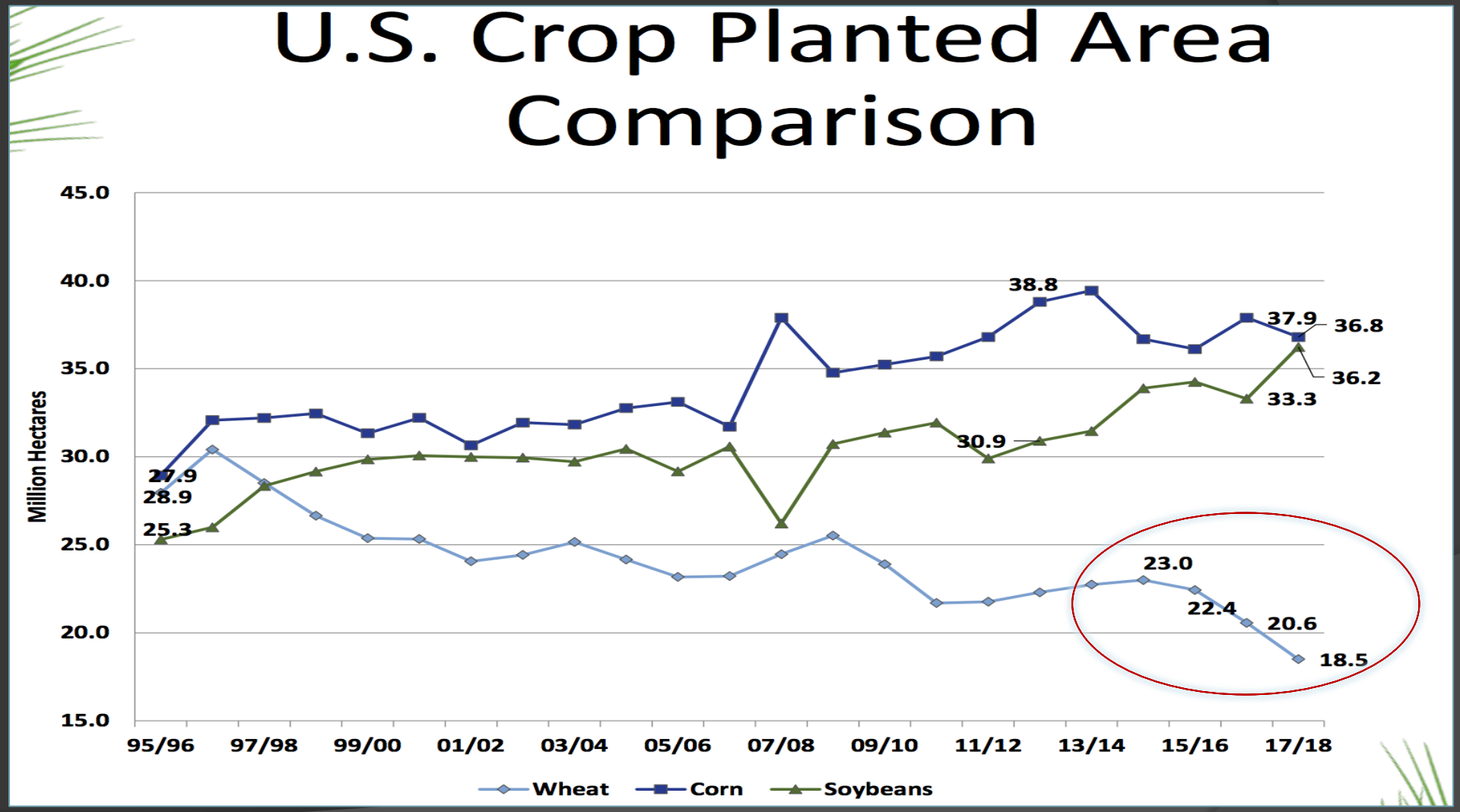
- No shortage of wheat on world stage 2017/18; stocks up ~3 mln mt from last mos.
- World 2018/19 production could drop by 16 mln mt and still leave total 18/19 supplies unchanged on 17/18, due higher stocks.
- US: higher stocks
  - export profile for 18/19 of ~750 mln bu (20.4 mln mt) would allow for a ~250 mln bu lower crop (6.8 mln mt), *without lowering total supplies*.
- *Tough to get bullish but the market probably won't break until it rains in the US plains*

US LT projections

Table 9. U.S. wheat long-term projections

Item	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Area (million acres):												
Planted acres	50.1	46.0	45.0	46.0	47.0	47.0	47.0	47.0	48.0	48.0	48.0	48.0
Harvested acres	43.9	37.6	38.3	39.1	40.0	40.0	40.0	40.0	40.8	40.8	40.8	40.8
Yield:												
Bushels/harvested acre	52.7	46.3	47.4	47.8	48.2	48.6	49.0	49.4	49.8	50.2	50.6	50.9
Supply and use (million bushels):												
Beginning stocks	976	1,181	935	813	739	714	690	667	648	650	658	667
Production	2,309	1,741	1,815	1,869	1,928	1,944	1,960	1,976	2,032	2,048	2,064	2,077
Imports	118	150	135	130	130	130	130	130	120	120	120	120
Supply	3,402	3,071	2,885	2,812	2,797	2,788	2,780	2,773	2,800	2,818	2,842	2,864

