BPC – Wheat

2007-08 Basis Payment Contract – Wheat

What is it?

The Basis Payment Contract (BPC) has been enhanced to provide producers the opportunity to lock in the futures one year in advance of harvest. You will have the opportunity to lock in the December 2007 futures from September 1, 2006 to November 1, 2007 at 7:30 a.m Central Time (CT). The basis lock-in period will be from February 26, 2007 to November 1, 2007 at 7:30 a.m. CT. The futures value is derived from the Minneapolis, Chicago and Kansas wheat markets. The BPC is a payment option for deliveries applied
to your 2007-08 CWB delivery contracts.

What alternatives does it provide?

The BPC program can be used as a marketing tool to help manage your returns on wheat. The BPC values are market based, allowing an alternative risk management strategy to the CWB pool accounts. The BPC may provide opportunities for higher or lower returns than the CWB pool account. Offering you the opportunity to lock in your futures earlier will assist you in budgeting and planning for next year's seeding intentions. You will be able to take advantage of future market rallies and increase your ability to lock in foreign exchange rates. You can take advantage of this program with a minimum tonnage commitment of only 20 tonnes versus using a futures contract where you must commit 136 tonnes or 5000 bushels.

You can commit to a BPC 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?

With the BPC, you choose the price that you will receive for your wheat. You can lock in your futures and basis separately. Upon settlement, you will receive your payment in two parts. You receive the initial payment for the grade you deliver at the elevator. The CWB will send you the additional payment within 10 business days of receipt of settlement information if your contract has been fully locked in. The additional payment cannot be issued until both the futures and basis are locked in.

Upon entering a BPC (futures only) you:

- must commit a minimum of 20 tonnes;
- can select the force majeure clause prior to May 1, 2007;
- must sign up a 2007-08 CWB delivery contract for delivery and settlement;
- advise the elevator agent that the delivery is to be applied for payment under your BPC;
- must ensure 100 per cent application of your deliveries against your BPC;
- receive an incremental payment to compensate for deliveries later in the year;
- do not receive adjustment, interim and final payments from the CWB wheat pool account.

Reference grades

Reference grades are used to post pricing information based on in store Vancouver or St. Lawrence for the BPC program. The reference grade is used as the base grade for your BPC. 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.

Wheat class	Reference grade	Futures contract
CWRS	No. 1 CWRS 13.5	Minneapolis Hard Red Spring
CWHWS	No. 1 CWHWS 13.5	Minneapolis Hard Red Spring
CWES	No. 1 CWES	Minneapolis Hard Red Spring
CWRW*	No. 1 CWRW Select 11.5	Kansas Hard Red Winter
CPSR	No. 1 CPSR	Kansas Hard Red Winter
CPSW	No. 1 CPSW	Kansas Hard Red Winter
CWSWS	No. 1 CWSWS	Chicago Soft Red Winter

* The reference grade for CWRW has changed in 2007-08 to better reflect quality relationships to the U.S. hard winter values.

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 you deliver. The incremental payment reimburses you for deliveries made later in the year. The rates progressively increase each month from August to July.

Example
On November 22, 2006, a producer decides the December 2007 Minneapolis Red Spring futures are trading at favorable values and locks in $215.00 per tonne or $5.85 per bushel using the BPC. The producer anticipates average basis levels and will lock in the CWRS basis prior to October 31, 2007. On October 21, 2007 the December 2007 basis is $20.00 per tonne or $0.54 per bushel and the producer locks in this value against the BPC. The producer establishes a price of $235.00 per tonne or $6.39 per bushel for the reference grade of No. 1 CWRS 13.5 in-store Vancouver or St. Lawrence. The producer takes into consideration deductions for freight and handling at their delivery location of $49.61 per tonne or $1.35 per bushel. The farm gate value of the BPC is $185.39 per tonne or $5.04 per bushel (futures only).

The BPC at work on your Farm

	$ per bushel	$ per tonne	Your Numbers
Futures lock in value November 22, 2006	$ 5.85	$215.00	
Basis lock in value October 21, 2007	$ 0.54	$ 20.00	
BPC price	$ 6.39	$235.00	
Freight and handling	$ 1.35	$ 49.61	
Farmgate value	$ 5.04	$185.39	

* Estimated deductions. These will vary by location.

Transfer or Buyout

If you wish to transfer or buy out your BPC for wheat, call the CWB at 1-800-275-4292.

1. You can transfer the outstanding tonnes of your contract to another producer who is willing to assume the terms and conditions of the contract. There is a $15 transaction fee to transfer a contract. This fee is charged to the assignor (original contract holder). The force majeure clause of a contract cannot be assigned. Please call the CWB to inquire about transfer opportunitites.

2. You can buy out the outstanding tonnes on the contract based on the current market factors. The formula by which the buy out price is calculated is equal to the greater of:

   {(Current futures + current adjustment factor + current basis) – (producer's locked in futures + producer's locked in adjustment factor + producer's locked in basis)}. If negative, equal to zero

   or

   (Current futures – producer's locked in futures). If negative, equal to zero plus $15 administration fee

   *Note: Buyouts between September 1, 2006 and February 26, 2007 will be based on the change in futures positions, as the basis and adjustment factor will be zero during this time period.

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

3. In the event of production loss resulting from a force majeure event. You can invoke the force majeure clause if you selected that option upon sign-up.