

POLICIES & REGULATIONS FOR A THRIVING CANADIAN AGRI-FOOD SYSTEM

Fourth Annual Canadian Agri-Food Policy Conference

JANUARY 29-31, 2014 • CHÂTEAU LAURIER • OTTAWA, ON

Poster 18

SPATIAL ARBITRAGE IN THE WESTERN CANADIAN CANOLA MARKET

Janelle M Mann and Derek G Brewin
University of Manitoba

Threshold cointegration is used to examine whether there is evidence of spatial cointegration between spot and futures price pairs for canola in various elevator locations across western Canada. The results provide evidence of a long run relationship between the spot and the futures price pairs, which is indicative of the ability to arbitrage across space; however, the long run relationship does not exist across all time periods and depends on the size of the basis. The finding that there was a long run relationship between the spot and futures price pairs is good news for canola producers because it means that the ICE futures contract can be used for price discovery and price risk management. The finding that the existence of a long run relationship did not exist across all time periods is also good news for canola producers because it provides evidence that elevators were not executing market power.