# Part 3— Administration of the Daily Price Contract Program

# **Prices and sign-up**

The DPC program consists of three components, a **sign-up period**, a **pricing period** and **locking in cash spreads**.

#### Step 1 - Sign up

The sign-up period for the DPC is **June 1 to July 21, 2006**. During the sign-up period, the CWB will accept new tonnage commitments. Producers can later choose to decrease their commitments before July 21, but will incur a \$15 per transaction administration fee. Decreases to contract commitments after July 21 will be subject to pricing damages.

The tonnage maximum for this program is limited to 500 000 tonnes. Once this tonnage maximum is met, the sign-up period terminates. The CWB will provide advance notice when the program is nearing capacity ensuring those who are interested in committing tonnes can do so before the sign up is terminated.

### Step 2 - Price

The pricing period for the DPC runs from **August 1, 2006** to **July 31, 2007** and corresponds with the 2006-07 crop year. During this time, daily pricing schedules offer the cash price values for the reference grades of the seven classes of wheat. Unpriced contracts will be automatically priced on August 1, 2007 by 7:30 a.m. CT.

For both sign-up and pricing, producers must commit a minimum of 20 tonnes.

### **Step 3 – Lock in cash spreads**

The DPC cash spread values will be posted on a separate pricing schedule, valid from 12:00 a.m. to 11:59 p.m. CT daily, beginning August 1, 2006 to July 31, 2007. The cash spreads producers receive for the DPC contract is determined by the cash ticket settlement date.

It is important that cash tickets are reported correctly so producers will capture the intended spreads posted on that date. The CWB will not allow the cancellation and replacement of cash tickets with different settlement dates. If a cash ticket needs to be corrected, it must be cancelled and replaced with the original PC date. The CWB will monitor these transactions.

## Sign-up and pricing methods

The CWB offers two methods of sign-up, telephone or fax.

Using their CWB PIN (Personal Identification Number) and CWB Producer Identification Number, producers can sign up and price by phone, at 1-800-275-4292.

Telephone 1-800-275-4292

Fax 1-204-983-8031

### **Forms**

Sign-up forms and pricing forms are available on-line, by Fax on Demand, or can be requested by calling the CWB. Forms must be completed accurately and signed before faxing to the CWB.

DPC pricing schedules, published daily from August 1, 2006 to July 31, 2007, are effective between 2:30 p.m. and 7:30 a.m. CT the following day. Incomplete or late pricing forms that cannot be processed before 7:30 a.m. and telephone sign-up after 7:30 a.m. receive the next available value, posted at 2:30 p.m. CT.

**Contracts and Information Statements**, outlining the contract number, tonnes, class of wheat, signup date, pricing date and the value locked in, are mailed directly to the producer.

**Terms and Conditions** are available on the CWB Web site, by Fax on Demand or by calling the CWB. Before making a commitment, producers should be familiar with the terms and conditions of the DPC.

**Pricing contracts are not delivery contracts.** During the crop year, producers must offer their production through regular CWB delivery contracts. Producers must also deliver 100 per cent of the tonnes committed to DPC contracts, or be subject to pricing damages.

<b>₩CWB</b>				Wheat
200	6-07 Daily Price Con	tract Si	gn-up	For Office use only
	Please Fax to: (2	04) 983	-8031	
his document forms part of the 2	006-07 CWB Daily Price Contr	act for Wh	eat: Terms a	nd Conditions.
Wheat delivered into storage under tart of the 2006-07 crop year.	er 2005-06 CWB delivery contr	acts can b	e settled aga	ainst a 2006-07 DPC, after the
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Producer's Name ("the Producer") as	shown on the Delivery Permit			
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A TONNAGE COMMI	TMENT			
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на арру.				•
This is a tonnage commitment of				
Separate pricing schedules for b	oth the reference grade and c	ash spread	s will be pos	sted daily.
B Please indicate your ch	noice of class of wheat. (	choose or	ly one clas	s per form)
_			·	
Canada Western Red Spring (CW			_	estern Extra Strong (CWES)
Canada Prairie Spring Red (CPSF	_	er (CWRW) [	Canada We	estern Hard White Spring (CWHWS
Canada Western Soft White Spring	(CWSWS)			
READ THE FOLLOWING PARAGR	APH CAREFULLY.			
(the Producer) have read the 200	06-07 CWB Daily Price Contract			
document and sending it to the Classics will apply to the option I have		dicated. I a	gree that all	of the said Terms and Condi-
and the apply to the application and				
		Position	in Company (	IfApplicable)
Producer's Signature				
Producer's Signature				
Producer's Signature  Date				
				FAX (204) 983-80
				FAX (204) 983-80 Phone 1-800-275-4 (7 a.m. to 6 p.m. Mon

## **How to sign a DPC**

Please refer to the "2006-07 Daily Price Contract Sign-up" form for wheat.

