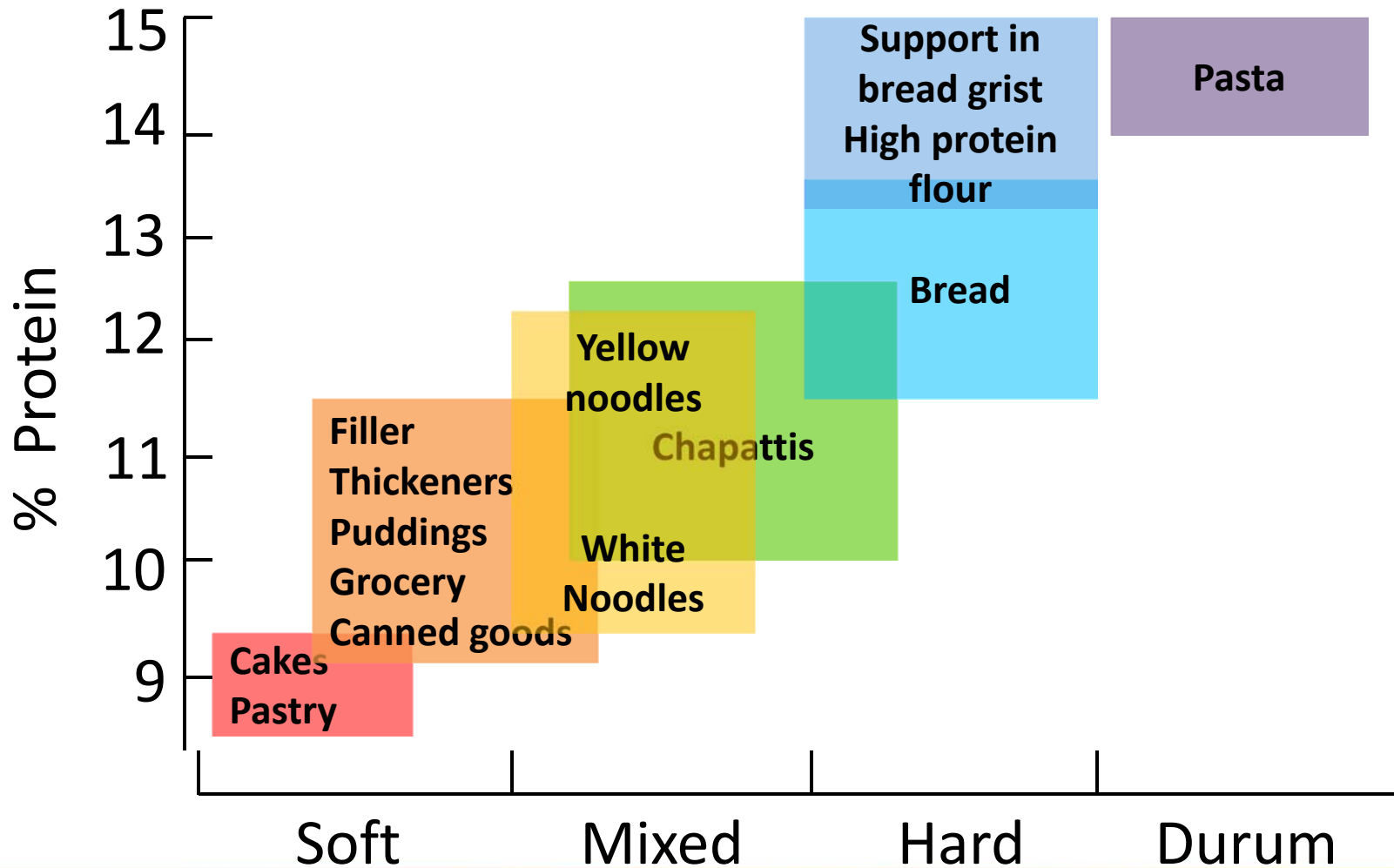




Wheat Quality

Hardness, Protein & End-Product



Open Wheat and Barley Markets...

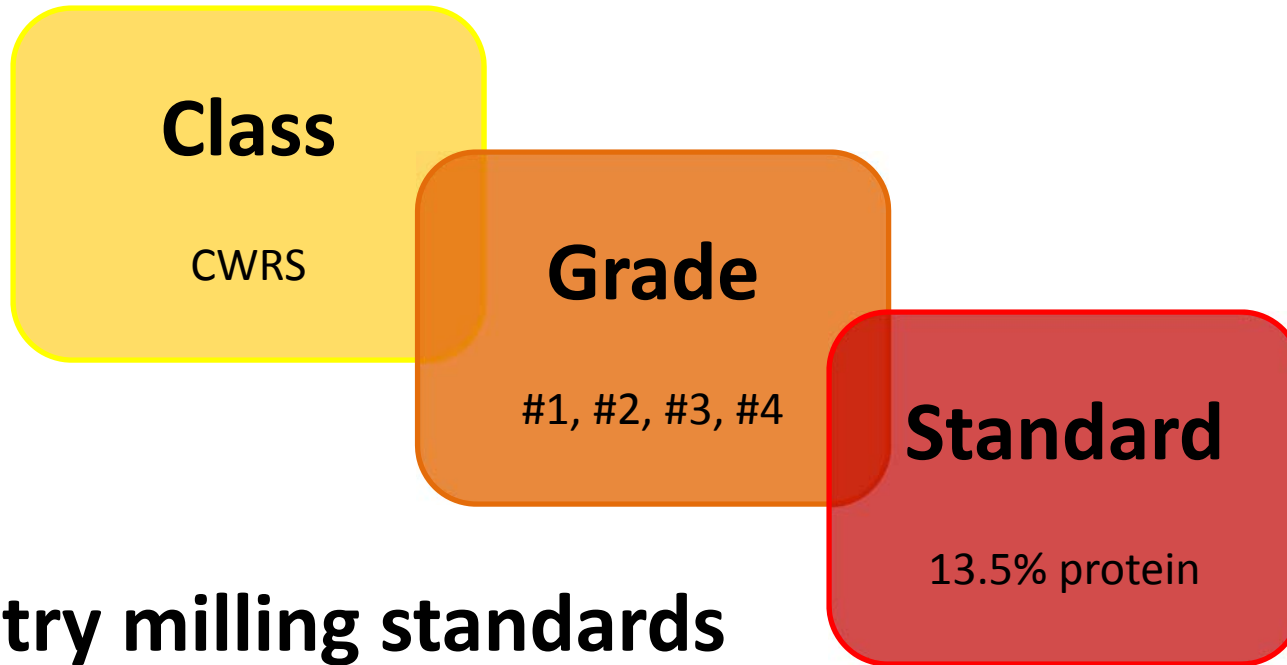
W. Cdn. Wheat Classes & End-Uses

Class	Characteristics	Breads				Pasta	Cookies, Cakes, Pastries
		Pan	Flat, Hearth, Steamed	Noodles			
Red Spring	superior baking and milling quality	XX	X	X	X		
Hard White Spring	superior milling quality	X	X	X			
Durum	high yield of semolina				XX		
Red Winter	very good milling quality		X	X			
Soft White Spring	low protein		X	X		X	
Extra Strong	extra strong gluten						
Prairie Soft White	medium dough strength		X	X			
Prairie Soft Red	medium hard kernels, medium dough strength		X	X			

Open Wheat and Barley Markets...



