

## Wheat Market Outlook and Price Report: Nov. 13, 2023

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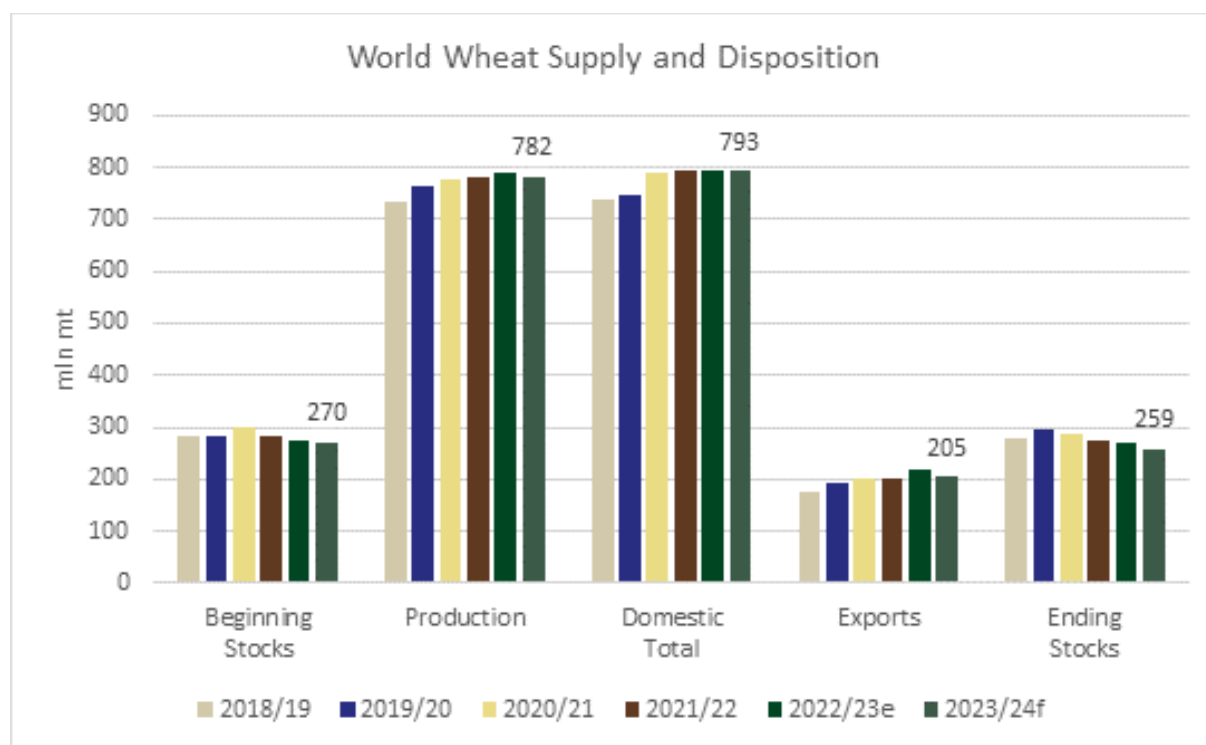
### **i) Background and Rationale for the Report**

