

**Wheat Market Outlook and Price Report: July 13, 2020**  
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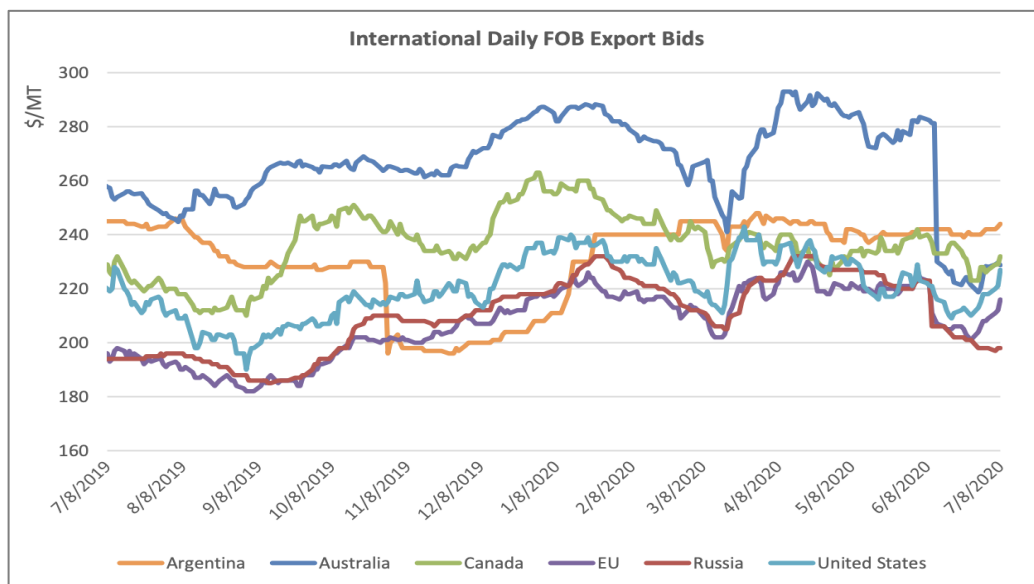
**i) Background and Rationale for the Report**

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 July 13, 2020**

**Global wheat price developments, July 2020:**



Source: USDA, FAS, Global Market Analysis

- **Prices** for most major exporting countries fell during the month of June, mainly influenced by seasonal harvest pressure with global wheat supplies expected to be record-large.
- **Russia** was pressured lower as harvest approaches with relatively favorable conditions to date. **EU** prices declined, despite some lingering concerns over dryness in some Member States. **Canada's** prices also declined on seasonal pressure and expectations for a large crop. **U.S.** prices moved lower as well with the U.S. winter wheat harvest now more than halfway complete, but losses were limited by market reactions to the NASS Acreage report. **Australian** prices plummeted as quotes now reference new-crop prices, which reflect expectations of a much larger crop. On the other hand, **Argentina** edged higher on seasonally tightening supplies.
- Prices rebounded in recent days with expectations of smaller crops in the European Union and Russia.

➤ **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:** Sept. '20 contract **Chicago winter wheat** closed at 534-0, up 9 cents on Friday, and up 42c for the week.
- Sept '20 contract **Kansas hard red winter wheat** closed at 452-0, down 4-6 cents in Friday's trade, and up 18c for the week.
- **Minneapolis** Sept. '20 contract **hard red spring wheat** closed at 526-2, up 0-2 in Friday's trade, up 16 cents for the week. Dec. '20 hard red spring wheat closed at 538-2, down 0-6 cents on Friday.



- The **USDA-WASDE** reports showed wheat production numbers somewhat bullish compared to June. The USDA's July estimate for US winter wheat production is 1.218 billion bu, down by 48 million bu. Spring wheat production was estimated at 550 million bu, which was above the trade average guess of 546. Total 2020/21 US wheat production is forecasted at 1.824 billion bu. US ending stocks for 2020/21 are forecasted at 942 million bu, up 17 million bu from June.
- Globally, USDA has world wheat production at 769.31 million mt, 4.12 million mt below the June estimate. - If India and China are taken out of the equation, the world crop would be 5 million mt below last year's rather than 2 million mt above last years.
- **We think the crops are not yet made, but the USDA's demand number is too high. Focus over the next weeks will be on EU and Black Sea yields, followed by Argentine and Australian weather.**

**Canadian Wheat:**

- China bought 130,000 mt of Hard Red Wheat and 190,000 mt of Hard Red Spring wheat from the US last week. The Chinese only ever buy hard wheat – **in this case it is disappointing that they did not buy Canadian, which was cheaper.**

- Weekly Canadian wheat exports (week 48) were exceptionally good at 560,000 mt, for a year-to-date total of 16.3 million mt, still 4% behind last year's shipments. We expect to reach ~17.5 million mt exports this year, which would leave us with ending stocks of 6.15 million mt, compared to 5 million mt last crop year.