Canadian Wheat Valuation System

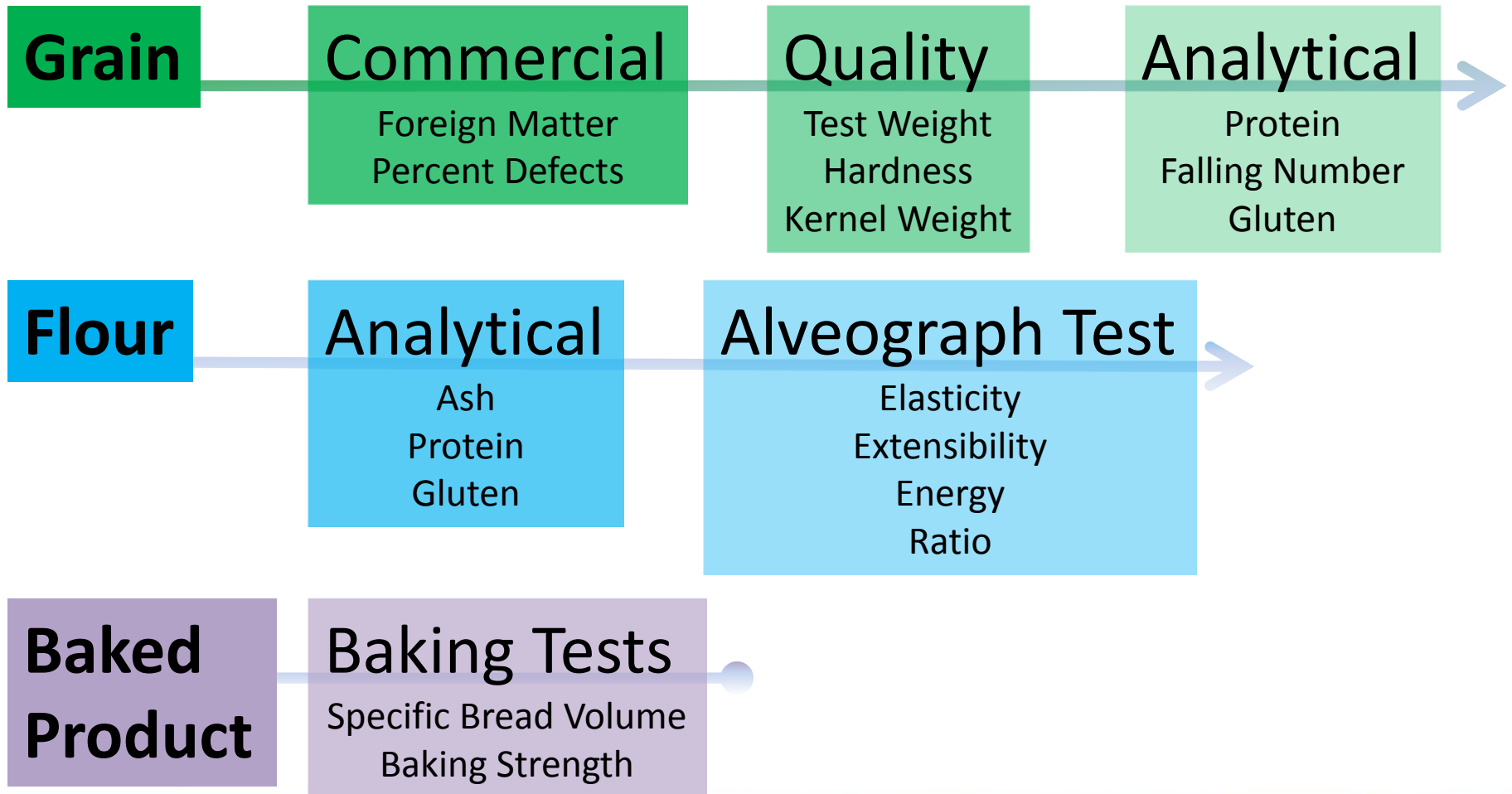


Industry milling standards

- Protein content
- Falling number

Open Wheat and Barley Markets...

International Wheat Classification




Open Wheat and Barley Markets...



U.S. Wheat Valuation System

- 6 Classes
 - Durum
 - Hard Red Spring
 - Hard Red Winter
 - Winter Hard White
 - Soft Red Winter
 - Soft White
- Grading Factors
- NO variety registration
- Industry Standards




Open Wheat and Barley Markets...

Australian Wheat Valuation System

- 9 Classes
 - Prime Hard
 - Hard
 - Premium White
 - Standard White
 - Soft
 - Standard White Noodle
 - Premium White Noodle
 - Premium Durum
 - Feed
- Classification Zones
- Protein
- Industry Receival Standards

Wheat Quality – Why does it matter?

Wheat prices are driven by quality characteristics




Open Wheat and Barley **Markets...**



Then . . .

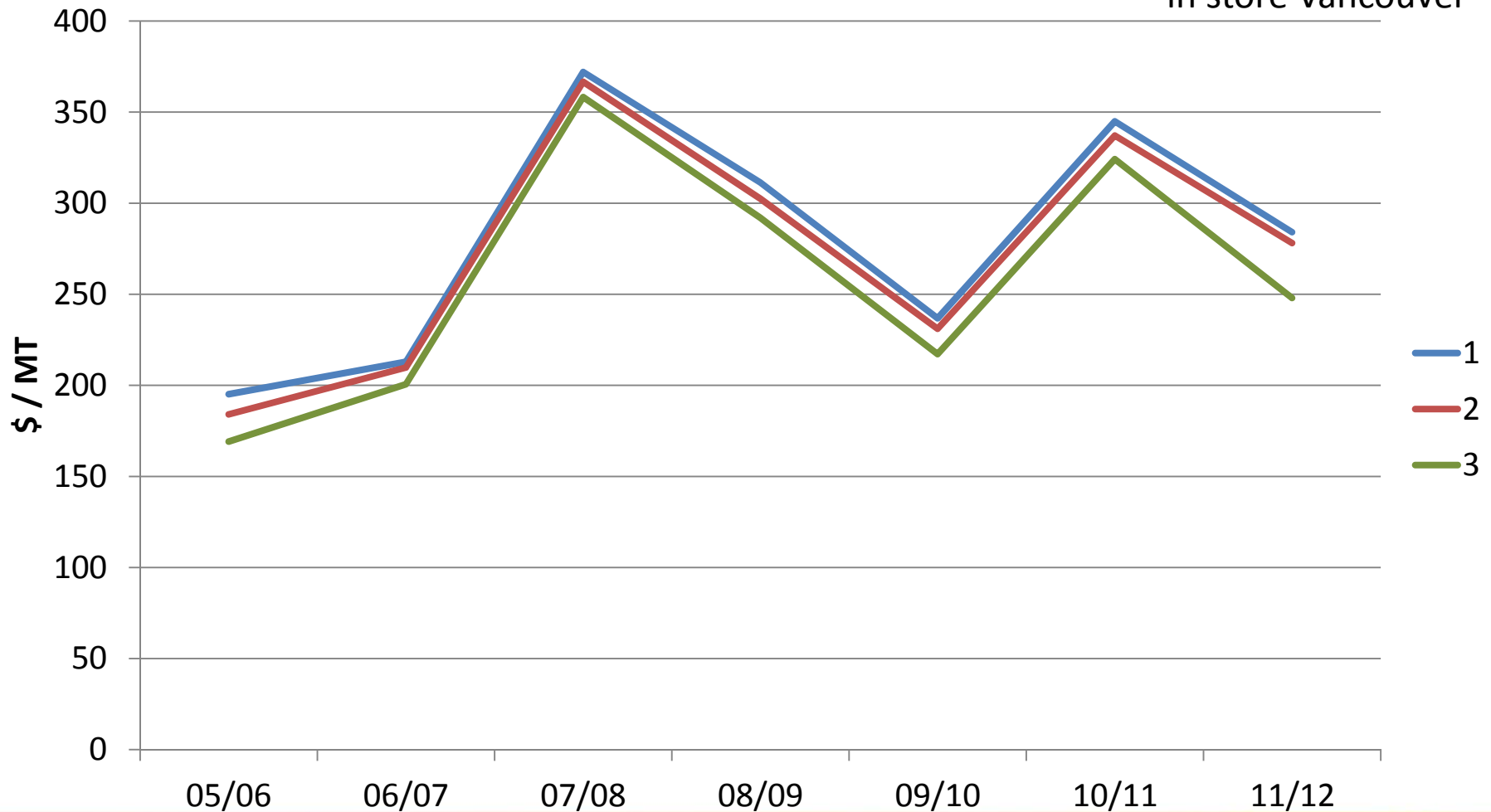
HISTORICAL CANADIAN WHEAT BOARD PAYMENT SPREADS