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 November 13, 2023**

#### **World Agricultural Supply and Demand Estimates (WASDE) Report: November 2023**

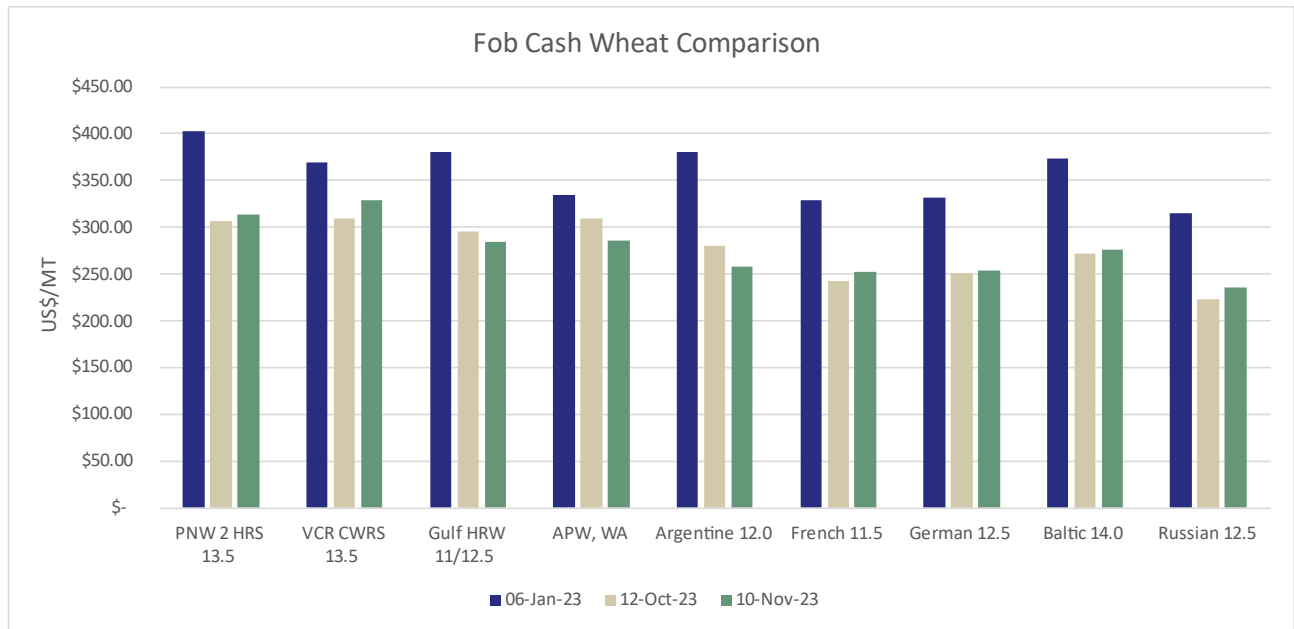


Source: Mercantile, based on USDA data

- Last week's WASDE report was largely neutral for wheat, but wheat prices retreated after the report as higher than expected production in corn pressured the grain markets.
- For wheat, the USDA reduced global wheat production by 1.4 million mt as smaller production in Argentina, Kazakhstan and India off-set larger production in Russia.
- Global consumption was left essentially unchanged.

- Exports were reduced by 1.3 million mt, led by a 1.5 million mt decrease from Argentina and a 0.5 million mt decrease in India. These reductions were only partially off-set by one million mt of more exports from Ukraine.
- Global wheat ending stocks were raised by 0.6 million mt, down four per cent from last year.

### FOB Wheat Price Developments:



- Global cash wheat prices were mostly higher last week on what was reported to be a very large wheat purchase by Algeria. Compared to last month, North American spring wheat prices are \$8-\$19/mt higher, while winter wheat in the Gulf fell by \$11/mt. FOB prices in Australia and Argentina are \$22-\$25/mt lower as their new crop became available. In Europe, FOB values rose \$3-9/mt over the month, while Black Sea prices remain ill-defined. We have Russian wheat at \$235/mt which is \$12/mt better higher than the same time last month.

### ➤ 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:

- Dec. 2023 contract Chicago winter wheat closed at \$575-2, down 5-4 cents on Friday, *up 2-6 cents on the week.*
- Dec. 2023 contract Kansas hard red winter wheat closed at \$640-0, down 7-2cents on Friday, *down 3-4 cents on the week.*
- Dec. 2023 Minneapolis hard red spring wheat closed at \$730-4, down 4-0 cents on Friday, *up 9-4 cents on the week.*
- U.S. wheat futures are currently trading unchanged to five cents lower, while EU milling wheat is unchanged to 0.25 euros lower this Monday morning.

