Marketing my Grain – Futures Contracts

What futures markets will be used for price discovery of western Canadian wheat and barley?

- A number of North American futures markets are currently used for price discovery on Wheat. They are Chicago, Minneapolis, Kansas City, and the new wheat and durum futures markets on the InterContinental Exchange (ICE). Different grain companies use different futures markets for different types of wheat. As well, different futures contracts have different levels of liquidity which affect ease of trading execution.

What futures products are available on the ICE exchange?

- Currently, the ICE exchange offers two barley contracts, a spring wheat contract, and a durum contract.
- The Western Barley futures contract specifies barley for sale in southern Alberta. The Barley Futures contract specifies barley for sale in eastern Saskatchewan. Contract size for barley is 20 tonnes.
- The Milling Wheat futures contract specifies Canada Hard Red Spring Wheat (CWRS) for sale delivered in eastern Saskatchewan. Contract size is 100 tonnes.
- The Durum Wheat futures contract specifies Canada Western Amber Durum Wheat (CWAD) for sale delivered in southwestern Saskatchewan. Contract size is 100 tonnes.
- For further information on futures contracts offered by the ICE exchange, including contract specifications for the barley, wheat and durum futures contracts, see their website at https://www.theice.com/homepage.jhtml.

A Super-B truck load is 40 tonnes of grain. Why are the new ICE contracts based on 100 tonnes?

- ICE milling wheat contracts are intended to be as comparable as possible to US wheat futures contracts which are 5000 bushels, or just over 136 tonnes. The ICE durum contract is also set at 100 tonnes.
- Canola and barley contracts will continue to be 20 tonnes. For efficiency, many trades are completed in 'board lots', which are five contracts totaling 100 tonnes.

What are the tax implications of trading futures and options?

- Generally, if a person is hedging the commodity they produce, then gains or losses in the trading account are considered on income. If the person is speculating, then gains or losses are considered capital gains or capital losses. However, this is a complicated area and a farmer should contact his/her accountant or the Canada Revenue Agency regarding his/her particular situation.