US wheat


U.S. Crop Planted Area Comparison
Million Hectares
45.0
40.0
35.0
30.0
25.0
20.0
15.0
95/96
97/98
99/00
01/02
03/04
05/06
07/08
09/10
11/12
13/14
15/16
17/18
Wheat
Corn
Soybeans
27.9
28.9
25.3
38.8
37.9
36.8
36.2
33.3
30.9
23.0
22.4
20.6
18.5

US wheat by class

(mln mt)

	HRW		HRS		SRW		White		Durum		Total	
	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18
	MMT						MMT					
Beginning Stocks	12.1	16.0	7.4	6.4	4.3	5.9	2.0	2.9	0.8	1.0	26.6	32.1
Production	29.5	20.4	13.4	10.5	9.4	7.9	7.8	7.0	2.8	1.5	62.8	47.4
Imports	0.1	0.2	1.1	2.0	0.9	0.5	0.2	0.2	0.8	1.3	3.2	4.2
Supply Total	41.7	36.6	21.9	18.9	14.6	14.3	10.0	10.1	4.4	3.8	92.6	83.7
Domestic Use	13.3	12.4	6.8	7.5	6.2	5.7	2.7	2.6	2.7	2.3	31.8	30.4
Exports	12.4	10.8	8.7	6.7	2.5	2.4	4.4	5.4	0.7	0.5	28.7	25.9
Use Total	25.7	23.2	15.5	14.1	8.7	8.1	7.2	8.0	3.4	2.8	60.5	56.3
Ending Stocks	16.0	13.4	6.4	4.8	5.9	6.2	2.9	2.1	1.0	1.0	32.1	27.5
Stocks-to-Use	62%	58%	41%	34%	67%	76%	40%	26%	29%	34%	53%	49%

US HRW S&D 2018/19

US HRW Balance Sheet	2016/17	Avg. Cond's 2017/18f	Marg. Cond's 2017/18f	
Planted acres (millions)	26.58	23.43	23.43	
Harvested acres (millions)	21.87	17.64	15.93	w.kill
Yield (bu/acre)	49.47	42.54	36.00	low yields
Production (mmt)	**29.45**	**20.42**	**15.61**	
Imports (mmt)	0.14	0.16	0.16	
Total supply (mmt)	**41.71**	**36.62**	**29.20**	
Food use (mmt)	10.47	10.48	10.48	
Seed use (mmt)	0.71	0.73	0.73	
Feed and residual use (mmt)	2.11	1.22	1.22	
Total domestic use (mmt)	13.30	12.44	12.44	
Exports (mmt)	**12.38**	**10.75**	**10.75**	
Total disappearance (mmt)	25.67	23.19	23.19	
Ending stocks (mmt)	16.04	**13.43**	**6.02**	
		5 yr.avg.: 10	(worst scen.)	
stock-use ratio	62.5%	57.9%	26.0%	

If US short HRW– why important?

- World parity px 1 CWRS 13.5 ≈ $8.20/bu SK
- World px parity 3 CWRS > $7.00/bu SK
- → $7.00/bu should be the floor
- → “IF” we get railcars to service the mkt before N/C European wheat come on stream.
  - →Can not wait until Aug….
  - →Russian wheat now US$215/mt FOB

US HRW - cont’d

- If US HRW prod’n down, then Canadian HRS has a window to cover HRW demand Aug.-Jan.’19

