2007-08

Fixed Price and Basis Payment Contracts

for wheat, durum and barley

PPO

Producer Payment Options

CWB

Table of contents

Producer Payment Options

The CWB introduced Producer Payment Option (PPO) programs in the 2000-01 crop year, following extensive consultations with producers. The CWB continues to improve the scope and type of programs available (see enhancements for the 2007-08 crop year below). PPOs provide pricing flexibility and alternative payment options to the CWB pool accounts while maintaining the integrity of the price pooling system. PPOs are pricing tools that can be incorporated into producers' marketing portfolios to manage returns on their crops. Combined with price pooling and single desk selling, they can be used to maintain a balanced marketing strategy.

PPOs can improve producers' ability to budget for crop rotations and returns and produce better cash flow by providing earlier payment on grain deliveries. PPOs also give producers the ability to react to market signals, allowing them to take advantage of market rallies during the crop year and potentially generate higher revenue than the CWB pool accounts. However, producers should be mindful that PPOs may also produce lower returns than the pool accounts, depending on market returns. Programs based on commodity markets can be particularly volatile.

The programs are specifically designed to have no adverse impact on the pool accounts, grain delivery or single desk sales. The cost of administering the programs is borne entirely by program participants. Gains or losses in hedging activities flow through a contingency fund* that backstops each program.

***The contingency fund can be in a surplus or deficit position in any given crop year. Financial details for the contingency fund are contained in the CWB Annual Report. Risk management practices must keep the contingency fund sustainable over the long term. The CWB manages the price risk associated with the programs using futures markets and CWB sales throughout the crop year.**

2007-08 crop year enhancements

Introduction of a Basis Payment Contract (BPC) for feed barley

The CWB is offering a BPC for feed barley similar to the programs currently available for wheat and selected barley. Separate pricing alternatives will be offered for delivery into Pool A and Pool B. Producers cannot transfer between the pools for settlement.

Expanded Fixed Price Contract (FPC) pricing option for feed barley

To provide producers with greater flexibility, the CWB is adding a feed barley FPC value for Pool B delivery.

Simplified barley quality transfer clause

Producers wanting to transfer between a feed and malting barley BPC or FPC will retain the original futures value and receive the basis in effect on the date the clause is invoked. In the case of a BPC with futures only, the contract will simply be converted and the producer has until the sign-up deadline to lock in the basis. This clause is limited to Pool A for feed to selected barley quality transfers and it must be invoked on or before January 31, 2008. A $15 per transaction administration fee will be charged for the transfer.

Increased tonnage limit for the force majeure program

The tonnage limit for the force majeure program will be raised to 200 000 tonnes from 100 000 for all programs in 2006-07.

Basis Payment Contract and Fixed Price Contract overview

The Basis Payment Contract (BPC) is comprised of three components: the futures, basis and the late sign-up adjustment factor. The late sign-up adjustment factor is always locked in at contract sign-up. Either the futures or the basis must also be locked in at sign-up and the other at a later date. The BPC is available on wheat, selected barley and feed barley.

The Fixed Price Contract (FPC) is a pricing alternative that offers a flat price on wheat, durum, feed and selected barley. For wheat and barley, the flat price is comprised of the same three components as the BPC, the difference being that they are all locked in at sign-up. The fixed price for durum is calculated using current market indicators because there is no associated futures market.

The CWB uses the relevant futures markets for price establishment and hedging activities for the FPC and BPC programs. The relationship between the Pool Return Outlook (PRO) and the futures market is used to determine the basis. Reference grades are used to post pricing information and contract sign-up values. They are based on an in store Vancouver or St. Lawrence basis.

BPCs and FPCs are pricing contracts only and carry no delivery terms.

Reference grades and relevant futures contracts for CWB PPO programs:

Wheat	**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
CPSR	No. 1 CPSR	Kansas Hard Red Winter
CPSW	No. 1 CPSW	Kansas Hard Red Winter
CWRW	No. 1 CWRW Select 11.5 %*	Kansas Hard Red Winter
CWSWS	No. 1 CWSWS	Chicago Soft Red Winter
Barley		
Selected two-row	Standard Select	Winnipeg Western Barley
Selected six-row	Standard Select	Winnipeg Western Barley
Feed barley	No. 1 CW	Winnipeg Western Barley
Durum		
CWAD	No. 1 CWAD 13.0 %	No associated futures market

***For 2007-08,the reference grade has changed. Previously it was No. 1 CWRW**.

The reference grade posted by the CWB is used as the base grade for the pricing contract. On delivery, the producer receives the initial payment for the actual grade delivered, so any premium or discount to the reference grade is accounted for at that time. An additional payment, equal to the contract price less the CWB's posted reference grade initial price, will be issued by the CWB within 10 business days of receipt of the cash ticket in the case of FPCs. Additional payments on BPCs are not made until the full contract value (basis and futures) has been priced. Producers who choose an FPC or BPC are not eligible for adjustment, interim or final payments from the pool account.

BPCs and FPCs are pricing, not delivery contracts. All deliveries, whether to a pool account or a PPO, must have an associated CWB delivery contract. Producers must deliver 100 per cent of the tonnage committed to PPOs to offset hedges in the futures market, as opposed to 90 per cent required under delivery contracts.

Important dates

Sign-up periods

Program	Sign-up begins	Sign-up deadline
Wheat		
BPC December 2007 futures only	September 1, 2006	7:30 a.m. CT November 1, 2007
BPC December 2007 basis and March 2008 basis and futures	February 26, 2007	7:30 a.m. CT November 1, 2007
BPC May and July 2008 basis and futures	August 1, 2007	7:30 a.m. CT November 1, 2007
Fixed Price Contract	February 26, 2007	7:30 a.m. CT November 1, 2007
Durum		
Fixed Price Contract	February 26, 2007	7:30 a.m. CT November 1, 2007
Selected Barley		
Basis Payment Contract – December 2007 basis and futures	February 26, 2007	7:30 a.m. CT November 1, 2007
Basis Payment Contract – March, May and July 2008 basis and futures	August 1, 2007	7:30 a.m. CT November 1, 2007
Fixed Price Contract	February 26, 2007	7:30 a.m. CT November 1, 2007
Feed Barley		
Feed Barley Basis Payment Contract (Pool A) – December 2007 basis and futures	February 26, 2007	7:30 a.m. CT November 1, 2007
Basis Payment Contract (Pool A) – March 2008 basis and futures	August 1, 2007	7:30 a.m. CT November 1, 2007
Basis Payment Contract (Pool B) – March, May and July 2008 basis and futures	November 1, 2007	7:30 a.m. CT February 29, 2008
Fixed Price Contract (Pool A)	February 26, 2007	7:30 a.m. CT November 1, 2007
Fixed Price Contract (Pool B)	November 1, 2007	7:30 a.m. CT February 29, 2008

The CWB reserves the right to withdraw these programs at any time, without notice, subject to market conditions.

Force majeure sign-up deadline

Producers may select the force majeure option on a BPC or FPC until May 1, 2007 at 7:30 a.m. CT or until the limit of 200 000 tonnes has been reached.

BPC basis lock-in deadlines

Producers who lock in the futures price when signing a BPC must price the basis component by November 1, 2007 at 7:30 a.m. CT. If the basis has not been locked in, it will be locked in automatically by the CWB at the price posted for that date.

BPC contract holders who price the basis component on sign-up must lock in the futures component of their contract before the futures month expiry date, listed below. Otherwise, the CWB will automatically lock in the posted futures value on the expiry date. If producers want to lock in their futures at a date beyond their basis month expiry date, they may choose to roll their existing basis to a later month. This can only be done prior to the expiry date.

BPC futures month expiry dates

Futures month	Futures expiry dates
December 2007	7:30 a.m. CT November 30, 2007
March 2008 - Pool A feed barley only	7:30 a.m. CT February 1, 2008
March 2008	7:30 a.m. CT February 29, 2008
May 2008	7:30 a.m. CT April 30, 2008
July 2008	7:30 a.m. CT June 30, 2008

PRO release dates

The PRO is released on the fourth Thursday of the month. It is an estimate, based on the best available information at the time of release, of the value of CWB sales at export position (in store St. Lawrence or Vancouver) for the crop year. If market conditions warrant, the PRO can be released before the standard release dates. Release dates for the 2007-08 crop year are as follows:

PRO month	Release date
February	February 22, 2007
March	March 22, 2007
April	April 26, 2007
May	May 24, 20007
June	June 28, 2007
July	July 26, 2007
August	August 23, 2007
September	September 27, 2007
October	October 25, 2007

Where to find BPC and FPC program information

BPC and FPC program information can be found on the CWB Web site under "Farmers-Producer Payment Options", by phoning a CWB Business Centre Representative (BCR), through fax on demand or by contacting your local Farm Business Representative (FBR).

Web site

Program details, pricing information and forms can be found in the Producer Payment Options section of the CWB Web site.

To execute a transaction, download a form, fill it out and fax the form to 1-204-983-8031.

Assignment and buyout forms are not posted on the Web site. Please call a BCR at 1-800-275-4292 for assignment and buyout information.

BCRs

All transactions related to the BPC and FPC programs can be executed by phoning the CWB and providing a producer identification (ID) number and personal identification number (PIN).

BCRs can be reached by phone between 7:00 a.m. and 6:00 p.m. CT by calling 1-800-275-4292. Voice mail is available during non-business hours. Transactions will be conducted from voice mail messages if producer ID and PIN numbers are given.

FBRs

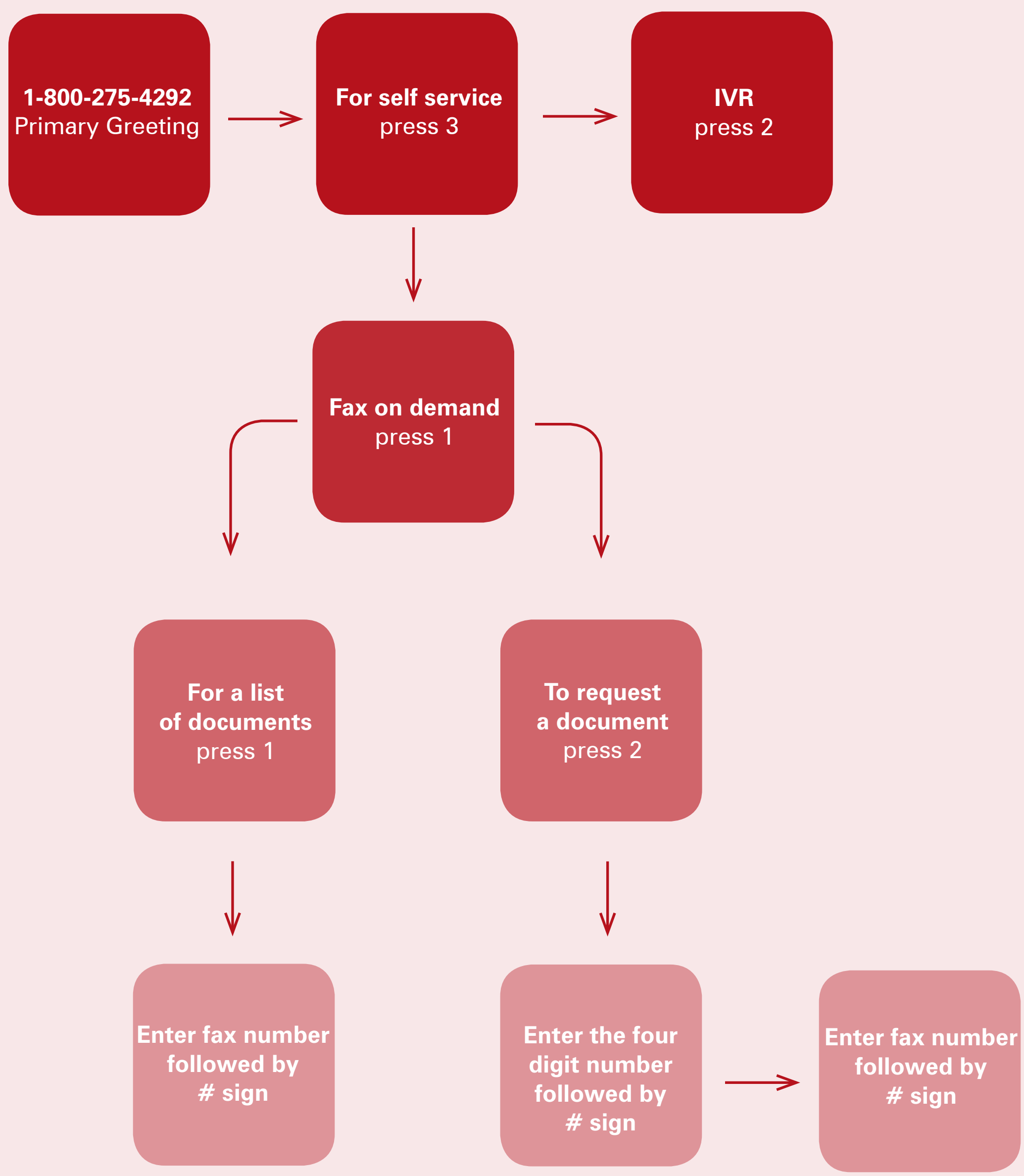
FBR contact information can be found on the CWB Web site under "About us - Our People".

