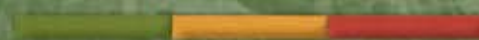


2007-08

Fixed Price and Basis Payment Contracts

for wheat, durum and barley

PPO



Producer Payment Options



Table of contents

| | | | |
|--|--------------|--|--------------|
| Introduction..... | 3-7 | Contract transactions..... | 21-30 |
| Producer Payment Options..... | 3 | Forms..... | 21-29 |
| 2007-08 crop year enhancements..... | 3 | Sign-up applications | |
| BPC and FPC overview..... | 4 | Target pricing service | |
| Reference Grades | | BPC futures price or basis lock-in | |
| Important dates..... | 5-6 | BPC futures month rollover | |
| Sign-up periods | | Barley quality transfer | |
| Force majeure sign-up deadline | | Statement of information..... | 30 |
| BPC basis lock-in deadlines | | Transaction corrections and program termination | 31 |
| BPC futures expiry dates | | Corrections procedures | |
| PRO release dates | | Fax transmission failures | |
| Where to find BPC and FPC program information..... | 6-7 | Program termination procedures | |
| BPC and FPC Contract Details..... | 8-12 | BPC or FPC delivery and settlement..... | 31-34 |
| Basis Payment Contract..... | 8-11 | Reporting deliveries..... | 31-32 |
| Components of the BPC..... | 9-10 | Landlord (interested party) deliveries | |
| Futures value | | Multiple contracts/splitting cash purchase tickets | |
| Basis | | Payment..... | 32-33 |
| Late sign-up adjustment factor | | Initial payment settlement | |
| BPC sign-up options..... | 11 | CWB additional BPC or FPC payment settlement | |
| Rollovers..... | 12 | Incremental payment | |
| Fixed Price Contracts..... | 13 | Payment deductions | |
| FPC wheat, feed barley and selected barley | | Cancellation and replacement of cash purchase tickets..... | 33 |
| FPC durum | | Overpayments..... | 33 |
| Contractual obligations..... | 14-17 | Settling 2006-07 deliveries against 2007-08 contracts..... | 33 |
| Terms and conditions..... | 14 | Additional program details for the BPC and FPC..... | 34 |
| Delivery requirement | | Feed discount | |
| Changing contract commitments..... | 14-17 | Minimum delivery guarantee for durum | |
| Assignments | | Strategies..... | 35-39 |
| Buyouts | | BPC sign-up..... | 35-36 |
| Barley quality transfers | | When to roll a basis..... | 37 |
| Force majeure clause | | Buyouts..... | 37-38 |
| Pricing Damages | | BPC Futures or basis only | |
| Program Administration..... | 18-34 | Effect of the adjustment factor | |
| BPC and FPC pricing schedules..... | 18-20 | FPC buyout | |
| Wheat, selected barley and feed barley BPC and FPC | | Initial payment spreads..... | 39 |
| Durum FPC | | Glossary..... | 40-41 |
| Price charts | | Index..... | 42-43 |

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, 2007 |
| 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