A decorative banner at the bottom of the slide. On the left, there are four dark green silos. The background is a sunset with a bright sun on the right side. The text 'Open Wheat and Barley Markets...' is overlaid on the left side of the banner.

Open Wheat and Barley **Markets...**

CWRS Payments by Grade (13.5%)

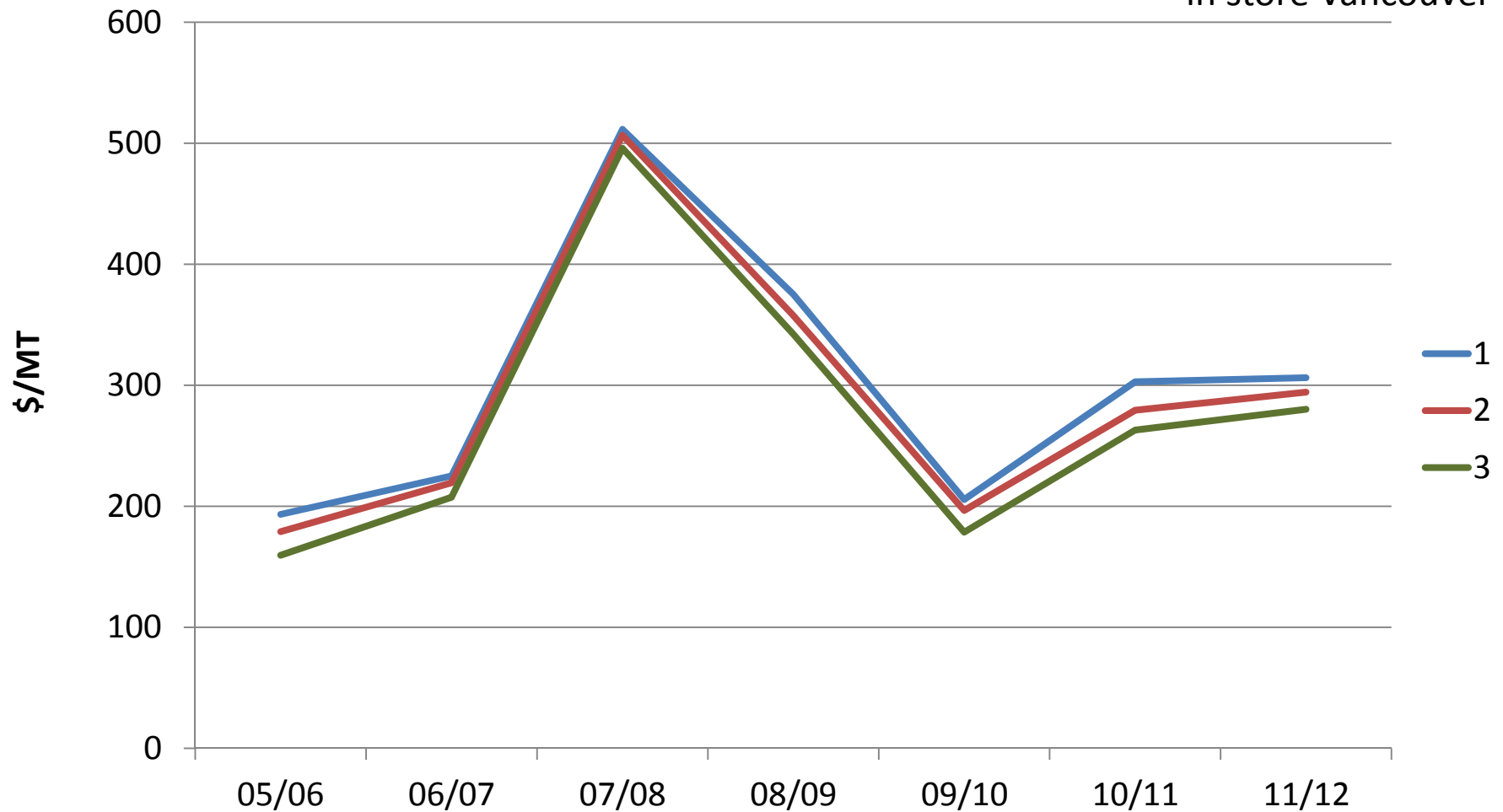
*in store Vancouver



Open Wheat and Barley Markets...