Fax on demand

Prices and forms can be obtained through the Fax on demand service which is available 24 hours a day. To access Fax on demand, call 1-800-275-4292 and follow the Interactive Voice Response System (IVR).

A fax on demand listing can also be found on the CWB Web site under “Library-Publications-Farmers”.

Interactive Voice Response system



Basis Payment and Fixed Price Contract Details

Basis Payment Contract

The CWB offers producers the opportunity to fix a basis on their milling wheat, feed barley or selected barley against the related futures contract. The CWB basis is referred to as "pooled" because it is an average basis calculated from a forecast of the basis on all CWB pooled sales for the crop year. Therefore, the CWB basis offered to producers typically varies substantially, in either direction, from daily cash basis levels offered to end users.

The CWB PRO for the reference grade is the starting point for the basis calculation. The CWB deducts the forecasted average futures value for the crop year and a discount for risk, time value of money and administration costs to determine the average projected pool basis. The basis is recalculated each time the PRO is released and may be recalculated between PROs if market conditions warrant.

The CWB uses a flat price structure across all futures months to calculate the basis, which means that the futures price added to the related basis will be equal regardless whether the futures contract month is for nearby or deferred delivery. The CWB basis is quoted in store St. Lawrence or Vancouver. Freight must be deducted to determine the country basis at the producer's delivery location.

As a comparison with canola, the merchandiser offering the cash basis adjusts the basis level higher or lower, to attract or discourage deliveries. The basis is a spot or cash value directly associated with a particular delivery point and specific futures contract month, adjusted for quality, various elevator handling charges and margin. This spot basis includes a freight differential based on the physical delivery location versus the futures delivery region.

CWB vs. non-Board basis

CWB	**Non-Board**
Based on a forecast of the average basis in the crop year	Based on a spot or cash value directly associated with the futures contract
Quoted at export position	Quoted basis country delivery location
Flat priced across all futures months	Adjusted higher or lower to encourage or discourage delivery
Relatively stable	May be extremely volatile

BPC components

There are three components that determine the price of a BPC: the futures value, the basis value and the late sign-up adjustment factor. They are posted daily on the CWB Web site under "Farmers-Producer Payment Options". Producers may lock in either the futures value or the basis component on sign-up and price the other at a later date. The late sign-up adjustment factor reflects the difference between the average futures and foreign exchange on sales and current futures. It is always applied at contract sign-up.

Futures value

Futures settlement prices from the Winnipeg, Kansas, Chicago, and Minneapolis exchanges are used, depending on grain and class. U.S. prices are quoted in Canadian dollars per tonne, calculated using the forward Bank of Canada foreign exchange rate.

Basis

There are three components used to calculate the basis: the monthly CWB PRO, the CWB's forecasted futures, and a discount for the time value of money, risk and administration cost:

Basis = (CWB PRO - CWB forecasted futures) - discount

PRO

Forecast of the average export sales price for the crop year.

Forecasted futures

The anticipated average futures value at which pooled sales are made during the crop year.

Discount

The discount is the cost to the producer to sign a BPC and is comprised of three parts:

1. Time value of money – represents the cost in lost interest of financing earlier payments to producers. However, producers recover this discount on a pro-rated basis according to the actual month of delivery. (See incremental payment page 33).
2. Risk – this discount is taken to offset the risk the CWB is assuming by offering a basis that may not reflect the actual average sales basis at the end of the crop year.
3. Administration – covers the costs of administering the program.

The CWB pays producers an incremental payment for deliveries later in the crop year. It is a refund of the time value of money portion of the discount that was charged to the producer but not incurred by the CWB.

The basis is determined using the December futures month. The basis for March, May and July months are calculated from the December on a flat price basis. That is, the sum of the futures price and the basis is the same for all futures months. Therefore day-to-day variations caused by futures market activity will be reflected in the deferred months.

The basis is calculated on the monthly PRO release date and remains constant between PRO dates. If the markets become volatile between PRO releases, the basis will be adjusted to reflect the additional risk to the CWB of executing a balanced hedge for the program and a revised PRO will be issued.

Late sign-up adjustment factor

The late sign-up adjustment factor is the cost of committing tonnage to the BPC and FPC programs after August 1, when the CWB starts recording sales and begins buying futures as part of its risk management strategy. The late sign-up adjustment factor offsets the gain or loss on long positions that would otherwise be absorbed by the BPC and FPC hedging program by passing it back to program participants. It is designed to provide later sign-up into the fall once production is known, while ensuring the integrity of the pool accounts. It is calculated as follows:

Late sign-up adjustment factor = (average futures on CWB sales* to date – current futures*) x percentage of pool sold

*** Includes adjustment for foreign exchange.**

The CWB hedges the BPC and FPC program throughout the crop year, buying futures based on the percentage of the pool that has been sold. Tonnage committed to the BPC and FPC program after August 1 is essentially bought out of the pool accounts based on the relationship between the average futures on sales, the current futures values and the percentage of the pool sold.

Example

If the average futures value on CWB sales is $200 per tonne and the current futures price is $195 per tonne, there would be a gain of $5 per tonne on the futures position. Assuming the pool account is 30 per cent sold, the late sign-up adjustment factor would be a premium of $1.50 per tonne.

Late sign-up adjustment factor = (Average futures on CWB sales* to date – current futures*) x percentage of pool sold

($200 - $195) x 30% = $1.50 per tonne

If the current futures are lower than the average futures value on sales, the late sign-up adjustment factor will be a premium to reflect the lower cost to the hedging program of buying futures at the current market value rather than earlier. Conversely, if the current futures are higher than the average CWB futures position, the late sign-up adjustment factor will be a discount.

The late sign-up adjustment factor becomes more volatile as the crop year progresses and more sales are made. For instance if the pool was 70 per cent sold in the above example, the late sign-up adjustment factor would be $3.50 per tonne rather than $1.50. [($200 - $195) x 70 per cent = $3.50 per tonne].

BPC sign-up options

The late sign-up adjustment factor is always applied on the date of contract commitment. However, the basis and futures components of the BPC can be committed in two ways:

1. Lock in the basis level at sign up and then price the futures before the basis contract month expiry date. (See page 5 for sign-up and expiry dates.)
2. Price the futures value at sign up, and then lock in the basis level by the BPC sign-up deadline.

When a producer signs a BPC prior to August 1, the late sign-up adjustment factor will be zero because the tonnage committment is known before the start of the crop year.

The unpriced component of a BPC may be locked in incrementally or all at once. However, there is a minimum of 20 tonnes per lock-in transaction.

Example - Locking in a basis first and pricing the futures at a later date

On August 20, a producer locks in a December basis for a CWRS BPC at $12.20 per tonne. The late sign-up adjustment factor on that date is $1.45 per tonne. On November 15, the prod ucer locks in the Minneapolis Hard Red Spring futures at $200 per tonne on the existing BPC. The price established is $213.65 per tonne for No. 1 CWRS 13.5 per cent protein in store Vancouver or St. Lawrence.

The producer deducts $49.61 per tonne freight and elevator handling charges to arrive at a farmgate value of $164.04 per tonne.

	per tonne
Basis lock in value	$12.20
Late sign-up adjustment factor	$1.45
Futures lock in value	$200
BPC price	$213.65
Freight and handling	$49.61
Farmgate value	$164.04

Example – Pricing the futures first and locking in the basis at a later date

On May 10, a producer locks in the March Minneapolis Hard Red Spring futures at $210 per tonne for a CWHWS BPC. The late sign-up adjustment factor on that date is $0 per tonne. On September 25, the producer locks in the March basis at $14.50 per tonne against the BPC. The price established is $224.50 per tonne for the reference grade No. 1 CWHWS 13.5 per cent protein in store Vancouver or St. Lawrence.

The producer deducts $49.61 per tonne freight and elevator handling charges to arrive at a farmgate value of $174.89 per tonne.

	per tonne
Futures lock in value	$210
Late sign-up adjustment factor	$0
Basis lock in value	$14.50
BPC price	$224.50
Freight and handling	$49.61
Farmgate value	$174.89

Rollovers

Beginning August 1, producers have the option of rolling their locked-in basis to another futures month, for all or a portion of their committed tonnage, as long as the futures component of the BPC has not been priced. The basis month may be rolled either forward or backward, i.e. December to May or May to December. This provides producers with more time to price the futures component of their contract or to take advantage of market trends.

Rollovers are done on a flat price basis, which means that the original basis will be adjusted so that the total contract value (basis + futures + late sign-up adjustment factor) of the original basis is the same as the total contract value of the new basis on the day it is rolled. This is done by adding the difference between the two futures months to the original basis. So if the basis is rolled to a higher valued futures month, the basis will be adjusted downward. Alternatively, if it is rolled to a lower priced futures month, the basis will increase. The late sign-up adjustment factor is not affected by a rollover.

Rollover adjusted basis = original basis + (current basis month futures price – new basis month futures price)

There is a $1 per tonne administration fee for rollovers. There is no limit to the number of times the basis month can be rolled but the administration fee is charged each time. There is a minimum of 20 tonnes per rollover transaction.

Example

A producer locks in a December CWRS basis of $13 per tonne and a late sign-up adjustment factor of $1 per tonne on September 2. On November 14, before the December basis expiry date, the producer decides to roll the basis to a May contract when Minneapolis Hard Red Spring futures reach $195 per tonne for December and $200 per tonne for May. The producer's May basis is $8 per tonne.

Rollover adjusted basis = original basis + (current basis month futures price – new basis month futures price)

= $13 + ($195 - $200)
= $8 per tonne

Flat price value = basis + futures + late sign-up adjustment factor

Flat price value of original basis on November 14

= $13 + $195 +$1
= $209 per tonne

Flat price value of adjusted rollover basis on November 14

= $8 + $200 + $1
= $209 per tonne

Fixed Price Contracts

Wheat, feed barley and selected barley FPC

FPCs offer a flat price for wheat, durum, feed and selected barley. With the exception of durum, prices consist of the same components as BPCs (basis, futures and late sign-up adjustment factor). The difference is that all of the components of an FPC are priced on the same day, using the December futures and basis.

Fixed price = December basis + December futures + late sign-up adjustment factor

The fixed price can be either higher or lower than the PRO on any given day depending on the relationship between the futures markets and the forecasted average futures used in the basis calculation.

Durum FPC

Because there is no associated futures market for durum, the fixed price is calculated by subtracting the discount for risk, time value of money and administration from the CWB's PRO and adding the late sign-up adjustment factor.

Fixed price = PRO – discount + late sign-up adjustment factor

The risk component of the discount is an estimate of the change in the relationship between the PRO and the futures or cash values having a correlation to durum. The fixed price changes daily because of the risk calculation. The relationship between current market indicators and the PRO determine whether the fixed price for durum is higher or lower than the PRO.

Contractual obligations

Terms and conditions

The BPC and FPC are legal contracts and producers who commit grain are bound by the obligations listed in the terms and conditions. Definitions, sign-up methods, obligations, pricing information and provisions of the contract are described in the terms and conditions. Before making a commitment, producers should be familiar with these obligations. Terms and conditions are available on the CWB Web site under "Farmers-Producer Payment Options" and through Fax on Demand. They can also be obtained by calling the CWB.

Delivery requirement

A key requirement of the BPC and FPC terms and conditions is that producers deliver 100 per cent of the tonnage committed to the contract. Also, it is important to remember that the BPC and FPC do not have associated delivery terms. Producers are obligated to sign a CWB delivery contract and wait for contract calls so that they can designate deliveries to the pricing contract of their choice.

Changing contract commitments

The BPC and FPC programs offer several options for reducing contract commitments if producers are unable to meet them. Producers may assign or buy out all or part of their contract. For barley, there is a quality transfer clause that allows switching between feed and selected barley contracts. A $15 administration fee per transaction is charged for each of these options. The force majeure clause provides an avenue for producers to reduce or eliminate damages for non-performance related to crop loss. There is a $3 per tonne charge for this option. If a producer chooses not to exercise any of these options and there is shortfall tonnage on the contract, pricing damages will be assessed.

Assignments

If a producer wants to reduce their BPC or FPC obligations, they may transfer all or part of their tonnage commitment to one or more producers. The producer must complete an assignment form, available only by contacting the CWB, specifying the contract number and tonnage to be transferred. The CWB will provide the details of the contract and terms and conditions along with the assignment form. The form must be signed by both the assignor (producer transferring the contract) and assignee (producer taking over the contract) and returned to the CWB by fax or mail. The force majeure clause of a contract cannot be assigned.

Buyouts

Producers can initiate a buyout at any time after making the initial commitment. Market conditions determine the buyout cost, so producers should watch the market before initiating the buyout to ensure the lowest cost.

Producers may call the CWB with their ID and PIN numbers to receive a buyout quote based on current market conditions. The daily pricing schedule posted on the CWB Web site can also be used to make buyout decisions using the formulas below. After the program sign-up deadline, the CWB posts buyout information separately on the Web site under "Farmers-Producer Payment Options". However, these prices are posted for information purposes only. The producer must call the CWB in order to execute the buyout transaction to ensure the cost has been accurately calculated.

BPC and FPC buyout calculation

The greater of:

(Current basis + current futures + current adjustment factor) – (producer's basis + producer's futures + producer's adjustment factor)

Or

Current futures – producer's futures

Rollover charges, if any, are added to the buyout cost. For the purpose of calculating durum buyouts, Minneapolis Hard Red Spring wheat futures are used.