**CBOT Dec 2023 Wheat (1 yr.)**



**KC Dec 2023 Wheat**

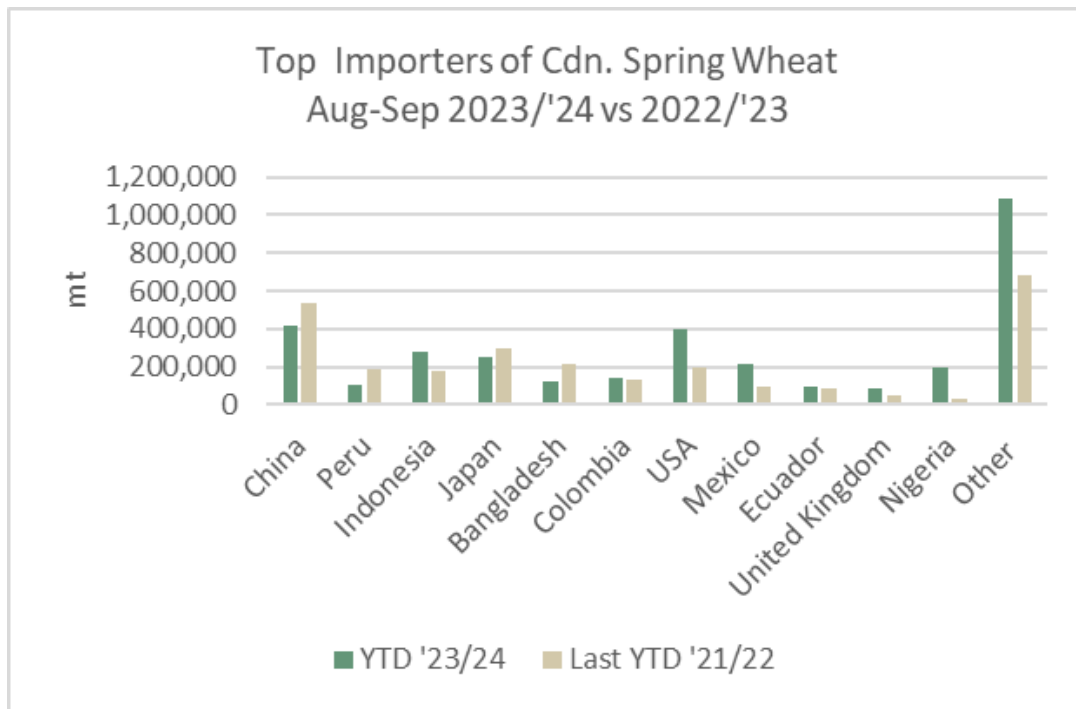


**Mpls. Dec 2023 Wheat**



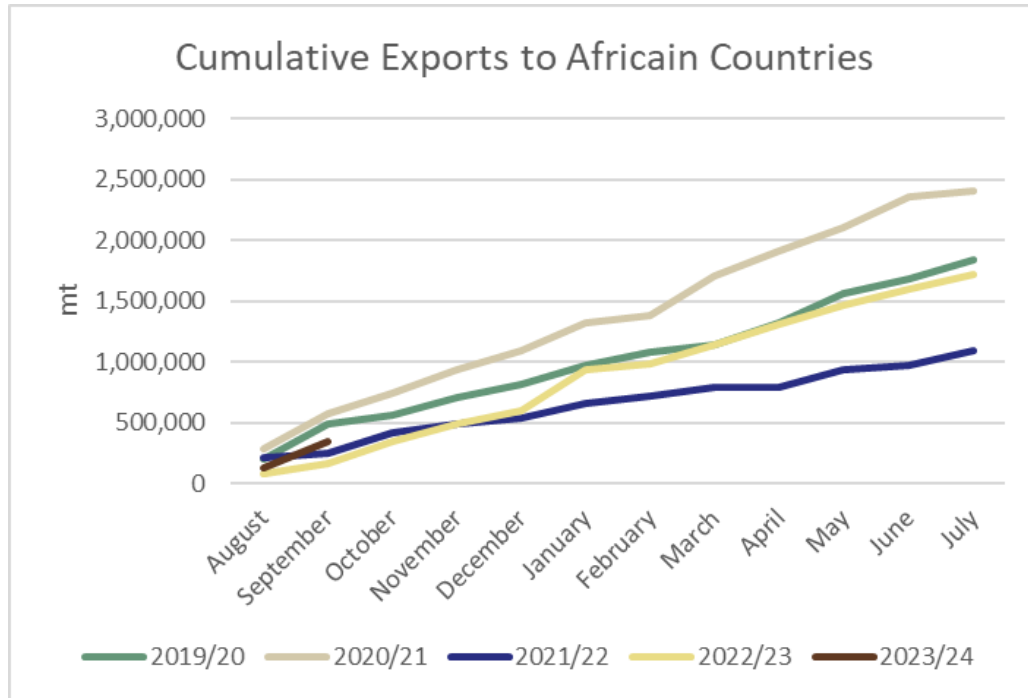
**Canadian Wheat**

- Stats Canada shows Canadian wheat exports during September were large at 2.1 million mt. China was the largest destination. At 341.3k mt, China imported 16 per cent of the total September export volume. Aug.-Sept. exports to China are 416.5k mt, which is 22 per cent less than last year. Meanwhile, exports to the U.S. are more than double last year's volume at 401.1k mt, making the U.S. the second largest customer of Canadian wheat. Exports to Mexico are also 130 per cent larger than last year at 218.2k mt.



Source: based on STC data

- Canadian wheat exports to countries outside of the top 10 are also running well ahead of last year. There has been an uptick in demand from African countries over the past two months. Aug.-Sept. exports to African countries are 344.9k mt, up 181.6k mt from last year.



