



Market Info & Opportunities

CANADA'S FIT IN WORLD CEREAL MARKETS



Open Wheat and Barley Markets...



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World Wheat Harvesting Calendar

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Western Europe					X	X	X	X	X			
Eastern Europe						X	X	X	X			
Africa		X	X	X	X	X	X	X	X		X	X
Asia		X	X	X	X	X	X	X	X			
Oceania	X									X	X	X
North America				X	X	X	X	X	X			
South America	X										X	X



World Wheat Markets

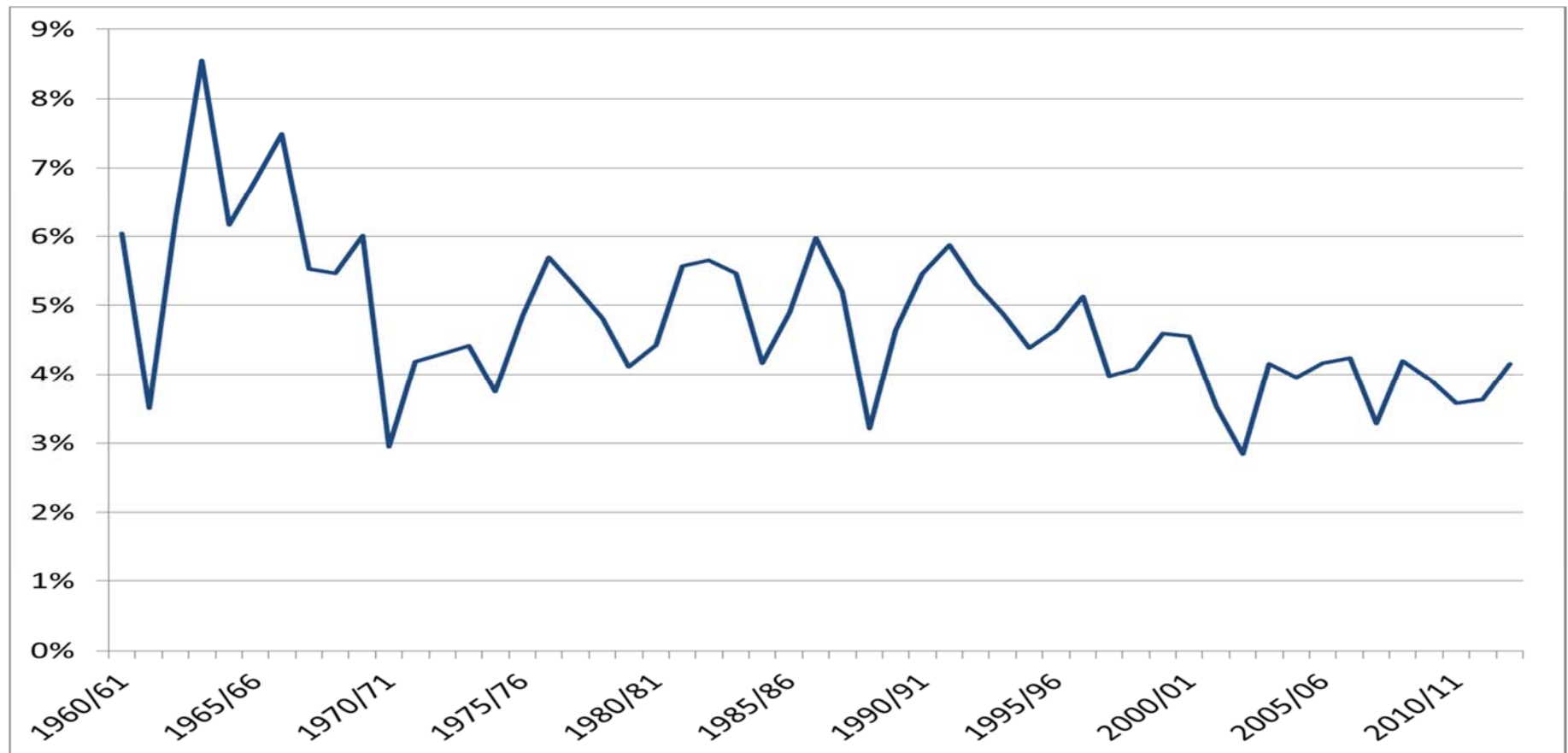
- Wheat and rice are considered basic foods
 - many countries have policy to be self sufficient
- ↑ consumption is driven by ↑ population growth (about 1.5% per year)
 - corn – U.S. ethanol policy
 - oilseeds – growth in Chinese consumption
- North American share of trade is ↓
 - emergence of Former Soviet Union wheat exports



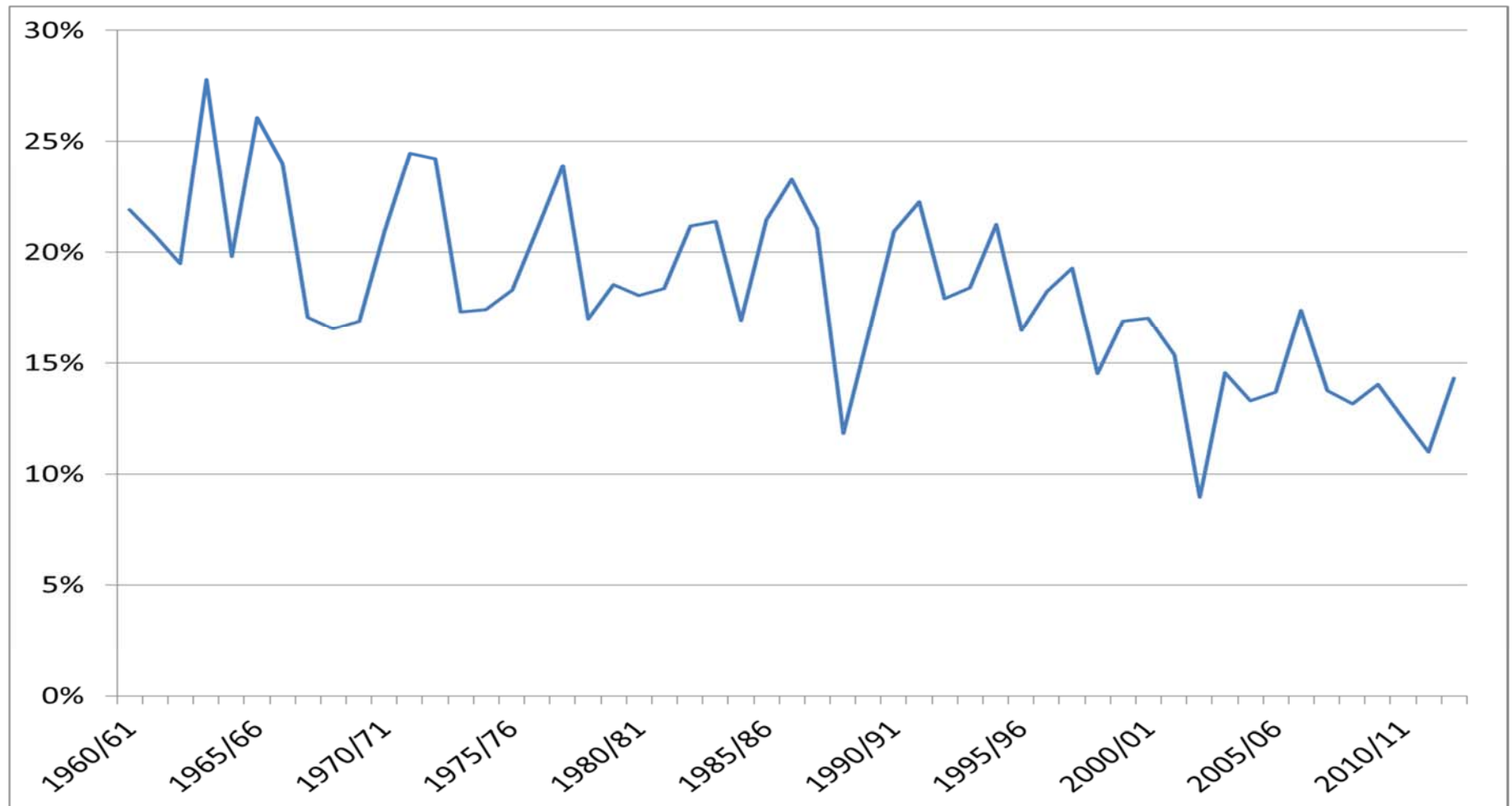
Open Wheat and Barley Markets...