#### Section A

 Enter the net tonnes. Commitments must be a minimum of 20 tonnes and reported in whole numbers (no decimals) to avoid processing errors. If less than 20 tonnes are entered, the CWB will not process the contract.

#### Section B

2. Choose the class of wheat.

## **Lock-in form for the DPC**

Please refer to the "2006-07 Daily Price Contract Lock-in" application

- 1. Enter the six-digit CWB DPC number in the space provided.
- Enter the net tonnes to be locked in.
   Commitments must be a minimum of 20 tonnes or the balance of the contract and reported in whole numbers (no decimals) to avoid processing errors.

DPC pricing schedules, published daily from

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Aug 1, 2006 to July 31, 2007, are effective between 2:30 p.m. and 7:30 a.m. CT the following day. Incomplete or late pricing forms that cannot be processed before 7:30 a.m. and telephone sign up after 7:30 a.m. receive the next available value, posted at 2:30 p.m. CT.

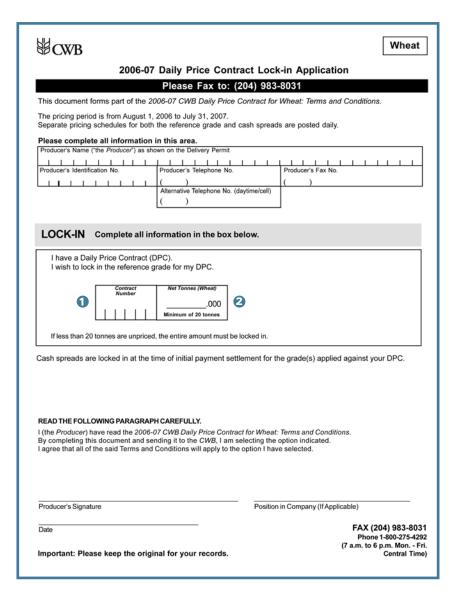
Contracts and Information Statements, outlining the contract number, tonnes, class of wheat, sign-up date, pricing date and the value locked in are mailed directly to the producer.

Terms and Conditions are available on the CWB Web site, by Fax on Demand or by calling the CWB. Before making a commitment, farmers should be familiar with the DPC terms and conditions of the DPC.

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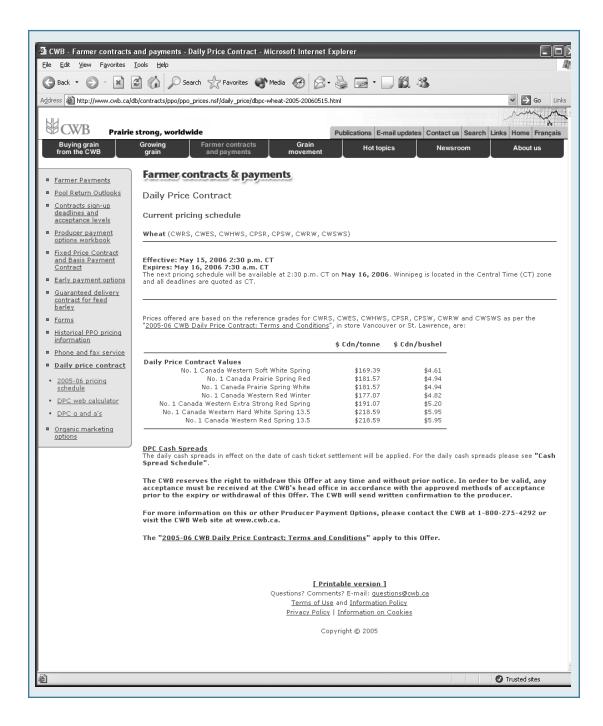
# **Pricing transactions**

### Daily DPC pricing schedule

Effective 2:30 p.m. to 7:30 a.m.

