



*The basis includes a discount for risk, time value of money and administration costs.

What is it?

The Basis Payment Contract (BPC) for selected barley is a pricing option that offers producers the opportunity to fix a basis against the Winnipeg Western barley futures from February 26, 2007 to October 31, 2007. The futures must be priced by the futures month expiry date. The CWB Pool Return Outlook (PRO) is used to establish the basis*. Either the basis or the futures can be locked in first and the other at a later date. A late sign-up adjustment factor is applied at contract sign-up, beginning August 1. The BPC is a pricing commitment requiring 100 per cent application of deliveries. Since the BPC provides forward pricing opportunities before harvest, a 2007-08 CWB Selected Barley Storage and Delivery Contract (SBSDC) is required, confirming selection of your production.

How does it work?

The BPC provides you with a value outside the pool account that you can incorporate into your farm management practices for price risk, budgeting, fixing margins, planning seeding and improving cash flow. On delivery, you receive the initial payment for the actual grade delivered. An additional payment will be issued by the CWB within 10 business days if the BPC is fully priced. Additional payments on BPCs that are not fully priced are not issued until the full contract value (basis and futures) is priced. Producers who choose a BPC are not eligible for adjustment, interim or final payments from the pool account.

Reference grade

Reference grades are used to post pricing information based on in store Vancouver or St. Lawrence. The reference grade is used as the base grade for your BPC. You will receive a premium or discount between the reference grade and the delivered grade based on the initial payment spreads at the time of delivery. The reference grade is Standard Select for the selected barley BPC.

Sign-up

You can commit to a selected barley BPC by phoning the CWB with your Producer Identification Number (ID) and Personal Identification Number (PIN) or by faxing a sign-up application form. You must indicate:

1. the number of tonnes you want to commit to the selected barley BPC (minimum 20 tonnes);
2. the type of selected barley; and
3. whether you are locking in a futures or a basis.

Prices, forms and sign-up periods

CWB Web site	www.cwb.ca, 'Farmers - Producer Payment Options'
Fax on demand	1-800-275-4292 (telephone menu option #3)
Telephone	1-800-275-4292
Contact	CWB Farm Business Representatives
Visit	CWB handling agents/grain companies

Delivery requirements

Once you have committed tonnage to the program you are obligated to:

1. sign a 2007-2008 CWB SBSDC in order to deliver against your BPC; and
2. deliver 100 per cent of the tonnage committed to your BPC.

Payment

When you deliver your grain to the elevator:

1. your delivery will automatically be applied to your BPC through the SBSDC number on the cash purchase ticket.
2. you will receive your BPC payment in two parts:
 - the initial payment for the actual grade you deliver; and
 - the CWB additional payment representing the remainder of your contract price calculated as: BPC contract price – reference grade initial payment + incremental payment value*.

* Incremental payment values reimburse you for the time value of money portion of the discount for deliveries made later in the year. Incremental payment rates are established on the sign-up date and are listed on the daily pricing schedule. The rates increase progressively each month from August to July and you are paid the rate associated with the month in which delivery takes place.

Example

On June 2, the Winnipeg Western December barley futures are posted on the daily pricing schedule at \$2.96 Cdn per bushel in store Vancouver or St. Lawrence. John signs the futures portion of a two-row selected barley BPC on this date. The late sign-up adjustment factor is \$0 per bushel before August 1. A month later, John locks in a December basis of \$0.60 per bushel for an overall contract value of \$3.56 per bushel (\$2.96 + \$0.60), based on the reference grade.

On October 10, John delivers Select Two-Row barley, which is automatically applied to his BPC. The initial payment for Standard Select two-row barley is \$2.44 per bushel and \$2.49 per bushel for Select two-row barley. John receives the initial payment net of freight and handling costs for his location (\$2.49 - \$1.05 = \$1.44 per bushel).

Within 10 business days, the CWB issues a payment representing the difference between John's BPC value and the initial payment for the reference grade, plus the incremental payment value for October delivery (\$3.56 - \$2.44 + \$0.01 = \$1.13 per bushel).

John's farmgate price works out to \$2.57 per bushel for the Select Two-Row barley he delivered (\$1.44 + \$1.13). John receives no further payments on this barley.

The BPC at work on your farm

	John's numbers		Your numbers
	Per bushel	Per tonne	
CWB December basis	\$0.60	\$27.56	
Winnipeg December Western barley futures	\$2.96	\$135.95	
Late sign-up adjustment factor	\$0	\$0	
BPC value	\$3.56	\$163.51	
CWB initial payment for the grade delivered	\$2.49	\$114.37	
Freight and handling deductions at the elevator*	\$1.05	\$48.23	
Net initial payment for grade delivered	\$1.44	\$66.14	
BPC value	\$3.56	\$163.51	
CWB initial payment for the reference grade	\$2.44	\$112.07	
Incremental payment for delivery month	\$0.01	\$0.46	
CWB additional payment	\$1.13	\$51.90	
Farmgate price	\$2.57	\$118.04	

* Estimated deductions. These will vary by location.

Changing contract commitments

The BPC offers several options for reducing contract commitments if you are unable to fulfill 100 per cent of your tonnage commitment.

1. You can assign the outstanding tonnes of your contract to another producer who is willing to assume the terms and conditions of the contract. All assignments are subject to a \$15 administration fee per transaction. This fee is charged to the original contract holder (the assignor);
2. You can buy out the outstanding tonnes on your contract based on current market factors. Values posted on the date the buyout is initiated will be used to calculate the buyout cost. All buyout transactions are subject to a \$15 administration fee;
3. If your selected barley is later rejected by a maltster, you can transfer your selected barley BPC to a feed barley BPC. There is a \$15 administration fee for this option; and
4. If you chose the force majeure option at sign-up, you can invoke it to reduce pricing damages for non-performance due to extreme events that cause production loss. There is a \$3 per tonne cost associated with the force majeure option.

If you want to exercise any of these options, call the CWB at 1-800-275-4292.