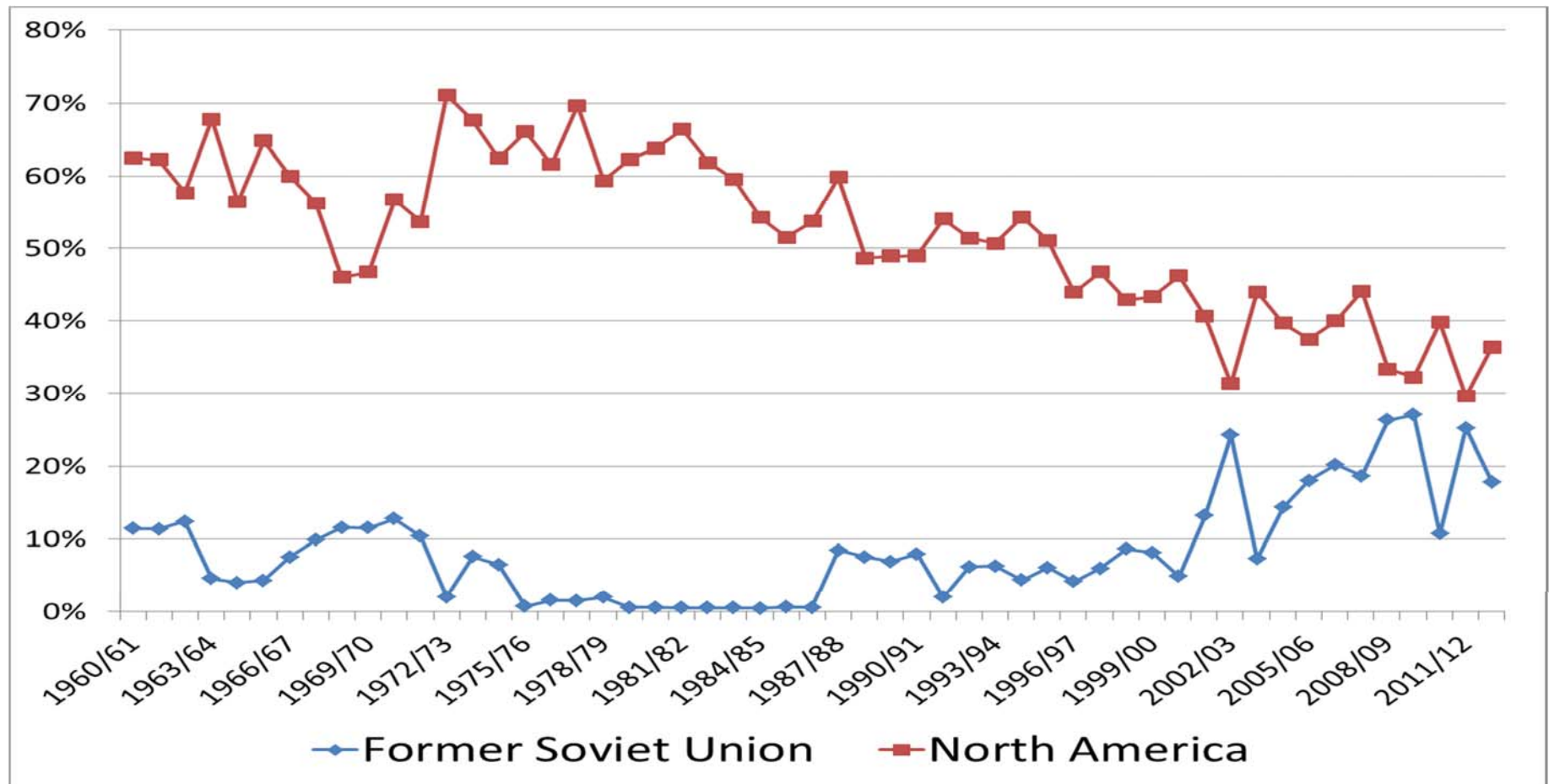
Canada's Share of World Wheat Production