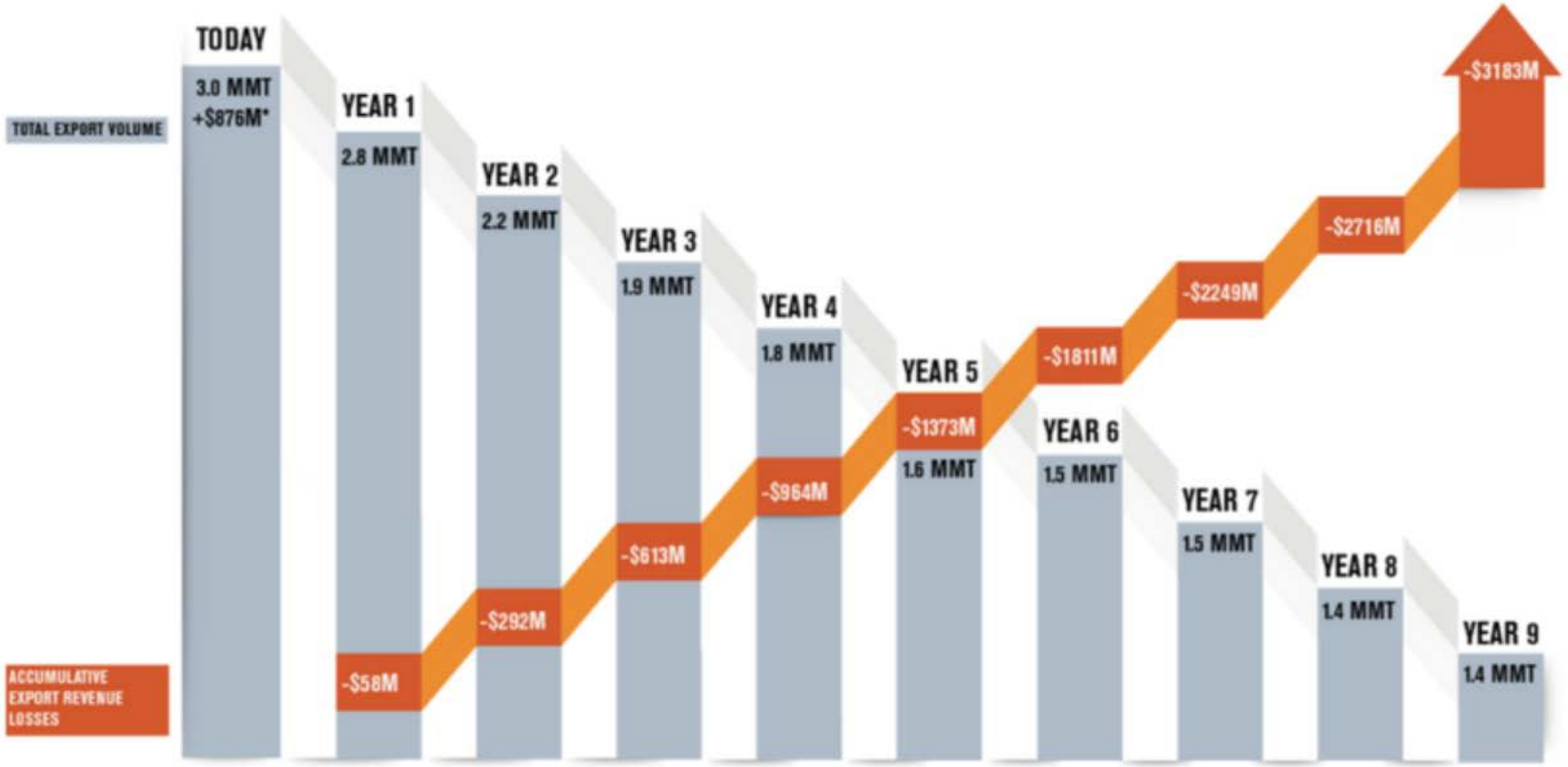
… given we get R/C supply to support trade

F/M market: Good selling opportunity

- Futures increases were supported by Fund money & margin calls
  - Spec funds bought 150 mln mt
  - Margin calls were big, forcoing to cover big shorts
- There is NO big change in the balance sheets
  - Still big ending stocks
  - Was not a ‘fundamentally’ driven rally

U.S. Wheat Exports

Revenue Losses in Japan Grow Larger Every Year Under TPP 11