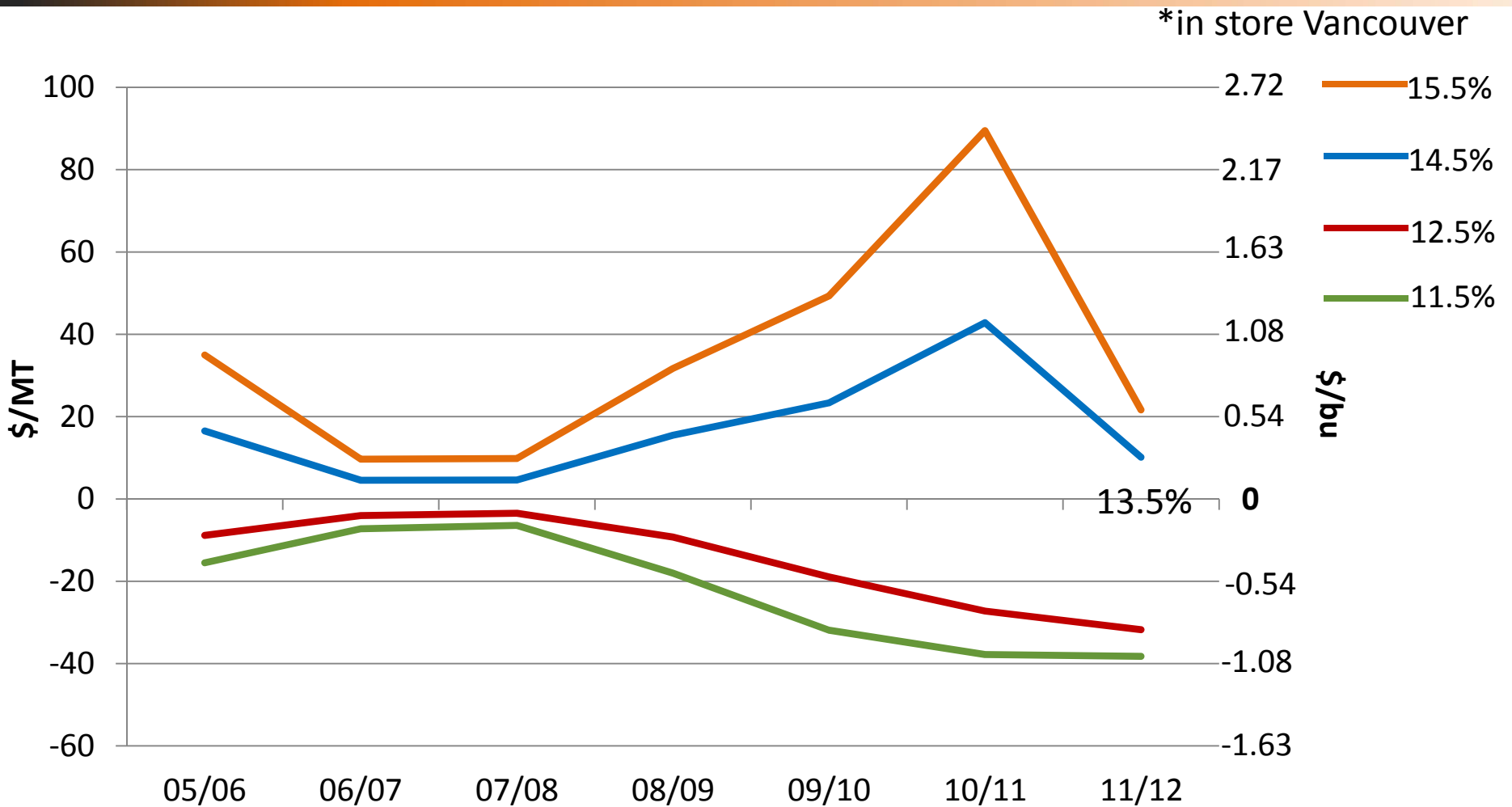
CWAD Payments by Grade (13%)

*in store Vancouver

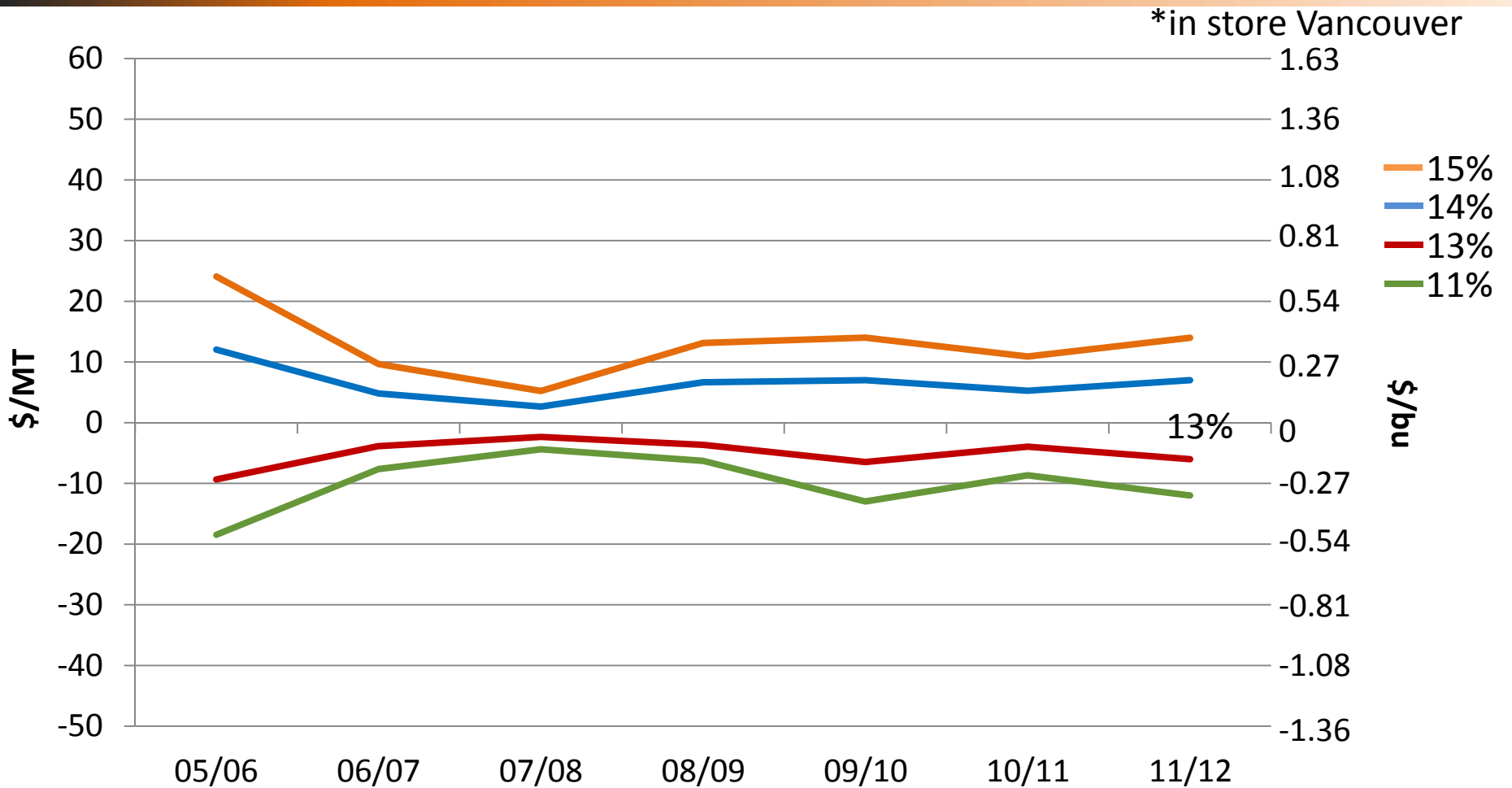


Open Wheat and Barley Markets...