Canada's Share of World Wheat Trade

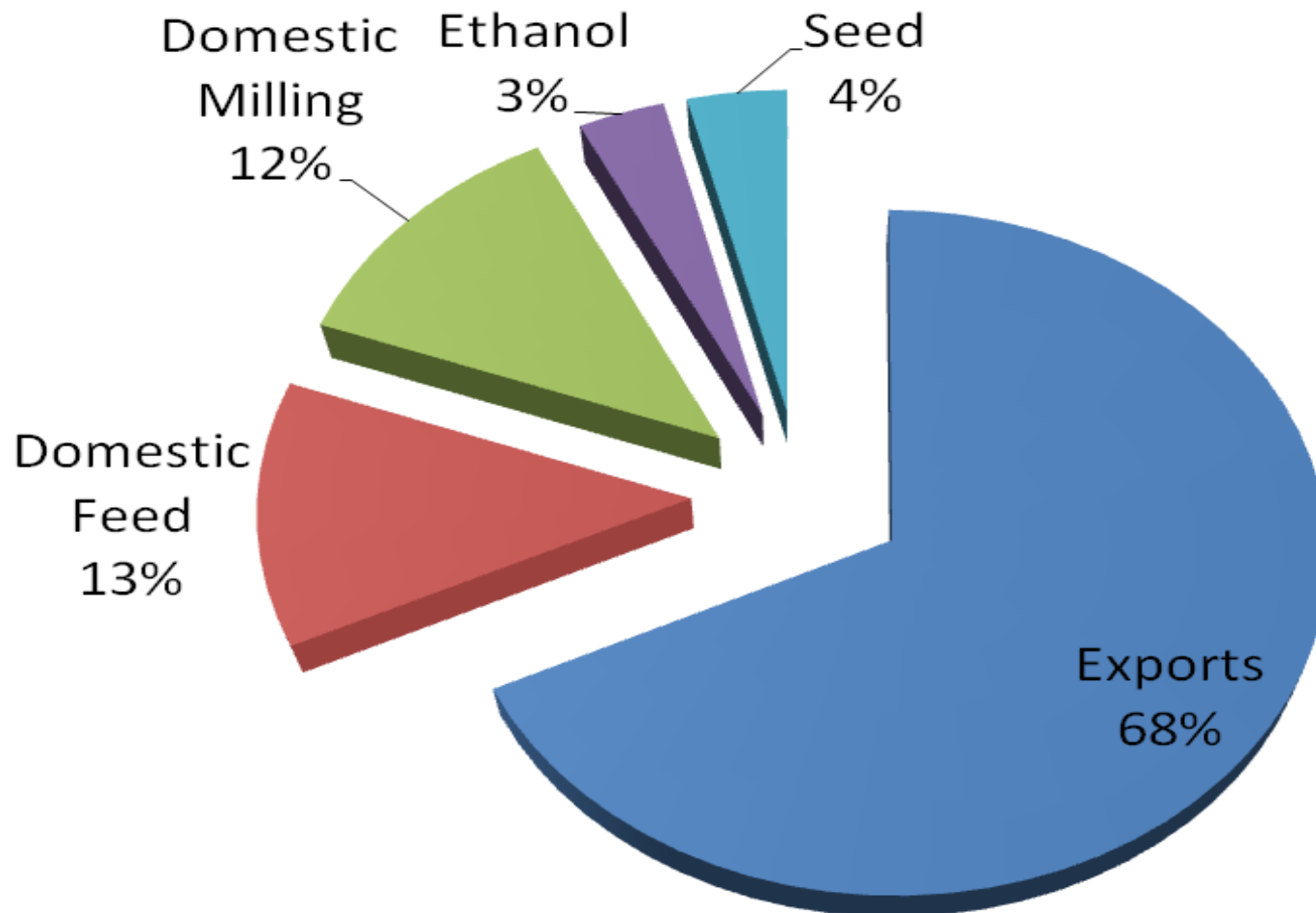


N. America and Former Soviet Union Share of World Wheat Trade



Open Wheat and Barley Markets...

Canadian Wheat Markets (ex. Durum)



Open Wheat and Barley Markets...