*March 2018: $292/MT; Ave. 5-yr weighted FOB price. Sources: Japan Milling Industry; USTR; U.S. Wheat Associates

TPP

TPP

LT POSITIVE:

A phased in $65/MT tariff reduction for TPP countries → U.S. market share for wheat falling from 50 percent to about 23 percent, and a reduction of baseline futures prices of $0.50 at a time when prices are already depressed

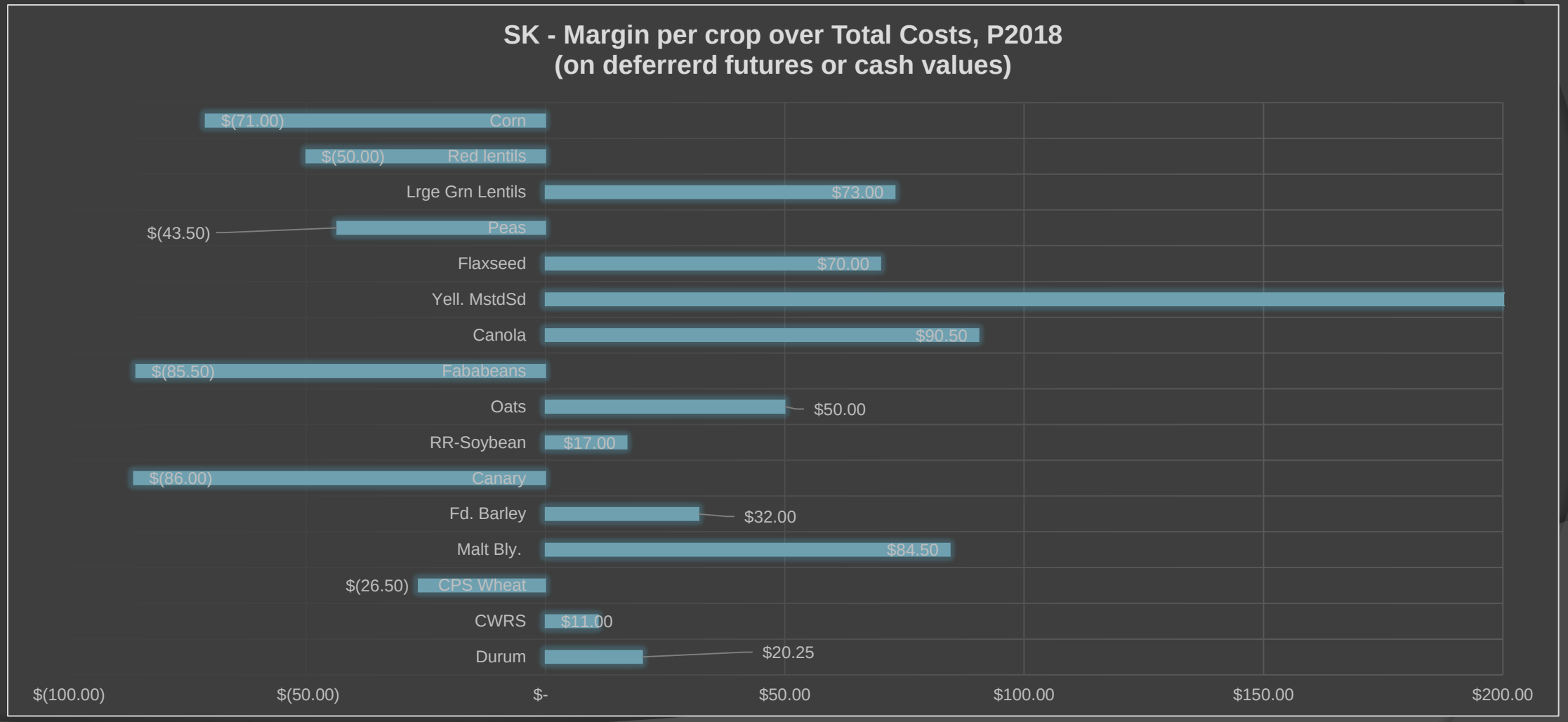
Tariffs for Austrln and Cdn wheat will drop $65/mt after TPP is implemented, while US origin will be stuck at the current level because the US pulled out of the agreement.