Only certain components of the formula apply depending on the producer's pricing commitments. For example, if a producer has a BPC without the futures locked in, the futures component of the calculation would not be considered.

If the producer's contracted futures month has expired, contract values must be adjusted to the current nearby futures month for the buyout calculation.

When the producer's contract value is greater then the values posted on the day of the buyout a negative value will result. Negative values are set to zero when assessing buyout costs. The CWB does not pay gains to the producer since the CWB holds the risk associated with these programs. The PPO programs are designed specifically as pricing programs. Producers who wish to speculate on the futures market should contact a brokerage firm.

Example

A producer signed a 20 tonne BPC contract for CWRS wheat on May 26 at a basis value of $24 per tonne. Since the contract was signed prior to August 1, the producer's adjustment factor is $0 per tonne. On May 31, the producer locked in a futures value of $168 per tonne. The producer does not have enough CWRS wheat to fill the contract and contacts the CWB for a buyout quote on December 14.

The December futures month has expired so the buyout calculation is assessed using the current nearby futures month. In this case, it would be the March futures.

Producer's contract value	per tonne December	per tonne March
Basis on May 26	$24	$21
Adjustment factor on May 26	$0	$0
Futures on May 31	$168	$171

Buyout contract value on December 14	December	March
Basis	N/A	$40
Adjustment factor	N/A	-$3
Futures	N/A	$166

The buyout cost was assessed at the greater of:

(Current basis + current futures + current adjustment factor) – (producer's basis + producer's futures + producer's adjustment factor)

= [$40 + $166 + (-$3)] – ($21 + $171 + $0)
= $203 - $192
= $11 per tonne

Or

Current futures – producer's futures

= $166 - $171
= $0 per tonne

In this instance, the producer is assessed a buyout cost of $11 per tonne plus the $15 administration fee. The cost accounts for the basis change less the futures gains plus the arbitrage to the pool account as represented by the adjustment factor.

Barley quality transfers

For 2007-08, the CWB has simplified the barley quality transfer clause for the BPC and FPC. Producers wanting to transfer between a feed and malting barley BPC or FPC will retain the original futures value and receive the basis in effect on the date of the transfer. In the case of a BPC with futures only, the contract will simply be converted and the producer has until the sign-up deadline to lock in the basis. Also on the transfer date, the late sign-up adjustment factor for the new grade will be applied to the contract.

Producers transferring from feed to selected barley would also have to sign a Selected Barley Storage and Delivery Contract (SBSDC) and subsquently have their barley accepted. Those transferring from selected barley to feed would have to sign a Guaranteed Delivery Contract (GDC) for immediate delivery.

For feed barley, this clause is limited to Pool A and it must be invoked on or before January 31, 2008. The quality transfer is not available for feed barley BPC and FPC contracts offered for Pool B since producers will be in a better position to assess the quality of their barley before making a pricing commitment.

Example

A producer signs an FPC for two-row barley on June 2 at a price of $180 per tonne. The futures value is $150 per tonne, basis $30 per tonne, late sign-up adjustment factor ($0 per tonne.) On September 15, the barley is rejected for malting and the producer contacts the CWB to invoke the quality transfer clause and sign a GDC. The feed barley FPC on that date is $118 per tonne. The futures value is $140 per tonne, basis -$25 per tonne, late sign-up adjustment factor $3 per tonne.

Producer's feed barley FPC = original futures + current feed barley basis + current feed barley late sign-up adjustment factor

= $150 + ($-25) + $3

= $128 per tonne

Force majeure clause

The force majeure clause, commonly known as an "Act of God" clause, is designed to protect against production risk. It provides an avenue for producers to reduce or eliminate damages for non-performance that would otherwise be payable if they experience substantial or total crop loss as a result of adverse weather or other event beyond their control. Force majeure can be invoked for production losses only. Quality losses are not covered by this provision. Producers have the option of selecting the force majeure clause when committing to a BPC or FPC until the earlier of May 1, 2007 at 7:30 a.m. CT or until the 200 000 tonne limit is reached. There is a cost of $3 per tonne for this option.

Only 50 per cent of anticipated production of any given type and class of grain is eligible for the force majeure. Producers must deliver against contracts containing force majeure provisions first and in priority to all other deliveries of the same type and class of grain, including the pool. This applies to carryover grain as well as new crop when assessing eligibility to invoke the force majeure clause. If the producer has enough production to fulfill the contract they are not eligible to exercise the clause. They still have the option to buy out or assign the contract.

To invoke the force majeure clause, the production-limiting event must occur after the producer commits to an FPC or BPC to be eligible for coverage. Examples of some events that would be covered by the clause include flood damage, severe drought or significant hail damage.

The clause must be invoked within 15 days of the event by contacting the CWB and completing a statutory declaration. The declaration is subject to verification and additional documentation may be required by the CWB to support the loss of production claim.

Example

On February 26, a producer commits 300 tonnes to a CWRS BPC locking in December futures at $215 per tonne. The producer selects the force majeure provision at sign-up, which reduces the BPC contract value to $212 per tonne ($215 - $3). The BPC commitment represents 30 per cent of the producer's anticipated production.

On April 26, the producer enters into a second CWRS BPC for 100 tonnes locking in futures at $225 per tonne. The force majeure provision is not selected.

On May 12, the producer locks in the basis on both contracts at $20 per tonne.

Severe drought prevailed throughout the growing season, limiting production to 250 tonnes of 4 CWRS. On August 20 the producer calls the CWB to invoke the force majeure clause taken on the first contract.

Because deliveries must be made against contracts containing force majeure provisions first, the entire 250 tonnes harvested can be applied against the February 26 BPC. The CWB releases the producer from his contractual obligations for only 50 tonnes.

Tonnes eligible for force majeure = contract tonnes with force majeure option – tonnes available for delivery

= 300 - 250
= 50

The producer must assess buyout and assignment options on the remaining100 tonnes contracted. Had the force majeure option been taken on the April 26 contract, the producer would not have been responsible for contract damages on those tonnes.

Pricing damages

Pricing damages are charged if a producer fails to apply all deliveries to a BPC or FPC by the end of the crop year. Pricing damages are based on market values on July 31, except for Pool A feed barley, which are assessed using market values on January 31. The calculation for pricing damages is the same as for buyouts (see pages 14-15).

The purpose of charging pricing damages is to recover all market losses (basis and futures) the CWB incurs on defaulted contracts. The CWB holds the risk associated with the prices offered through these programs therefore does not pay out basis or futures gains to producers who default on their contract if it is a higher value than the CWB's posted price.

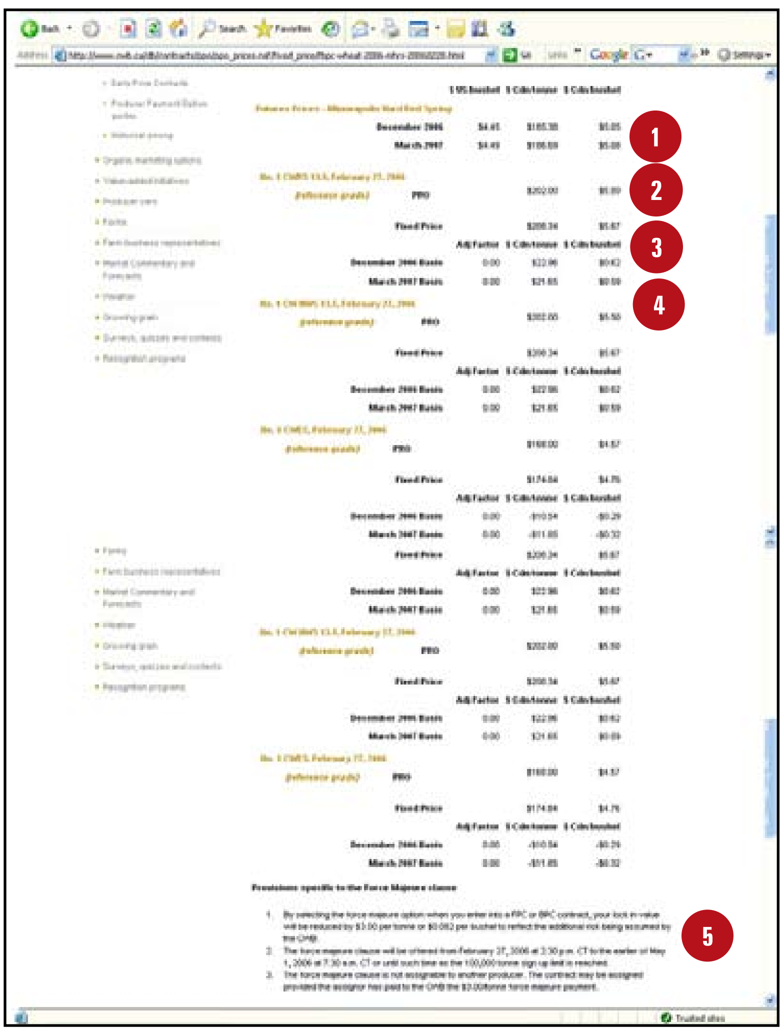
2007-08 BPC and FPC pricing schedules

A separate daily pricing schedule is posted by class and related futures market for each of the BPC and FPC programs. Pricing schedules are posted under the "Producer Payment Options" home page on the CWB Web site each business day at 2:30 p.m. CT and are effective until 7:30 a.m. CT the next business day.

Wheat, selected barley and feed barley BPC and FPC

The daily pricing schedules for the BPC and FPC for wheat, selected barley and feed barley programs will include the following details:

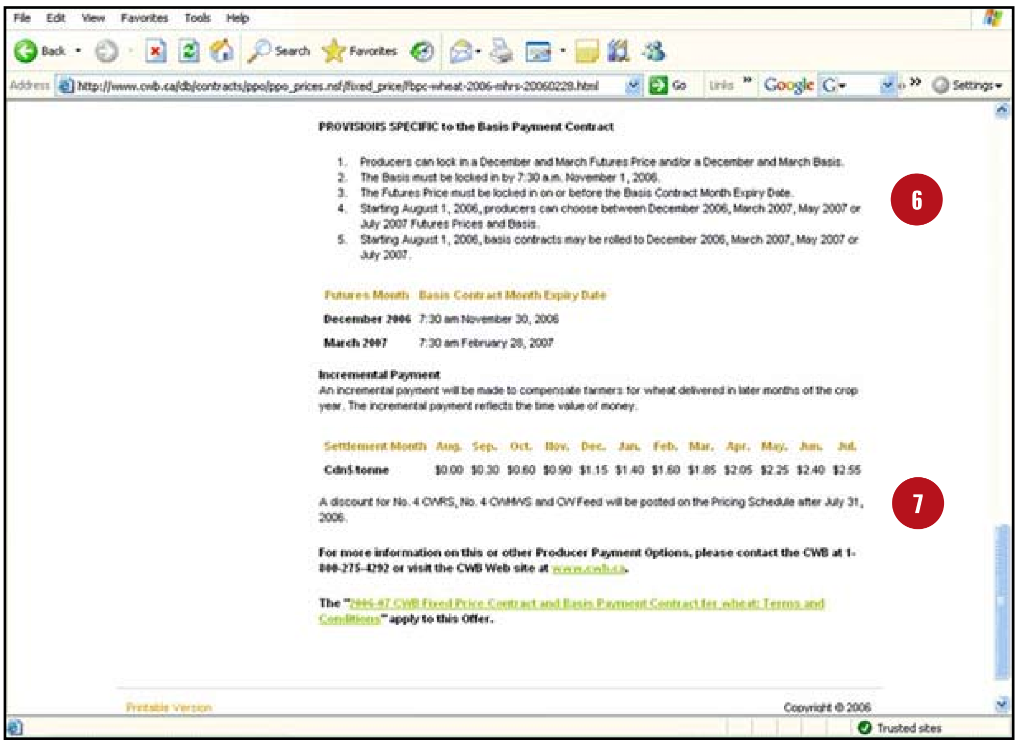
1. Closing futures prices for Minneapolis Hard Red Spring, Kansas City Hard Red Winter and Chicago Soft Red Winter wheat and Winnipeg Western barley, quoted in $U.S. per bushel, $Cdn per tonne and $Cdn per bushel;
2. The reference grade PRO for each class in $Cdn per tonne and $Cdn per bushel;
3. The fixed price for each reference grade in $Cdn per tonne and $Cdn per bushel;
4. The basis contract futures months and basis levels for each reference grade in $Cdn per tonne and $Cdn per bushel and the late sign-up adjustment factor for each basis level in $Cdn per tonne only;
5. Provisions related to the force majeure clause;
6. Provisions related to the BPC, including basis contract month expiry dates; and
7. Incremental payment rates for each delivery month.



From February 26 to July 31, 2007, the December and March basis contract futures months for wheat and the December basis contract futures month for selected barley and Pool A feed barley will be posted on the Web site under “Farmers-Producer Payment Options-Fixed Price and Basis Payment Contracts”. From August 1 to October 31, 2007, the May and July basis contract futures months for wheat, the May and July basis contract futures for selected barley and the March basis contract futures for Pool A feed barley will also be posted. Feed discounts will also be posted daily beginning August 1, 2007.