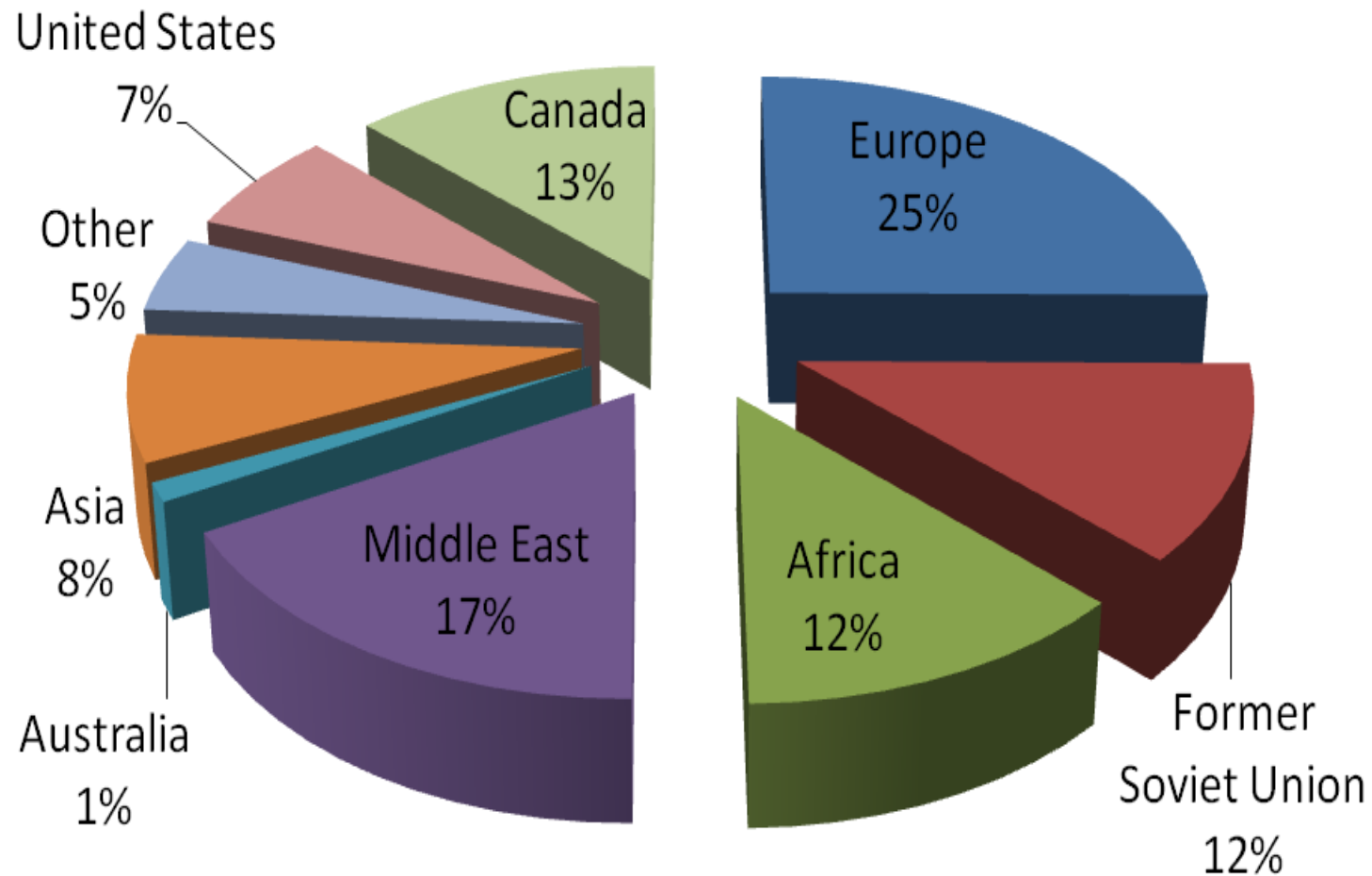
World Durum Markets

Canada is a major producer

Canada is the major exporter

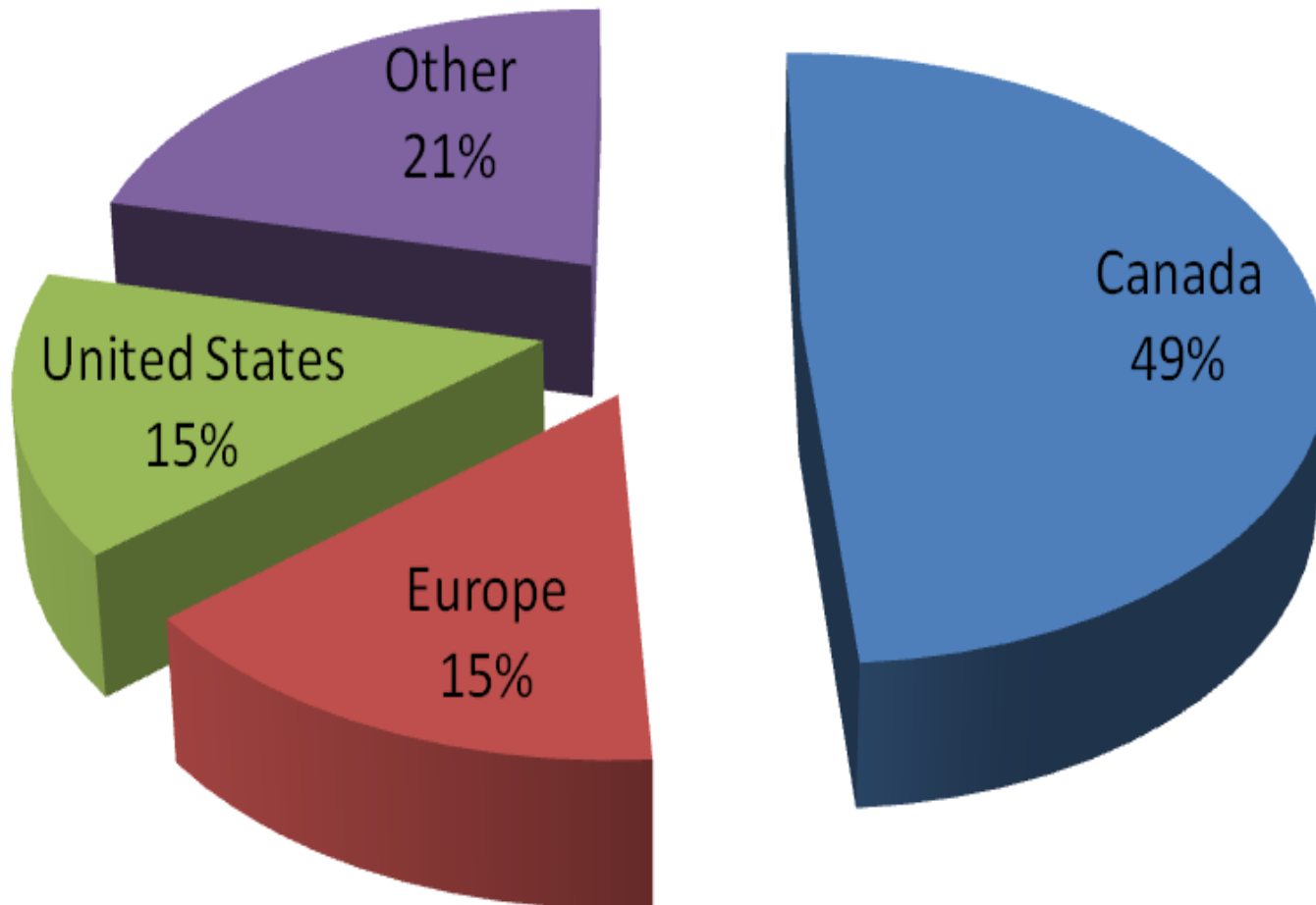


World Durum Production



Open Wheat and Barley Markets...

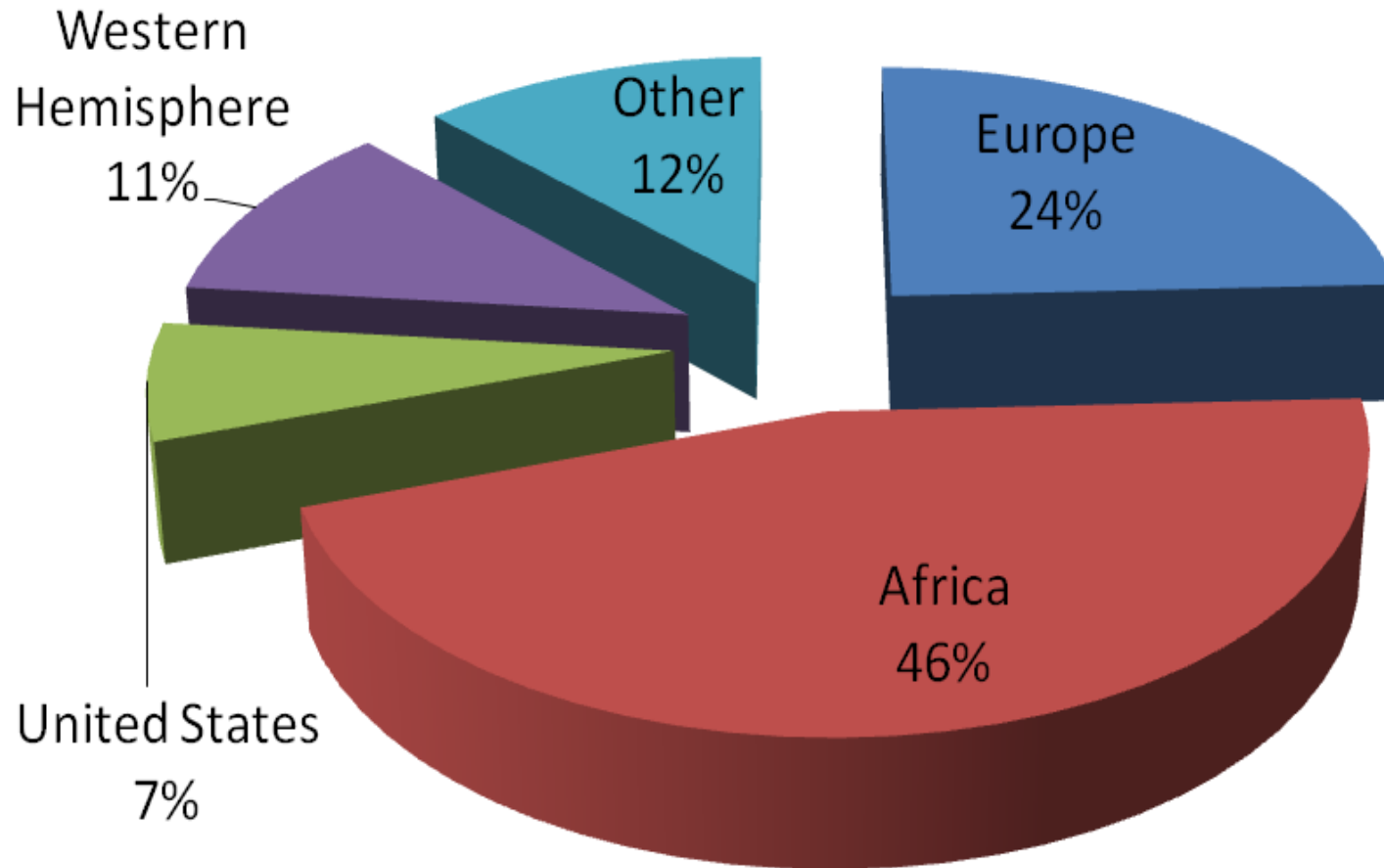
World Durum Exports



Open Wheat and Barley Markets...