Canada stands to gain up to ~500k mt of spring wheat exports

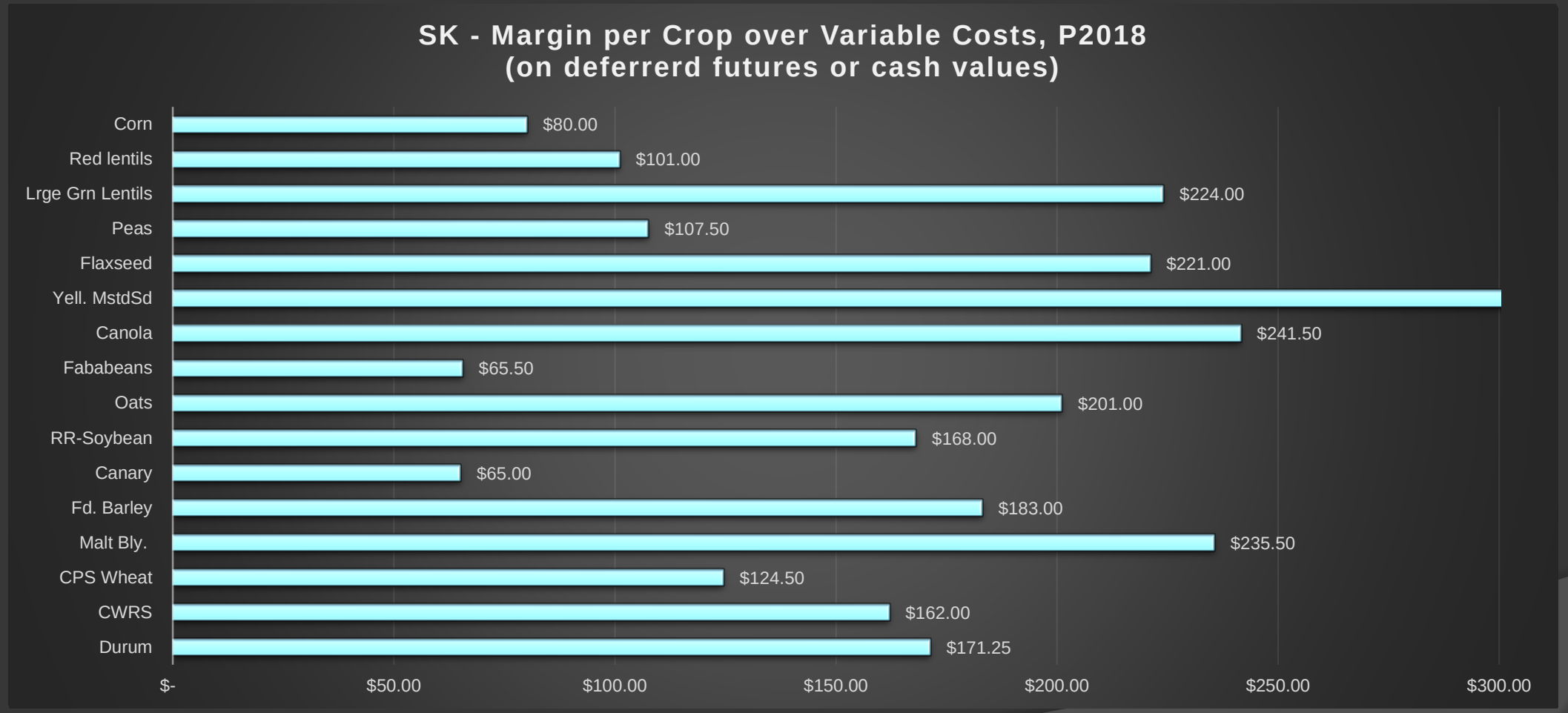
Canadian ‘18/19 acres by crop

Canadian Acres by Crop								
Seeded area (acres)	2014	2015	2016	2017	Merc P2018	% change from '17	AAFC F'18	AAFC change
Barley	5,972,700	6,670,000	6,676,222	5,766,000	5,938,980	103%	6,177,500	107%
Canary seed	286,000	325,000	260,000	255,000	280,500	110%	259,455	102%
Canola	20,899,600	20,784,700	20,784,044	22,307,000	23,422,350	105%	24,042,830	108%
Chick peas	170,000	115,000	143,000	160,000	176,000	110%	197,680	124%
Corn for grain	3,157,100	3,359,000	3,588,290	3,575,500	3,647,010	102%	3,644,725	102%
Fababeans	75,000	80,000	45,000	95,000	85,500	90%		0%
Peas	4,040,000	3,750,000	4,281,700	4,093,000	3,479,050	85%	3,212,300	78%
Flaxseed	1,605,000	1,595,000	941,387	1,040,000	1,144,000	110%	988,400	95%
Lentils 2	3,120,000	4,035,000	5,568,500	4,405,000	3,391,850	77%	3,212,300	73%
Mustard seed	500,000	345,000	510,000	385,000	462,000	120%	370,650	96%
Oats	2,895,900	3,360,200	3,045,059	3,200,300	3,264,306	102%	3,274,075	102%
Soybeans	5,613,000	5,532,000	5,607,397	7,282,000	7,646,100	105%	7,413,000	102%
Wheat, all	24,387,800	24,187,300	23,782,597	22,551,300	23,002,326	102%	23,499,210	104%
Wheat, durum	4,780,000	5,790,000	6,101,500	5,205,000	5,361,150	103%	5,461,000	105%
Wheat, spring	17,563,000	16,977,900	15,869,697	15,801,300	16,117,326	102%	18,038,300	105%
Wheat, winter remaining	1,715,300	1,312,00[r]	1,714,988	1,384,800	1,357,104	98%		
Total Acres	72,722,100	74,138,200	75,233,196	75,115,100	75,939,972	101%	76,292,125	102%

Return per acre update - Total costs



Return per acre - Variable costs



Assumptions

	Durum	CWRS	CPS Wheat	Malt Bly.	Fd. Barley	Canary	RR-Soybean	Oats
yield bu (lb)/ac	45	50	55	75	80	1300	30	110
price $/bu	$7.25	$7.00	$5.50	$5.50	$4.50	$0.19	$11.50	$3.00
MARGIN	$20.25	$11.00	($26.50)	$84.50	$32.00	($86.00)	$17.00	$50.00
marging rank	8	10	11	3	7	16	9	6

Fababeans	Canola	Yell. MstdSd	Flaxseed	Peas	rge Grn Lentil	Red lentils	Corn
45	42	24	30	42	1400	1500	120
$6.50	$11.25	$28.00	$12.00	$6.75	$0.27	$0.170	$3.75
($85.50)	$90.50	$370.00	$70.00	($43.50)	$73.00	($50.00)	($71.00)
15	2	1	5	12	4	13	14

Canadian wheat projections

Cdn. Wheat excl. Durum					+2%
('000)	2014/15	2015/16	2016/17	2017/18	P2018/19
Area seeded (ha)	7,869	7,445	6,915	**7,020**	**7,160**
Area harvested (ha)	7,594	7,250	6,511	**6,895**	**7,089**
Acres hrvstd.	18,765	17,915	16,089	**17,038**	**17,516**
Yield (t/ha)	3	3.06	3.68	**3.63**	
Yield (bu/ac)	44.6	45.5	54.7	**54.0**	**51.0**
Production	24,227	22,205	23,967	**25,022**	**24,312**
Imports	81	96	99	100	100
Total supply	32,973	28,426	28,144	30,095	30,612
Exports	18,780	17,179	15,623	16,000	**16,500**
Food & Industrial Use	3,345	3,309	3,285	3,300	3,300
Feed, Waste & Dockage	3,984	3,126	3,536	3,839	3,839
Total Domestic Use	8,094	7,156	7,548	7,895	7,895
Carry-out Stocks	6,098	4,078	4,973	**6,200**	**6,217**
Stock-Use ratio	23%	17%	21%	26%	25%
				AAFC: 17.2 mln mt expts	
				AAFC: +5% ac. '18/19	

'17/18 Cdn. wht exports: 8.9 mln mt wk. 30
(15.4 prorated)