#1 CWRS Protein Payment Spread



#1 CWAD Protein Payment Spread





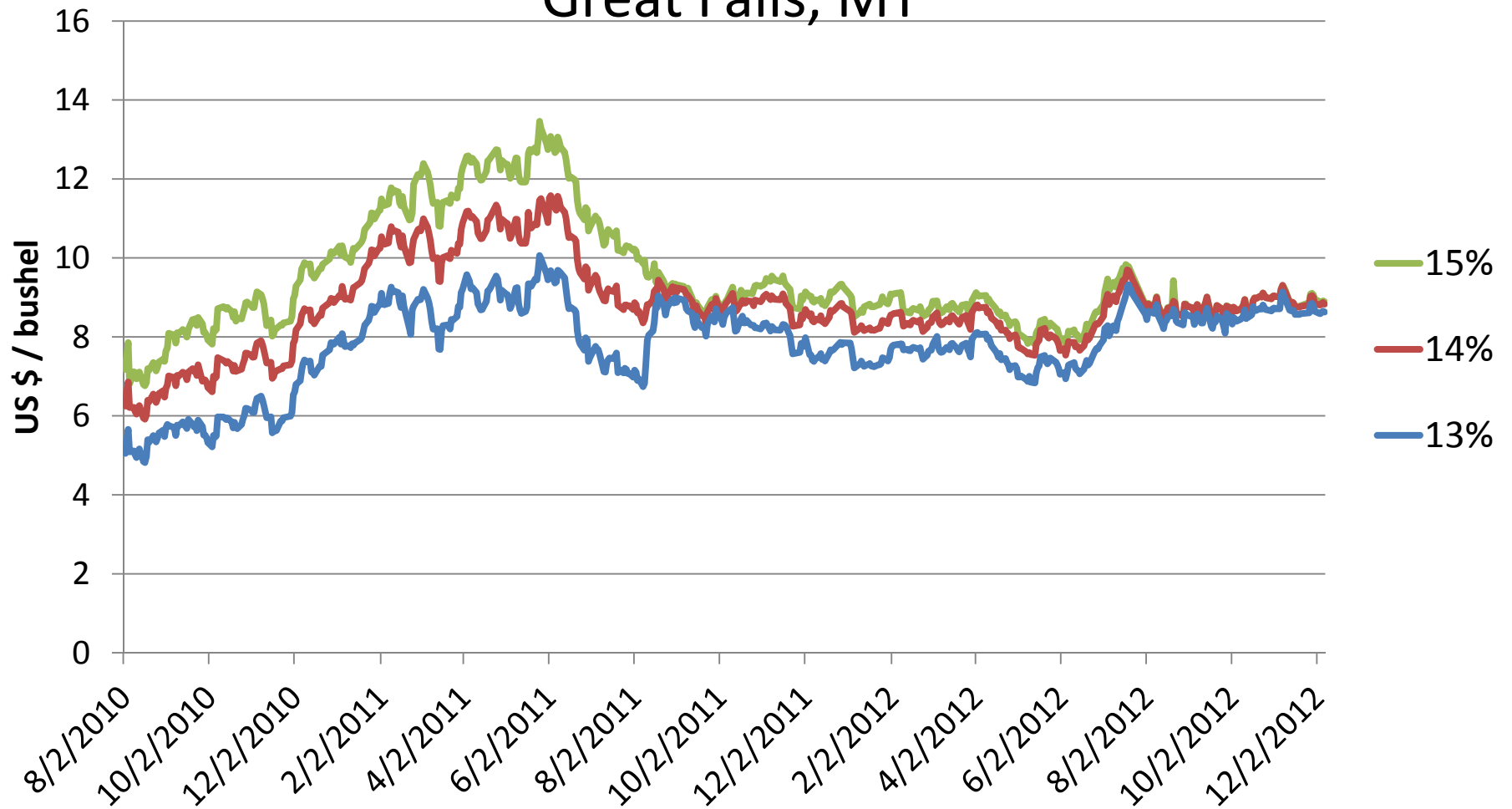
United States

OPEN MARKET EXAMPLE



Average Daily Cash Price, US No. 1 DNS

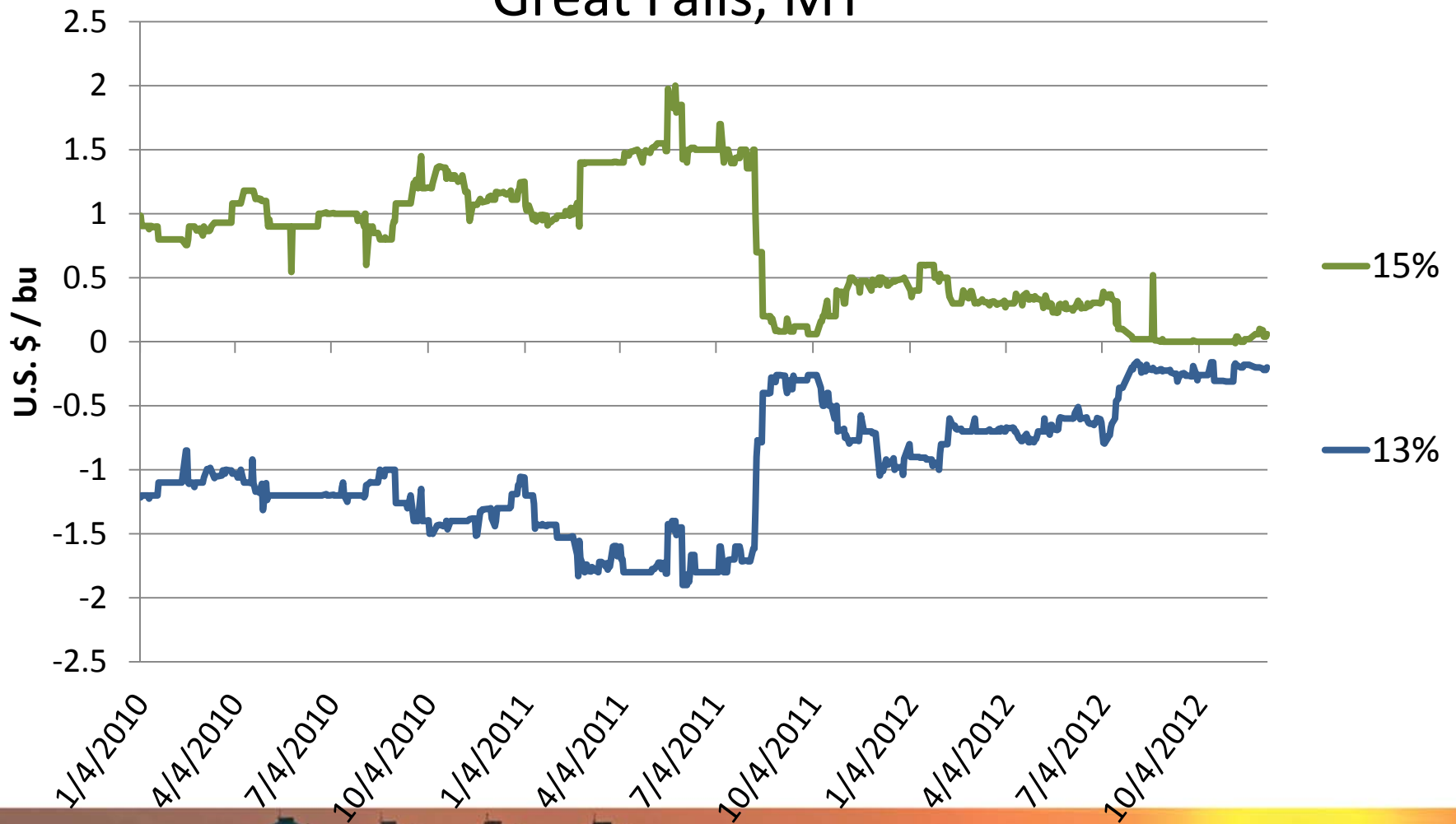
Great Falls, MT



Open Wheat and Barley Markets...