(CGC) Grain Handling Summary Wheat		Wk. 48		(July 5/'20)	
('000 mt)	Prod. Dlvs.	Terminal Rcpts.	Bulk exports	Dom.	
				Disappearance	
<b>Wk. 48</b>	<b>338.9</b>	<b>533.1</b>	<b>559.5</b>	<b>73.2</b>	
Week ago	583.7	532.4	349.3	49.2	
<b>YTD</b>	<b>20,356.0</b>	<b>18,742.8</b>	<b>16,278.3</b>	<b>3,608.9</b>	
Last YTD	19,865.3	19,123.3	16,979.8	3,748.4	
<b>YTD less Last YTD</b>	<b>490.7</b>	<b>-380.5</b>	<b>-701.5</b>	<b>-139.5</b>	
<b>YTD over Last YTD</b>	<b>102%</b>	<b>98%</b>	<b>96%</b>	<b>96%</b>	

Mercantile based on weekly CGC Handling Data

- US wheat futures were up 15-35 cents per bushel ahead of the USDA report, mostly on fund short covering, lower crop estimates in Argentina and France, plus very poor early Black Sea yields. With early yield results so disappointing in both Russia and Ukraine, the market will pay close attention to Northern Hemisphere harvest data going forward, but also to weather conditions in Argentina and Western Australia. There is lots of misalignment of world FOB prices, *but the extent of the decline in demand remains a difficult topic. We spread some wheat-corn, as we don't see Chicago wheat at a \$2.00 premium to corn.*
- The focus of the market from here on will be actual harvest and yield data around the world and the apparent demand (or lack of). The market is becoming interesting.
- *Given the current Canadian elevator bids we prefer to wait before selling cash.*

### World wheat values backed-off to Saskatchewan

12-Jul-20	aug	aug	aug	aug	aug	aug	aug	aug	aug	aug
<b>Current world price values usfmt</b>	USA DNS 14 FPD	hvw ords	durum low	2cows 12.5 pro	3cows 300 hag	feed wht	feed barley	peas	canola	soybeans
price value equal fob vbyay variable usfmt	price bid	price bid	\$270.00						fob vncvr	fob PNW
<b>price value equal fob vancouver variable usfmt</b>	<b>\$235.60</b>	<b>\$213.83</b>		<b>\$220.00</b>	<b>\$200.00</b>	<b>\$195.00</b>	<b>\$170.00</b>	<b>\$270.00</b>	<b>\$387.09</b>	<b>\$353.53</b>
exchange variable	0.7355	0.7355	0.7355	0.7355	0.7355	0.7355	0.7355	0.7355	0.7355	0.7355
value in Canadian funds per tonne	\$320.32	\$290.72	\$367.10	\$298.12	\$271.92	\$265.13	\$231.14	\$367.10	\$526.30	\$480.67
<b>per bushel</b>	<b>\$8.72</b>	<b>\$7.91</b>	<b>\$9.99</b>	<b>\$8.14</b>	<b>\$7.40</b>	<b>\$7.21</b>				
mixta backoff cost to track country elevator			\$8.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
port tolling at cost			\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00
rail freight basis 112 cars basis Saskatoon/Rosetown			\$25.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
rail freight country to hbag			\$25.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
storage and interest max 60 days			\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
cleaning at cost			\$44.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50
country elevation at cost			\$322.60	\$249.62	\$222.42	\$215.63	\$181.64	\$317.60	\$476.80	\$421.17
total backoff costs										
net value can \$										
<b>Estimate valu per bushel track country elevator Can\$</b>			<b>\$8.78</b>	<b>\$6.79</b>	<b>\$6.05</b>	<b>\$5.87</b>	<b>\$3.95</b>	<b>\$8.64</b>	<b>\$10.81</b>	<b>\$11.74</b>
<b>theoretical old cwb price basis \$60.00 backoff to SK basis current world price</b>				<b>\$6.51</b>	<b>\$5.77</b>	<b>\$5.58</b>	<b>\$3.76</b>			
<b>canadian company track bids</b>										
<b>Mkt value where Elevator bids shud be Saskatoon/Rosetown</b>				<b>\$6.25</b>	<b>\$5.50</b>	<b>\$5.35</b>	<b>\$3.35</b>	<b>\$8.00</b>	<b>\$10.35</b>	<b>\$11.25</b>
<b>weyburn area basis 2cw or better premiums basis lower frt to vncv</b>			<b>\$8.25</b>							
elevator margin above costs		avg margin	durum	2cows 12.5 pro	3cows	feed wht	feed barley	peas	Canola	soybeans
Grain Company estimated margin over elevators at cost			<b>\$19.49</b>	<b>\$19.99</b>	<b>\$20.35</b>	<b>\$19.07</b>	<b>\$22.21</b>	<b>\$23.68</b>	<b>\$20.43</b>	<b>\$17.84</b>