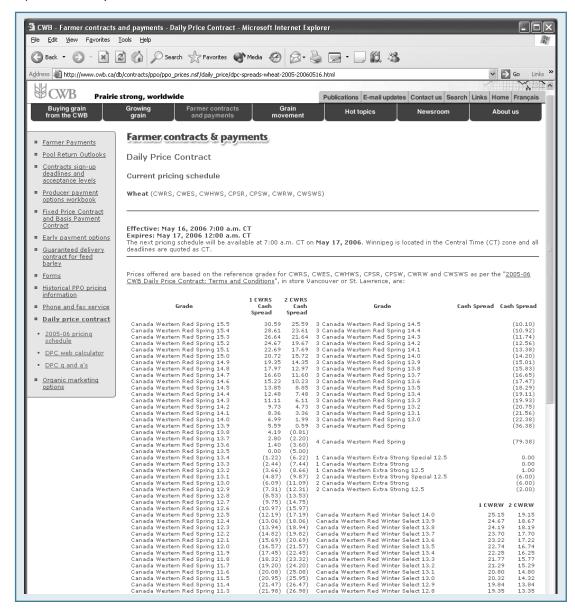
During the pricing period (August 1, 2006 to July 31, 2007) the CWB publishes the *daily DPC values*.

The DPC pricing schedules are posted by class and the related U.S. futures market, at 2:30 p.m. CT each day and are effective until 7:30 a.m. CT the next business day.



#### **Daily DPC cash spread tables**

Upon delivery, the producer's DPC (based on the reference grade price) is adjusted in value to reflect grade and protein delivered. These grade adjustments are premiums or discounts determined by daily grade and protein spreads available in the spot market. Daily cash spread tables are effective daily for settlement of cash tickets. The relevant daily cash spread is applied to all deliveries reported that day.



Effective 12:00 a.m. to 11:59 p.m. daily (24 hours)



Use our online tool to calculate DPC values and cash spreads for all deliveries.

Visit the CWB Web site for more information.

#### **Prices and forms**

CWB Web site	www.cwb.ca			
Fax on Demand	1-800-275-4292 (telephone menu option #3 )			
Telephone	1-800-275-4292			
Contact	CWB Farm Business Representatives			
Visit	CWB Handling Agents			

# **Reporting DPC deliveries**

### **Producer certificates**

#### Six-digit DPC #

Like all PPO contracts, producer certificates (PC's) applied to a DPC must be reported using the **six-digit DPC number**. Reporting the six-digit contract number is critical for fixing the cash spreads on deliveries, since the cash spreads in effect at the time of settlement alter the DPC value.

#### Improper reporting of cash tickets

Producer certificates missing the six-digit contract number will not be applied to a DPC. Cancellation and replacement reporting of PC's will be monitored ensuring the original settlement date is used is used when corrections are required.

#### **IMPORTANT:**

Delivery must be applied accurately to a DPC at settlement to ensure the integrity of the application of daily cash spreads. Canceling and replacing PCs with a different settlement dates and grades will alter the cash spreads previously applied against a DPC.

### **Class-specific**

Deliveries assigned to a DPC are class-specific. For example, only CWRS deliveries can be applied toward a CWRS DPC.

# **Payment upon delivery**

The elevator manager is responsible to pay the producer the initial payment for the grade and protein delivered (less freight and elevation) and to report the DPC contract number on the cash ticket as instructed by the producer. Following settlement, if the producer has previously priced the DPC, they will receive an additional payment within 10 business days.

#### **REMEMBER:**

The additional payment determines the producer's final DPC value. The DPC additional payment is affected by:

- · the DPC cash spread in effect at the time of final settlement; and
- · the initial payment spreads received at the elevator

### **Partially priced contracts**

If the DPC has been partially priced, the producer receives an additional payment for the priced tonnes only.

#### **Unpriced contracts**

When deliveries are reported against a DPC that has not been priced, the additional payment is withheld until the pricing transaction occurs. The producer then receives the additional payment for the priced tonnes only.

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#### No pool payments

Deliveries applied to DPC are not eligible for adjustment, interim or final payments from the CWB. The initial payment plus the additional payment represent the producer's full payment.