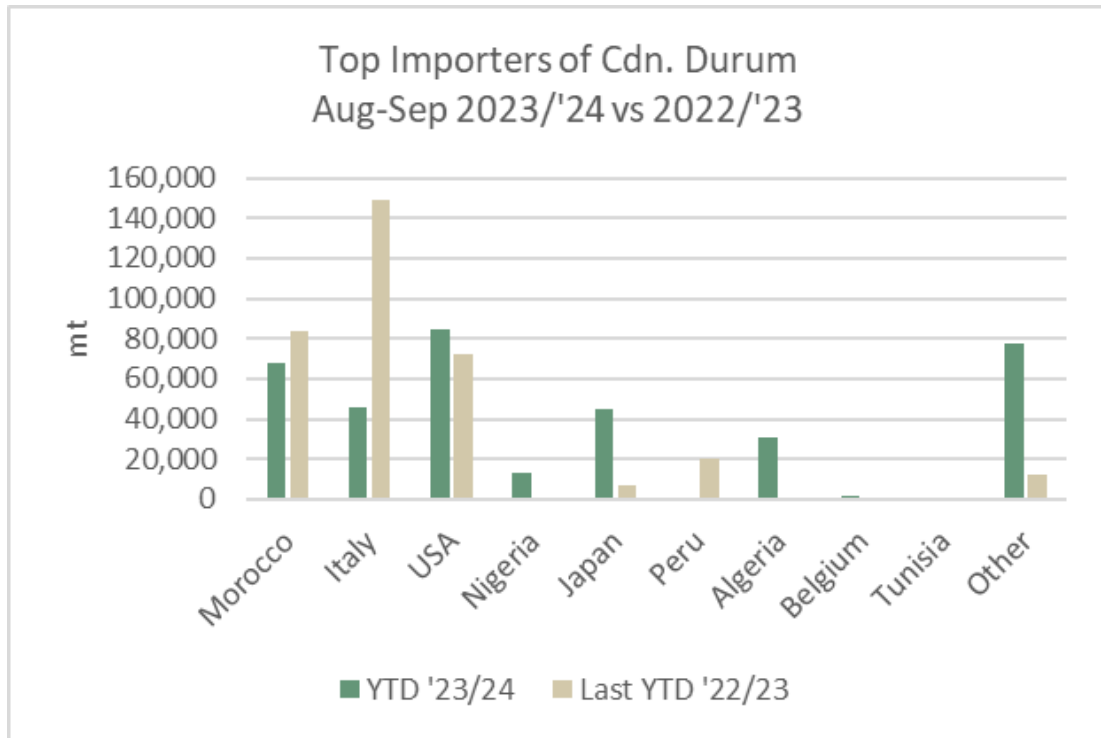
Source: based on STC data

- Weekly Canadian wheat exports:** Exports in shipping week 14 were 374.4k mt resulting a season total of 5.5 million mt. This is eight per cent (396k mt) ahead of last year. The spread from last year closed by three points over the week. Producer deliveries were massive last week as 643.2k mt of wheat was delivered into the elevator system. Visible supply rose to 2.8 million mt, 1.4 million mt of this is sitting in export terminals which should allow exports to remain strong. At 6.8 million mt, producers have delivered over 25 per cent of Canada's wheat crop.

(CGC) Grain Handling Summary Wheat			Week 14	(Nov. 5, 2023)
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 14	643.2	368.0	374.4	135.1
Week ago	482.9	421.0	526.3	104.3
YTD	6,754.9	7,235.7	5,512.8	1,843.3
Last YTD	6,720.6	6,603.9	5,116.8	1,199.4
