

## What is it?

The Early Payment Option (EPO) for feed barley is a pricing alternative that offers increased cash flow after delivery and a floor price for your feed barley. The EPO provides greater price certainty 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The Feed Barley EPV is gradually withdrawn when CWB initial payments for each pool period increase, approach or exceed 80, 90 and 100 per cent of the PRO. The EPO is less valuable as a cashflow tool when initial payments increase.

## What alternatives does it provide?

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



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

## Prices and forms

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

## How does it work?

At sign-up, you select an Early Payment Value (EPV) equal to 80, 90 or 100 per cent of the PRO. Upon settlement, 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 feed barley – equal to 100 per cent of your EPO tonnes and at least 90 per cent of the tonnes offered on your Guaranteed Delivery Contract (GDC).

Provide your six-digit EPO contract number to your elevator agent, who will report it on the initial payment settlement.

### Payment

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

## Reference grade - No. 1 CW Barley

The reference grade is used to post pricing information based on in store Vancouver or St. Lawrence values, and is used as the base grade for the pricing contract. 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. **The reference grade for the Feed Barley EPO is No. 1 CW feed barley.**

## 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.



**New**

PPO contracts must be signed on separate forms from the GDC's.

### Example

On August 26, 2006 the CWB publishes the No. 1 CW feed barley PRO at \$2.53 per bushel in store. The following day John signs up a GDC under Pool Period A, Offer No. 1 for 10,000 bushels. The same day John commits the 10,000 bushels to feed barley EPO contract, selecting the 90 per cent EPV to provide him with increased cash flow following delivery. John locks in \$2.27 per bushel in store. With a discount of \$0.07, John gets a net EPV of \$2.20 per bushel.

On October 10, 2006 the CWB issues a letter of authorization to deliver the entire contract before October 31, 2006. John delivers 10,000 bushels of No. 1 CW barley on October 18, 2006 and receives the initial payment net of freight and handling costs for his location (\$1.83 - \$1.30 = \$0.53 per bushel).

Within 10 business days, the CWB sends John an additional payment for \$0.38 per bushel, representing the difference between the initial payment for the reference grade (No. 1 CW barley) and his net EPV, plus the incremental payment value for delivery in October.

The initial payment for the reference grade (No.1 CW barley) is \$1.83 per bushel. His net EPV is \$2.20 per bushel, and the October incremental is \$0.01. John therefore receives an EPO additional payment of \$0.38 per bushel ( \$2.20 - \$1.83 + \$0.01 = \$0.38) .

## The EPO at work on your farm

	John's numbers		Your numbers
	Per bushel	Per tonne	
CWB August PRO	\$2.53	\$116.00	
Early payment value (90% of PRO)	\$2.27	\$104.26	
Less discount	\$0.07	\$ 3.22	
Net EPV price	\$2.20	\$101.05	
CWB initial payment for the grade delivered	\$1.83	\$ 84.05	
Freight and handling deductions at the elevator*	\$1.30	\$ 59.71	
Net initial payment	\$0.53	\$ 24.34	
Net EPV price	\$2.20	\$101.05	
Less initial payment for the reference grade	\$1.83	\$ 84.05	
Plus incremental payment	\$0.01	\$ 0.46	
CWB additional payment	\$0.38	\$ 17.45	
Farmgate price or floor price (net of freight and handling)	\$0.91	\$ 41.80	

\* 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 Period A payments for No. 1 CW barley increase above \$2.27 per bushel (\$1.83 + \$0.38 + \$0.07 - 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 your feed barley EPO to another producer willing to assume the terms and conditions of the contract. The administration fee is \$15.00 per transaction.
- 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.
- You can transfer your feed barley EPO to a selected barley EPO contract. You will receive the EPV for selected barley that was in effect at the time you locked in your EPV for feed barley. (The CWB will charge the cost of 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.