#### **Feed discount**

There is no additional feed discount for the DPC program as the DPC cash spread in effect at time of settlement for a feed grade will adjust the producer's contract value to the current cash market value for feed wheat.

# **Additional program details**

## **Buyout costs & assignments**

### **Buyouts**

Producers wishing to terminate or reduce their DPC due to production shortfall or a change in their marketing strategy can choose to partially or completely buyout of their contract. The buyout formula is the greater of:

Current FPC - contracted DPC + \$15 administration fee

OR

Current futures - contracted futures + \$15 administration fee

### **Pricing damages**

Producers must deliver and price 100 per cent of the tonnage committed to the DPC. Failure to do so results in the assessment of pricing damages on any tonnage shortfall. Pricing damages are assessed on August 1, 2007 and are calculated using the buyout formula above.

### **Assignments**

The assignment process is another option for producers wishing to terminate or reduce their DPC contract. Through the assignment process, producers can transfer all or a portion of their tonnage to another producer. Assignments are a business arrangement between two producers. The CWB does not arrange these transactions. A \$15.00 transaction fee applies to assignments. Contact the CWB for assignment forms.

## **Liquidated damages (delivery damages)**

All tonnage committed to a BPC/FPC contract must also be committed to a CWB delivery contract. Producers must deliver a minimum of 90 per cent of the tonnage committed to delivery contracts. Liquidated damages will be assessed on any shortfall. The formula used to calculate liquidated damages includes administration, demurrage, penalties and lost opportunity. The minimum rate for liquidated damages is \$6 per tonne. The maximum rates are \$15 per tonne for wheat and durum and \$25 per tonne for barley.

Producers who buy out of their BPC/FPC contracts have to consider the tonnage assigned to Series A, B, or C contracts separately to avoid liquidated damages before the deadline date. If a producer buys out of an FPC or BPC and still meets the obligation on delivery contracts, there will be no liquidated damages assessed.



Note:The CWB does not pay out basis or futures gains to producers wishing to cancel their contract.

# **Contract sign-up corrections and cut-off procedures**

### **Procedure to handle corrections**

Transactions against PPO programs must be received before 7:30 a.m. CT each business day. It is important that all required information on the fax form is completed accurately.

If fax transactions are received with incomplete information, the CWB cannot process the transaction. The CWB will contact the producer to gather missing information, and the producer will receive the contract price that is in effect at the time of confirmation.

If the information submitted on the fax form is complete, the CWB will process the transaction based on that information. When producers receive their Information Statement, they should review the transactions. If incorrect information was provided and the CWB acted on this information, producers will be responsible for any costs to correct the transaction.

### Fax transmission failures

The CWB fax machine maintains a log of all incoming faxes received. The log indicates the time, originating fax number, number of pages received and status of the transmission. This log will be used to verify if a fax was transmitted to the CWB. It is the sender's responsibility to ensure their fax transmits successfully. When in doubt, they should immediately call the CWB to confirm receipt of their application.

## **Cancellation and replacement of producer certificates**

The additional payment issued to farmers on the PPO programs is dependent on accurate delivery reporting.

Producer certificates are monitored for reporting errors. The CWB will contact farmers or elevator agents to confirm reporting errors, and will correct PPO contract numbers and delivery call years upon confirmation. Changes to identification number, grain, grade and protein musts be done by the grain company by cancelling the original producer certificate and issuing a replacement producer certificate for the correction

## **Program cut-off procedures**

The PPO programs have tonnage limitations and sign-up may be cut off before the sign-up deadline dates.

Each Friday, the CWB will review the tonnage committed to the programs. If total producer commitments are approaching program limits, consideration will be given to terminating the program over the course of the following week. On that Monday, the CWB will issue a Country Elevator News (CEN) bulletin, informing agents of the potential closing of the program. This is a warning that the program may be cut off at any time after 7:30 a.m. CT the next business day. Producers wanting to make commitments to the program should be advised to do so immediately.

If a program is terminated, the CWB will initiate an automated call to elevator managers, advising them of the program close and a CEN bulletin will be released that morning.

Any contract commitments received after 7:30 a.m. CT on the day program sign-up is terminated will be rejected. The CWB will contact producers to advise them that their offers were received after the cut-off.

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