- **Durum:** Durum conditions in Canada's Palliser Triangle have improved with additional rains, though we did not get fresh crop ratings from the provincial agencies this week.
- N Dakota durum ratings improved to 66% Gd./ Exc. (from 48% last week), with 27% in fair condition, 6% in poor, and 1% in very poor condition. USDA forecast US durum production to remain relatively stable with last year at 1.52 million mt.
- Canadian weekly durum shipments (wk. 48) were decent at 87,000 mt, for year-to-date total of 4.7 million mt, 13% ahead of last year's tonnage.
- We expect exports to reach 5-5.1 million mt of exports for this crop year, which would bring ending stocks down to 600-700,000 mt, compared to 1.8 million mt last crop year.
- We expect exports to remain strong into next crop year.

(CGC) Grain Handling Summary Durum		Wk. 48		(July 5/'20)	
('000 mt)	Prod. Dlvs.	Terminal Rcpts.	Bulk exports	Dom.	
				Disappearance	
<b>Wk. 48</b>	<b>95.8</b>	<b>142.8</b>	<b>86.8</b>	<b>13.8</b>	
Week ago	133.7	156.4	71.3	3.3	
<b>YTD</b>	<b>4,800.1</b>	<b>5,822.9</b>	<b>4,731.2</b>	<b>436.0</b>	
Last YTD	4,285.0	4,801.7	4,197.6	322.0	
<b>YTD less Last YTD</b>	<b>515.1</b>	<b>1,021.2</b>	<b>533.6</b>	<b>114.0</b>	
<b>YTD over Last YTD</b>	<b>112%</b>	<b>121%</b>	<b>113%</b>	<b>135%</b>	

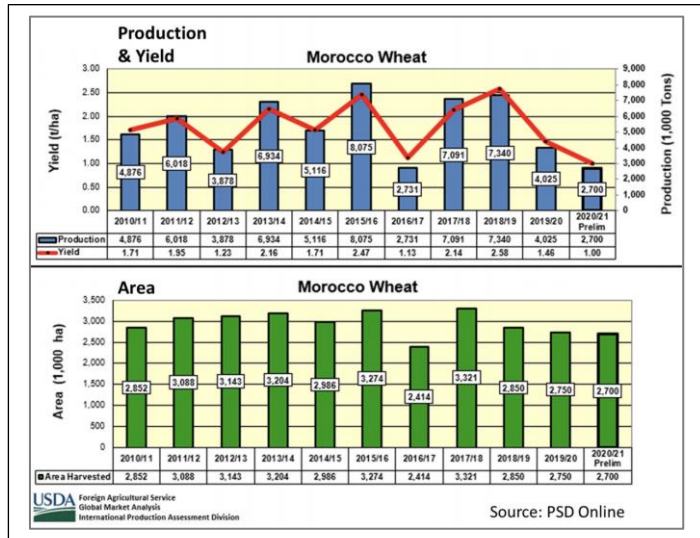
Mercantile based on weekly CGC Handling Data

- Update on Morocco:** The USDA further reduced wheat production in Morocco to 2.7 million mt due to lack of rain. The new number is 23% below last month, and 1.3 million mt (or 33%) below last year!

The 2020 crop is estimated to be 54% below the 5-year average of 5.9 million mt. Yield is estimated at 1.00 mt/ha. Yield also is significantly down (49%) from the 5-year average of 1.95 mt/ha.

Due to the lowest expected harvest in years, the Moroccan government has made the unprecedented decision to extend the suspension of customs duties on common wheat through and beyond the summer, a time when the domestic harvest is on the market. As a consequence, Canadian durum exports to Morocco will stay strong. Canada has shipped more than 800,000 mt of durum to Morocco this year to date.