The March, May and July basis contract futures months for Pool B feed barley will be posted from November 1, 2007 to February 29, 2008.

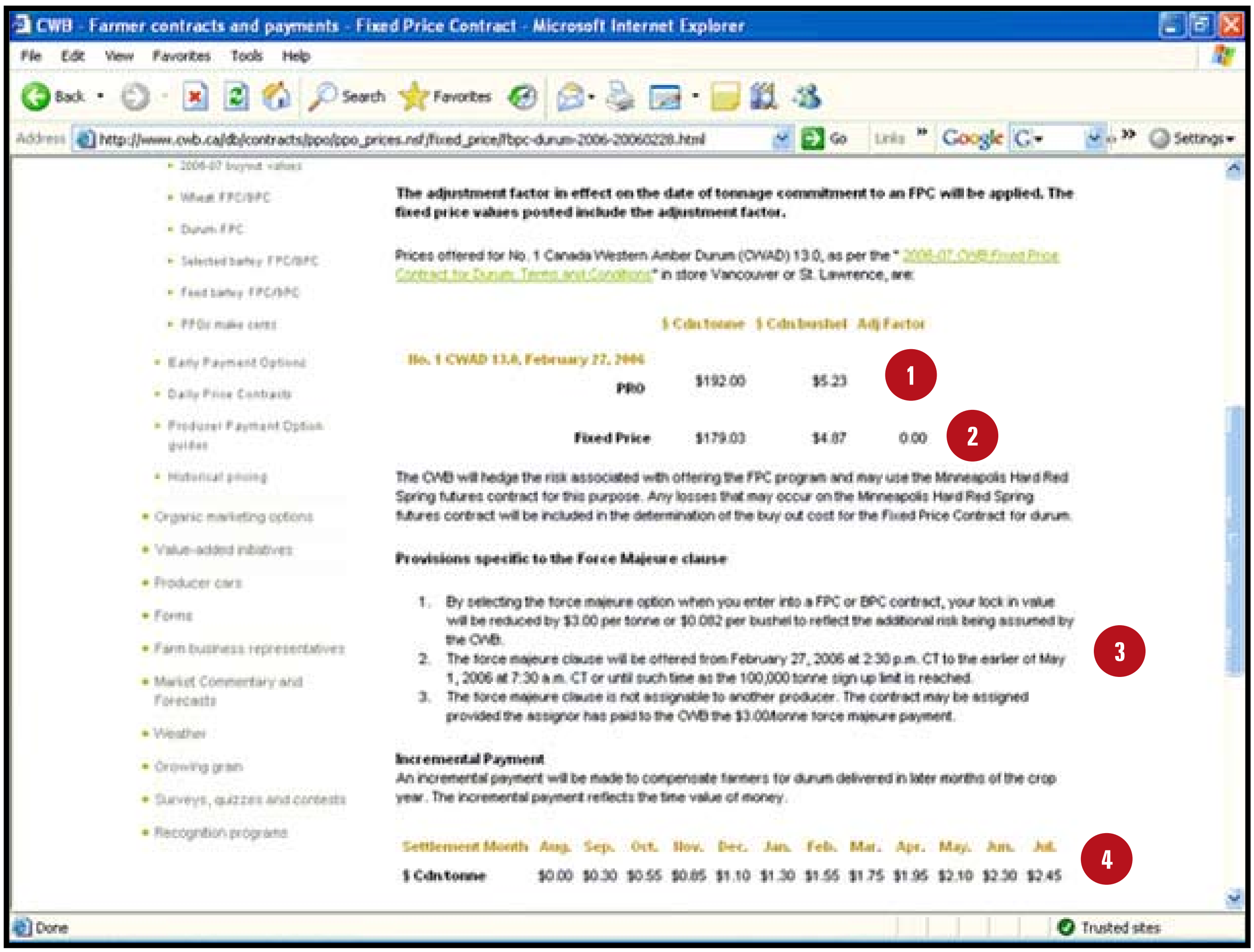
After the program sign-up deadlines, only the closing futures prices for each futures contract will be posted. The CWB will begin posting closing futures prices, basis levels and the related adjustment factor for the purpose of determining buyout costs on a separate buyout values schedule.



Durum FPC

The pricing schedule for the FPC durum program will include the following details:

1. The reference grade PRO in $Cdn per tonne and $Cdn per bushel;
2. The fixed price in $Cdn per tonne and $Cdn per bushel;
3. Provisions related to the force majeure clause; and
4. Incremental payment rates for each delivery month.



The pricing schedule can be found on the "Farmer" home page of the CWB Web site.

Price charts

Current crop year and historical price charts for the BPC and FPC programs can be found below the listing of the current crop year pricing schedules on the "Producer Payment Options" home page of the Web site. Price charts for 2007-08 are updated weekly.

Contract transactions

The most convenient method of conducting contract transactions is by phone at 1-800-275-4292. To commit to a BPC or FPC or to execute any other contract transaction over the phone, producers must provide their ID and PIN numbers.

Producers may also execute contract transactions by faxing in the appropriate form. Forms for the following transactions can be obtained through the Producer Payment Options section of the CWB Web site, by phoning a BCR, through Fax on demand or by contacting your FBR. For contact information, see page 6.

It is important that all requested information is provided and that the form is signed by the producer. Elevator staff cannot sign contract forms for producers.

The price assigned to the contract will be based on the time printed on the fax when it arrives at the CWB office. Forms received after 7:30 a.m. CT will receive the next available value posted at 2:30 p.m. CT.

Forms

The BPC and FPC programs each has its own forms, corresponding to the type of transaction the producer wants to complete. To ensure fast and accurate service, it is very important that all requested information is provided accurately.

The producer's name and ID number provided on the forms must be the same as on the CWB delivery permit book for which the BPC or FPC will be used to price deliveries. For example, if the producer is completing an FPC contract for a corporation, the corporation's name and ID number must appear on the sign-up application.

It is important that the producer provides a telephone number and fax number (if available) to allow for verification of the information on the form. Pricing commitments must be received before 7:30 a.m. CT each business day to allow for processing tonnage prior to markets opening. The CWB will contact the producer if there is an error on the form. If the producer cannot be contacted before 8:30 a.m. CT, the contract will not be processed.

Please ensure all forms are signed and dated. All applications received by the CWB must be signed by the producer indicated on the form. Elevator staff cannot sign forms for the producer. Applications without a valid signature will not be processed until the CWB can contact the producer for verification. For company applications, the producer must indicate the position held within the company.

When the sign-up deadline for the transaction is reached, the related form will no longer be available on the CWB Web site or Fax on demand. Discard any expired forms as they are crop year specific and cannot be used in later years.

CWB

Effective February 26, 2007

Wheat

For office use only

2007-08 Fixed Price Contract Sign-up Application

The sign-up deadline is 7:30 a.m. CT November 1, 2007.

This document forms part of the *2007-08 CWB Fixed Price Contract for Wheat: Terms and Conditions.*

Wheat committed to the Fixed Price Contract (FPC) program must be delivered and settled in the 2007-08 crop year.

Wheat delivered into storage under 2006-07 CWB delivery contracts **cannot** be settled against a 2007-08 BPC.

Please complete all information in this area.

Producer's Name ("the *Producer*") as shown on the Delivery Permit

Producer's Identification No.	Producer's Telephone No.	Producer's Fax No.
	( )	( )
	Alternative Telephone No. (daytime/cell) ( )	

WHEAT - FIXED PRICE (COMMITMENT)

A) **Please indicate your choice of class of wheat and the *Net Tonnes* you wish to commit. (choose only one class per form)**

1

☐ CWRS ☐ CPSW ☐ CWES ☐ CWHWS
☐ CPSR ☐ CWRW ☐ CWSWS

Net Tonnes (Wheat)
_________.000
Minimum of 20 tonnes

2

B) **Force Majeure or "Act of God" clause - OPTIONAL**

The force majeure clause will be available from September 1, 2006 at 2:30 p.m. C.T. until the earlier of May 1, 2007 at 7:30 a.m. C.T. or such time that the 200 000 tonne force majeure sign-up limit has been reached across all classes. The Force Majeure clause is not assignable to another producer. All other terms and conditions may be assigned after payment of the $3.00/tonne additional risk deduction.

3

☐ I wish to select the Force Majeure clause contained in the *2007-08 CWB Fixed Price Contract for Wheat: Terms and Conditions.*

By selecting this option upon sign-up, I understand that my **FPC/BPC lock-in value will be reduced by $3.00 per tonne,** to reflect the additional risk being assumed by the CWB. This amount will be deducted from all future CWB payments owing to me.

You will receive the fixed price in effect at the time your fax is received. Forms received after 7:30 a.m. Central Time will receive the next available price posted at 2:30 p.m. Central Time that day.

See *Important Dates and Conditions* on next page.

READ THE FOLLOWING PARAGRAPH CAREFULLY.

I (the *Producer*) have read the *2007-08 CWB Fixed Price Contract for Wheat: Terms and Conditions*. By completing this document and sending it to the *CWB*, I am selecting the option indicated. I agree that all of the said Terms and Conditions will apply to the option I have selected herein.

______________________________ Producer's Signature

______________________________ Position in Company (If Applicable)

______________________________ Date

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m. Mon. - Fri. Central Time)

Important: Please keep the original for your records.

A) 1. Choose the class of wheat. (Note: for selected barely, indicate the type.)

2. Enter the net tonnes. Commitments must be a minimum of 20 tonnes and reported in whole numbers (no decimals). If less than 20 tonnes are entered the CWB will not process the contract.

B) OPTIONAL

3. Check this box only if you want to select the force majeure clause.

BPC sign-up application

Please refer to "2007-08 Basis Payment Contract Sign-up Application" form for wheat.

CWB

Effective February 26, 2007

Wheat

For office use only

2007-08 Basis Payment Contract Sign-up Application

The sign-up deadline is 7:30 a.m. CT November 1, 2007.

This document forms part of the *2007-08 CWB Basis Payment Contract for Wheat: Terms and Conditions.*

Wheat committed to the Basis Payment Contract (BPC) program must be delivered and settled in the 2007-08 crop year.

Wheat delivered into storage under 2006-07 CWB delivery contracts **cannot** be settled against a 2007-08 BPC or a Fixed Price Contract (FPC)..

Please complete all information in this area.

Producer's Name ("the *Producer*") as shown on the Delivery Permit		
Producer's Identification No.	Producer's Telephone No. ( )	Producer's Fax No. ( )
	Alternative Telephone No. (daytime/cell) ( )	

WHEAT - BASIS **If you have an existing BPC and wish to lock in either the basis or futures, please use the *2007-08 Basis Payment Contract Lock-in* form.**

A) Sign up your Basis or Futures (choose one and proceed to B)

1 **Sign up a *Basis* for** ☐ December 2007 ☐ March 2008

2 **Sign up a *Futures Price* for** ☐ December 2007 ☐ March 2008

B) Please indicate the class of wheat and the *Net Tonnes* you wish to commit. Choose only one class per application.

3
☐ Canada Western Red Spring (CWRS) ☐ Canada Prairie Spring White (CPSW) ☐ Canada Western Extra Strong (CWES)
☐ Canada Prairie Spring Red (CPSR) ☐ Canada Western Red Winter (CWRW) ☐ Canada Western Hard White Spring (CWHWS)
☐ Canada Western Soft White Spring (CWSWS)

Net Tonnes (Wheat)
________.000
Minimum of 20 tonnes 4

C) Force Majeure or "Act of God" clause - OPTIONAL

The force majeure clause will be available from September 1, 2006 at 2:30 p.m. C.T. until the earlier of May 1, 2007 at 7:30 a.m. C.T. or such time that the 200 000 tonne force majeure sign-up limit has been reached across all classes. The Force Majeure clause is not assignable to another producer. All other terms and conditions may be assigned after payment of the $3.00/tonne additional risk deduction.

5 ☐ I wish to select the Force Majeure clause contained in the *2007-08 CWB Basis Payment Contract for Wheat: Terms and Conditions.*

By selecting this option upon sign-up, I understand that my **BPC lock-in value will be reduced by $3.00 per tonne,** to reflect the additional risk being assumed by the CWB. This amount will be deducted from all future CWB payments owing to me.

You will receive the basis or futures price in effect at the time your fax is received.
Forms received after 7:30 a.m. Central Time will receive the next available price posted at 2:30 p.m. Central Time that day.

See *Important Dates and Conditions* on next page.

READ THE FOLLOWING PARAGRAPH CAREFULLY.

I (the *Producer*) have read the *2007-08 CWB Basis Payment Contract for Wheat: Terms and Conditions.* By completing this document and sending it to the *CWB,* I am selecting the option indicated. I agree that all of the said Terms and Conditions will apply to the option I have selected herein.

Producer's Signature

Position in Company (If Applicable)

Date

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m. Mon. - Fri. Central Time)

Important: Please keep the original for your records.

A) 1. Lock in a basis by checking the desired contract month;

OR

2. Lock in a futures by checking the desired contract month.

If both futures and basis are selected, the application will not be processed until the CWB can contact the producer to determine the intent.

B) 3. Choose class of wheat. (Note: for selected barely, indicate the type.)

4. Enter the net tonnes. Commitments must be a minimum of 20 tonnes and reported in whole numbers (no decimals). If less than 20 tonnes are entered the CWB will not process the contract.

