

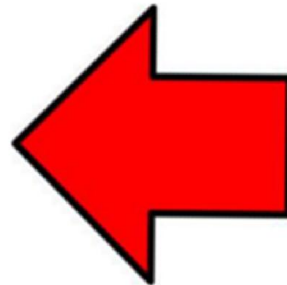
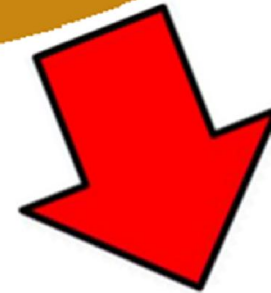
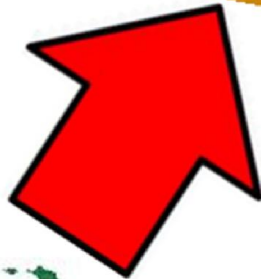
Where Do We Go From Here?

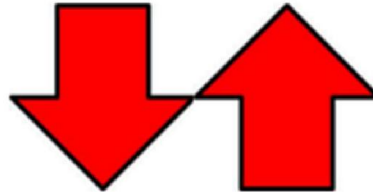
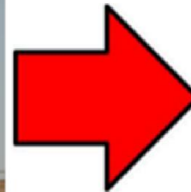
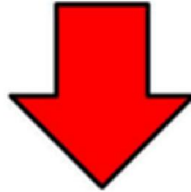
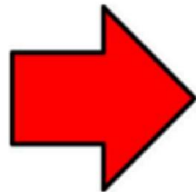
Marketing Choices of Canadian
Wheat Producers in a Newly
Opened Market

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Motivating Questions

- Now that producers are free to market, are they?
- How are producers compensating for price risks?
- Marketing methods studied:
 - Forward Contracts
 - Futures Markets
 - Options Markets



Marketing Changes

	Wheat Forward Contracts		Futures Markets		Options Markets	
Increased	294	(56.98%)	117	(22.67 %)	66	(12.79 %)
Decreased	13	(2.52%)	12	(2.33%)	8	(1.55%)
No Change	119	(23.06%)	195	(37.79 %)	154	(29.84 %)
Never Used	89	(17.25%)	188	(36.43 %)	284	(55.04 %)
Refuse to answer	1	(0.19%)	4	(0.78%)	4	(0.78%)



Yearly Marketing Method Use

	Forward Contract Use (%)	Futures Market Use (%)	Options Market Use (%)
2010	68	18	08
2011	63	15	08
2012	74	17	06
2013	78	18	09



Sample Statistics

	n	Mean	S.D.	Min	Mdn	Max
Age	482	53.55	9.95	19	55	77
Management Experience	511	26.57	11.83	1	30	57
Education	505	2.23	1.35	0	2	5
Acreage	508	3,510.82	2,768.02	1,000	2,600	18,000
Total Storage (K bushels)	484	152.76	151.82	0	100	1,300
Insurance	516	0.95	0.21	0	1	1
Wheat Delivery Points	510	2.75	1.61	0	2	15
Marketing Workshop Hours	491	15.81	21.13	0	10	200
Paid Workshop Attendance	506	1.51	2.34	0	1	20



Initial Regression Summary

- Forward Contract Use
 - Age not significant
 - Management experience positive ($p < 0.05$)
 - Previous forward contract experience positive ($p < 0.001$)
- Futures Market Use
 - Previous futures market experience positive ($p < 0.001$)
- Options Market Use
 - Education negative ($p < 0.05$)
 - Previous futures market experience positive ($p < 0.05$)
 - Previous options market experience positive ($p < 0.05$)



Implications

- Forward Contracting most popular marketing method
 - Protects against price and basis risk
 - No protection against yield risk
- 95% use of some form of crop insurance
 - Provides coverage against yield risk
- Use of futures higher than use of options markets
 - Trading downside price risk for upside price risk
- Experience effects significant
 - Producers increased use of familiar marketing methods



Thank You



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