World Durum Imports



Open Wheat and Barley Markets...

World Barley Markets

World barley production and trade declining



Feed barley trade dominated by two regions

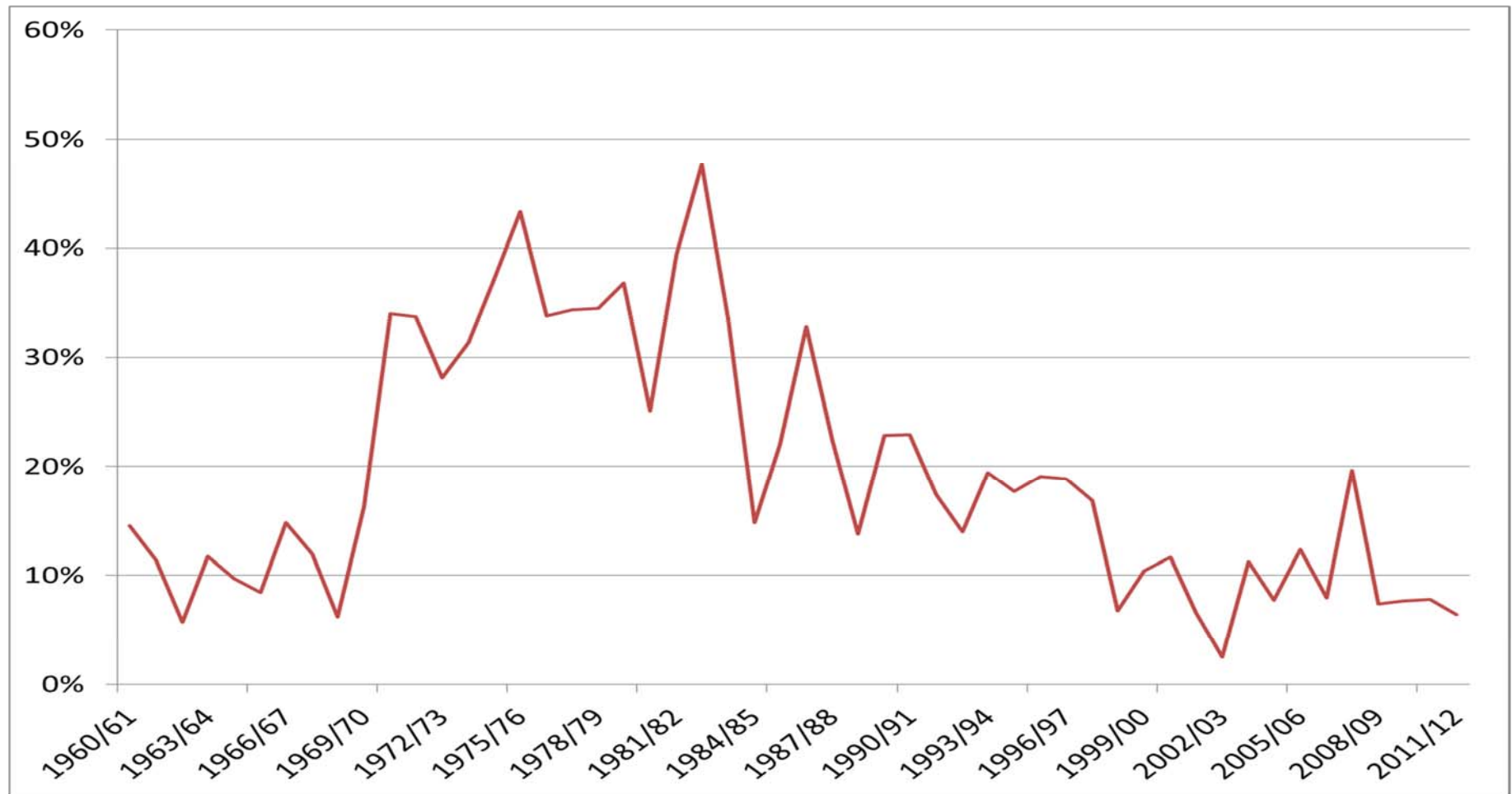
- Importer – Saudi Arabia
- Exporter – Former Soviet Union