Note: To lock in a basis or futures on an existing BPC, do not fill out this form again or a second contract will be created. Please refer to "2007-08 Basis Payment Contract Lock-in" form.

C) OPTIONAL

5. Check of this box only if you want to select the force majeure clause.

FPC sign-up application

Please refer to “2007-08 Fixed Price Contract Sign-up Application” form for wheat.

Target pricing service

The target pricing service allows producers to place orders for a fixed price, basis or futures price. The service is available for all BPC and FPC programs. Target pricing gives producers the opportunity to take advantage of potential rallies while leaving the responsibility for monitoring daily market conditions to the CWB.

To place a target price order, the producer must specify the following:

- a target price ($Cdn per tonne, in store St. Lawrence/Vancouver);
- grain and (in the case of wheat or selected barley) class or type;
- program;
- tonnage (minimum of 20 tonnes);
- time period for which the order is to stand (30 days, 60 days, until the end of the sign-up period or until the basis contract month expiry date);
- futures month (BPC only); and
- basis or futures component (BPC only).

Producers also have the option of choosing the force majeure clause on the target pricing application, until the earlier of May 1, 2007 or the 200 000 tonne sign-up limit has been reached. If this option is chosen, the lock-in value will be reduced by the $3 per tonne charge for force majeure.

The target order will be entered on the day of receipt. A confirmation letter will be mailed to the producer, confirming the above details. The CWB monitors prices daily and when the daily settlement price reaches or exceeds the target price the order will be filled. Target orders are matched only to the settlement values, 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. After August 1, target orders will be filled net of the late sign-up adjustment factor.

The service is free of charge and unfilled orders can be cancelled at any time. Orders can be placed

Target Pricing application

CWB **TARGET PRICING APPLICATION**

Effective February 26, 2007

Wheat, durum, selected barley, feed barley

2007-08 Fixed Price Contract and Basis Payment Contract Target Pricing

This document forms part of the *2007-08 CWB Fixed Price Contract for Wheat: Terms and Conditions; 2007-08 CWB Basis Payment Contract for Wheat: Terms and Conditions; 2007-08 CWB Fixed Price Contract for Selected Barley: Terms and Conditions; 2007-08 CWB Basis Payment Contract for Selected Barley: Terms and Conditions; 2007-08 CWB Fixed Price Contract for Durum: Terms and Conditions; 2007-08 CWB Fixed Price Contract for Feed Barley: Terms and Conditions and 2007-08 CWB Basis Payment Contract for Feed Barley: Terms and Conditions.*

Grain committed to the Fixed Price Contract (FPC) or Basis Payment Contract (BPC) programs must be delivered and settled in the 2007-08 crop year. Grain delivered into storage under 2006-07 CWB delivery contracts **cannot** be settled against a 2007-08 FPC or BPC.

Please complete all information in this area.

Producer's Name ("the *Producer*") as shown on the Delivery Permit

Producer's Identification No. | Producer's Telephone No. ( ) | Producer's Fax No. ( )

Alternative Telephone No. (daytime/cell) ( )

A) PROGRAM ☐ **FPC** (Choose grain and, if applicable, class/type and proceed to **C**)

☐ **BPC** (Choose grain and, if applicable, class/type and proceed to **B**)

GRAIN ☐ **Wheat** ☐ **Durum** ☐ **Selected barley** ☐ **Feed barley**

If Target Price is for wheat, please indicate class:
(choose only one class per form): ☐ CWRS ☐ CPSR ☐ CPSW ☐ CWRW ☐ CWES ☐ CWSWS ☐ CWHWS

If Target Price is for selected barley, please indicate type **(choose only one type per form):** ☐ Two-row ☐ Six-row

B) FUTURES OR BASIS

Choose a target price for your *Basis* or *Futures* (choose one and proceed to **C**)

If your target price is for an existing basis contract, provide your contract number

Target a *Basis* for ☐ December 2007 ☐ March 2008 (Wheat only)

Target a *Futures Price* for ☐ December 2007 ☐ March 2008 (Wheat only)

If targeting a Basis contract, enter only the Basis or the Futures target price. Do not combine them.

C) Please indicate the *Net Tonnes* and your *Target Price*.

* Target prices will be filled net the adjustment factor after August 1, 2007.

Net Tonnes ______.000 **Minimum of 20 tonnes**

Target Price * $______.____ **Cdn $ tonne in store Vancouver or St. Lawrence**

Part D must be completed

D) TIME PERIOD Choose the time period for which you wish your target price order to be valid.

☐ 30-day ☐ 60-day ☐ Until November 1, 2007 (7:30 a.m. CT) (the end of the sign-up period) ☐ Until *Basis Contract Month Expiry Date*. (If there is an existing basis contract.)

E) Force Majeure or "Act of God" clause - OPTIONAL

The force majeure clause will be available from September 1, 2006 at 2:30 p.m. C.T. until the earlier of May 1, 2007 at 7:30 a.m. C.T. or such time that the 200 000 tonne force majeure sign-up limit has been reached across all classes. The Force Majeure clause is not assignable to another producer. All other terms and conditions may be assigned after payment of the $3.00/tonne additional risk deduction.

☐ I wish to select the Force Majeure clause contained within the contract terms and conditions related to this application.
By selecting this option upon sign-up, I understand that my **FPC/BPC lock-in value will be reduced by $3.00 per tonne,** to reflect the additional risk being assumed by the CWB. This amount will be deducted from all future CWB payments owing to me.

Once your *Target Price* has been met, a contract will exist between you and the CWB. All of the terms and conditions will apply. The CWB will send you an information statement which includes your contract number. You have the right to change or rescind your *target price* at any time **before** the *target price* is met.

READ THE FOLLOWING CAREFULLY.
I (the *Producer*) have read the *Terms and Conditions* related to the option I have selected on this application. By completing this document and sending it to the CWB, I am selecting the target price indicated. I agree that all of the said Terms and Conditions will apply to the options I have selected herein.

Producer's Signature | Position in Company (If Applicable)

Date

Important: Please keep the original for your records.

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m. Mon. - Fri. Central Time)

A) 1. Select the program (BPC or FPC) you want to target.

2. Choose the type of grain.
   - i) if wheat, choose the class
   - ii) if selected barley, choose the type

B) This section is only required if the BPC program is chosen:

3. If the target order is for an existing BPC, indicate the contract number, otherwise ignore.

4. Choose whether you are targeting a basis or a futures price and select the contract month. If you have an existing BPC, the futures and the basis must be the same contract month.

C) 5. Enter the net tonnes you want to target. Commitments must be a minimum of 20 tonnes and reported in whole numbers (no decimals),

6. Enter target price in $Cdn per tonne, in store St. Lawrence or Vancouver.

Note:

1) DO NOT enter the target orders as a farmgate value. Freight from your location must be backed off from the in store price to arrive at a farmgate value.

2) When entering the target price for an existing BPC, enter the futures price or the basis price only. DO NOT enter the combined basis and futures price.

D) 7. Choose the length of time for the target pricing order to stand.

E) OPTIONAL

8. Check this box only if you want to select the force majeure clause.

Target Pricing Cancellation

CWB

2007-08 Target Pricing Order Cancellation

Effective February 26, 2007

Wheat, durum, selected barley, feed barley

To **cancel** your target price order, please complete this application.

FPC or BPC pricing contracts resulting from executed target values **cannot** be cancelled.

Please complete all information in this area.

Producer's Name ("the *Producer*") as shown on the Delivery Permit

Producer's Identification No.	Producer's Telephone No. ( )	Producer's Fax No. ( )
	Alternative Telephone No. (daytime/cell) ( )	

Please indicate below, the date and type of target order you wish to cancel:

Date target was placed

______________________ 1

Tonnage to be cancelled

Net Tonnes

________.000 3

(Partial tonnage of a target order can be cancelled)

Type of target

☐ FPC

☐ BPC - Basis option

☐ BPC - Futures option

2

*If the target order to be cancelled involves an existing BPC, please indicate contract number ☐☐☐☐☐☐

Please indicate below, the grain (and class and/or type if applicable):

4 **Grain** ☐ **Wheat** ☐ **Durum** ☐ **Selected barley** ☐ **Feed barley**

If Target Price is for wheat, please indicate class:
(choose only one class per form): ☐ CWRS ☐ CPSR ☐ CPSW ☐ CWRW ☐ CWES ☐ CWSWS ☐ CWHWS

If Target Price is for selected barley, please indicate type: ☐ Two-row ☐ Six-row
(choose only one type per form):

READ THE FOLLOWING CAREFULLY.
By completing this document and sending it to the CWB, I am cancelling the target price order indicated. If an FPC or BPC has already resulted from the above target price, this form cannot be used to cancel that particular FPC or BPC.

______________________ Producer's Signature

______________________ Position in Company (If Applicable)

______________________ Date

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m. Mon. - Fri. Central Time)

Important: Please keep the original for your records.

1. Enter the date the original target order was placed.
2. Indicate the type of target order by checking the appropriate box. It the target order was for an existing BPC, enter the six-digit contract number.
3. Enter the net tonnes to be cancelled. Partial tonnage of a target order can be cancelled but it must be whole tonnes (no decimals) and the remainder must be a minimum of 20 tonnes.
4. Indicate the grain and, if applicable, the class or type by checking the appropriate box.

BPC futures price or basis lock-in

Please refer to “2007-08 Basis Payment Contract Lock-in” form for wheat.

CWB

Effective February 26, 2007

Wheat, selected barley, feed barley

2007-08 Basis Payment Contract Lock-in

This document forms part of the *2007-08 CWB Basis Payment Contract for Wheat : Terms and Conditions*; the *2007-08 CWB Basis Payment Contract for Selected Barley : Terms and Conditions;* the *2007-08 CWB Basis Payment Contract for Feed Barley : Terms and Conditions.*

Please complete all information in this area.

Producer’s Name (“the *Producer*”) as shown on the Delivery Permit		
Producer’s Identification No.	Producer’s Telephone No. ( )	Producer’s Fax No. ( )
	Alternative Telephone No. (daytime/cell) ( )	

FUTURES PRICE/BASIS LOCK-IN - COMPLETE A OR B

A ☐ I have a contract with a *Basis*. **I wish to lock in the *Futures Price*.**
(*The Futures Price* must be locked in on or before the *Basis Contract Month Expiry Date*).

1 Contract Number	2 Futures Month	3 Net Tonnes (Wheat)
		________.000 Minimum of 20 tonnes*

*If less than 20 tonnes are unpriced, the entire amount must be locked in.

B ☐ I have a contract with a *Futures Price*. **I wish to lock in the *Basis*.**
(*The Basis* must be locked in by 7:30 a.m. Central Time on November 1, 2007)

4 Contract Number	5 Futures Month	6 Net Tonnes (Wheat)
		________.000 Minimum of 20 tonnes*

*If less than 20 tonnes are unpriced, the entire amount must be locked in.

You will receive the basis or futures price in effect at the time your fax is received. Forms received after 7:30 a.m. Central Time will receive the next available price, posted at 2:30 p.m. Central Time that day.

See important dates and conditions on next page.

READ THE FOLLOWING PARAGRAPH CAREFULLY.

I (the *Producer*) have read the contract terms and conditions related to this application. By completing this document and sending it to the CWB, I am selecting the option indicated. I agree that all of the said Terms and conditions will apply to the lock-in I have selected herein.

Producer’s Signature ____________________ Position in Company (If Applicable) ____________________

Date ____________________

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m. Mon. - Fri. Central Time)

Important: Please keep the original for your records.

A) Futures lock-in for a BPC where the basis is priced

1. Enter the six-digit BPC contract number.
2. Indicate the futures month to be locked in. The futures month must match the contracted basis month. Producers who have a single basis contract with more than one basis month due to rollovers must complete a separate lock-in form for each month.
3. Enter the net tonnes to be locked in. Commitment must be a minimum of 20 tonnes or the balance of the contract and reported in whole numbers (no decimals).

B) Basis lock-in for a BPC where the futures are priced

4. Enter the six-digit BPC contract number.
5. Indicate the basis contract month to be locked in. The basis month must match the contracted futures price.
6. Enter the net tonnes to be locked in. Commitments must be a minimum of 20 tonnes or the balance of the contract and reported in whole numbers (no decimals).

BPC futures month rollover

Please refer to "2007-08 Basis Payment Contract Futures Month Rollover" form for wheat.

CWB

Effective August 1, 2007 | **Wheat**

2007-08 Basis Payment Contract Futures Month Rollover

This document forms part of the *2007-08 CWB Basis Payment Contract for Wheat: Terms and Conditions*.

Please complete all information in this area.

Producer's Name ("the *Producer*") as shown on the Delivery Permit

Producer's Identification No.	Producer's Telephone No. ( )	Producer's Fax No. ( )
	Alternative Telephone No. (daytime/cell) ( )	

Futures Month Rollover

1

2

I have an existing *Basis* contract for ______________ (class of grain) under the Futures month of __________________.

3

4

5

I wish to roll the Futures Month to: ☐ December 2007 ☐ March 2008 ☐ May 2008 ☐ July 2008

Contract Number	*Net Tonnes (Wheat)*
	________.000 Minimum of 20 tonnes

Your basis will be adjusted based on the futures prices in effect at the time your fax is received.

