

### Administration fees

- Cancellation and reduction:  
\$15/transaction
- Deferral:  
\$25/transaction
- OSC Lock In:  
\$15/transaction



You can commit to an OSC over the phone with your **Producer Identification Number (ID)** and **Personal Identification Number (PIN)**

## What is it?

The Organic Spread Contract (OSC) for organic wheat and durum for the 2006-07 crop year is designed to facilitate direct marketing of organic grain. The program offers a one-stop combination contract that streamlines using the Producer Direct Sale (PDS) together with a CWB Daily Price Contract (DPC) payment option. The program also offers a spread contract for durum.

The PDS price is based on the value at which the CWB would be selling to U.S. end users. The DPC value is based on U.S. elevator cash markets. Since both these prices are cash prices based on the daily price for North American grain, when markets rise or fall, these prices will rise or fall together. Thus, the spread, or differences between these prices, will tend to be fairly stable. The OSC is also available for domestic sales and for overseas sales at values reflecting those markets.

## What advantages does it provide?

Your advantages with this program are price certainty and predictability. Once the OSC is priced, you know the full cost of the transaction without having to wait for additional CWB payments. Since the spread between the DPC price and the PDS price will remain fairly constant even though cash prices rise or fall, the price volatility involved in using the program will be minimal.

## Forms

CWB Web site	<a href="http://www.cwb.ca">www.cwb.ca</a> , <i>'Farmer contracts and payments'</i>
Fax on Demand	<b>1-800-275-4292 (telephone menu option #3)</b>
Telephone	<b>1-800-275-4292 (CWB business centre)</b>
Contact	<b>CWB Farm Business Representatives</b>
E-mail	<b>OrganicPDS@cwb.ca</b>

## Prices

Daily OSC prices are not available on the CWB Web site. If you require further pricing information please contact the CWB at 1-800-275-4292.

## How does it work?

You can sign up tonnage for the OSC on any business day, from June 1, 2006 to November 1, 2006 at 7:30 a.m. CT.. Unlike other pricing options, there is no minimum or maximum sign-up tonnage.

You also have the option of reducing unpriced tonnage committed to the program until November 1, 2006 at 7:30 a.m. CT. This provision allows you to reduce commitments in response to production shortfalls at a cost of \$15.00 per transaction.

The spread value can be booked for sales between August 1, 2006 and July 31, 2007. Once the Organic Spread Contract is booked, you must ship the grain within 60 days.

## To register for and execute Organic Spread Contracts:

- ensure you have a valid permit book and PIN number;
- call the CWB and commit tonnage by November 1, 2006 at 7:30 a.m. CT; reduce commitment as necessary by November 1;
- complete an "Organic Certification Declaration" form, and provide a copy of organic certification certificate by November 1;
- call the CWB to price the Organic Spread Contract;
- remit payment of the spread;
- apply for an Export Licence;
- submit shipment verification documentation.

**For more information** about the OSC, or to register tonnage after June 1, call the CWB at 1-800-275-4292.

### Example of the OSC at work:

On July 15, 2006, Producer Bob contacts the CWB to register 100 tonnes of CWRS organic wheat to the OSC program. When the wheat is harvested, he plans to pursue a marketing opportunity with a U.S. buyer and commits the majority of his anticipated production to the OSC program based on his average yields. He also takes into consideration the reduction option when making his initial tonnage commitment, knowing that he can adjust his OSC tonnage commitment to his actual production.

On December 1, 2006, Bob confirms his 100 tonne No. 1 CWRS 12.0 organic sale with his U.S. buyer and calls the CWB to lock in the OSC spread on his tonnage commitment.

The OSC spread value he locks in is \$5.00/mt. This reflects the PDS price value minus the DPC value. The U.S. PDS value is \$230.00 for No. 1 CWRS 12.0 on this day. The DPC value is \$225.00 per tonne (No. 1 CWRS 13.5 reference grade value of \$235.00 and cash spread discount of \$10.00 per tonne for No. 1 CWRS 12.0).

Summary of Bob’s OSC spread lock-in on December 1:

	Per tonne	Per bushel
<b>PDS</b> value for No. 1 CWRS 12.0	\$230.00	\$6.26
<b>DPC</b> value (reference adjusted by cash spread)	\$225.00	\$6.12
<b>OSC</b> spread lock-in	\$5.00	\$0.14

Bob’s net OSC payment to the CWB is therefore \$500 (\$5.00 OSC spread x 100 tonnes) plus administration fees (\$15.00 for the transaction) . Bob will be issued his export licence and can now deliver to his U.S. buyer.

## Export licence

The export licence will be sent to you (or your exporter) with the OSC pricing confirmation statement.

## Pricing damages and buyouts

The OSC requires 100 per cent delivery of the contract tonnage on each shipment. You are responsible for the spread on any tonnage shortfall or surplus. For cancellations on contracts, pricing damages will be assessed as the calculation of:

1. Fixed Price Contract price on the date of the buyout minus the DPC price; or
2. Futures price on the date of the buyout minus the futures on the date of the OSC spread lock-in, plus an administration fee of \$15 per transaction;

whichever is greater.

## Reporting and shipping period

You will have 60 days from the date of locking in the OSC spread to ship to your destination. The 60-day shipping period corresponds with the expiry date of the export license. You have 30 days from the shipment period expiry date to remit your final weight report. Along with the final weight report, you must provide one of the following documents to verify shipment, including the date, tonnage and protein level:

1. Organic transaction certificate from certifying body; or
2. Customs brokerage documentation; or
3. Statement(s) from buyer.