

GRAIN INDUSTRY

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ONTARIO FARMERS FAVOUR DIRECT MARKET

Up until 2000, all Ontario wheat was sold through the Ontario Wheat Producers' Marketing Board (OWPMB). The OWPMB was the single desk marketing agency governed by producers. In 2000, producers voted to allow 150,000 tonnes of wheat to be sold directly to the private grain trade (referred to as direct marketing). In 2003, the OWPMB removed its restriction on the amount of wheat that can be direct marketed. This has given producers full control to decide how they market their wheat.

Producers now have three marketing choices:

- a) To sell through an OWPMB pool account
- b) To sell to the OWPMB using forward contracts or cash market
- c) To sell directly to grain elevators, brokers or flourmills and other end-users.

The pool account offered by the OWPMB is similar to the pool accounts used by the Canadian Wheat Board. Sales are made and revenue is deposited into a pool account. The final price paid to producers is based on the average value of the wheat sold by the OWPMB.

The forward contracts and cash market bids offered by the OWPMB are very similar to those offered by the private grain trade. The main difference is that payment from the OWPMB takes up to 10 days, where payment from the grain buyer is immediately.

The option of selling directly to the private grain trade is commonly known as the open market. This includes entering into forward price contracts, identity preservation contracts, basis contracts, minimum price contracts, or other contract types directly with the buyer. It also includes selling to the buyer at their daily cash bid price.

Ontario producers have been quick to change their marketing practices following the policy changes. In 2002, when the tonnage was limited for private sale, only 24% was direct marketed. When the restriction was removed in 2003, producers sold 82% of their wheat directly to the private grain trade. In 2004, approximately 87% of the wheat crop was direct marketed. The OWPMB maintains an active role in the wheat market, purchasing 13% of the 2004 crop.

Ontario's Wheat Marketing Channels

	2001/02	2002/03	2003/04	2004/05
	----- tonnes -----			
OWPMB Pool Account ¹	681,980	253,292	126,274	189,700
OWPMB Forward Price Contract/Cash Market ¹	278,860	794,291	270,444	31,459
Ontario Production ²	1,236,000	1,372,000	2,218,000	1,647,000
	----- % of Sales -----			
OWPMB Pool Account	55%	18%	6%	11%
OWPMB Forward Price Contract/Cash Market	23%	58%	12%	2%
Total sold to OWPMB	78%	76%	18%	13%
Estimated Direct Marketed ³	22%	24%	82%	87%

¹ Data from OWPMB Annual Reports

² Data from Statistics Canada

³ Is calculated as the residual volume after the OWPMB's volume has been deducted from total production. Includes wheat used as seed and feed.

The OWPMB's role extends beyond wheat marketing. A \$1.50/tonne license fee is collected on the sale of all wheat, including wheat that is direct marketed. This money goes to towards research and other activities that support the growth and profitability of the wheat industry in the interest of all producers.

For further information, contact the Alberta Grain Commission at (780) 427-7329

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