READ THE FOLLOWING PARAGRAPH CAREFULLY.

I (the *Producer*) have read the *2007-08 CWB Basis Payment Contract for Wheat: Terms and Conditions.* By completing this document and sending it to the CWB, I am selecting the option indicated. I agree that all of the said Terms and Conditions will apply to the rollover I have selected herein.

Producer's Signature

Position in Company (If Applicable)

Date

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m Mon. - Fri.) Central Time)

Important: Please keep the original for your records.

1. Indicate the class of wheat that has been committed to the BPC.
2. Enter the existing basis month the producer wants to roll. This section is critical if a producer has a basis contract with multiple basis months as a result of previous rollovers.
3. Select the futures month to which the basis is to be rolled. Basis contracts can be rolled forward or backward to any available futures month. Choose only one. If a producer has more than one basis on a single BPC and wants to roll both, a separate from is required for each.
4. Enter the six-digit BPC number.
5. Enter the net tonnes to be rolled. Rolls must be a minimum of 20 tonnes or the balance of the contract and reported in whole numbers (no decimals).

at any time during the sign-up period for the related program. Futures target pricing orders for BPCs with the basis locked in can be placed until the futures month expiry date.

If the order is filled, the producer will be sent a contract and a Statement of Information, confirming the new contract or the pricing action taken on an existing BPC. If the order expires without a fill, another target order can be sent to the CWB.

CWB

Effective February 26, 2007

Selected barley, feed barley

2007-08 Fixed Price Contract and Basis Payment Contract Quality Transfer

For office use only

Quality transfers can be made to a producer's existing Fixed Price Contract (FPC) or Basis Payment Contract (BPC) for selected barley or feed barley, if the quality has changed since the original sign-up date.

Quality transfers from feed barley to selected barley are limited to Pool A, and terminate on January 31, 2008.

Quality transfers from selected barley to feed barley, based on rejections, can be completed until July 31, 2008.

Transfer/details - Please complete one form per transfer.

I, ______________________ Producer CWB Identification No. ____________

A) wish to transfer my:

1 ☐ FPC Selected barley to feed barley ☐ BPC Selected barley to feed barley

Original Contract No. ☐☐☐☐☐☐ 2 **Total tonnes to be transferred** *Net Tonnes (Selected barley)* ________.000 **Minimum of 20 tonnes** 3

B) wish to transfer my:

☐ FPC Feed barley to selected barley ☐ BPC Feed barley to selected barley

Original Contract No. ☐☐☐☐☐☐ **Total tonnes to be transferred** *Net Tonnes (Feed barley)* ________.000 **Minimum of 20 tonnes**

The basis and adjustment factor values reflecting the new quality of your barley will be applied to the tonnage being transferred, based on the date of this application.

Any futures associated with the original contract commitment are maintained upon completion of the quality transfer.

READ THE FOLLOWING CAREFULLY.
I (the Producer) have read the Terms and Conditions for the applicable program (available on our Web site at www.cwb.ca and Fax on Demand at 1-800-275-4292) and agree that all said Terms and Conditions apply to this transfer. I further agree that I am obliged to comply with the said Terms and Conditions fully, in each case.

______________________ Producer's Signature

______________________ Position in Company (If Applicable)

______________________ Date

FAX (204) 983-8031
Phone 1-800-275-4292
(7 a.m. to 6 p.m. Mon. - Fri. Central Time)

Important: Please keep the original for your records.

Barley quality transfer

Please refer to "Fixed Price Contract and Basis Payment Contract and Quality Transfer form".

A) Selected to feed barley transfer

1. Indicate whether the transfer is for an FPC or BPC by checking the appropriate box.
2. Enter the six-digit contract number that is being transferred.
3. Enter the net tonnes to be transferred. Transfers must be a minimum of 20 tonnes or the balance

of the contract.

B) Feed to selected barley transfer

Follow the steps described above.

Statement of information

When producers make a pricing commitment or subsequent transaction on their contract, the CWB mails the producer a statement of information the next business day to confirm the transaction.

1. The statement details the program (BPC or FPC), the futures month and expiry date, the contract number, the sign-up date and the net contract amount (tonnes and bushels) of the original contract commitment.
2. Below the original commitment information, a listing of activity against the contract is detailed by date. Each time a transaction occurs against the contract, a new line will be added to the statement and sent to the producer. Basis prices, futures prices and the late sign-up adjustment factor are listed separately for a BPC since basis and futures transactions happen separately and the basis value can be adjusted by rollovers. The producer simply

CWB
The Canadian Wheat Board

Statement Date: March 03, 2007
Crop Year: 2007-08

Producer Payment Options Program
Statement of Information

Identification Number:
Contract Program: **Basis Price Contract / CWRS Wheat**
Futures Month: **Dec 2007 CWRS Expires: November 30, 2007**
Contract Number
Contract Signup Date: **Wednesday, March 1, 2007**
Net Contract Amount: **100.000t / 3,674 bu**

Date	Activity	Tonnes	Bushels	Price
Mar-1-2007	Signup	100.000	3,674	$16.99 Basis
Nov-06-2007	Futures Transfer from Dec 2006 CWRS	-100.000	-3.674	
Nov-06-2007	Futures Transfer to Mar 2007 CWRS	100.000	3.674	$15.50 Adjusted Basis
Feb-19-2008	Futures Transfer from Mar 2007 CWRS	-100.000	-3,674	
Feb-19-2008	Futures Transfer to May 2007 CWRS	100.000	3.674	$19.33 Adjusted Basis
Mar-02-2008	Priced May 2007 CWRS	100.000	3.674	$207.89 Futures

Comments

Contract is fully priced.

An administration fee of $100.00 for your transfer of 100.000 tonnes from Dec 2006 CWRS to Mar 2007 CWRS will be deducted from your CWB settlement.

An administration fee of $100.00 for your transfer of 100.000 tonnes from Mar 2007 CWRS to May 2007 CWRS will be deducted from your CWB settlement.

Incremental Value

Compensation for deliveries made later in the crop year against Producer Payment Options contracts representing the time value of money. Values are in dollars per tonne.

August	$0.00	November	$0.50	February	$1.00	May	$1.35
September	$0.15	December	$0.70	March	$1.10	June	$1.45
October	$0.35	January	$0.85	April	$1.25	July	$1.50

Please notify the CWB immediately of any errors or omissions.
Phone: 1-800-275-4292
Fax: (204) 983-8031

adds the three together to obtain the contract price in $Cdn per tonne.

3. In the comments section, there will be information on the pricing status of the contract, deadlines and administration fees charged.
4. At the bottom of the statement are the incremental values associated with the contract. Incremental payment values start at zero for August delivery and increase in value for each month later into the crop year.

CWB agents may call the CWB at 1-800-275-4292 to confirm contract numbers when administering contracts for a producer.

The CWB also issues a contract to the producer for insertion into the permit book. It indicates the type of contract, contract number and provides an area to record deliveries.

Transaction corrections and program termination

Correction procedures

Transactions for PPO programs must be received before 7:30 a.m. CT each business day. All required information on the fax form must be completed accurately in order for the CWB to process it.

If a fax transaction is incomplete, the CWB will contact the producer to obtain the missing information. The producer will receive the contract price that is in effect at the time of confirmation.

If the fax form is complete, the CWB will process the transaction based on that information. When producers receive their statement of information, they should carefully review the transactions. If incorrect information was provided and the CWB acted on this information, producers will be responsible for any costs to correct the transaction.

Fax transmission failures

If a transaction is faxed to the CWB but not received, a copy of the sender's fax log confirming the transaction was successfully sent and a copy of the transaction should be sent to the CWB.

The CWB fax machine maintains a log of all incoming faxes received. The log indicates, the time, originating fax number, number of pages received and status of the transmission. This log will be used to verify if a fax was transmitted to the CWB. If the sender's fax number does not appear on their fax log, the CWB may be unable to verify the transmission.

It is the sender's responsibility to ensure their fax transmits successfully. If there is any doubt, call the CWB immediately to confirm receipt of the transaction.

If the fax appeared to transmit successfully but a contract and statement of information has not been received within a week to 10 days, contact the CWB to confirm.

Program termination procedures

The CWB reserves the right to terminate sign-up of PPO programs before the sign-up deadline dates, depending on market conditions.

The CWB reviews the PPO programs weekly. If consideration is being given to terminating a program over the course of the following week, the CWB will issue a Country Elevator News (CEN) bulletin on that Monday informing agents of the potential closing of the program. This is a warning that the program may be cut off at any time after 7:30 a.m. CT the following business day. Producers wanting to make a commitment to the program should be advised to do so immediately.

If a program is terminated, the CWB will initiate an automated call to elevator managers, advising them of the program close and a CEN bulletin will be released that morning.

Any contract commitments received after 7:30 a.m. CT on the day program sign-up is terminated will be rejected. The CWB will contact producers to advise them that their applications were received after the cut-off.

BPC or FPC delivery and settlement

BPCs and FPCs are pricing contracts only, separate from delivery contracts. Producers must still sign a Series A, B or C delivery contract, a GDC or an SBSDC and wait for delivery calls.

Producers must advise grain company staff to assign their deliveries to the payment option of their choice prior to settlement. Check the contract confirmation in the permit book for the correct contract number. The contract confirmation can be found on pages 11-15 of the delivery permit book.

Payment on a BPC or FPC is made in two parts: the initial payment on delivery at the elevator and the additional payment from the CWB. This represents total payment.

Reporting deliveries for wheat, durum and feed barley

The contract number is essential to generate the producer's additional CWB payment. The BPC or FPC number must appear in the authorization field of the cash purchase ticket.

Landlord (interested party) deliveries for wheat, durum and feed barley

Landlords are eligible for payment against a BPC or FPC signed under the actual producer's CWB identification number by applying the producer's contract number to the landlord's deliveries.

The elevator must ensure deliveries are applied using the correct landlord prefix. If the wrong prefix is used, the deliveries will not be applied to the producer's BPC or FPC and an additional payment will not be generated until the cash purchase ticket is corrected.

Landlords may also sign their own BPC or FPC and apply deliveries to that contract number. The deliveries must be reported against the landlord's ID number used to sign the contract.

Reporting deliveries for selected barley

Producers are not required to have an SBSDC already in place when they sign a BPC or FPC. However, deliveries cannot be applied to the contract and no additional payment will be generated until an SBSDC has been obtained.

For selected barley, the SBSDC number, not the BPC or FPC number, must be reported in the authorization field of the cash purchase ticket in order for deliveries to be applied. Payment will be automatically generated on a first in, first applied basis, i.e. the first delivery reported against an SBSDC will be applied to the producer's earliest BPC or FPC. Producers cannot choose which deliveries can be applied toward a specific BPC or FPC.

Landlord (interested party) deliveries for selected barley

Because selected barley deliveries are applied using a first in, first applied basis, landlords must have their own BPC or FPC contract and their own SBSDC. The current cash purchase ticket format for reporting deliveries is limited to one contract number field, which makes this requirement necessary.

Multiple contracts/splitting cash purchase tickets

When the final delivery is applied against an FPC or BPC, any tonnage over the contracted amount will automatically be credited as a pool account delivery. If the producer has multiple PPO contracts, the elevator must split the cash purchase ticket, so that the first contract is completely filled and the remaining tonnage can be applied to another contract. The CWB cannot split cash purchase tickets.

Payment

Initial payment settlement

Producers receive the initial payment at the elevator for the grade and protein of the actual grain delivered, less freight and handling. Once the cash purchase ticket has been correctly reported to the CWB, an additional payment will be issued within 10 business days. In the case of an unpriced BPC, the additional payment will be issued once the producer locks in the value.

CWB additional BPC or FPC payment settlement

The CWB additional payment is the difference between the contracted BPC or FPC value and the current initial payment for the reference grade of the grain committed, plus an incremental payment (see below). If the basis has been rolled, the $1 per tonne fee will be deducted for each roll.

BPC additional payment = (futures + basis + late sign-up adjustment factor) – reference grade initial payment at time of delivery + incremental payment – rollover fee (if applicable)

FPC additional payment = fixed price – reference grade initial payment at time of delivery + incremental payment

Deliveries applied against a BPC or FPC are not eligible for adjustment, interim or final payments from the CWB. The initial payment received at time of delivery plus the CWB additional payment represents total payment.

Incremental payment

The incremental payment represents a rebate of the time value of money portion of the discount to reflect the actual month of delivery. Payment rates progressively increase each month from August to July. The value of this payment is established at the time the contract is signed up. Payment rates are listed on the daily pricing schedule. Incremental payment rates can also be found on the statement of information for the contract.

Payment deductions

The additional payment issued by the CWB is subject to deductions for wheat, durum and barley research. Producers who choose not to participate can mail or fax a written note the Western Grains Research Foundation (WGRF) before settlement or no later than August 31, each year. Notice must include full name, CWB producer identification number, crop year and full address.

Western Grains Research Foundation
214-111 Research Drive
Saskatoon, SK S7N 3R2
Phone: 1-306-975-0060 Fax: 1-306-975-0316

In Alberta, the check-off is administered by the Alberta Barley Commission.

The additional payment is also subject to any other deductions that may be appropriate. These include, but are not limited to, outstanding defaulted cash advance accounts, liquidated damages, pricing damages or transaction fees related to the PPO programs.