Daily Protein Price Spread #1 DNS (14%)

Great Falls, MT

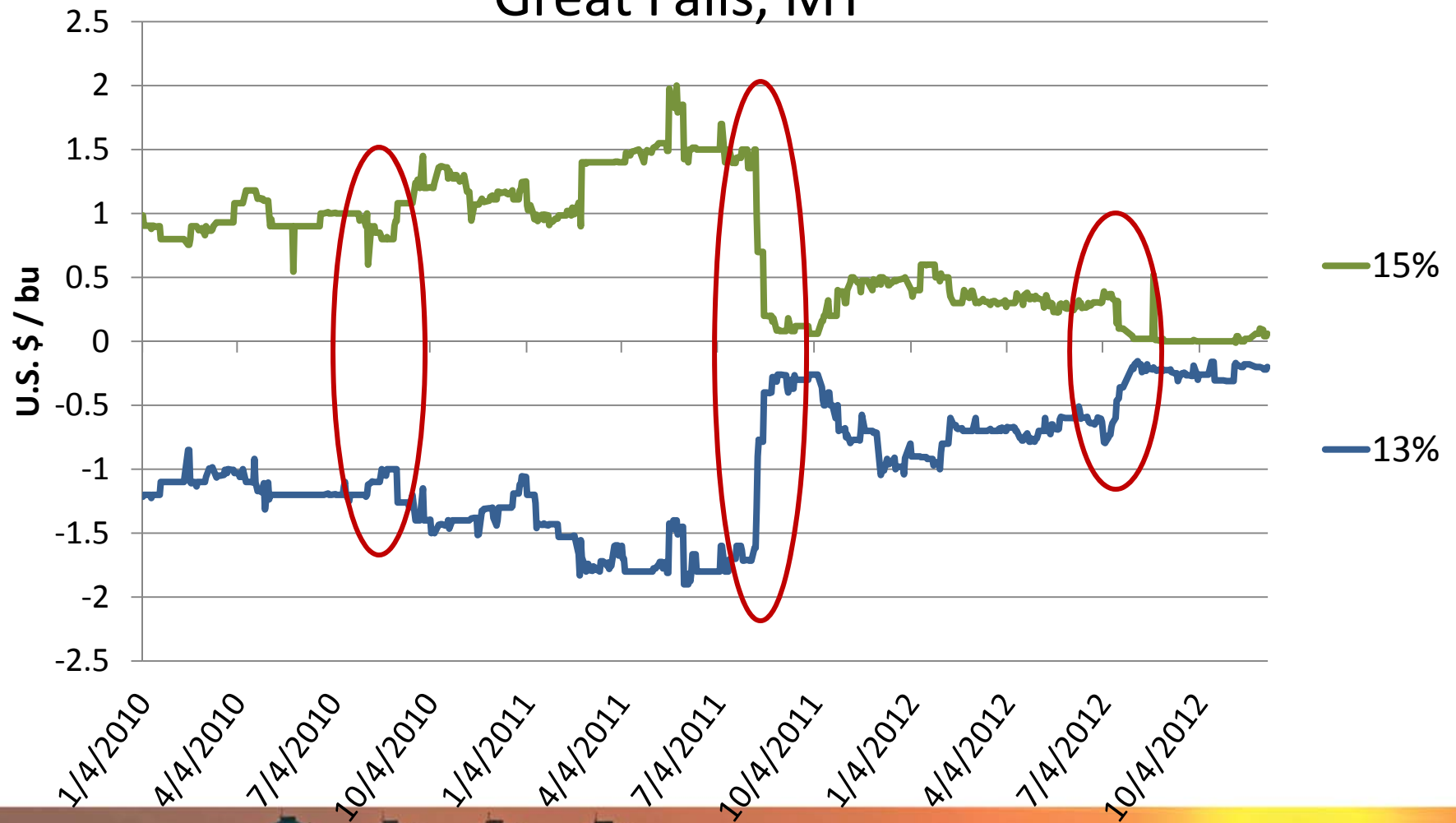


Open Wheat and Barley Markets...



Daily Protein Price Spread #1 DNS (14%)

Great Falls, MT



Open Wheat and Barley Markets...



MARKETING FREEDOM FOR GRAIN FARMERS

Now . . .

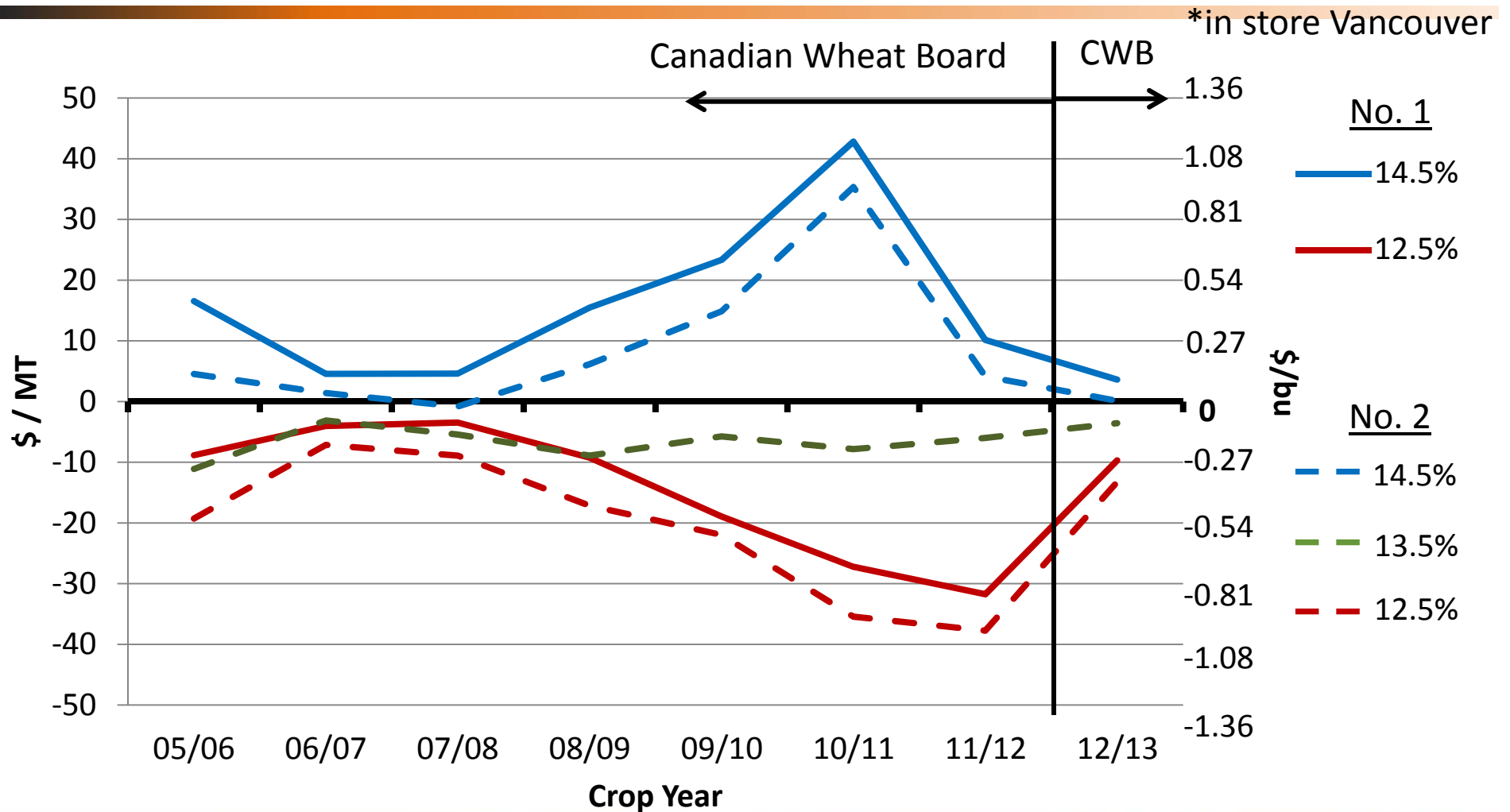
CURRENT SITUATION



Open Wheat and Barley Markets...

