2006-07 Fixed Price Contract – Selected barley

FPC – Selected barley

What is it?

The Fixed Price Contract (FPC) is a pricing alternative that offers you a flat price for your selected barley (two-row or six-row). You can sign up for a fixed price for selected barley on any working day from February 27, 2006 to November 1, 2006 at 7:30 a.m. Central Time or until the 200 000 tonne program limit is reached.

The FPC is a pricing option for deliveries applied to your 2006-07 *Selected Barley Storage and Delivery Contracts.*

What alternatives does it provide?

The FPC values are market based allowing you to manage price risk as an alternative to the risk management provided by the CWB pool accounts. The FPC may provide opportunities for higher or lower returns than the CWB pool accounts, depending on market returns throughout the crop year. With the FPC you receive full payment from the CWB within 10 business days of delivery. The FPC can be incorporated into your marketing portfolio to manage returns on your selected barley.

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

Prices and forms

CWB Web site	www.cwb.ca, '***Farmer contracts and payments***'
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/grain companies**

How does it work?

When you sign an FPC, you choose the price that you will receive for your selected barley. Upon settlement, you receive the fixed price in two parts. You immediately receive the initial payment for the grade you delivered at the elevator. Within 10 business days of receiving settlement information, the CWB will send you an additional payment for the remainder of the FPC value.

Upon entering an FPC you:

- must commit a minimum of 20 tonnes for selection;
- can select the force majeure clause prior to May 1, 2006;
- must submit a sample and have your barley accepted under a CWB *Selected Barley Storage* and *Delivery Contract*;
- must ensure 100 per cent application of your deliveries against your FPC;
- advise the elevator agent that the delivery is to be applied for payment under your FPC;
- receive an incremental payment to compensate for deliveries later in the year;
- do not receive adjustments, interim and final payments from the CWB selected barley pool account.

Reference grade

The reference grade is **Standard Select** for the FPC selected barley program. Reference grades are used to post pricing information based on in store Vancouver or St. Lawrence. The reference grade is used as the base grade for your FPC. You will receive a premium or discount between the reference grade and the delivered grade based on the initial payment spreads at the time of delivery.

Note: The grade of Sample Account Fusarium **cannot** be applied against the selected barley FPC.

Sign-up

Phone
1-800-275-4292
Fax
1-204-983-8031

Incremental payment

Incremental payment values represent the time value of money and are listed on the daily pricing schedule. The incremental payment rates are established on the sign-up date and you are paid the rate associated with the month in which delivery takes place. The incremental payment reimburses you for deliveries made later in the year. The rates progressively increase each month from August to July.

Example

On May 27, 2006, the fixed price for the reference grade of Standard Select CW Two-Row is posted on the pricing schedule at $3.77 per bushel in store Vancouver or St. Lawrence.

John Smith signs an FPC for 10,000 bushels on this date. In August, John's barley crop yields 40,000 bushels. He submits a sample that grades Standard Select CW Two-Row, and is accepted under a CWB *Selected Barley Storage and Delivery Contract*.

The initial payment for Standard Select CW Two-Row is $2.60 per bushel. John delivers 10,000 bushels of Standard Select CW Two-Row barley in October, after being notified by the selector to deliver. John receives the initial payment net of freight and handling costs for his location ($2.60 - $1.15 = $1.45 per bushel).

Within 10 business days, the CWB issues a payment for $1.18 per bushel, representing the difference between his fixed price and the initial payment for the reference grade, plus the incremental payment value for October delivery ($3.77 - $2.60 + $0.01 = $1.18 per bushel). John's farmgate price for Standard Select CW Two-Row is $2.63 per bushel ($1.45+ $1.18). John will not receive any further CWB payments on these 10,000 bushels.

The FPC at work on your farm

	John's numbers		Your numbers
	Per bushel	Per tonne	
CWB initial payment for the **grade delivered**	$2.60	$119.42	
Freight and handling deductions at the elevator*	$1.15	$52.82	
Net initial payment	$1.45	$66.60	
FPC value for reference grade	$3.77	$173.15	
CWB initial payment for the **reference grade**	$2.60	$119.42	
Incremental payment	$0.01	$0.46	
CWB additional payment	$1.18	$54.19	
Farmgate price	$2.63	$120.79	

* Estimated deductions. These will vary by location.

What if your barley is not accepted for malt?

If your barley does not meet grade specifications, there are three alternatives for your FPC contract:

- Transfer the FPC for selected barley to an FPC for feed barley. You will receive the feed barley price that was available on the date the FPC for selected barley was locked in, less a cost based on the current market spreads.
- Transfer the FPC for selected barley to another farmer through an assignment process. The force majeure clause can not be assigned to another producer.
- Buy out the FPC selected barley contract. Buyout calculation as follows:
  {(Current futures + current basis + current adjustment factor) – (producer's locked in futures + producer's locked in basis + producer's locked in adjustment factor)}. If negative, equal to zero

  or

  (Current futures – producer's locked in futures). If negative, equal to zero

  plus $15 administration fee

  For further detailed calculations contact the CWB.

Values on the date the buyout is initiated will be used to calculate buyout cost.

Call the CWB at 1-800-275-4292 for more information on these alternatives.