- Tightening stocks will continue to crop is being harvested. Moderate carry-in stocks and strong export demand in 2020/21 are supportive to new crop durum.



**US Wheat:**

- The **July USDA-WASDE** reports showed the first production estimates by wheat-class for 2020/21.

**HRW** production is forecast to fall 15% on the year to 19.2 million mt.

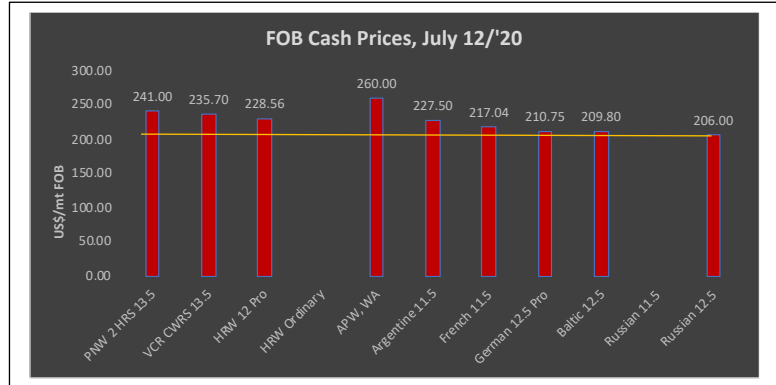
**US HRS** production is estimated to fall 4% from last year to 13.7 million mt. The US yield is forecast at 46.6 bu/ac, down 1.6 bu from a year ago. A record high yield is forecast in Montana for 2020.

State	Area harvested		Yield per acre		Production	
	2019	2020	2019	2020	2019	2020
	-- 1,000 acres --		--- bushels ---		1,000 bushels	
Idaho .....	440	510	89.0	84.0	39,160	42,840
Minnesota .....	1,400	1,260	57.0	57.0	79,800	71,820
Montana .....	2,760	2,850	37.0	38.0	102,120	108,300
North Dakota ...	5,950	5,850	49.0	45.0	291,550	263,250
South Dakota ...	605	815	43.0	41.0	26,015	33,415
Washington .....	505	510	47.0	60.0	23,735	30,600
United States ...	11,660	11,795	48.2	46.6	562,380	550,225

**SRW** production is forecast to increase 18% on the year to 6.50 million mt. Total white wheat production (soft and hard) is estimated to remain relatively stable year-over-year at 7.5 million mt. Durum production is also forecast to remain relatively stable with last year at 1.5 million mt

- Given favorable weather conditions, the HRW harvest wrapped up in Texas and Oklahoma and make significant progress in Kansas, Colorado and Nebraska. The SRW harvest is 80% finished. The HRS and northern durum crop ratings have improved with recent rainfall. In the Pacific Northwest, SW harvest is just underway in the drier areas.
- On Friday morning, the USDA announced a 190,000 mt HRS and a 130,000 mt HRW sale to China for the '20/21 marketing year. - **It is disappointing that they did not buy Canadian wheat, which was cheaper.**
- N American wheat remains relatively expensive in global markets.

- The FOB value for 13.5 pro HRS in the PNW for July increased by \$3.00/mt from last week to \$241.00/mt, while July White wheat from the PNW increased by \$2.00/mt to \$224/mt.



### Australian wheat:

- The USDA left the Australian crop unchanged at 26 million mt. While rain in eastern Australia has been generally favourable, WA has had much below normal precipitation and some are suggesting the USDA number could be 2-3 million mt too high.
- Australian new crop futures closed higher on the week.
- Dec-Jan APW is worth around \$260/mt FOB Western Australia.

### Argentine wheat:

- The USDA left the Argentine crop at 21 million mt (as did BAGE). Plantings are 87% complete (86% last year), but Gd/Exc. ratings of 22% remain way below last year's 40%, and there is no sign of any let-up to the dry conditions.
- The Govt is maintaining official export prices for both old and new crop wheat ~\$15/mt above the cash market, which has the effect of keeping wheat on the domestic market at lower prices by artificially raising export taxes.
- Argentine wheat (12% pro) closed at \$225-235/mt.

### EU wheat:

- Matif wheat had its highest weekly close in six weeks. Cash premiums are also firm, and French wheat completely priced itself out of the export market at \$6/mt higher than German wheat and \$11 higher than Russian wheat.
- The French farm Ministry's first '20/21 S&D showed an 8 million mt smaller crop and a 6 million mt smaller export availability. German/Baltic also prospects improved, but the Balkans look increasingly poor.
- The USDA lowered the EU crop by just 1.5 million mt and took exports down 1 million mt, but they raised '19/20 exports to an all-time record 38 million mt.
- FOB values in the EU were stronger: French 11.5 pro increased by \$5.84/mt to \$217.04/mt, while German 12.5 pro wheat increased by \$5.80/mt over the week to \$210.75/mt.

