

Target pricing

The target pricing service lets producers place price lock-in orders for their fixed price, basis or futures prices. The service is available for Basis Payment Contract (BPC) and Fixed Price Contract (FPC) for wheat, FPC for durum, FPC for feed barley and FPC and BPC for selected barley programs. Producers indicate to the CWB the target price at which they want their contract locked in, the class or type of grain, tonnage and the time period over which the order is to stand.

The CWB monitors prices daily. If a minimum of the daily settlement price (released every business day at 2:30 p.m. Central Time) reaches or exceeds the target price, the order will be filled. Target orders are matched to the daily settlement values, and not to intra-day trading values. If the settlement price exceeds the target price, the producer will receive a contract for the higher settlement value. The service is free of charge and orders may be cancelled at any time **before they are filled**. Orders may be placed at any time during the sign-up period for the related program for BPCs that have the basis value locked in. Futures price orders can be placed until the basis contract month expiry date for the corresponding futures month. Producers can place a target price order by calling the CWB at 1800-275-4292 between 7:00 a.m. and 6:00 p.m. Central Time, Monday to Friday or faxing in a form available on the CWB Web site or through Fax on Demand, (service available 24 hours a day).

There is no fee for target pricing a BPC or FPC with the CWB.

Futures target pricing example

On May 10 a producer locks in a 200 tonne CWRS December basis at \$23.65 per tonne over the Minneapolis futures. The producer has budgeted for a total BPC value of \$200 and realizes that he or she will need a futures value of \$176.35 CDN per tonne to accomplish this. On May 15, the producer completes a target pricing application form, indicating they want a December futures value of \$176.35 CDN per tonne for this specific contract, and indicate that he or she has set the time period to last until basis contract month expiry date of November 29, 2006. The producer will receive a letter confirming the target order has been entered, and another letter when and if the target price has been filled. Target pricing allows the producer to participate in possible futures market rallies without having to watch daily market conditions.

An example of **how to complete the Target Pricing Application** related to this illustration is on the reverse.

	May 10	May 15	July 17
Producer locks in Dec CWRS Basis upon BPC sign-up:	\$23.65		\$23.65
Producer places target order for Dec CWRS:		\$176.35	
Target price reached July 17, futures market closes at \$177.10.			<u>\$177.10</u>
Producer's BPC becomes fully priced as of July 17.			\$200.75

FPC/BPC sign up deadline is November 1, 2006 at 7:30 a.m. C.T.

Basis contract month expiry dates



Futures month	Expiry date	Last opportunity to lock in futures
December 2006	November 29, 2006	7:30 a.m. November 30, 2006
March 2007	February 27, 2007	7:30 a.m. February 28, 2007
May 2007	April 26, 2007	7:30 a.m. April 30, 2007
July 2007	June 28, 2007	7:30 a.m. June 29, 2007