Cancellation and replacement of cash purchase tickets

The additional payment issued to producers on the PPO programs is dependent on accurate delivery reporting. Cash purchase tickets are monitored for reporting errors. The CWB will contact producers or elevator agents to confirm reporting errors and will correct PPO contract numbers and delivery call years upon confirmation. Changes to identification number, grain, grade and protein must be done by the grain company by cancelling the original cash purchase certificate and issuing a replacement for the correction.

Overpayments

An overpayment of a BPC or FPC can occur when the initial payment rate for the reference grade is higher than the contract value. This can happen later in the crop year when the CWB has adjusted the initial payments before the producer delivers against the BPC or FPC. The producer will always receive the initial payment upon delivery, even when their BPC or FPC is a lower value. The CWB will deduct the overpayment from any future CWB payment made to the producer.

Settling 2006-07 deliveries against 2007-08 contracts

Wheat, durum, feed barley and selected barley committed to 2006-07 delivery contracts cannot be settled against a 2007-08 BPC or FPC contract. This would give producers the choice of a locked in price for 2007-08 and the PRO for 2006-07, which is fairly certain late in the crop year, while assuming no risk. The CWB pool accounts would assume the risk.

Producers will still have the option to settle storage tickets for 2006-07 deliveries against the 2007-08 pool account after August 1, 2007 or against a 2007-08 Early Payment Option (EPO). Producers who choose either of these options are assuming risk when they make their decision because the uncertainty in the price outlook is much greater.

BPC and FPC additonal program details

Feed discount

BPC and FPC values are based on milling quality grades. If lower quality feed grades are applied to these contracts, the feed discount will adjust the value of the contract downward towards the current feed wheat price.

The following grades are subject to the feed discount if delivered against a BPC or FPC:

- Canada Feed, No. 4 CWRS, No. 4 CWHWS and No. 3 CWSWS
- No. 4 and No. 5 CWAD

Sample grades and mixed grain cannot be delivered against BPCs or FPCs.

The feed discount posted on the daily pricing schedule on the cash purchase ticket settlement date is deducted from the producer's additional payment.

Additional payment for feed deliveries = FPC or BPC value – reference grade initial payment at time of delivery + incremental payment – feed discount

Minimum delivery guarantee for durum

The CWB offers a minimum delivery guarantee for the durum FPC because durum acceptance levels can be less than 100 per cent. To help producers determine how much of their crop to commit to a durum FPC, the CWB announces a minimum delivery guarantee before the program starts. For 2007-08, the guarantee is 80 per cent of the production offered under the Series A delivery contract, to a maximum of a producer's FPC tonnage. Unaccepted tonnes must be rolled to the Series B contract for consideration under the guarantee.

The CWB may offer GDCs for specific quantities of durum during the crop year to meet customer demand. Because GDCs offer 100 per cent acceptance, the minimum delivery guarantee does not apply.

Example

A producer signs a 1 200 tonne FPC for durum on April 25, 2007 based on the expectation of producing 1 500 tonnes in the upcoming crop year (1 500 tonnes x 80 per cent = 1 200). In the fall, the producer signs a 1 500 tonne Series A delivery contract. Tonnes offered under Series A are automatically rolled over to Series B. Below are the acceptance levels.

Series	Sign-up tonnage	Acceptance level	Tonnes accepted
A	1 500	70%	1 050
B	450 rollover	0%	0

After the Series B acceptance announcement, the overall acceptance level for the crop year is 70 per cent. Because the overall acceptance has not reached the minimum guaranteed level of 80 per cent, a special delivery provision will be made for the producer to deliver an additional 150 tonnes. The producer will receive notification to deliver the 150 tonnes through a special delivery provision letter. This will bring the total accepted tonnage to 80 per cent (1 200 tonnes) of the total durum tonnage that was committed to delivery contracts. The 150 tonnes must be settled against the FPC for durum.

This section outlines some aspects of the BPC and FPC programs in more detail by providing examples and different market scenarios that producers should be aware of when making decisions. The figures used in this section are for illustrative purposes only.

BPC sign-up

The BPC can be priced using two different approaches:

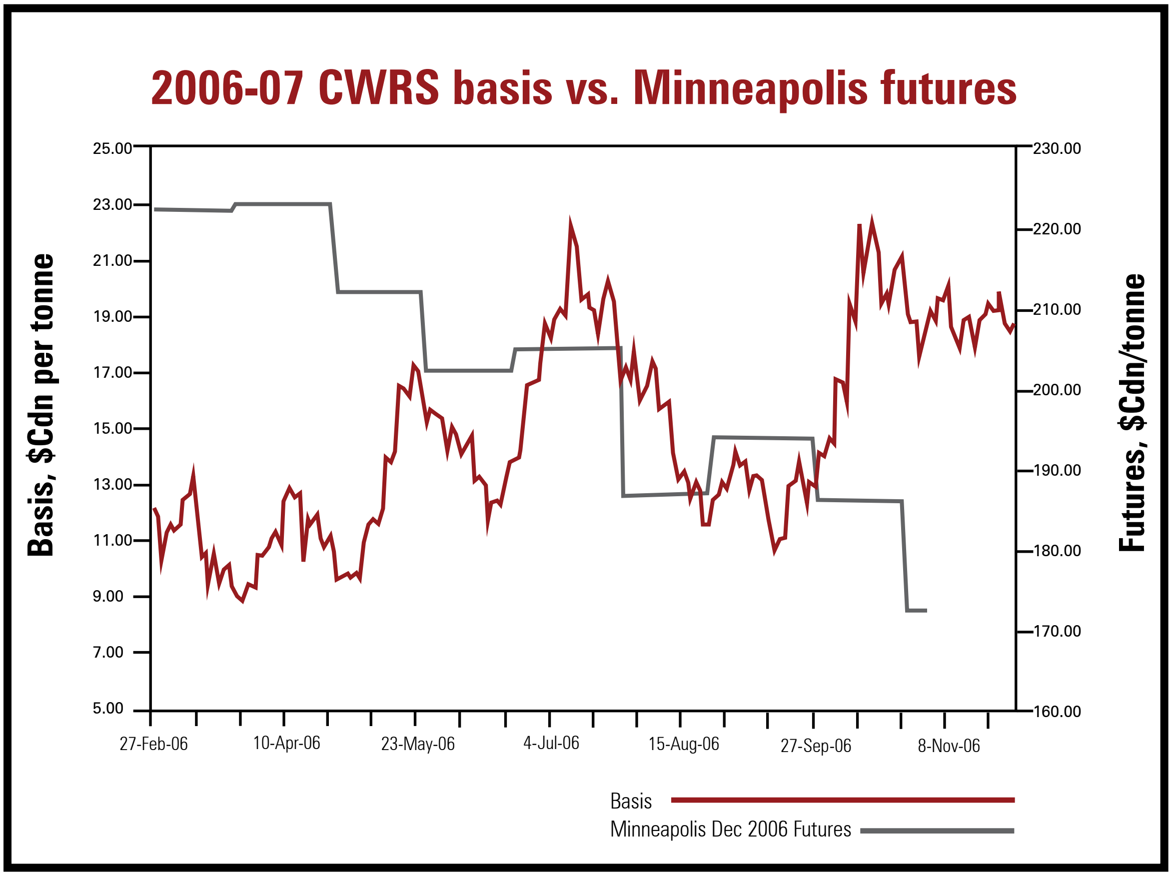
1. Lock in a basis and price the futures later or

2. Price the futures and lock in a basis later.

Which strategy to choose depends entirely on whether a market rally or downturn is expected. As the following charts show, locking the basis in first would have resulted in a better return in 2006-07 but locking the futures in first would have resulted in a better return in 2005-06.

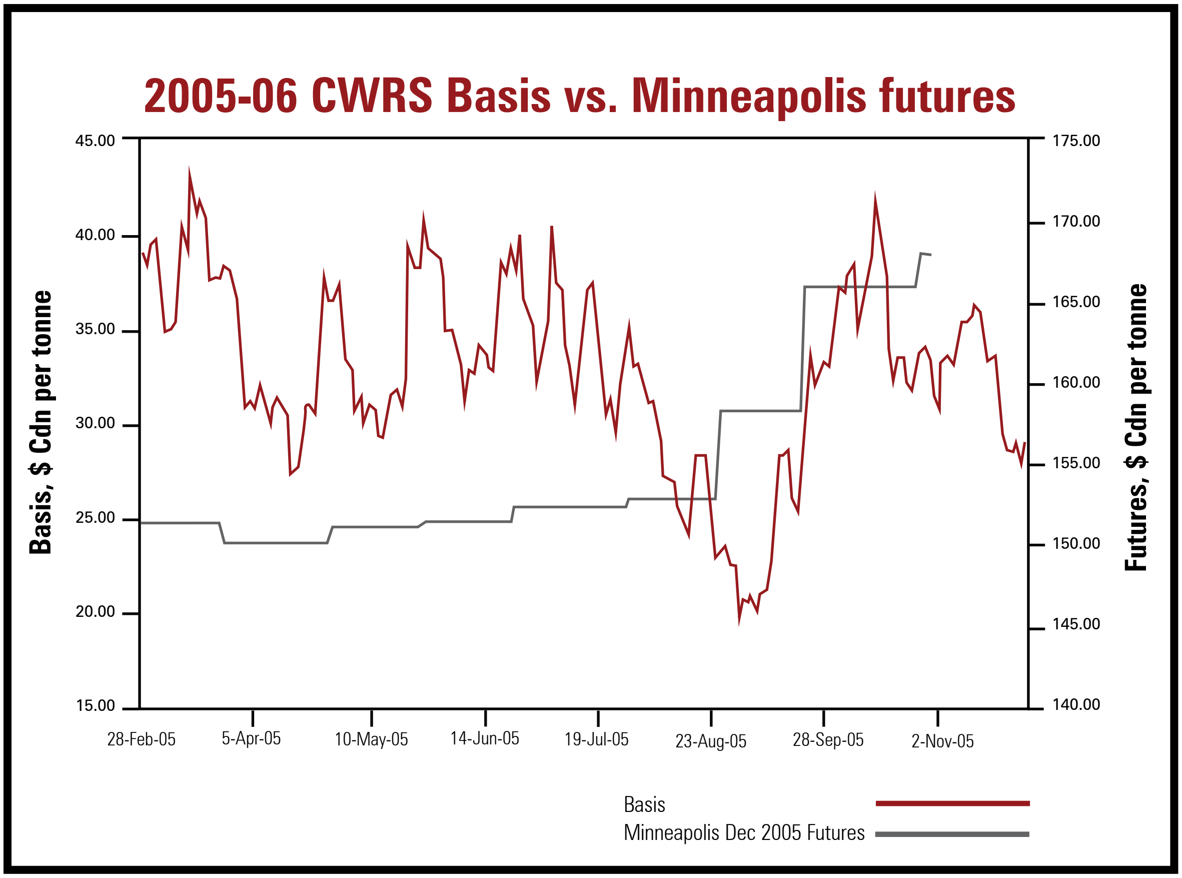
In 2006-07, the wheat futures market trended generally higher beginning in the spring, with peaks in July and October. The main driving variables were: multiple supply events (production problems in the major wheat exporter countries and the Black Sea region), increased demand from Iraq, emergence of significant and unexpected demand from India, as well as significantly increased commodity investor (speculative and index fund driven) flow of money into agricultural commodity markets.

Milling wheat FOB prices were relatively steady in the early months of the sign-up period. In May, U.S. wheat futures were rallying due to increased fund based money flows, concerns with the U.S. Hard Red Winter wheat crop, and production prospects in other major exporters. In offshore markets which represent a significant portion of export competition, milling wheat prices were slowly strengthening. This prevented the wheat PRO from moving higher in line with U.S. futures, which in turn held down the basis. The Canadian dollar gaining strength during this time period was another negative factor. In July, forecasts for reduced production in North America, Argentina, Australia and the EU-25 supported prices for mid and lower quality milling wheat. However, by fall it became clear the North American supply of milling wheat was larger and of better quality than was earlier expected.



In 2005-06, the market was relatively volatile from the start of the sign-up period until the start of the crop year. Prices peaked in early March but held within about a $15 per tonne range until the end of July. Global wheat crops were in generally good condition during this period, offsetting concerns regarding developing dryness in the U.S. Hard Red Winter wheat belt. Volatility was mainly due to speculative activity. Prices began weakening before the start of the crop year in anticipation of a near-record large world wheat crop. The market bottomed at the end of August with Hurricane Katrina and the uncertainty following it.

From the beginning of the sign-up period to the start of the crop year, the PRO held fairly steady due to favorable world crop conditions with a resulting flat basis. Despite the outlook for large world production, the basis started rising strongly after the start of the crop year as it became clear North American supplies of high-grade, high protein milling wheat would be tight due to vomitoxin problems in the U.S. spring wheat crop and poor harvest weather in Canada. Higher U.S. grain transportation costs due to Hurricane Katrina were also bullish for export prices.



When to roll a basis

Producers have the option to roll the basis portion of an unpriced BPC to another futures month in order to extend their futures pricing deadline or to take advantage of market trends. When a basis is rolled, it will be adjusted in value by the spread between the two futures months. To receive the best adjusted basis, producers should watch the spread between futures months to determine the best time to roll.