### Black Sea wheat:

- Black Sea prices rose ~\$8/mt on the week *following very poor early yield reports in both Russia and the Ukraine*. Estimates are that yields are down 25-50% from last year.
- The hot and dry weather in the Black Sea is pushing eastward and lingering now over the further reaches of Russian wheat country and Kazakhstan, likely hurting their spring crops.
- Russian wheat for July shipment was up by \$8/mt at \$206.00/mt for 12.5 pro wheat.

### ➤ Significant purchases/ trades:

- Egypt (GASC) bought 230,000 mt of Russian wheat for Aug 8-18 at \$219/mt C&F.
- Jordan bought 60,000 mt of wheat for FH Nov at \$237/mt.
- Thailand passed on 193,000 mt of Oct-Dec feed wheat with offers at \$225 against buying ideas of \$215.
- The Philippines also passed on their feed wheat tenders.



- USA season export sales of 277 million bushels are in line with last year. China bought 130,000 mt of Hard Red Wheat and 190,000 mt of Hard Red Spring wheat from the US.
- The EU '19/20 soft wheat shipments rose to 34.6 million mt, but are probably still 600,000 too low.
- As of week 48, Canadian wheat exports (excl. durum) are down by 4% compared to last crop year (-702,000 mt).

➤ **Wheat Market Outlook:**

**Significant events:**

- **USDA** has world wheat production at 769.31 million mt, 4.12 million mt below the June estimate. - If India and China are taken out of the equation, the world crop would be 5 million mt below last year's rather than 2 million mt above last years.
- US **HRS** production is estimated to fall 4% from last year to 13.7 million mt.
- **N Dakota durum ratings** improved to 66% Gd./ Exc. (from 48% last week).
- The USDA further reduced **wheat production in Morocco** to 2.7 million mt due to lack of rain. The new number is 23% below last month, and 1.3 million mt (or 33%) below last year!
- **China** bought 130,000 mt of Hard Red Wheat and 190,000 mt of Hard Red Spring wheat from the US last week. *It was disappointing that they did not buy Canadian wheat, which was cheaper.*
- **French wheat** has priced itself out of the export market at \$6/mt higher than German wheat and \$11 higher than Russian wheat.
- There were very poor early yield reports in both Russia and the Ukraine; estimates are that yields are down 25-50% from last year.
- Egypt (GASC) bought 230,000 mt of Russian wheat for Aug 8-18 at \$219/mt C&F.

- **Global Wheat News:**

- **USDA** now expects total world wheat production will reach 769 MILLION MT, 4 MT less than its June estimate, but still slightly higher than last year's record of 765 MILLION MT. Total global wheat ending stocks fell slightly from the June estimate to 315 MILLION MT, still a world record and 6% more than last year.
- **France's soft wheat production** is expected to fall by almost 21% this year after crops suffered from adverse weather conditions, the French farm ministry said on Tuesday. In its first forecast of this year's soft wheat crop, the ministry projected production at 31.31 million tonnes compared with 39.55 million in 2019.
- **Britain's wheat area** is down 25% this year after a wet autumn forced many farmers to switch to spring-planted crops, according to a survey by the Agriculture and Horticulture Development Board. The AHDB put the wheat area at 1.36 million hectares while spring barley plantings jumped 52% to 1.06 million hectares.
- Dryness in **Argentina** is complicating this season's wheat sowing, with the Rosario grains exchange cutting its 2020/21 crop estimate on Wednesday while the Buenos Aires exchange warned that it may reduce its 6.5 million hectare planting estimate. Another wheat-sowing estimate cut by the Buenos Aires exchange would be its third so far this season as persistently dry weather takes its toll on the Pampas grains belt.

➤ **Outlook:**

US wheat futures were up 15-35 cents per bushel ahead of the USDA report, mostly on fund short covering, lower crop estimates in Argentina and France, plus very poor early Black Sea yields. With early yield results so disappointing in both Russia and Ukraine, the market will pay close attention to Northern Hemisphere harvest data going forward, but also to weather conditions in Argentina and Western Australia.