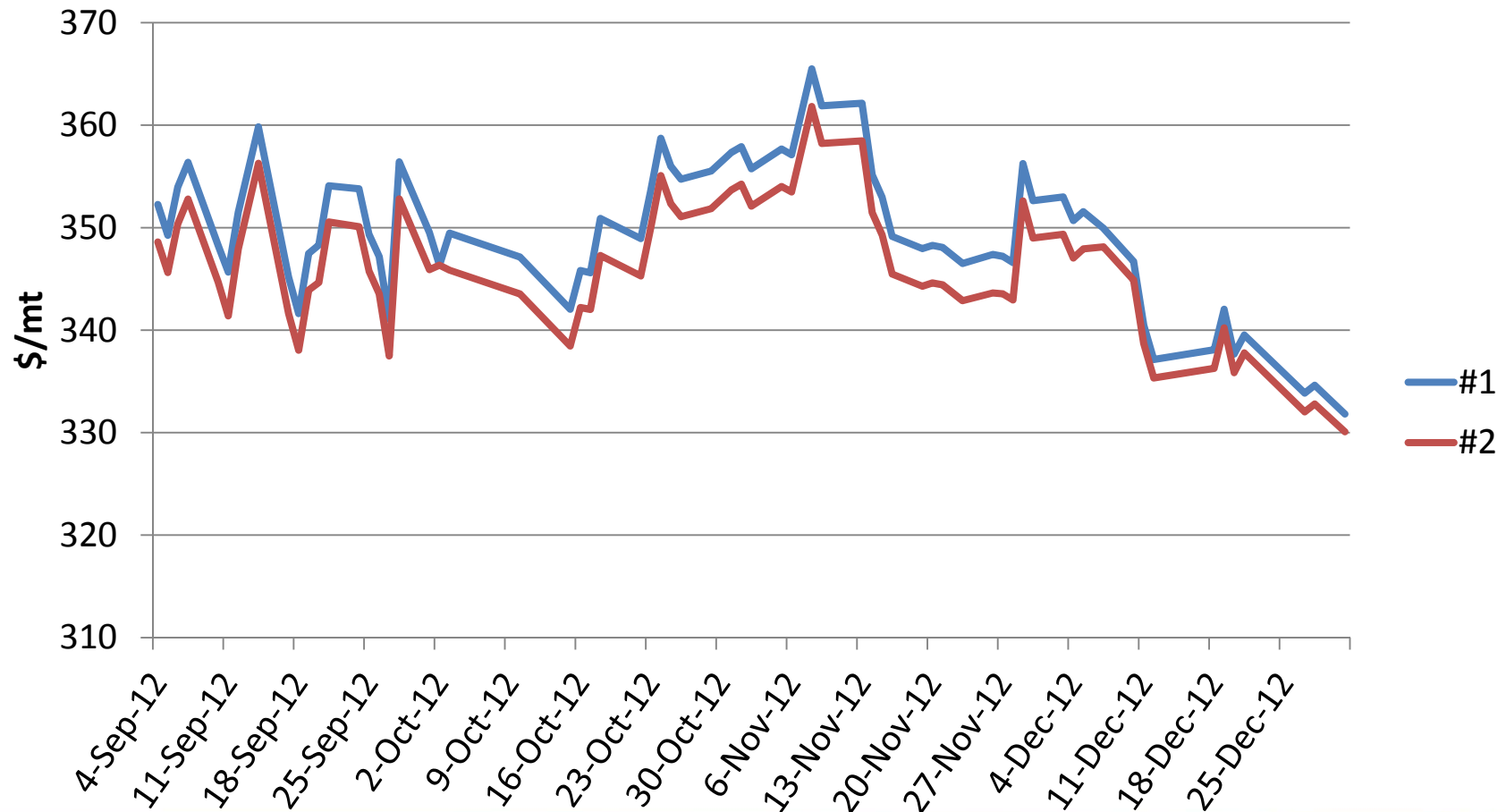


CWB Payment Spread for CWRS Wheat



CWRS - CWB DD Price by Grade (13.5%)

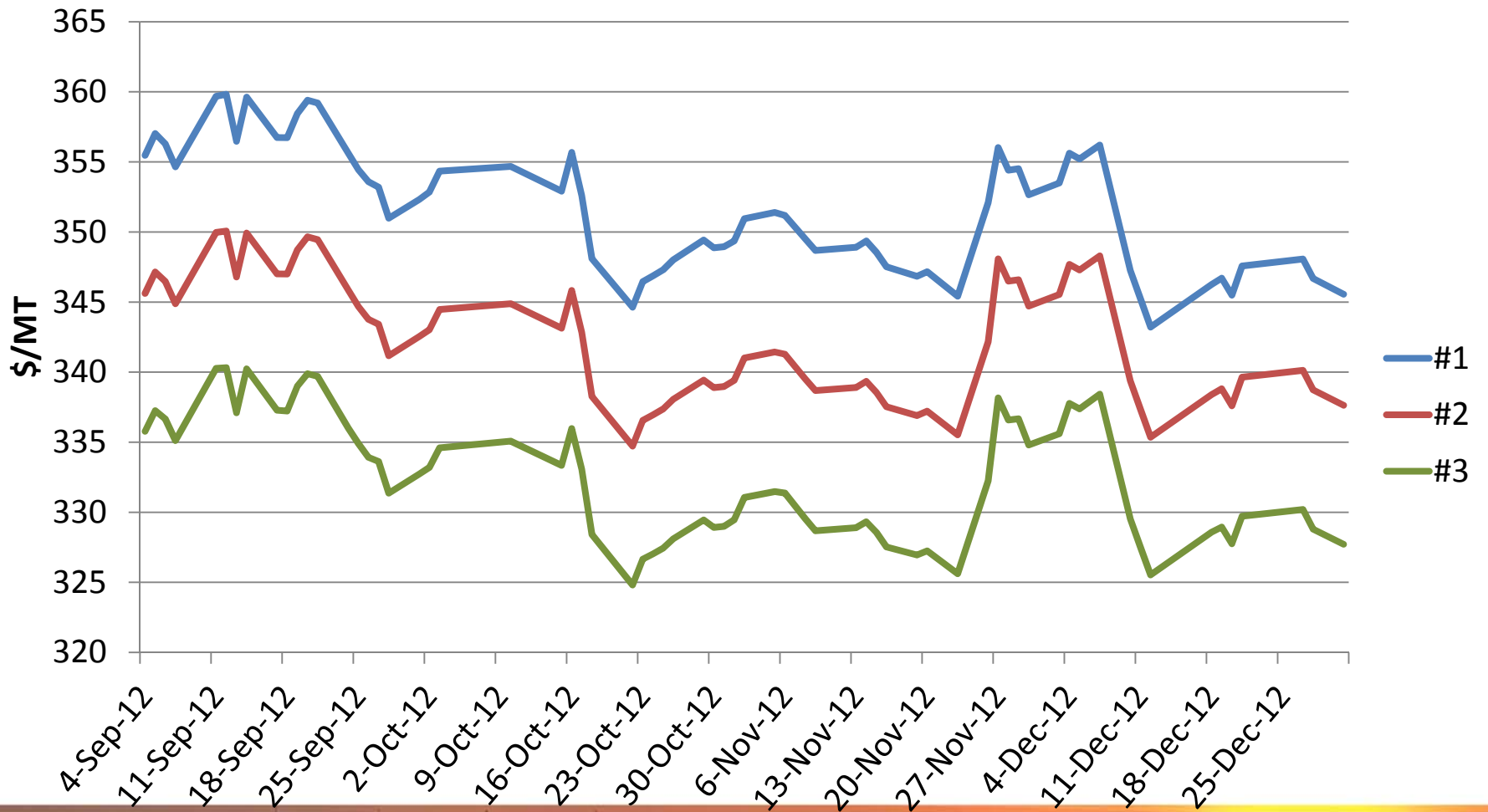
*in store Vancouver



Open Wheat and Barley Markets...