Beer consumption growing in developing world, but stable in the developed world

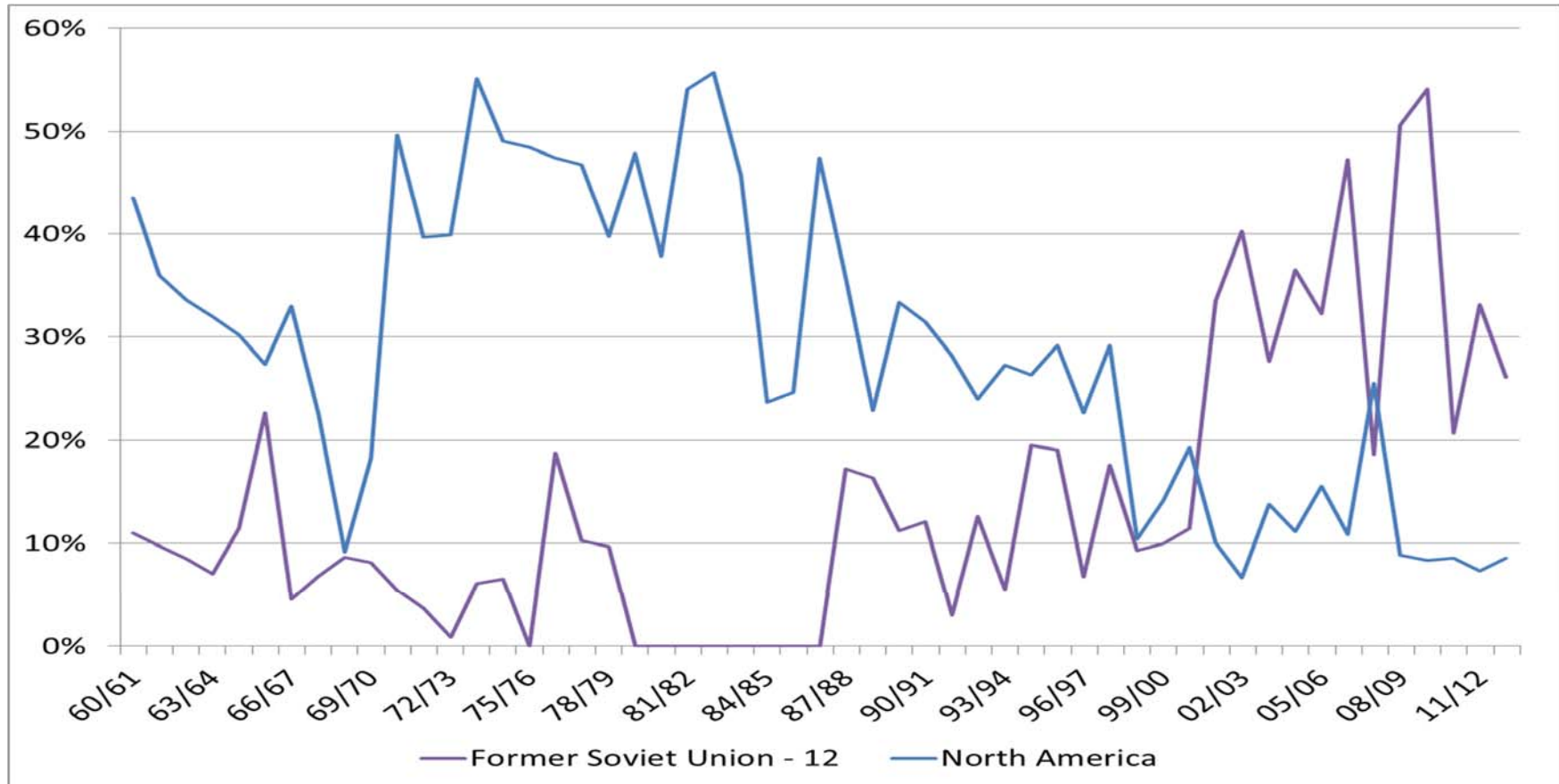


Open Wheat and Barley Markets...

Canada's Share of World Barley Trade

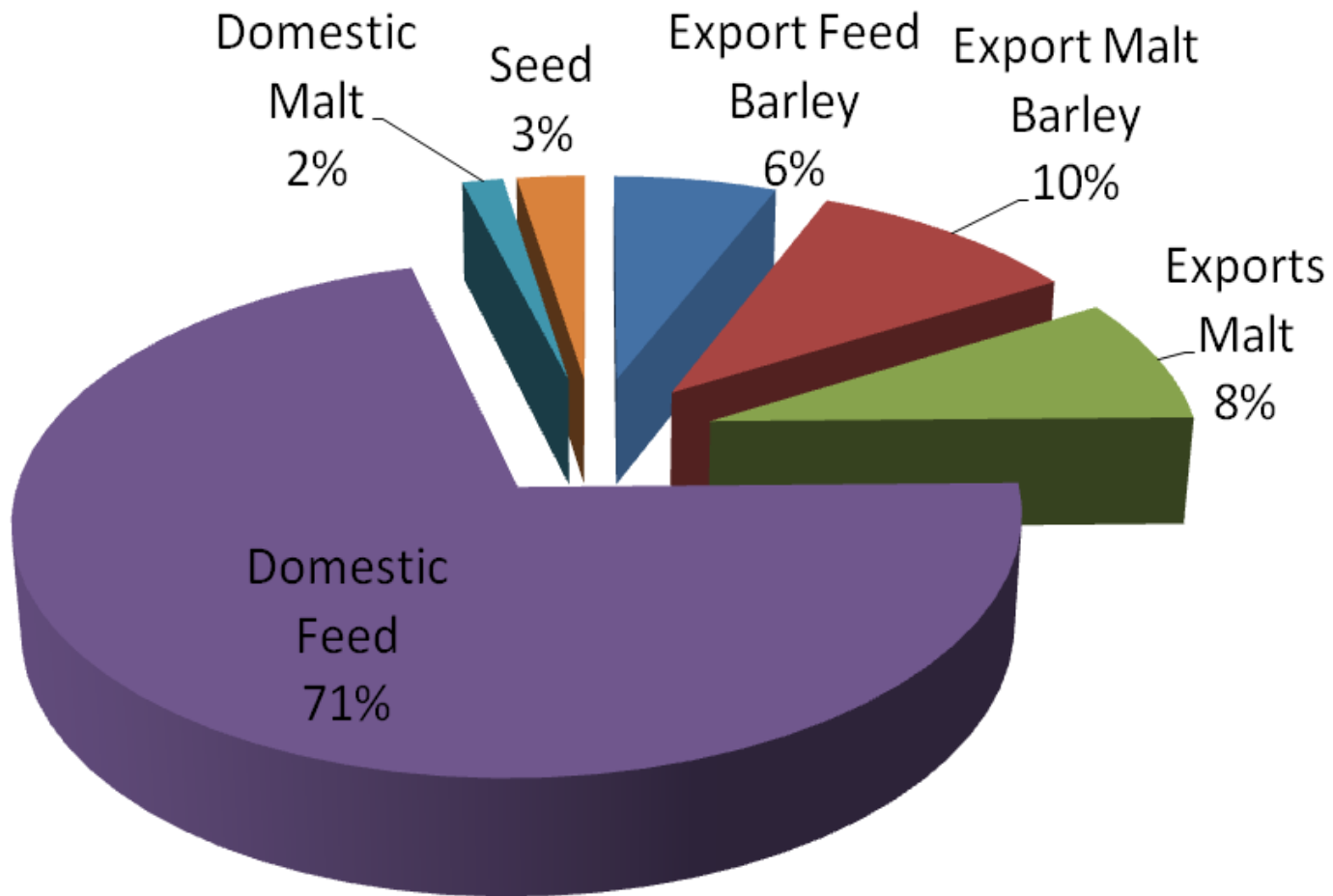


FSU Versus N. America Barley Exports



Open Wheat and Barley Markets...