<b>YTD less Last YTD</b>	<b>34.3</b>	<b>631.8</b>	<b>396.0</b>	<b>643.9</b>
<b>YTD over Last YTD</b>	<b>101%</b>	<b>110%</b>	<b>108%</b>	<b>154%</b>

Source: based on CGC data

- Durum:** Stats Canada’s monthly export data shows that durum exports in September were 163.8k mt. This signals the slowest September for durum exports in recent history. With that said, the Aug.-Sept. total of 366.1 is only slightly behind last year’s pace. This was made possible as a 103.3k mt decrease in exports to Italy have been made up by larger exports to Japan, Algeria, Nigeria and several “other” smaller importers.



Source: based on STC data

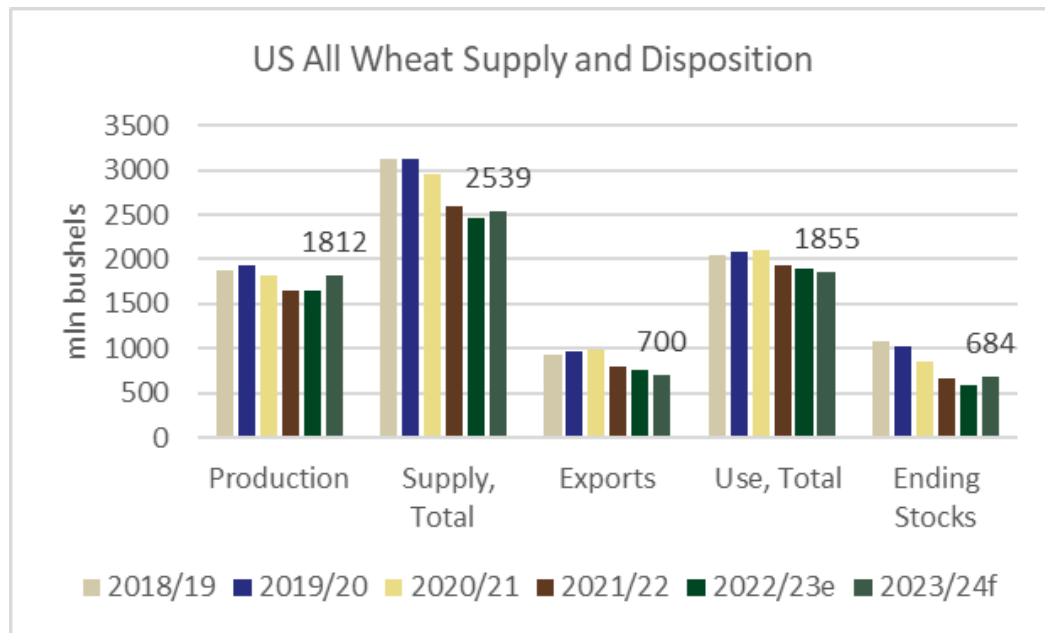
- Weekly Canadian durum exports were 60.6k mt in week 14 for a season total of 717.0k mt. down 29 per cent from last year, but still slightly ahead of the 32 per cent decrease in exports that we are expecting.