If you are rolling to a forward month with the expectation that prices in that month will rise by more than your current futures month, the best adjusted basis is received when the spread has narrowed. If you are rolling backward with the expectation that a nearby futures month will rise by more than your current futures month, the adjusted basis is more favourable when the spread has widened.

Example

A producer locks in a December basis of $12.31 per tonne for CWRS on March 5. On September 15, the settlement price for the December Minneapolis futures is $209.85 per tonne and the March settled at $214.85 per tonne. If the producer rolled the basis on that day, the adjusted basis would be $5 per tonne less at $7.31 per tonne due to the spread between the two futures months:

Original basis + (current basis month futures price – new basis month futures price) = rollover adjusted basis

$12.31 + ($209.85 - $214.85) = $7.31 per tonne

If the futures market were inverted with the December at $214.85 per tonne and the March at $209.85 per tonne, the producer's basis would improve by $5 per tonne.

$12.31 + ($214.85 - $209.85) = $17.31 per tonne

Buyouts

Producers can initiate a buyout at any time after making the initial commitment. Market conditions at the time of buyout will determine the cost. This section outlines factors producers should consider when contemplating a buyout.

Buyout Costs are assessed on the greater of:

(Current basis + current futures + current adjustment factor) – (producer's basis + producer's futures + producer's adjustment factor)

Or

Current futures – producer's futures

The buyout calculation is the same for both the BPC and FPC, but depending on the producer's pricing commitment, only certain components of the formula apply.

BPC futures or basis only

Producers thinking of reducing or buying out of their basis or futures only BPC prior to August 1, should watch the daily pricing schedule for an opportunity to do so when the CWB's basis or the futures value is near or below their own, in order to minimize the buyout cost. Buyout costs can be limited to the $15 administration fee if the producer's futures or basis is below the daily posted rate. The adjustment factor portion of the formula will not have any impact on the cost because the adjustment factor is set at zero until the CWB begins buying futures to hedge its sales program.

Effect of the adjustment factor

After August 1, buyout costs become increasingly influenced by the adjustment factor as the CWB's long position increases as the crop year progresses.

The impact of the adjustment factor on buyout costs is exactly the opposite to the impact on contract prices at sign-up (see page 10) because futures are being sold rather than bought. Therefore, the effect on buyout costs due to the adjustment factor is a reduction in cost if futures are rising and an increase in cost if they are falling.

Example

A producer locks in a December CWRS basis on June 29 at $11.62 per tonne over the Minneapolis Hard Red Spring futures and an adjustment factor of $0 per tonne. The futures market begins to rally in the summer and continues into the fall. The producer hopes the market will rise even higher and decides to roll the BPC to the July futures month in order to extend the pricing deadline until the end of June. The producer's new basis is $10.50 per tonne over the July.

However, the futures market peaked in October and deteriorated steadily into the spring. As the June 30 pricing deadline approaches, the producer calls the CWB to buy out the BPC. The July basis deteriorated slightly to $10 per tonne since the producer rolled his basis in June. However, since significant pool account sales were made earlier in the year at much higher prices, the adjustment factor has climbed to $6 per tonne.

Since the producer has not locked in his futures the cost is calculated as:

(Current basis + current adjustment factor) – (producer's basis + producer's adjustment factor)

= ($10 + $6) - ($10.50 + $0)
= $16 - $10.50
= $5.50 per tonne

The $1 per tonne rollover charge is added to the buyout cost for a total of $6.50 per tonne plus the $15 administration fee.

FPC buyout

Buyout costs for FPCs account for changes in basis and futures from the sign-up date.

Example

On May 3 a producer locked in a CWRS FPC contract for $212.16 per tonne. On September 15, the CWRS FPC is quoted at $212.16 per tonne on the daily pricing schedule. The producer calls the CWB for a buyout quote and discovers there will be a cost of $2 per tonne plus the $15 administration fee.

Although the net prices on both days were the same, the individual components were not. When the producer signed up the FPC, the basis was $12.31 per tonne over the Minneapolis futures price of $199.85 per tonne. The adjustment factor was $0 per tonne since the contract was signed prior to August 1. On September 15, when the producer called for a buyout quote, the basis was $9.31 per tonne over the futures price of $201.85 per tonne and the adjustment factor was $1 per tonne.

The buyout cost was assessed at the greater of:

(Current basis + current futures + current adjustment factor) – (producer's basis + producer's futures + producer's adjustment factor)

= ($9.31 + $201.85 + $1) – ($12.31 + $199.85 + $0)
= $212.16 - $212.16
= $0 per tonne

Or

Current futures – producer's futures

= $201.85 – $199.85
= $2 per tonne

In this instance, the producer is assessed $2 per tonne in damages due to the short futures position loss plus the $15 administration fee.

Initial payment spreads

When producers deliver against a BPC or FPC, they receive the initial payment for the actual grade delivered. This effectively reduces or raises their contract price by the spread between the initial price of the reference grade and the initial price of the delivered grain on the date of settlement.

If producers have a range of grades and/or proteins available to deliver against a BPC or FPC, they should watch initial payment spreads to determine which will provide them with the best return. Changes to the PRO spreads during the crop year should also be watched to determine trends for timing settlement if there is a recommendation for an adjustment payment.

If there is an adjustment payment recommendation, the PRO spreads reflected at the time of the recommendation are used to set the new initial payment rate. Knowing the trends in the PRO spreads will help producers decide which grade and/or protein to deliver and the best timing of settlement.

Example

On May 30, a producer commits 50 tonnes of CWRS to an FPC at a contract price of $200 per tonne. The producer has 50 tonnes of No. 1 CWRS 14.0 per cent protein and 50 tonnes of No. 3 CWRS 13.8 per cent protein available for delivery and must decide which grade to apply to the FPC contract and which to apply to the pool.

In late October, the CWB recommends an increase to the initial payments. An adjustment payment is expected in the middle of November. Since deliveries against the FPC are subject to the initial price spreads on the date of delivery, the producer reviews the CWB PROs and initial prices to determine which grade to apply to the FPC. Remember, the adjusted initial prices will reflect the changes in the PRO spreads.

	Reference grade 1 CWRS 13.5%	1 CWRS 14.0%	Spread
Initial price	$135	$140	$5
July PRO	$195	$200	$5
October PRO	$205	$220	$15

The PRO spread between No. 1 CWRS 13.5 per cent protein and No. 1 CWRS 14.0 per cent protein has improved by $10 per tonne ($15 - $5) from July to October.

	Reference grade 1 CWRS 13.5%	CWRS 13.8%	Spread
Initial price	$135	$120	($15)
July PRO	$195	$180	($15)
October PRO	$205	$172	($33)

The PRO spread between No. 1 CWRS 13.5 per cent protein and No. 3 CWRS 13.8 per cent protein has deteriorated by $18 per tonne ($33 - $15) from July to October.

Fundamentals suggest this trend will continue and that it will be reflected in the upcoming adjustment payments. The following table illustrates the consequences of delivering before and after the adjustment payment:

	1 CWRS 14.0%	3 CWRS 13.8%
FPC price	$200	$200
- Initial price of reference grade	$135	$135
= Additional payment	$ 65	$ 65
+ Initial price of delivered grade	$140	$120
= Net FPC price before adjustment payment	$205	$185
+ Change in PRO spread	$ 10	(-$18)
= Estimated net FPC price after adjustment payment	$215	$167

Based on the change in PRO spreads the producer's net FPC price would increase by $10 per tonne for No. 1 CWRS 14.0 per cent protein following the adjustment payment and decline by $18 per tonne for the No. 3 CWRS 13.8 per cent protein. Therefore, the producer would be better off to deliver the No. 3 CWRS 13.8 per cent protein against the FPC prior to the adjustment payment and leave the No. 1 CWRS 14.0 per cent protein in the pool.

Glossary

Actual grade
The grade and protein of grain delivered as reported on a cash purchase certificate.

Additional payment
A payment made by the CWB to producers after grain is delivered against a PPO contract. Additional payments equal the contracted price less the initial price for the relevant reference grade at time of delivery plus the incremental payment.

Adjusted basis
Adjustment to basis price caused by rollover of tonnes in a BPC from one futures month to another.

Arbitrage
Simultaneous purchase and sale of the same or equivalent security in order to profit from price discrepancies. Also known as riskless profit.

Basis Payment Contract (BPC)
A pricing option available for all classes of wheat, feed barley and selected barley that offers the choice of locking in the basis and futures components separately.

Basis risk
A measurement of the uncertainty whether the CWB will be able to perfectly hedge the PPO prices offered.

Buyout
The cost farmers pay to reverse their PPO contract obligations. A calculation is performed to charge farmers pricing damages for non-delivery of the contract based on market values.

Cash purchase ticket
Certificate manually or electronically issued to the producer at time of settlement for a delivery. Also includes value-only tickets for advance issuance or refunds against cash advance accounts.

Contingency fund
A fund established for PPOs to operate without any impact to the CWB pool accounts. Included in the fund is the annual surplus or deficit arising from the operation of PPOs.

Country basis
The difference between the in store Vancouver or St. Lawrence value and the farmgate price. This is equal to the freight and elevator handling charges.

Daily Price Contract (DPC)
A pricing option available for all classes of wheat with the choice of locking in a daily cash price derived from U.S. elevator prices.

Discount
Time value of money, risk and administration cost. This is the cost to the producer of signing a PPO contract.

Early Payment Option (EPO)
A pricing option available on all grains, which provides a floor price based on a percentage of the CWB's Pool Return Outlook (PRO), less a discount and early cash flow upon delivery.

Farmgate price
The net price the farmer receives after relevant deductions are subtracted from the in store price.

Feed discount
A discount applied to deliveries of Canada Feed, No. 4 CWRS, No. 3 CWSWS, No. 4 CWAD and No. 5 CWAD against FPC and BPC contracts. By discounting the posted FPC and BPC prices, the CWB can accommodate producers delivering lower quality grain against their PPO contracts.

Fixed Price Contract (FPC)
A pricing option available on all grains, which provides a set value that a producer can lock in on a quantity of grain.

Foreign exchange
Rate at which one currency may be converted into another. PPO prices are determined by converting the relevant U.S. futures prices into their Canadian dollar equivalents.

Foreign exchange risk
The exposure to changes in foreign exchange rates that may adversely affect Canadian dollar returns to the CWB.

Futures Expiry Date
The last day that the CWB provides a futures price quote for a given futures month. For example, the last price quote for the December 2007 futures contract will be offered on November 30, 2007. Farmers with December BPC contracts should lock in this price or complete a rollover to a forward futures month. Farmers who take no action by the expiry date will be automatically priced at the last day's price.

Incremental payment
A payment to compensate farmers for wheat, durum and barley delivered later in the crop year. The payment represents the time value of money to the farmer. The value of this payment is set at the time of contract sign up and based on the month of delivery.

Late sign-up adjustment factor
Average futures and foreign exchange on CWB sales made to date multiplied by the percentage of the pool sold.

Lock-in price
The in store price obtained by farmers with basis contracts after they commit to a futures price. The lock-in price is equal to the basis and futures settlement price combined.

Long
One who has bought futures contracts or owns a cash commodity.

Nearby (delivery) month
The futures contract month closest to expiration. Also referred to as the spot month.

Original basis
A farmer's first basis contract, before any rollovers are completed.

Producer Payment Options (PPOs)
Contract programs that allow producers more flexibility in pricing their grain by choosing to be in or out of the CWB pool accounts and to improve cash flow by paying out or advancing money earlier in the crop year. This includes various CWB pricing alternatives such as the FPC, BPC, EPO and DPC.

Reference grades
The grade within a class of grain used to establish the posted price. For example: the reference grade for the CWRS class is No. 1 CWRS 13.5 per cent protein.

Relevant futures price
The daily closing price for one of following contracts: Chicago Soft Red Winter, Kansas Hard Red Winter, Minneapolis Hard Red Spring or Winnipeg Western Barley.

Rollover
Closing out the basis position in the currently held month futures contract and taking a fresh position on a different month futures contract. For example, a farmer holding a December contract basis can roll it over by closing it out with a short position and simultaneously taking a new basis position (adjusted basis) in the March contract.

Settlement date
The date on which a cash purchase ticket is issued by a grain company.

Settlement price
The last price paid for a commodity on any trading day. If there is a closing range of prices, the settlement price is determined by averaging those prices. Also referred to as the settle or closing price.

Short
One who has sold futures contracts or plans to purchase a cash commodity. Selling futures contracts or initiating a cash forward contract sale without offsetting a particular market position.

Spread
The difference between the reference grade initial price and the initial price for the delivered grade. Spread may also refer to the price difference between two futures contracts trading at the same time. For example if the Minneapolis Hard Red Spring December 2007 contract closed at $4.04 per bushel and the corresponding March 2008 contract closed at $4.06 per bushel on the same day, the spread would be $0.02 per bushel.

Target price
A fixed price, futures price or basis at which a farmer has indicated that he/she will agree to the PPO contract terms and conditions as offered. Along with their requested target price, farmers also specify the class of grain, tonnage and time period for the order to stand.

Time value of money
A concept stating that a dollar paid now is worth more than a dollar paid in the future. PPO prices include a discount for the time value of money because farmers who deliver their grain early in the crop year have their full payment earlier than farmers who wait for pool account payments.

Index

R

S

T

W