Canadian Barley Use



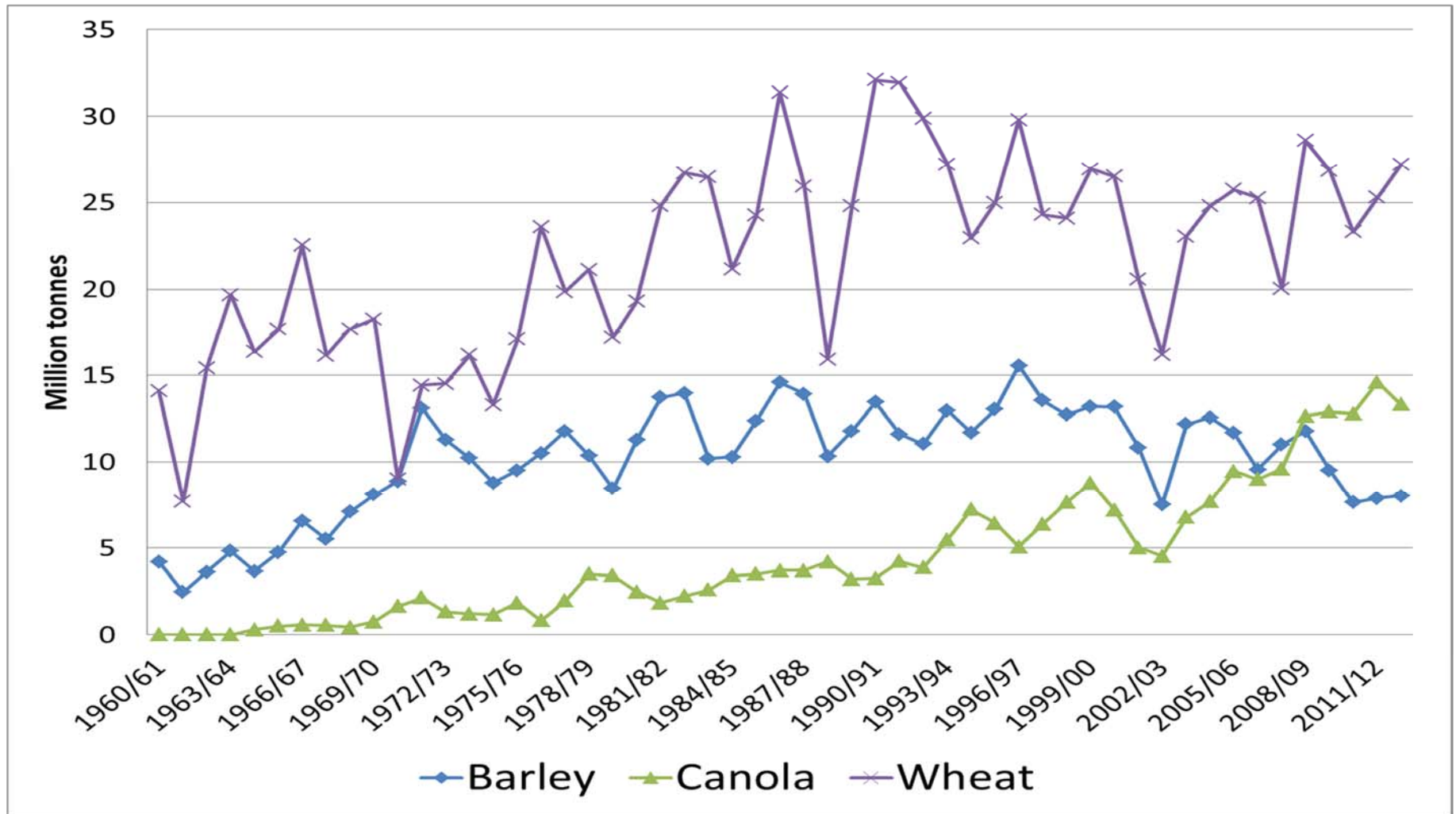
Open Wheat and Barley Markets...

Now ...

WHAT WILL CHANGE IN THE OPEN MARKET FOR WHEAT AND BARLEY?

