

What is it?

The Early Payment Option (EPO) for selected barley is a pricing alternative that offers increased cash flow after delivery and a floor price for your selected barley. The EPO provides greater price certainty for selected barley, based on an Early Payment Value (EPV) determined as a percentage of the Pool Return Outlook (PRO). EPV levels of 80, 90 and 100 per cent are available, each with a corresponding discount. The discount represents the cost of CWB risk management, administration and financing earlier payment. The sign-up period is from August 1, 2006 to July 31, 2007.

The EPV is gradually withdrawn when CWB initial payments increase, approach or exceed 80, 90 and 100 per cent of the PRO. The EPO is less valuable as a cash flow tool when initial payments increase.

What alternatives does it provide?

- A tool for increasing cash flow and managing returns for your selected barley.
- Provides quick access to cash flow, 10 days after receiving your initial payment
- Allows you to set a floor price for your selected barley.
- Returns that are comparable to CWB pool returns, less the cost of the “EPV discount”

Prices and forms

CWB Web site	www.cwb.ca	
Fax on Demand	1-800-275-4292	*Menu option 3
Telephone	1-800-275-4292	*PIN required for sign up
Fax	1-204-983-8031	
Contact	CWB Farm Business Representatives	
Visit	CWB handling agents/Grain companies	

How does it work?

When signing an EPO for selected barley, you select an EPV equal to 80, 90 or 100 per cent of the Standard Select PRO. Upon settlement, you receive the EPV in two parts. You immediately receive the initial payment for the grade you delivered to the elevator and within 10 business days of receiving settlement information, the CWB sends you an additional payment for the remainder of the EPV.

Sign-up & pricing

Lock in an EPV and discount (for risk, administration and time value of money) on a minimum of 20 tonnes, by phone or fax.

Delivery

Deliver selected barley – equal to 100 per cent of your EPO tonnes **and** at least 90 per cent of the tonnes on your CWB *Selected Barley Storage and Delivery Contract*.

Your selected barley delivery will be applied against the EPO, using a “first-in-first-applied” basis.

Payment

Receive an EPV additional payment, plus incremental payments (to compensate for deliveries later in the year) and adjustment, interim and final payments, if they exceed your EPV.

Reference grade - Standard Select

The reference grade is used to post pricing information based on in store Vancouver or St. Lawrence PRO values for the EPO program, and is used as the base grade for the pricing contract. You receive a premium or discount between the reference grade and the delivered grade based on the initial payment spreads at the time of delivery. **The reference grades for the Selected Barley EPO are Standard Select Two-Row and Standard Select Six-Row.**

Incremental payment

Incremental payment values are listed on the daily pricing schedule and represent your time value of money. The value of this payment is set at the time of contract sign-up and is based on the month of delivery. The incremental payment offsets a portion of the time value of money in the EPV discount. Incremental payment rates progressively increase each month of the crop year.



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



On October 28, 2006 the CWB publishes the Standard Select Two-Row PRO at \$3.83 per bushel in store. John Smith has harvested 40,000 bushels of Two-Row selected barley and decides to commit to an EPO contract, after receiving confirmation of selection on this quantity.

On November 8, 2006, he signs a 90 per cent EPO contract for 10,000 bushels of selected barley, locking in an EPV of \$3.45 per bushel and discount of \$0.09, giving him a net EPV of \$3.36 per bushel. He also commits an additional 10,000 bushels on this date, deciding to pre-price a portion of his production with the EPO, based on the results of his first sample. He later submits a second sample of selected barley, and has it accepted under a CWB *Selected Barley Storage and Delivery Contract*.

Having negotiated a “set” delivery period on his *Selected Barley Storage and Delivery Contract*, John delivers the first 10,000 bushels of Standard Select Two-Row in December. He receives the initial payment net of freight and handling costs for his location. ($\$2.79 - \$1.30 = \$1.49$ per bushel).

Within 10 business days, the CWB issues an additional payment for \$0.58 per bushel, representing the difference between the initial payment for the reference grade (Standard Select CW Two-Row) and his net EPV, plus the incremental payment ($\$3.36 - \$2.79 + \$0.01$) value for delivery in December.

The EPO at work on your farm

	John's numbers		Your numbers
	Per bushel	Per tonne	
CWB October PRO	\$3.83	\$176.00	
Early payment value (90% of PRO)	\$3.45	\$158.46	
Less discount	\$0.09	\$ 4.13	
Net EPV price	\$3.36	\$154.32	
CWB initial payment for the grade delivered	\$2.79	\$128.14	
Freight and handling deductions at the elevator*	\$1.30	\$ 59.71	
Net initial payment	\$1.49	\$ 68.44	
Net EPV price	\$3.36	\$154.32	
Less initial payment for the reference grade	\$2.79	\$128.14	
Plus incremental payment	\$0.01	\$ 0.46	
CWB additional payment	\$0.58	\$ 26.64	
Farmgate price or floor price (net of freight and handling)	\$2.07	\$ 95.07	

* Estimated deductions. Cost will vary by location.

The farmgate price represents John's net floor price. John will receive future CWB payments if the initial payment for the grade delivered increases above his total gross payments to date. In this example, he will receive future payments if CWB pool payments for Standard Select Two Row increase above \$3.45 per bushel ($\$2.79 + \$0.58 + \$0.09 - 0.01$), in store.

Assignment, transfer or buyout

If you cannot fulfill your EPO contract, contact the CWB at 1-800-275-4292 about the following options:

- Assigning the outstanding tonnes of the Selected Barley EPO to another producer willing to assume the terms and conditions of the contract. The administration fee for assigning a contract is \$15.00.
- Buying out the outstanding tonnes on your EPO. The buyout rate equals the discount per tonne at time of sign-up, less the time value of money, plus an administration fee of \$15 per transaction.
- If your barley is selected but later rejected, you have the option to transfer the outstanding tonnes to an EPO for feed barley. You will receive the EPV for feed barley that was in effect at the time you locked in the EPV for selected barley. (The CWB will charge the cost of the opportunity to transfer, as determined by the current market spread.)

EPO transfer fee formula

{(original discount of the existing EPO - current discount of the existing EPO) + (current discount of the transfer class - original discount of the transfer class)}. If negative, then \$0. Plus applicable roll fee and \$15 per transaction administration fee. The roll fee is \$1.00 per tonne for 100 per cent, \$0.50 per tonne for 90 per cent, and \$0.25 per tonne for 80 per cent EPV transfers.

For further information regarding these transfer or buyout options, please contact the CWB at 1-800-275-4292.

