

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

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.

CWB - Farmer contracts and payments - Daily Price Contract - Microsoft Internet Explorer

Address: http://www.cwb.ca/db/contracts/ppo/ppo_prices.nsf/daily_price/dbpc-wheat-2005-20060515.html

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Farmer contracts & payments

Daily Price Contract

Current pricing schedule

Wheat (CWRS, CWES, CWHWS, CPSR, CPSW, CWRW, CWSWS)

Effective: May 15, 2006 2:30 p.m. CT
Expires: May 16, 2006 7:30 a.m. CT
The next pricing schedule will be available at 2:30 p.m. CT on **May 16, 2006**. Winnipeg is located in the Central Time (CT) zone and all deadlines are quoted as CT.

Prices offered are based on the reference grades for CWRS, CWES, CWHWS, CPSR, CPSW, CWRW and CWSWS as per the "2005-06 CWB Daily Price Contract: Terms and Conditions", in store Vancouver or St. Lawrence, are:

| | \$ Cdn/tonne | \$ Cdn/bushel |
|--|--------------|---------------|
| Daily Price Contract Values | | |
| No. 1 Canada Western Soft White Spring | \$169.39 | \$4.61 |
| No. 1 Canada Prairie Spring Red | \$181.57 | \$4.94 |
| No. 1 Canada Prairie Spring White | \$181.57 | \$4.94 |
| No. 1 Canada Western Red Winter | \$177.07 | \$4.82 |
| No. 1 Canada Western Extra Strong Red Spring | \$191.07 | \$5.20 |
| No. 1 Canada Western Hard White Spring 13.5 | \$218.59 | \$5.95 |
| No. 1 Canada Western Red Spring 13.5 | \$218.59 | \$5.95 |

DPC Cash Spreads

The daily cash spreads in effect on the date of cash ticket settlement will be applied. For the daily cash spreads please see "Cash Spread Schedule".

The CWB reserves the right to withdraw this Offer at any time and without prior notice. In order to be valid, any acceptance must be received at the CWB's head office in accordance with the approved methods of acceptance prior to the expiry or withdrawal of this Offer. The CWB will send written confirmation to the producer.

For more information on this or other Producer Payment Options, please contact the CWB at 1-800-275-4292 or visit the CWB Web site at www.cwb.ca.

The "2005-06 CWB Daily Price Contract: Terms and Conditions" apply to this Offer.

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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.

Farmer contracts & payments

Daily Price Contract

Current pricing schedule

Wheat (CWRS, CWES, CWHWS, CPSR, CPSW, CWRW, CWSWS)

Effective: **May 16, 2006 7:00 a.m. CT**
 Expires: **May 17, 2006 12:00 a.m. CT**
 The next pricing schedule will be available at 7:00 a.m. CT on **May 17, 2006**. Winnipeg is located in the Central Time (CT) zone and all deadlines are quoted as CT.

Prices offered are based on the reference grades for CWRS, CWES, CWHWS, CPSR, CPSW, CWRW and CWSWS as per the "2005-06 CWB Daily Price Contract: Terms and Conditions", in store Vancouver or St. Lawrence, are:

