

Ontario Wheat – Open Market Success

September 2006

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). The amount marketed direct outside of the board was allowed to increase progressively over the next several years, and in 2003, after 3 successful years of partial direct market access, the OWPMB removed its restriction on the amount of wheat that could 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. This amount increased substantially in 2005 to approximately one third of the total wheat crop.

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 (or to suggest topics for future information sheets), contact:

Alberta Grain Commission: (780) 427-7329

www.agric.gov.ab.ca/agg

Alberta Agriculture Food and Rural Development, Edmonton

Or through the Choice Matters website Contact/Feedback section. www.choicematters.gov.ab.ca

Ontario's Wheat Marketing Channels

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	----- tonnes -----					
OWPMB Pool Account ¹	681,980	253,292	126,274	189,700	400,749	
OWPMB Forward Price Contract/Cash Market ¹	278,860	794,291	270,444	31,459	177,534	
Ontario Production ²	1,236,000	1,372,000	2,218,000	1,647,000	1,734,849	2,706,600
	----- % of Sales -----					
OWPMB Pool Account	55%	18%	6%	11%	t.b.d.	
OWPMB Forward Price Contract/Cash Market	23%	58%	12%	2%	t.b.d.	
Total sold to OWPMB	78%	76%	18%	13%	33%	
Estimated Direct Marketed ³	22%	24%	82%	87%	67%	

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.

2005/06 – Calculated Estimations as of August 2006.

2006/07 – September 2006 estimate for total production (Stats Canada).

2005-06 and 2006-07 Update

Direct marketing, pooling and Forward Price Contracts/Cash marketing through the OWPMB continues to work well in Ontario. The OWPMB handled about 1/3 of total Ontario wheat production in 2005-06, the most that it has handled since the market opened fully in 2004.

The 2006-07 wheat production is of 'record proportions' with high acreage and yields; and also very high quality. The average wheat yield was an outstanding 80 bushels per acre, with winter wheat hitting 83.9 bushels on average. Early indications suggest that the board's handlings will increase again in 2006-07.

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