(CGC) Grain Handling Summary Durum		Week 14 (Nov. 5, 2023)		
('000 mt)	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 14	61.0	115.1	60.6	16.3
Week ago	53.0	54.6	15.0	4.8
YTD	1,113.0	997.0	716.9	175.7
Last YTD	1,480.5	1,389.0	1,002.7	185.5
<b>YTD less Last YTD</b>	<b>-367.5</b>	<b>-392.0</b>	<b>-285.8</b>	<b>-9.8</b>
<b>YTD over Last YTD</b>	<b>75%</b>	<b>72%</b>	<b>71%</b>	<b>95%</b>

Source: based on CGC data

### U.S. Wheat:

- The USDA increased U.S. wheat imports by 10 million bushels raising total supply to 2.5 billion bushels, up three per cent from last year. Exports were left unchanged at 700 million bushels, down eight per cent from last year. Food use was reduced by four million bushels. Ending stocks were raised by 14 million bushels to 684 million bushels, up 18 per cent from last year.



Source: based on USDA data

- For U.S. HRS wheat, the only change in the USDA report was a five million bushel increase in imports to 65 million bushels. This is 16 per cent more than last year. Ending stocks were respectively raised to 178 million bushels.
- For U.S. durum, the USDA decreased imports into the U.S. by five million bushels to 40 million bushels, down 22 per cent from last year. Food use was reduced by two million bushels for a three million bushel decrease in ending stocks to 17 million bushels, down 39 per cent (11 million bushels) from last year. If true, this would be the lowest ending stock volume since the 2007/08 crop year.
- The condition of the U.S. winter wheat crop was better than expected at 50 per cent Gd/Ex, a two per cent improvement from last week and 20 per cent better than last year. Ninety per cent of the U.S. winter wheat crop has been planted.
- U.S. weekly export sales were 354k mt for a season total of 430 million bushels, down six per cent from last year compared to the USDA's forecasted eight per cent decline. Although sales are strong, U.S. shipments are near all-time lows. Wheat exports are usually slower at this time of year as terminals focus on soybean movement, but last week's 71.6k mt of exports was the lowest weekly volume since records began in January 1983. Total exports are running 27 per cent behind last year. The low water level of the Mississippi River is one factor impacting movement as wheat exports through the U.S. Gulf are 40 per cent behind last year, while movement through the PWN is down by just 16 per cent. Water levels in the Mississippi have improved (along with barge rates), but low levels in the Panama Canal will restrict movement from the Gulf to the Asian market.
- U.S. HRS for Dec. 2023 was valued at \$314.00/mt FOB PNW (*up \$11.00/mt from last week*), FOB Gulf HRW 11/12.5 pro is valued at \$284.00/mt (*down \$1.00/mt from last week*).

**Australian Wheat:**

- Harvest in Australia is about 25 per cent complete. We hear that yields in Queensland are as expected, which will amount to about half of last year's volume. Further south, yields are reportedly better than expected. The USDA left Australia's wheat production at 24.5 million mt which looks too low.
- FOB values in Australia: Dec. 2023 AWP, WA is valued at \$285.00/mt (*down \$5.00/mt from last week*).