Wheat Exports		August	September	October	November	December	January	*Crop Year to Date*
Western Europe	Belgium	-	-	-	10.8	-	-	***10.8***
	Italy	4.8	17.8	19.6	-	8.7	9.4	***60.4***
	United Kingdom	**15.8**	**27.5**	**28.7**	**55.9**	**15.3**	**9.5**	***152.7***
	Ghana	33.0	37.0	-	47.0	-	41.0	***158.0***
	Kenya	22.0	-	-	23.1	-	59.6	***104.7***
	Morocco	-	-	-	-	6.5	-	***6.5***
	Mozambique	11.7	-	-	5.0	46.2	31.4	***94.3***
	Nigeria	**112.3**	**65.9**	**43.6**	**108.9**	**-**	**35.2**	***365.9***
Asia	**Bangladesh**	**55.0**	**120.3**	**189.3**	**114.4**	**118.4**	**40.9**	***638.2***
	China P.R.	**120.8**	**-**	**81.4**	**60.4**	**153.4**	**28.0**	***443.9***
	Indonesia	**163.4**	**277.2**	**25.0**	**137.1**	**129.7**	**113.3**	***845.7***
	Japan	**138.8**	**85.3**	**148.3**	**149.1**	**128.0**	**221.0**	***870.6***
	Philippines	**-**	**-**	**62.3**	**65.0**	**56.9**	**51.8**	***236.0***
	South Korea	-	8.8	44.0	-	-	-	***52.8***
	Sri Lanka	**71.5**	**-**	**68.8**	**-**	**-**	**77.0**	***217.3***
	Thailand	50.0	-	-	-	12.1	-	***62.1***
	United Arab Emirates	28.2	20.2	-	35.9	23.0	12.6	***119.9***
	Vietnam	8.0	2.2	5.0	11.0	92.7	-	***119.0***
Western Hemisphere	Brazil	-	-	30.0	60.1	-	-	***90.1***
	Chile	-	44.0	20.5	35.4	-	-	***99.9***
	Colombia	**192.3**	**80.8**	**79.8**	**103.5**	**46.1**	**126.1**	***628.6***
	Ecuador	-	59.8	19.2	48.8	17.5	49.3	***194.5***
	Mexico	**113.9**	**68.9**	**36.3**	**110.6**	**66.5**	**93.1**	***489.2***
	Peru	**100.6**	**82.5**	**157.5**	**37.4**	**121.3**	**54.4**	***553.6***
	Puerto Rico	18.7	-	-	11.0	18.8	-	***48.4***
	United States	**136.5**	**113.5**	**128.2**	**97.6**	**140.2**	**127.3**	***743.3***
Others		85.4	46.2	46.4	137.1	62.2	182.8	560.1
Total		***1,482.7***	***1,157.8***	***1,233.8***	***1,464.9***	***1,263.3***	***1,363.8***	***7,966.3***

- YTD Wheat Exports

(excl. trucks to US)

Cdn. durum wheat balance sheet

Cdn. Durum Wheat				+3%
('000)	2015/16	2016/17	2017/18	P2018/19
Area seeded (ha)	2,355	2,469	2,106	2,169
Area harvested (ha)	2,327	2,333	2,088	2,170
Acres hrvstd.	5,750	5,765	5,159	5,362
Yield (t/ha)	2.32	3.33	2.38	2.63
Yield (bu/ac)	34.5	49.5	35.4	39.1
Production	5,389	7,762	4,962	**5,707**
Imports	13	11	10	10
Total supply	6,378	8,873	6,835	6,967
Exports	4,514	4,534	**4,650**	4,600
Food & Industrial Use	209	179	180	180
Feed, Waste & Dockage	312	2,093	540	416
Total Domestic Use	763	2,476	935	810
Carry-out Stocks	1,100	1,863	**1,250**	**1,557**
Stock-Use ratio	20.8	0.27	0.22	0.29
			AAFC: 4.6 mln mt expts	
			AAFC: +5% ac. '18/19	

'17/18 bulk Dur. exports: 2.3 mln mt wk. 30 + trucks to US

YTD Durum Exports

Amber Durum Exports		August	September	October	November	December	January	*Crop Year to Date*
Western Europe	Belgium	27.5	-	-	5.1	4.8	-	***37.4***
	France	19.3	-	-	-	-	-	***19.3***
	Italy	**172.4**	**31.5**	**79.4**	**-**	**-**	**-**	***283.3***
Africa	**Algeria**	**-**	**-**	**115.2**	**126.0**	**36.8**	**201.5**	***479.5***
	Ghana	4.4	-	-	-	-	-	***4.4***
	Morocco	**43.5**	**12.1**	**84.6**	**83.7**	**80.6**	**55.4**	***359.7***
	Nigeria	5.5	-	-	11.8	-	-	***17.3***
	Tunisia	-	23.6	-	-	-	-	***23.6***
Asia	Indonesia	-	-	-	7.7	-	-	***7.7***
	Japan	**15.4**	**-**	**34.6**	**6.9**	**30.9**	**-**	***87.8***
	Turkey	49.5	-	-	-	-	-	***49.5***
	United Arab Emirates	6.9	5.2	-	23.8	7.6	4.5	***48.0***
	Costa Rica	4.4	-	-	-	6.6	-	***11.0***
	Haiti	-	14.0	-	-	15.4	-	***29.4***
	Peru	**36.5**	**13.3**	**-**	**2.0**	**23.4**	**18.5**	***93.7***
	United States	**33.4**	**40.3**	**30.8**	**33.4**	**66.1**	**73.6**	***277.6***
	Venezuela	29.9	-	12.0	-	-	-	***41.9***
	Other	7.7	0.0	18.5	0.0	15.8	0.0	
	Total	**456.3**	**139.9**	**375.1**	**306.3**	**288.0**	**353.**	**1,919.0**

Excl. US trck movem.

