

Agricultural Marketing Guide >>



Wheat Pricing Considerations

Producers recognize the advantages of checking wheat prices for their representative samples with various buyers. A challenge that producers have encountered in comparing wheat prices among buyers is inconsistency in what the wheat price quotes represent.

The first step in wheat pricing is finding out what grades of wheat you have to market. Take representative samples while the grain is being binned at harvest, and then take those samples to buyers for grading opinion. Most wheat is still judged on appearance and then protein content. Falling number is another characteristic that is becoming more commonly measured and valued for certain markets. It may also be useful to send representative samples of your wheat to the Canadian Grain Commission (CGC). For a small fee, the CGC will provide an unofficial, but impartial grade. This CGC grade can then be used as a base from which to market your wheat to the buyers.

Forward contract prices bid by grain companies are listed by grade and protein. Contracts for some specific wheat (i.e., type, grade and protein) may be offered for one forward delivery month and not for others. These forward delivery opportunities indicate that the company wants to assemble delivery commitments for a specific sale that they have made.

Grain companies may differ in how they quote prices. For a wheat type, there can be quote variations between companies on the grade or protein level that they use as their base grade. A company may even use a different base grade for pricing at different locations. Some grain companies may quote a price which excludes some of the costs, such as rail freight to be deducted at settlement. It is within a company's discretion to sometimes offer a trucking allowance.

In summary, it is important to know the quality characteristics of grain that you have to market. Then, be diligent in understanding what the net price will be for the grain that you are gathering quotes on. Finally, before signing a contract, read and understand all the terms of that contract, considering all possibilities that may arise.

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