Why is the PDS required?

- The PDS allows farmers to sell directly to their buyers, while maintaining the benefits of single-desk selling and pooling for all farmers.
- The PDS enables farmers to retain the full organic premium they negotiate over and above the CWB spot price for conventional grain.
- The net result of the PDS transaction is that farmers receive the pool return (the same as all other farmers), plus the organic and any other premiums they negotiate for their grain.
- The PDS discourages independent sellers from selling below the CWB conventional selling price, which would undercut prices to both conventional and organic farmers.

When is the PDS not required?

- If you have your own mill on farm and mill grain you have grown, you can sell it within Canada without doing the PDS. If the flour is exported, you must go through the PDS.
- A PDS is not required for sale of Pedigreed seed, manufactured feed, spelt, kamut, or einkorn; however, an export licence is still required.
- A PDS is not required to sell organic feed grains to the domestic feed market.

For more information, contact: Donna Youngdahl
CWB organic marketing manager

P.O. Box 816, Station Main
Winnipeg, MB R3C 2P5

e-mail: donna_youngdahl@cwb.ca
Tel: **204-983-3635**
Fax: 204-983-3841

The CWB Producer Direct Sale

What are my options for marketing organic wheat, durum and barley?

Sell to a grain company marketing organic grain.

Western Canadian farmers have a number of choices when marketing organic grain. Upon receiving your organic grain, companies that have handling agreements with the CWB will pay you the CWB initial payment, plus a privately negotiated organic premium. Later, you will receive any additional CWB adjustment, interim and final payments. For sales to any other buyers, you must go through the Producer Direct Sale (PDS) program first. Growers International/Paterson, Prairie Flour Mill, Dawn Foods, NutraSun, and Saskatchewan Wheat Pool have handling agreements with the CWB.

Sell to other brokers, companies, or processors.

A number of Canadian and foreign buyers deal in organics; to receive a list of some of these buyers, contact the CWB. Whether the product will be used domestically or exported, to sell to these companies you must first do the Producer Direct Sale. It is recommended that you deal with licenced buyers.

Sell to the domestic feed market.

If you sell your grain for domestic feed, you do not need to go through the CWB PDS process. However, to export feed, a PDS is required, unless the feed is processed and contains less than 75 per cent wheat or barley.

Deliver as conventional to CWB.

If you cannot find an organic market or you want to retain the option of delivering the grain as conventional to the pool, sign up for CWB delivery contracts.

How do I do the PDS?

1. Get a PDS price quote from the CWB.

The CWB quotes the PDS prices (the prices the CWB is getting in various markets) on a daily basis. Contact the CWB to find out what the PDS price is prior to agreeing on a price with your customer. Negotiate a price with your customer that provides you with an acceptable organic premium above the conventional price.

2. Call the CWB to do the PDS.

For the purpose of conducting business by telephone, you need to have a CWB Personal Identification Number (PIN). To complete the PDS you must provide the CWB with the following information: grain, grade, protein, volume, country destination, shipping date, and port of exit. You will be faxed confirmation of the sale. After shipment you must report the final shipment weight to the CWB. For all PDS sales, the CWB reserves the right to request that farmers submit documentation that verifies organic status, completion of the sale and completion of shipment.

3. Arrange method of payment.

You pay the difference between the PDS price and the CWB initial payment (the PDS spread) for the grade and quality of grain. This difference can be paid at the time of sale or deferred by using the Credit Sale. You later will receive adjustment, interim and final payments to the full value of the pool return. The net result of this transaction is the pool return, plus whatever additional premium above the CWB's PDS price that you are able to negotiate with your buyer.

The administration fee for the PDS is $15 for the direct sale, and $30 for the credit sale. Under the Credit Sale, payment of the PDS spread can be deferred up until the CWB final payment is issued. Any CWB payments will be applied to whatever is owed on the sale. Interest at prime rate accrues on the PDS difference after 60 days from date of contract.

Please note: Payments must be made on outstanding cash advances at the relevant per tonne rate 30 days from your date of unload.

4. Apply for an export licence.

After completing the PDS, to export the grain, complete an export licence application form and fax it to the CWB.

Ensure that the trucker has a copy of the licence and presents it to Canada Border Services Agency at the border. For overseas sales, ensure your shipper, export agent or customs broker remits the export licence and B13A Export Declaration form to Canada Border Services Agency.

CWB Producer Payment Options

Your choices

When pricing your organic grain, in addition to negotiating your organic premium with your buyer, on the CWB side of the transaction you can choose between the pool return and the CWB Producer Payment Options (PPO) programs.

You can use PPOs when you sell independently using the PDS as well as when you deliver to organic grain companies. The net result of a PDS is normally not known until the final payment is issued; the benefit of using a PPO in combination with the PDS is certainty.

Early Payment Option (EPO)

Farmers can combine the PDS with the EPO to lock in a maximum PDS spread (i.e. the difference between the PDS price and the EPO Value). This also lowers interest costs on the credit PDS. Within 10 business days of delivery, the EPO will pay either 100, 90, or 80 per cent of the pool return minus the "discount", i.e., the cost of risk, administration, and the time value of money. The farmer will then also receive any subsequent CWB payments that bring the pool return above the EPO value.

Fixed Price Contract (FPC)

To use the FPC farmers can lock in the total price (December basis and futures) before or at the time of sale. You must sign up for the contract between February 27 and October 31. The PDS spread will be the PDS price minus the FPC.

Basis Payment Contract (BPC)

To use the BPC (wheat and selected barley), farmers lock in a pooled basis (the difference between the PRO and the forecasted futures for the crop year less a discount for risk, administration and the time value of money) and then later lock in the futures price. The basis can be locked in between February 27 and October 31, 2006 and the futures price can be locked in at any time up until the end of each relevant BPC futures month expiry date. Using the rollover option of the BPC, you can price your futures until June 28, 2007. The PDS spread is the PDS price minus the total priced BPC value.

Organic Spread Contract for wheat and durum

The Organic Spread Contract (OSC) program combines in a single transaction the PDS and the Daily Price Contract (DPC), a cash payment option that was announced in February, 2005.

The sign up deadline has been extended from July 22 to October 31 for the 2006-07 crop year.

The OSC option provides more certainty over the final return on the PDS sale, right at the time of execution. Using this one-step method, you only have to pay the difference between the two prices (the PDS and DPC) and the transaction is complete—no further waiting for pool payments and the final pool return to determine the final outcome.

To be eligible for the Organic Spread Contract, you must commit an estimated tonnage of certified organic wheat or durum to the program by October 31, 2006. Tonnage committed following the start of the crop year (August 1, 2006) will have an adjustment factor applied to allow for risk management activities.

Once tonnage is committed to the program, you can execute the Organic Spread Contract any time during the crop year up until July 31, 2007.