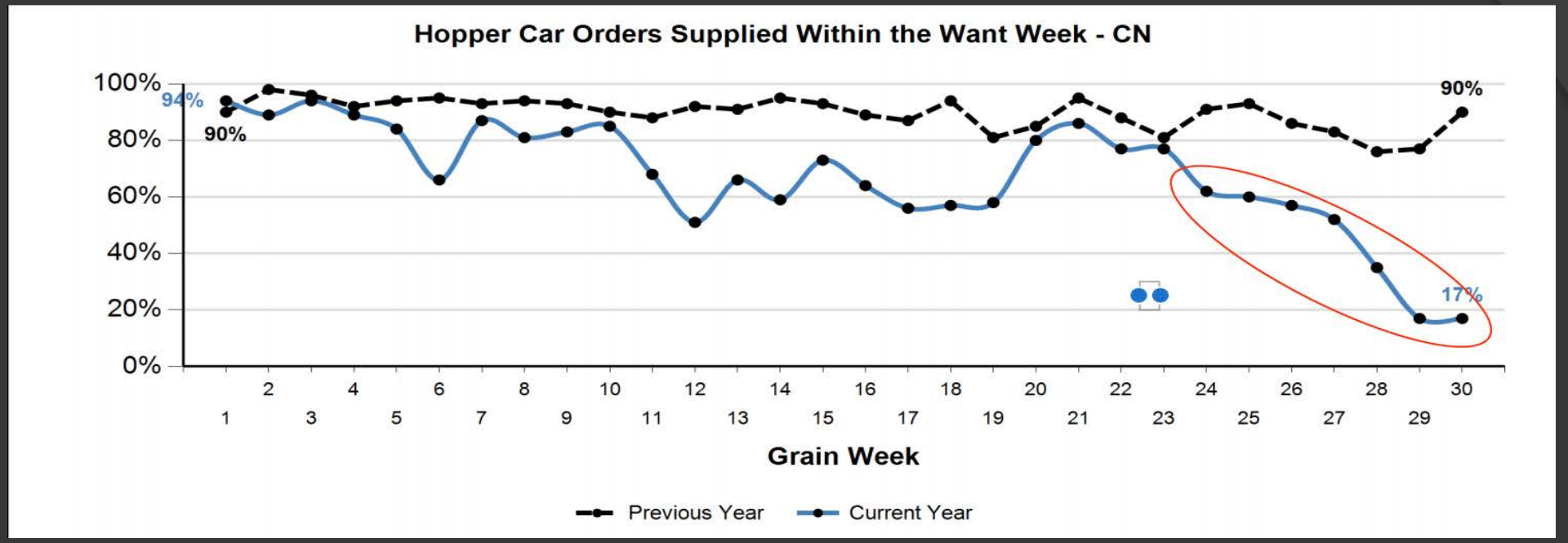
Wheat production projections 2018/19

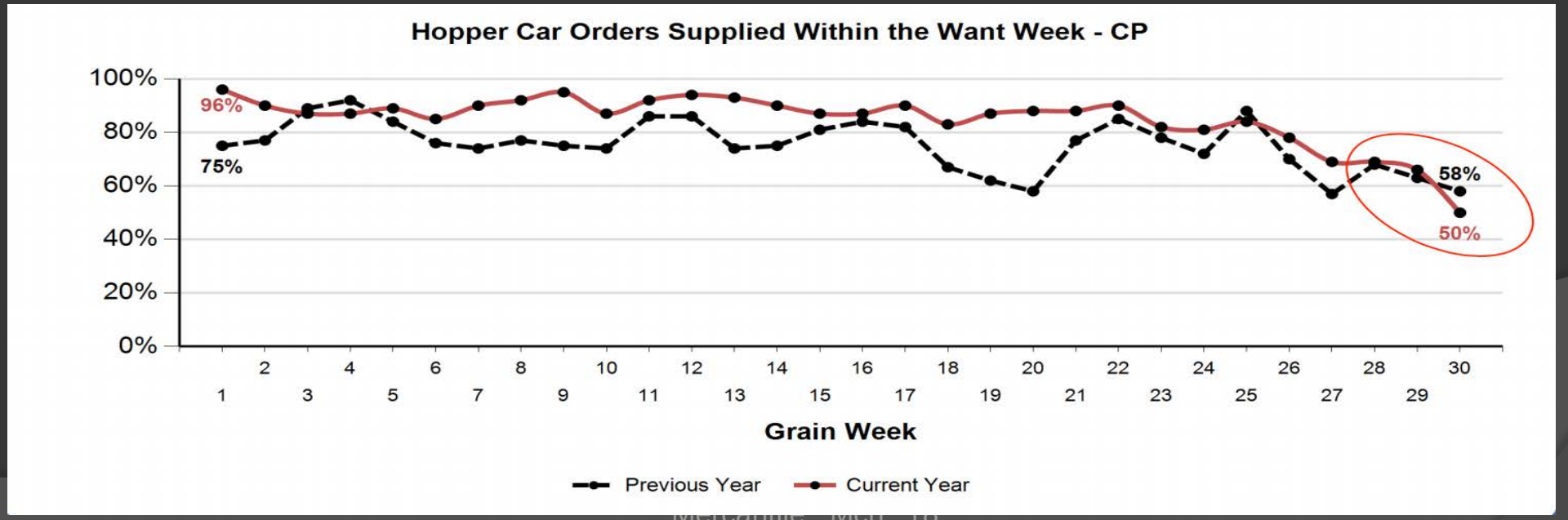
- US WW acreage down to 10.1 mln ac (down 11%); what will winter kill be? (too early now for est's)
- EU should have similar prod'n to last year
- *Big question what Russia will produce: 'if' yields are down 10-15%, then wheat will improve (- 8.3 – 12.5 mln mt)*
  - How aggressive will Black sea countries be during the 1st 6 mos of the crop year?