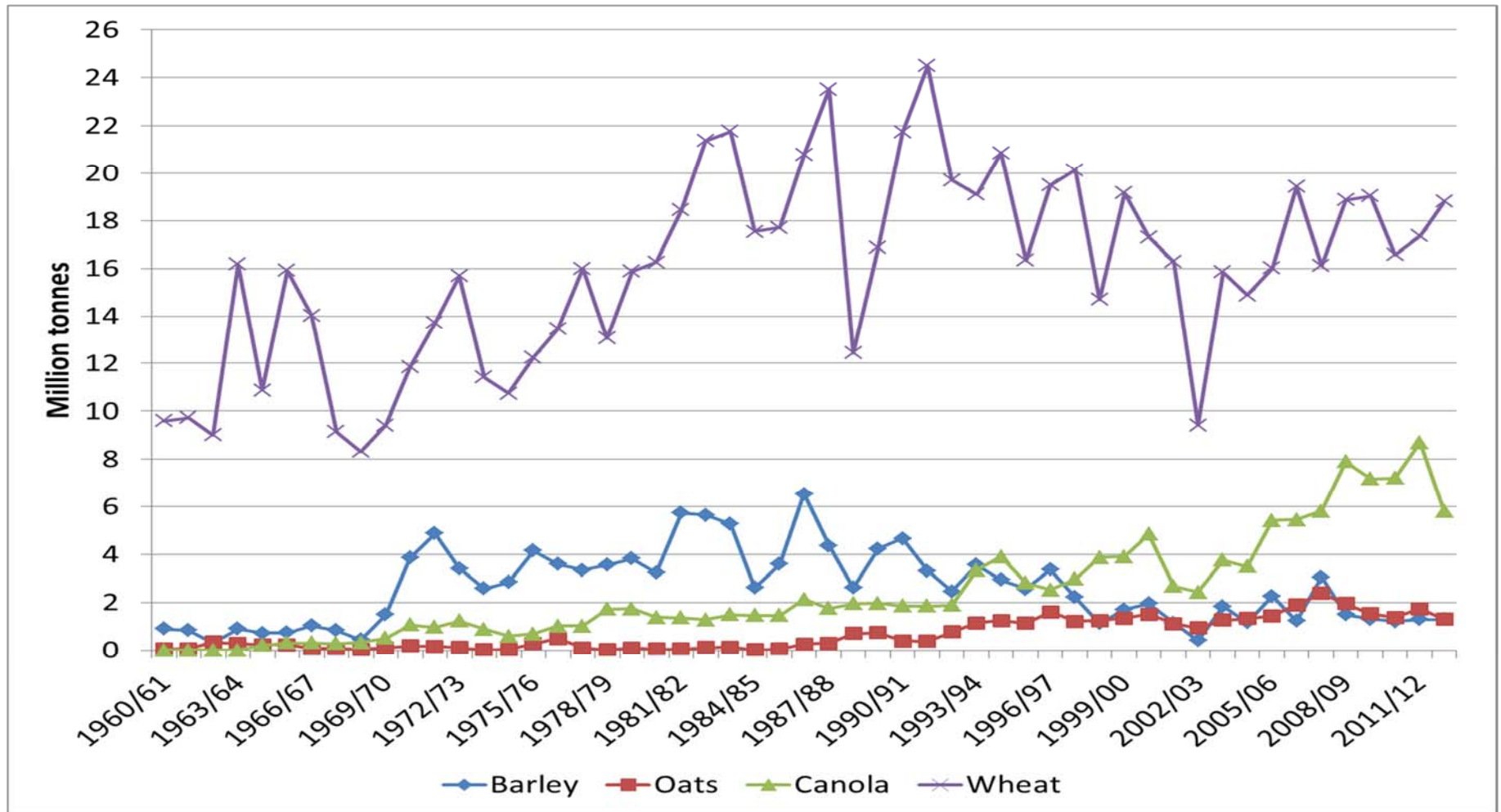


Canadian Crop Production

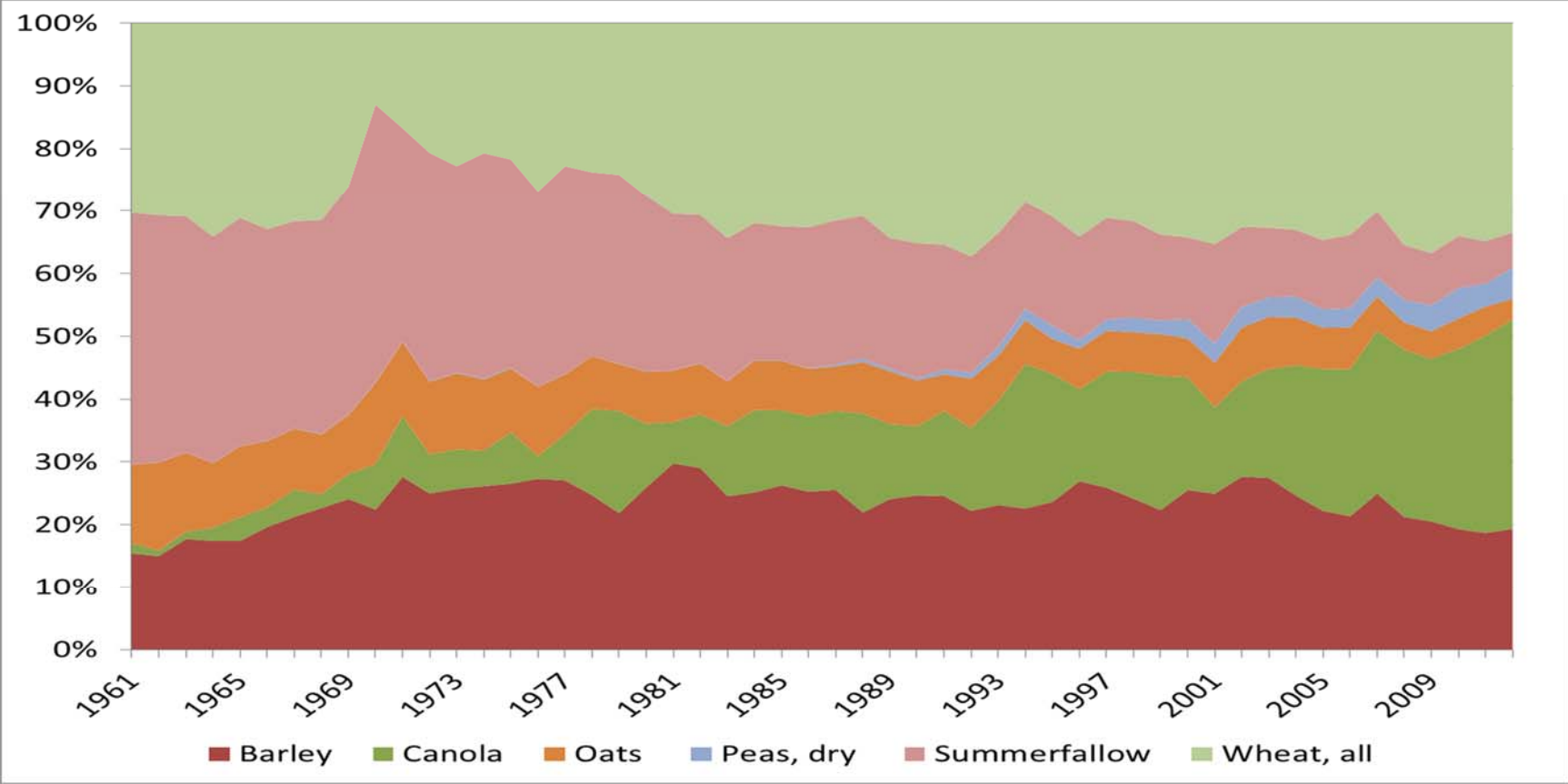


Open Wheat and Barley Markets...

Canadian Crop Exports



Alberta Acreage Distribution



Wheat Outlook – Old Crop

Wheat prices have declined.

- Slow exports North America.
- MGEX wheat futures (March contract)



Open Wheat and Barley Markets...

Wheat Outlook – New Crop

2013/14 wheat prices lower than today?

- World wheat acres will increase
- Will Mother Nature deliver yields?
- Poor condition 2013 U.S. Hard Red Winter wheat crop. March weather will be important.
- Link between wheat prices and other crops.
- Loonie versus US Greenback/other currencies.
- Wheat acres in Western Canada?

Barley Outlook

U.S. corn prices unlikely to repeat recent highs

- Increased production 2013
- Declines in U.S. livestock number
- Reduced exports

Will barley acres increase in Western Canada?

- Continued tight feed grain supplies
- Domestic feed barley prices will hold
- Malt barley demand solid

SCENARIO #1



Open Wheat and Barley Markets...




The Scenario ...

You plan to sell 10,000 bushels of wheat off the combine next fall (October). Why? Need the money/short bin space.

What do you do to manage price risk?

Risk is pain and gain.



Open Wheat and Barley Markets...

Risk Management Alternatives

You have 10,000 bushels of wheat for sale next October:

- A. Sell for \$10/bu
- B. Sign a pooled contract – Forecast payment at \$10/bu
- C. Sell 5,000 bu at \$10/bu, and contract the remainder to a pool.
- D. Sell 2,500 bu at \$10/bu, contract 2,500 bu to a pool, hold 5,000 bu unpriced.
- E. Do nothing. Wait until October to price your wheat.

Rules

If the die role is **1** or **2** (high price)

- Cash price in October is \$12/bu and pooled payment is \$11/bu

If the die role is **3** or **4** (no change)


- Both the cash price and pooled payment is \$10/bu

If the die role is **5** or **6** (low price)

- Cash price in October is \$8/bu and pooled payment \$9/bu

Results

	High Price (1,2)	No Change (3,4)	Low Price (5,6)
A. Locked in \$10/bu	\$100,000	\$100,000	\$100,000
B. Pool	\$110,000	\$100,000	\$90,000
C. \$10 + Pool	\$105,000	\$100,000	\$95,000
D. \$10 + Pool + Spec	\$112,500	\$100,000	\$87,500
E. Do nothing/spec	\$120,000	\$100,000	\$80,000



Open Wheat and Barley Markets...