



INTRODUCTION TO WHEAT FUTURES

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WHAT IS WHEAT?

A grass that is extensively grown for its seeds known as **cereal grains**

1

Can be processed into wheat flour used for making **staple food** like pasta and bread

5

The food crop that is grown on the **most land** worldwide

2

Contains a host of **nutrients** beneficial to health: protein, vitamin B and dietary fiber

4

First domesticated in Southwest Asia and was later spread across **Europe, Asia and Africa.**

3



CHARACTERISTICS OF WHEAT



- Long slender leaves
- Hollow stem, cylindrical in shape with nodes and internodes
- 30 -120cm in height
- Contains protein which is known as **gluten**

TYPES OF WHEAT



Hard Red Winter

- Planted in the Great Plains
- Used to make all-purpose flour, hard rolls, cereal and Asian noodles



Hard Red Spring

- Primarily from Northern States of America
- Used to make bagels, croissants, hearth bread and pizza crust



Soft Red Winter

- Found mostly east of the Mississippi River
- Great for making pastries, pretzels, crackers and cookies



Soft White

- Based in Pacific Northwest
- Commonly used to make pastries, cakes and Middle Eastern flat breads



Hard White

- Can be found largely in Great Plains
- Used for tortillas, flatbreads and Asian noodles



Durum

- Grown primarily in North Dakota and Montana
- Ideal for pasta, couscous and Mediterranean breads

USAGE OF WHEAT



Flour

Wheat can be further processed into wheat flour to make bread, cookies, cereals and pasta.



Animal Feed

Wheat grain can be grounded into animal feed for livestock, poultry and cattle.








Alcoholic Drinks

Wheat can be fermented and distilled to make beer, vodka and whiskey.

DEMAND & SUPPLY FOR WHEAT

2023 Top 5 Wheat Importers

<u>Country</u>	<u>Billion USD</u>
 Egypt	4.00
 China	3.55
 Indonesia	3.49
 Turkey	3.35
 Italy	3.14

2023 Top 5 Wheat Exporters

<u>Country</u>	<u>Billion USD</u>
 Russia	11.00
 Australia	9.70
 Canada	9.09
 United States	6.28
 France	4.52

FACTORS AFFECTING DEMAND AND SUPPLY

CLIMATE

Extreme weather like excess cold, heat and lack of rain will cause a fall in wheat supply.



LAND PRODUCTIVITY

Efficient use of fertilizers and pesticides can increase the land productivity and yields.



GEO-POLITICS

Political instability in wheat-producing countries will affect the price and supply of wheat.

For example, the Russia-Ukraine war disrupted the world's wheat production and supply.

GOVERNMENT POLICY

Import/export policies, trade agreements and exchange rates can impact the global supply of wheat.

For instance, India imposed a ban on wheat exports to control increasing domestic prices in 2022.



POPULATION

The demand for wheat as a staple food product increases when the world population grows.



CHANGE OF LIFESTYLE

Less desire for wheat-based processed food like pasta and bread will negatively impact the demand for wheat.

WHAT ARE WHEAT FUTURES

Contracts to buy or sell wheat at a set price for a future date.

A fully electronic, exchange-traded contract listed on **Chicago Board of Trade (CBOT)** under CME Exchange.

World trade in wheat is greater than all other crops combined.

Used by fund managers to **hedge** against the price movements of wheat.



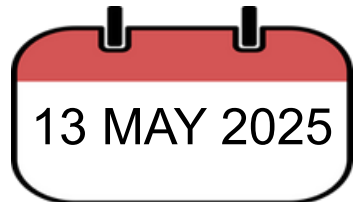
CONTRACT SPECIFICATIONS

	Wheat Futures	Mini Wheat Futures	Micro Wheat Futures
Underlying Instrument	SRW Wheat Futures		
Contract Code	ZW	XW	MZW
Contract Size	5,000 bushels	1,000 bushels	500 bushels
Minimum Fluctuation	0.25 pt = \$12.50 (1 pt = \$50)	0.125 pt = \$1.25 (1 pt = \$10)	0.50 pt = \$2.50 (1 pt = \$5)
Contract Month	15 monthly contracts of Mar, May, Jul, Sep, Dec listed annually following the termination of trading in the July contract of the current year.		Two Decembers and all prior March, May, July, and September contracts
Settlement Method	Physical		Cash
Trading Hours	21:30 - 02:15 08:00 - 20:45, 21.30 - 02:20 (Globex)		

MICRO WHEAT FUTURES (MZW)

Trading Examples

Bullish Market



13 MAY 2025

You think the price of MZW will go up and **BUY 1 lot @ 510**



15 MAY 2025

You close your position and **SELL 1 lot @ 530**

Gross Profit
= Price Difference x Contract Size
= (530 - 510) x USD 5
= **USD 100**

Bearish Market



7 MAY 2025

You think the price of MZW will go down and **SELL 1 lot @ 540**



9 MAY 2025

You close your position and **BUY 1 lot @ 525**

Gross Profit
= Price Difference x Contract Size
= (540 - 525) x USD 5
= **USD 75**

WHEAT FUTURES OVERVIEW 2024



US wheat prices in 2024 were influenced by the Russia/Ukraine war, favorable US weather, and tight global supplies, with Russia's dominance in wheat exports adding volatility to 2025 price forecasts.

With geopolitical tensions rising, wheat prices in 2025 may face sharp swings driven by supply disruptions and increased stockpiling.



Mezzanine Floor, Block B, Plaza Zurich, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur



+603-2080 8678



helpdeskfutures@hlib.hongleong.com.my



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