→ 2018 *yields* are the big unknown to watch.

Situation Canada

- Don’t think will reach AAFC 17.2 mln mt exports
- Wheat acres not likely to drop
- *How many railcars will we have next year?*
  - Transportation seems to determine export number, regardless of production


Hopper Car Orders Supplied Within the Want Week - CN
100%
80%
60%
40%
20%
0%
94%
90%
90%
17%
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
Grain Week
Previous Year
Current Year


Hopper Car Orders Supplied Within the Want Week - CP
100%
80%
60%
40%
20%
0%
96%
75%
58%
50%
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
Grain Week
Previous Year
Current Year

Cdn. Elevator Bids vs PNW Track Bid Parity Values

Canadian Elevator bids @ Rosetown compared to PNW track bid parity values C$				04-Mar-18	
PNW/VCVR Parity after costs at elevator Sask. Rstwn. Per Bushel C$	$299.16	$294.43	$263.64	$206.80	$171.28
GRADE	1 cwrs 13.5 Pro	2cwrs 12.5 pro	3 cwrs	cps/sww	Feed Wheat
PNW WPx bid C$ parity per bushel @ Rosetown	$8.14	$8.01	$7.17	$5.63	$4.50
equals PNW "Basis" Parity to Mpls Futures May C$ @ Rostwn.	$1.94	$1.81	$0.97	-$0.57	
Cargill Canadian Elevator Bid Rosetown area C$R	$6.70	$6.60	$6.00	$5.63	
Ldc elevator bid Aberdeen SK	$7.00				
Cgl "Basis" bids at Rosetown over/under may Mpl futures C$	$0.50	$0.40	($0.20)	($0.57)	
"Basis" bids @ Rosetown over/under may Kansas City C$	$1.32	$1.22	$0.62	$0.25	
canadian elevator margin compared to PNW parity track bid value C$ after elevations	*$52.91*	*$51.85*	$43.12	-$0.12	
canada grtoss margin i.e. less country elevat clening etc &110 car train	$78.71	$77.65	$68.92	$25.68	

*it pays to check other elevators there are some good premiums to "Rosetown" out there. Cargill will pay more than they show

note Louis Dreyfus at Rathwell are bidding $7.10 cwrs 13.5 pro

we hear a number of canadian elevators are paying $7.10 for 13.5 cwrs

Recommendations current crop

Black Sea logistics are difficult & at a prices that are now close to EU replacement. SRW is not competitive for export. HRW has only minimum captive demand, but while US conditions remain dry, futures should remain strong ahead of Thursday's USDA report.

- *We recommend old crop wheat sales at $7.00 per bushel or better*
- *Continue to leave new crop alone for now.*

Mercantile Consulting Venture Inc.

www.mercantileventure.com

Questions?

EU wheat

	2016/7			2017/8			2018/9	
	Brussels	**USDA**	**FR**	**Brussels**	**USDA**	**FR**	**Brussels**	**FR***
Area	27.0	27.3	27.3	26.0	26.5	26.3	25.5	26.0
Yield	5.3	5.3	5.3	5.8	5.7	5.8	5.8	5.7
Carry In	17.1	15.6	16.9	13.0	10.8	13.6	17.1	**19.0**
Production	143.5	145.3	145.3	150.9	151.6	151.0	148.7	148.2
Imps	5.0	5.3	5.0	4.8	5.5	4.8	5.2	5.0
Supply	**165.6**	**166.1**	**167.2**	**168.7**	**167.9**	**169.4**	**171.0**	**172.2**
Feed/Losses	54.1	56.0	55.0	55.0	57.0	57.4	55.6	56.0
HSI	71.9	72.0	72.0	71.2	71.8	72.0	72.4	72.5
Domestic	**126.0**	**128.0**	**127.0**	**126.2**	**128.8**	**129.4**	**128.0**	**128.5**
Exports	26.6	27.3	26.6	**25.4**	**26.0**	**21.0**	26.6	**24.7**
Demand	**152.6**	**155.3**	**153.6**	**151.6**	**154.8**	**150.4**	**154.6**	**153.2**
End Stocks	**13.0**	**10.8**	**13.6**	**17.1**	**13.1**	**19.0**	**16.4**	**19.0**