There is lots of misalignment of world FOB prices, but the extent of the decline in demand remains a difficult topic. We spread some wheat-corn, as we don't see Chicago wheat stay at a \$2.00 premium to corn.

**iii) Primary Elevator Price Tables and Grade Spreads**

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

Date: <b>13-07-2020</b>					
NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Oct.'20 (bu.)	Oct.'20 (mt)
1 CWRS 13.5	\$6.60	\$242.51	1 CWRS 13.5	6.37	\$234.06
1 CWAD 13.0	\$7.67	\$281.83	1 CWAD 13.0	7.20	\$264.56
1 CPSR 11.5	\$5.82	\$213.85	1 CPSR 11.5	5.52	\$202.83
SW Sask			SW Sask		
1 CWRS 13.5	\$6.41	\$235.53	1 CWRS 13.5	6.21	\$228.18
1 CWAD 13.0	\$7.62	\$279.99	1 CWAD 13.0	7.19	\$264.19
1 CPSR 11.5	\$5.71	\$209.81	1 CPSR 11.5	5.45	\$200.25
NE Sask			NE Sask		
1 CWRS 13.5	\$6.30	\$231.49	1 CWRS 13.5	6.11	\$224.51
1 CWAD 13.0	\$7.83	\$287.71	1 CWAD 13.0	7.58	\$278.52
1 CPSR 11.5	\$5.68	\$208.71	1 CPSR 11.5	5.32	\$195.48
SE Sask			SE Sask		
1 CWRS 13.5	\$6.27	\$230.38	1 CWRS 13.5	6.10	\$224.14
1 CWAD 13.0	\$7.88	\$289.54	1 CWAD 13.0	7.59	\$278.89
1 CPSR 11.5	\$5.63	\$206.87	1 CPSR 11.5	5.30	n/a

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

Avg. Grade Spread/ Pro Discounts	Cdn\$/bu.	Cdn.\$/mt
1 CWRS 14.0	0.05	1.89
1 CWRS 13.5	Base Grade	Base Grade
2 CWRS 13.5	(0.10)	-3.67
1 CWRS 12.5	(0.15)	-5.51
1 CWAD 13.0	Base Grade	Base Grade
1 CWAD 13.5	0.00	0.00
2 CWAD 13.0	(0.10)	-3.67
2 CWAD 12.5	(0.20)	-7.35

#### 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/tonne. During the 2013/14 crop year the export basis for wheat widened to approximately C\$250/tonne, 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 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/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
  - SW (lowest price wheat) ≈ CPS red (mostly fed domestically)
  - HAD (Lakes) ≈ CWAD (Thunder Bay/ Lawrence)

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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.”



- 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 year-to-date (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				13-07-2020
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	\$326.90	\$390.19		
HRS	\$319.43			
HRW 11.5	\$296.50			
SWW 12.0	\$300.99			
1 CWRS 13.5 <sup>3</sup>	\$326.90		\$227.45	\$99.46
2 CWRS 13.0 <sup>3</sup>	\$319.43		\$207.24	\$112.19
3 CWRS <sup>3</sup>	\$296.50		\$188.86	\$107.64
CPS <sup>3</sup>	\$294.01		\$206.50	\$87.51
1 CWAD <sup>4</sup>		\$383.21	\$303.14	\$80.07
Competing wheat:	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$206.00	July		
French 11.5 (Rouen)	\$217.04	July		
ASW 10.5 (W Coast)	\$250.00	N/C		
Argentine 12.0	\$227.50	July		

<sup>1</sup> FOB Prices CDA = FOB US\$ converted into Canadian Currency

<sup>2</sup> Export Basis = FOB Prices CDA minus Cdn. 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

## ADDENDUM

### Futures Driven Basis Calculation, Canadian Dollars per MT

Canadian Wheat - World Price Parities				13-07-2020
Canadian Funds	Grade			
PNW value/Vancouver	2CWRS	3CWRS	Winter wht.	CPS
<b>Sept/Oct delivery</b>	\$8.50	\$7.88	\$5.90	\$5.90
<b>Parity Track Rosetown</b>	\$7.01	\$6.38	\$6.51	\$6.51
<b>Track Bid Rosetown Area</b>	\$5.64	\$5.14	\$5.62	\$5.62
<b>Gross Margin at Elevator (\$/bu)*</b>	\$1.37	\$1.24	\$0.89	\$0.89
<b>Gross Margin at Elevator (\$/mt)*</b>	\$50.23	\$45.68	\$32.53	\$32.53
* to cover elevation, elevator market risk, margin				