| Grade | 1 CWRS Cash Spread | 2 CWRS Cash Spread | Grade | Cash Spread | Cash Spread |
|--------------------------------|--------------------|--------------------|--|-------------|-------------|
| Canada Western Red Spring 15.5 | 30.59 | 25.59 | 3 Canada Western Red Spring 14.5 | | (10.10) |
| Canada Western Red Spring 15.4 | 28.61 | 23.61 | 3 Canada Western Red Spring 14.4 | | (10.92) |
| Canada Western Red Spring 15.3 | 26.64 | 21.64 | 3 Canada Western Red Spring 14.3 | | (11.74) |
| Canada Western Red Spring 15.2 | 24.67 | 19.67 | 3 Canada Western Red Spring 14.2 | | (12.56) |
| Canada Western Red Spring 15.1 | 22.69 | 17.69 | 3 Canada Western Red Spring 14.1 | | (13.38) |
| Canada Western Red Spring 15.0 | 20.72 | 15.72 | 3 Canada Western Red Spring 14.0 | | (14.20) |
| Canada Western Red Spring 14.9 | 19.35 | 14.35 | 3 Canada Western Red Spring 13.9 | | (15.01) |
| Canada Western Red Spring 14.8 | 17.97 | 12.97 | 3 Canada Western Red Spring 13.8 | | (15.83) |
| Canada Western Red Spring 14.7 | 16.60 | 11.60 | 3 Canada Western Red Spring 13.7 | | (16.65) |
| Canada Western Red Spring 14.6 | 15.23 | 10.23 | 3 Canada Western Red Spring 13.6 | | (17.47) |
| Canada Western Red Spring 14.5 | 13.85 | 8.85 | 3 Canada Western Red Spring 13.5 | | (18.29) |
| Canada Western Red Spring 14.4 | 12.48 | 7.48 | 3 Canada Western Red Spring 13.4 | | (19.11) |
| Canada Western Red Spring 14.3 | 11.11 | 6.11 | 3 Canada Western Red Spring 13.3 | | (19.93) |
| Canada Western Red Spring 14.2 | 9.73 | 4.73 | 3 Canada Western Red Spring 13.2 | | (20.75) |
| Canada Western Red Spring 14.1 | 8.36 | 3.36 | 3 Canada Western Red Spring 13.1 | | (21.56) |
| Canada Western Red Spring 14.0 | 6.99 | 1.99 | 3 Canada Western Red Spring 13.0 | | (22.38) |
| Canada Western Red Spring 13.9 | 5.59 | 0.59 | 3 Canada Western Red Spring | | (23.20) |
| Canada Western Red Spring 13.8 | 4.19 | (0.81) | | | (24.02) |
| Canada Western Red Spring 13.7 | 2.80 | (2.20) | | | (24.84) |
| Canada Western Red Spring 13.6 | 1.40 | (3.60) | 4 Canada Western Red Spring | | (25.66) |
| Canada Western Red Spring 13.5 | 0.00 | (5.00) | | | (26.48) |
| Canada Western Red Spring 13.4 | (1.22) | (6.22) | 1 Canada Western Extra Strong Special 12.5 | | 0.00 |
| Canada Western Red Spring 13.3 | (2.44) | (7.44) | 1 Canada Western Extra Strong | | 0.00 |
| Canada Western Red Spring 13.2 | (3.66) | (8.66) | 1 Canada Western Extra Strong 12.5 | | 1.00 |
| Canada Western Red Spring 13.1 | (4.87) | (9.87) | 2 Canada Western Extra Strong Special 12.5 | | (6.00) |
| Canada Western Red Spring 13.0 | (6.09) | (11.09) | 2 Canada Western Extra Strong | | (6.00) |
| Canada Western Red Spring 12.9 | (7.31) | (12.31) | 2 Canada Western Extra Strong 12.5 | | (2.00) |
| Canada Western Red Spring 12.8 | (8.53) | (13.53) | | | |
| Canada Western Red Spring 12.7 | (9.75) | (14.75) | | | |
| Canada Western Red Spring 12.6 | (10.97) | (15.97) | | | |
| Canada Western Red Spring 12.5 | (12.19) | (17.19) | Canada Western Red Winter Select 14.0 | 25.15 | 19.15 |
| Canada Western Red Spring 12.4 | (13.06) | (18.06) | Canada Western Red Winter Select 13.9 | 24.67 | 18.67 |
| Canada Western Red Spring 12.3 | (13.94) | (18.94) | Canada Western Red Winter Select 13.8 | 24.19 | 18.19 |
| Canada Western Red Spring 12.2 | (14.82) | (19.82) | Canada Western Red Winter Select 13.7 | 23.70 | 17.70 |
| Canada Western Red Spring 12.1 | (15.69) | (20.69) | Canada Western Red Winter Select 13.6 | 23.22 | 17.22 |
| Canada Western Red Spring 12.0 | (16.57) | (21.57) | Canada Western Red Winter Select 13.5 | 22.74 | 16.74 |
| Canada Western Red Spring 11.9 | (17.45) | (22.45) | Canada Western Red Winter Select 13.4 | 22.25 | 16.25 |
| Canada Western Red Spring 11.8 | (18.32) | (23.32) | Canada Western Red Winter Select 13.3 | 21.77 | 15.77 |
| Canada Western Red Spring 11.7 | (19.20) | (24.20) | Canada Western Red Winter Select 13.2 | 21.29 | 15.29 |
| Canada Western Red Spring 11.6 | (20.08) | (25.08) | Canada Western Red Winter Select 13.1 | 20.80 | 14.80 |
| Canada Western Red Spring 11.5 | (20.95) | (25.95) | Canada Western Red Winter Select 13.0 | 20.32 | 14.32 |
| Canada Western Red Spring 11.4 | (21.47) | (26.47) | Canada Western Red Winter Select 12.9 | 19.84 | 13.84 |
| Canada Western Red Spring 11.3 | (21.98) | (26.98) | Canada Western Red Winter Select 12.8 | 19.35 | 13.35 |

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 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.

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



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

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.

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 must 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.