2006-07 Basis Payment Contract – Selected Barley

BPC – Selected Barley

What is it?

The selected barley Basis Payment Contract (BPC) is being offered as a full scale program for the 2006-07 crop year with a cap of 50 000 tonnes. The program is available to all producers regardless of the selecting party. Using the reference grades of Standard Select Two-Row and Six-Row, an in store Vancouver or St. Lawrence basis will be provided at a spread to the domestic feed barley market. The BPC is priced off the Winnipeg Western Barley futures market.

What alternatives does it provide?

This program will provide you with increased pricing flexibility that follows the domestic feed barley market cycles and lets you take advantage of market rallies that may occur during the crop year.

The BPC values are market based, allowing you to manage price risk as an alternative to the risk management provided by the CWB pool accounts. The BPC may provide opportunities for higher or lower returns than the CWB pool accounts, depending on market returns throughout the crop year. Once you have locked in both the basis and futures, you receive full payment within 10 business days of delivery. If you choose to lock in the futures after making delivery, you receive your additional payment within 10 business days of locking in your futures. The BPC can be incorporated into your marketing portfolio to manage returns on your selected barley.

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?

When you sign a BPC, you choose the price that you will receive for your selected barley. Upon settlement, you will receive your payment in two parts. You immediately receive the initial payment for the grade you deliver. Within 10 business days of receiving the settlement information, the CWB sends you an additional payment for the remainder, if your contract is fully locked in. The CWB will not issue this payment until you lock in both the basis and the futures components.

Upon entering a BPC you:

- must commit a minimum of 20 tonnes for selection;
- can select the force majeure clause prior to May 1, 2006;
- submit a sample of your barley for selection and have your barley accepted under a CWB *Selected Barley Storage* and *Delivery Contract* for direct delivery;
- must ensure 100 per cent application of your deliveries against your BPC;
- advise the elevator agent that the delivery is to be applied for payment under 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 pool account.

Reference grades

The reference grade is **Standard Select** for the FPC selected barley program.

Sign-up

Phone
1-800-275-4292

Fax
1-204-983-8031

Reference grades are used to post pricing and contract sign-up values based on an in store Vancouver or St. Lawrence basis for the program. When you are making a tonnage commitment, the reference grade is used as the base grade for the BPC.

Special Select and Select grades can be applied against the BPC, and you will receive a premium based on the initial price spread between these grades and Standard Select at the time of delivery. Sample Select Fusarium is not eligible to be applied against the BPC for selected barley.

CWB

BPC – Selected Barley

Important Dates and Conditions

You can sign a BPC for your barley on any working day from February 27, 2006 until November 1, 2006 at 7:30 a.m. Central Time. However, this program is capped at 50 000 tonnes, and the CWB may terminate the program when this limit is reached.

Pricing

All values will be posted as in store Vancouver or St. Lawrence in Canadian dollars per tonne. As a result, the two-row and six-row basis will be at a premium to the underlying Western Barley futures. To arrive at a farm-gate price, farmers will need to subtract their rail freight and handling costs from their contract price.

Selected barley BPC value = Selected barley basis + futures

The following example is used to illustrate how the CWB in store values are converted to an equivalent farm-gate price.

Futures	$ 123.00
+ Basis	50.00
FPC	$ 173.00
- Back off	51.00
to farmgate	$ 122.00
= Domestic premium over feed	**$ 15.00**

Example

On September 15, 2006, the Winnipeg Commodity Exchange (WCE) December 2006 barley futures settled at $123.00 per tonne. The current non-board feed barley cash basis, delivered into Alix, AB is trading at $16.00 under, resulting in a non-board feed barley cash price of $107.00 per tonne at that location. On the same day, the CWB two-row basis is posted at $50.00 per tonne over the WCE December 2006 barley futures. If you delivered to a maltster in Alix, AB and locked in both the basis and futures on this date, you would realize a BPC value of $173.00 per tonne ($50 + $123) in store Vancouver or St. Lawrence. Assuming rail freight and handling from Alix, AB to Vancouver is $51.00 per tonne, you would net a farmgate price of $122.00 per tonne, a $15.00 per tonne premium over the domestic feed barley price.

(for illustration only)

What if your barley is not accepted for malt?

(Transfer or Buyout)

If your barley is not accepted for malt or accepted and then rejected at a later date, there are three alternatives for your BPC contract:

- You can buy out the outstanding tonnes on your BPC. (See pricing damages below)
- You can assign the outstanding tonnes of your contract to another farmer who is willing to assume the terms and conditions of the contract. The force majeure clause can not be assigned to another producer. The cost to transfer a contract is $15.00 per transaction and is charged to the account of the assignor (original contract holder).
- You can transfer your selected barley BPC to a feed barley FPC. The CWB will charge a transfer cost as determined by the current market spreads.

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

Pricing damages

Farmers are required to deliver 100 per cent of their BPC commitment. When entering into a BPC for selected barley, please take all factors into consideration (crop failure, reduced yields.) Any delivery shortfalls will be subject to pricing damages, based on the following calculation:

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

{(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.

For Basis Contract Month Expiry Dates, please see Rollover reference sheet.