**Argentine Wheat:**

- Harvest in Argentina is 14 per cent complete. The average yield rose by 0.15 tph over the week to 1.25 tph (BAGE's production number implies a 2.65 tph yield). Gd/Ex ratings fell by a point to 14 per cent Gd/Ex (vs. eight per cent last year).
- The Rosario Grain Exchange cut their estimate for Argentina's wheat crop by another 800k mt saying the recent rains were too late to improve yields. They estimate the crop will be 13.5 million mt compared to BAGE's 15.4 million mt number. The USDA trimmed their estimate by 1.5 million mt to 15 million mt and reduced exports by an equal amount.
- Argentina's farmers sold another 100k mt of wheat last week. This was all taken by local demand and not to exporters.
- FOB Argentine wheat (12 per cent pro) for December was quoted at \$258.00/mt (*up \$3.00/mt from last week*).

**Indian Wheat:**

- The USDA revised India's wheat crop lower by three million mt to 110.5 million mt. This is above the recent update by the USDA Attaché in India which put the crop at 106 million mt.

**EU Wheat:**

- The USDA left the EU's wheat balance sheet unchanged. Most notable is the export estimate of 37.5 million mt which is seven per cent higher than last year despite the current pace that is 20 per cent behind last year.
- Rain continued to fall in the EU, hindering winter wheat planting progress. Seeding progress in France is just 67 per cent complete compared to 83 per cent average.
- EU FOB prices: Dec. 2023 French 11.5 pro wheat closed at \$252.00/mt (*up \$2.00/mt from last week*); Dec. 2023 German 12.5 pro wheat closed at \$254.00 (*up \$2.00/mt from last week*); Dec. 2023 Baltic 14.0 pro wheat closed at \$276.00/mt (*up \$3.00/mt from last week*).

**Black Sea Wheat:**

- The USDA lifted Russia's 2023 wheat crop by five million mt to 90 million mt which is likely closer to the truth. Russia's exports were unchanged at 50 million mt as the higher production prompted higher domestic use and a larger carryout. The USDA left Russia's 2022 crop at 92 million mt which is too low.
- Russia implemented a Feb.-Jun. wheat export quota of 25 million mt (vs 11 million mt last year), which will have no impact on the pace of exports from there.
- We have Russian FOB values for 12.5 per cent protein wheat for November at \$235/mt (*up \$8.00/mt from last week*).

➤ **Significant purchases/ trades:**

- **Jordan** bought 60k mt of optional origin wheat at \$276/mt. Jordan is expected to be back for another 120k mt of wheat next week for Jan./Feb. wheat.
- **Algeria** is reported to have bought 600-750k mt of Dec.-Jan. wheat at \$266/mt.
  - Both Algeria and Jordan look like they were Russian execution, but some of Algeria's wheat could be from France given the volume may overwhelm Russia's infrastructure.
- **U.S.** weekly export sales were 354k mt for a season total of 430 million bushels, down six per cent from last year.

➤ **Wheat Market Outlook:**

**Significant events over the past week:**

- **An alleged Russian missile hit a cargo ship** in a port near Odesa killing the pilot and injuring crew members. The ship was carrying iron ore.
- **The USDA reported higher than expected corn production** which pressured grain markets last week. The USDA raised the U.S. corn yield by 1.9 bushels per acre to 174.9 bpa. The trade was looking for a 0.3 bushel per acre increase. That lifted production by 170 million bushels to 15.234 billion bushels. Carryout was upped by 45 million bushels.
- A news wire reported last week that U.S. grain handling company, **The Anderson's, experienced a U.S. \$19 million loss when doing business with Egypt.** The Anderson's say they were forced to take a lower currency exchange rate due to the "unusual currency liquidity issues" that their customers in Egypt are facing.

