

# Capturing Wheat and Barley Market Opportunities

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## Contracting and Marketing Wheat and Barley

On August 1, 2012, Western Canadian farmers will have the option of selling their wheat and barley to any buyer, including the Canadian Wheat Board. This is a significant change in the marketing landscape for wheat and barley farmers.

### Wheat

- Farmers already have experience selling feed grains, oilseeds, and pulses into the open market.
- Many have used various producer payment options available through the CWB.
- Globally, the wheat market is well developed with a number of active and liquid futures markets for price discovery and various contracting alternatives for farmers and others in the supply chain.
- Expectation is that the Western Canadian wheat market will develop into a sophisticated market with many tools that can be used to market wheat.
- Like canola, marketing wheat will become a more contractual action of setting a price, and delivering commodity will become decoupled.
- Signing contracts allows the farmer to assign a price to the crop and serves to 'book space' in the elevator system for the crop to be delivered.
- Guaranteed acceptance of the minimum 40 tonnes of wheat available through the CWB will no longer apply. Farmers will need to be proactive to ensure their storage and 'off-the-combine' delivery needs are arranged prior to harvest.
- Sampling of wheat for sale will be of greater importance.
- Grade and protein specifications will be outlined in contracts. Grain not meeting the required specifications will be subject to price discounts/premiums.
- Under the CWB, the price spreads between different grades and proteins of wheat were determined once for the year when a farmer received final payments or the initial payment spread on the day they delivered their grain in the case of fixed price and flexpro contracts. In the open market, these price spreads are expected to vary daily.

### Barley

- Marketplace for feed barley is not expected to change much other than exports of feed barley will no longer be within the sole domain of the CWB.
- All players will now have the ability to export feed barley if market conditions warrant.
- Farmers will be able to sell malting barley to any buyer, including the CWB.
- Any players will have the ability to export malting barley if market conditions warrant.
- Some grain companies and domestic malt processors have offered deferred delivery contracts for malting barley.
- Farmers need to read the malt barley contracts to determine their obligations if their barley is not able to be selected because of quality issues.

### Summary

Farmers will need to apply their marketing skills to wheat and barley marketing in the new environment. Contract arrangements will play a larger role for price risk management and for the logistics of grain handling and delivery. It is extremely important for farmers to fully read and understand the terms and conditions of any contract they sign.