CWAD - CWB DD Price by Grade

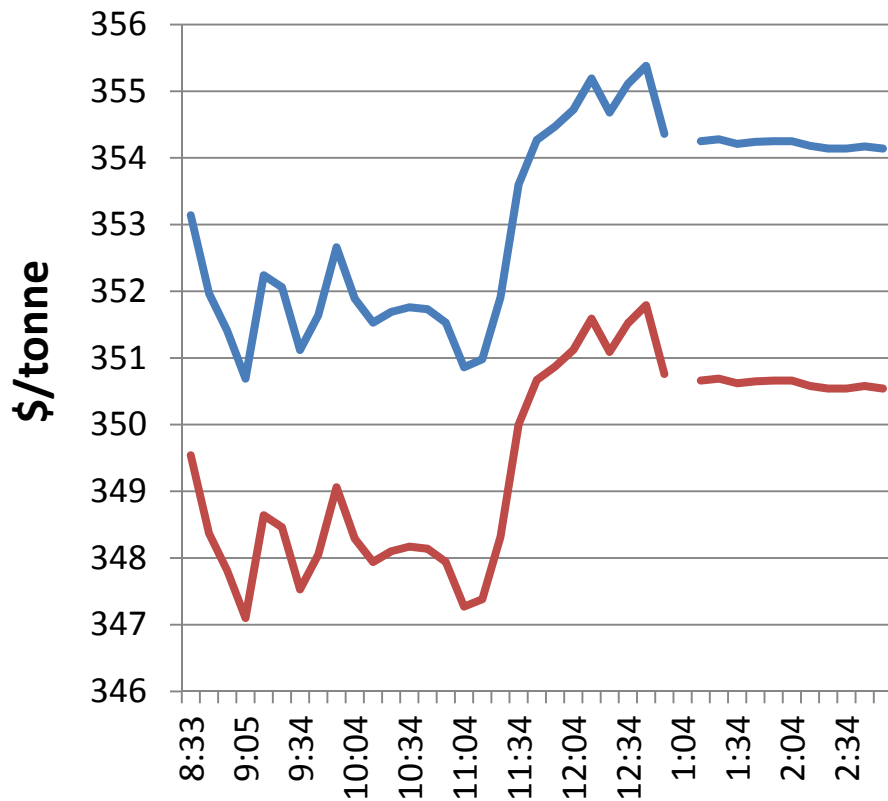
*in store Vancouver



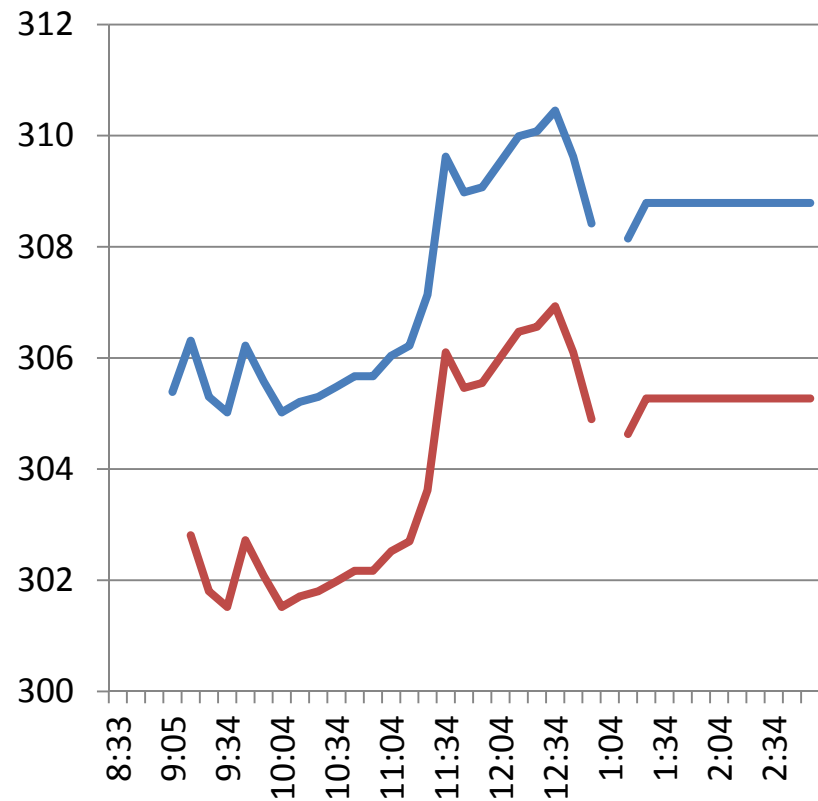
Open Wheat and Barley Markets...

Sept 24 – CWRS Price, Dec delivery

CWB – Vancouver



Louis Dreyfus - Joffre



Time (Mountain) — #1 — #2



Take away ...

- Price Volatility!
- Protein spreads matter
- Higher quality = higher price (?)
- Protein discounts are greater than premiums (in recent years)

Protein Spreads

SCENARIO #2



Open Wheat and Barley Markets...



The Scenario ...

- Same scenario as the first example except you decided to price your protein
- In April you sign a new DDC for \$10/bu (10,000 bushels)
- The normal spread between 1CWRS 13.5% and 2CWRS 12.5% is 50¢/bu
- The contract provides the alternative to lock in spreads. 2CWRS 12.5% @ 75¢/bu.

Risk Management Alternatives

- A. Leave unpriced. Accept cash price next fall. Spreads open.
- B. Price 5,000 bu @ \$10/bu. Spreads open
- C. Price 10,000 bu @ \$10/bu. Spreads open
- D. Price 10,000 bu @ \$10/bu including the protein and grade spreads. That is, you are guaranteed \$9.25bu for a 2CWRS 12.5%.
- E. Price 5,000 bu @ \$10/bu for 1CWRS 13.5% or \$9.25/bu for 2CWRS 12.5%

Rules

Prices

- **1,2,3** High price 1CWRS 13.5% - \$12/bu
- **4,5,6** Low price 1 CWRS 13.5% - \$8/bu

Fall spread 1CWRS 13.5% and 2CWRS 12.5%

- **1,3,5** Narrow spread - \$0.25/bu
- **2,4,6** Wide spread - \$1.25/bu

Results

	Narrow Spread		Wide Spread	
	High Price	Low Price	High Price	Low Price
A. Do nothing	\$117,500	\$77,500	\$107,500	\$67,500
B. Contracted half, open spread	\$107,500	\$87,500	\$97,500	\$77,500
C. Contracted all, open spread	\$97,500	\$97,500	\$87,500	\$87,500
D. Contracted all, locked spread	\$92,500	\$92,500	\$92,500	\$92,500
E. Contracted half, locked spread	\$105,000	\$85,000	\$100,000	\$80,000