**Outlook:**

According to Mercantile, the funds are maintaining a large short position, but there was nothing in the USDA report to cause them to change course. Russian wheat remains the cheapest for most of the potential importers, and weak currencies against the dollar remain negative to demand, Mercantile says. The trade will be watching the harvest results in the Southern Hemisphere and Chinese wheat demand.  
– *We do not expect to extend cash wheat sales until the New Year.*



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

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

Date: November 13, 2023					
NW Sask	Spot		NW Sask	Deferred	
	(bu.)	(mt)		Jan '24 (bu.)	Jan '24 (mt.)
1 CWRS 13.5	\$9.26	\$340.25	1 CWRS 13.5	\$9.22	\$338.78
1 CWAD 13.0	\$12.73	\$467.75	1 CWAD 13.0	\$12.79	\$469.96
1 CPSR 11.5	\$7.90	\$290.28	1 CPSR 11.5	\$8.16	\$299.83
<b>SW Sask</b>			<b>SW Sask</b>		
1 CWRS 13.5	\$9.28	\$340.98	1 CWRS 13.5	\$9.26	\$340.25
1 CWAD 13.0	\$12.80	\$470.32	1 CWAD 13.0	\$12.77	\$469.22
1 CPSR 11.5	\$7.75	\$284.77	1 CPSR 11.5	\$7.87	\$289.18
<b>NE Sask</b>			<b>NE Sask</b>		
1 CWRS 13.5	\$9.03	\$331.80	1 CWRS 13.5	\$8.96	\$329.23
1 CWAD 13.0	\$12.62	\$463.71	1 CWAD 13.0	\$12.64	\$464.44
1 CPSR 11.5	n/a	n/a	1 CPSR 11.5	n/a	n/a
<b>SE Sask</b>			<b>SE Sask</b>		
1 CWRS 13.5	\$9.04	\$332.17	1 CWRS 13.5	\$8.96	\$329.23
1 CWAD 13.0	\$12.75	\$468.49	1 CWAD 13.0	\$12.69	\$466.28
1 CPSR 11.5	\$7.67	\$281.83	1 CPSR 11.5	\$7.78	\$285.87

Data source: PDQ, Nov. 13, 2023

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

Avg. Grade Spread/ Pro Discounts	Cdn\$/bu.	Cdn.\$/mt
1 CWRS 14.0	0.01	0.38
1 CWRS 13.5	Base Grade	Base Grade
2 CWRS 13.5	(0.08)	-2.94
1 CWRS 12.5	(0.13)	-4.78
1 CWAD 13.0	Base Grade	Base Grade
1 CWAD 13.5	0.01	0.37
2 CWAD 13.0	(0.13)	-4.78
2 CWAD 12.5	(0.16)	-5.88

Data source: PDQ, Nov. 13, 2023

#### **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 Cdn. FOB Prices minus primary elevator bids, the FOB prices are translated into Cdn. dollars from US dollars and compared to current actual primary elevator Street prices at Rosetown, Saskatchewan (see *Street Prices* in Table 3). Rosetown is used as a proxy for all primary elevators in the basis calculation. The actual handling and transportation costs from the West Coast to delivered elevator (Rosetown area) range from ~C\$58.00-C\$74.72/million mt, depending on number of cars moved and elevator used.
  
- Approximate relationship between U.S. wheat classes and Canadian wheat classes:

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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.”

- 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).
- 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				November 13, 2023
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	\$421.99	\$406.27		
HRS	\$416.81			
HRW 11.5	\$357.57			
SWW 12.0	\$354.53			
1 CWRS 13.5 <sup>3</sup>	\$421.99		\$331.80	\$90.19
2 CWRS 13.0 <sup>3</sup>	\$416.81		\$320.78	\$96.04
3 CWRS <sup>3</sup>	\$357.57		\$296.89	\$60.68
CPS <sup>3</sup>	\$347.43		\$272.27	\$75.16
1 CWAD <sup>4</sup>		\$645.16	\$474.00	\$171.16
Competing wheat:				
	US\$/mt			
Russia 12.5 (Black Sea, 25k mt)	\$230.00		December	
French 11.5 (Rouen)	\$252.00		December	
APW 10.5 (W Coast)	\$285.00		December	
Argentine 12.5	\$258.00		December	
<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				