

Table of contents

Introduction	2	EPO delivery and settlement	14
Producer Payment Options	2	Reporting deliveries	14
EPO overview	2	Landlord (interested party) deliveries	
Reference grades		Multiple contracts/splitting cash purchase tickets	
Important dates	4	Payment	15
Sign-up periods		Initial payment settlement	
PRO release dates		CWB additional EPO payment settlement	
Where to find EPO program information	5	Incremental payment	
		Future CWB payments	
		EPO back-off	
		Payment deductions	
EPO contract details	6	Cancellation and replacement of cash purchase tickets	18
		Overpayments	18
Contractual obligations	7	Settling 2006-07 deliveries against 2007-08 contracts	19
Terms and conditions	7	Additional program details for the EPO	20
Delivery requirement		Rejected Selected Barley EPO discount	
Changing contract commitments	7	Minimum delivery guarantee for durum	
Assignments			
Buyouts			
Quality transfers			
Pricing Damages	9		
		Strategies	21
Program Administration	10	Factors to consider when making an EPO commitment	21
EPO pricing schedules	10	Increased cash flow	
Price charts		Floor price protection	
Contract transactions	11	Initial payment spreads	24
Sign-up applications		Buyouts	26
Statement of information			
Transaction corrections and program termination	13		
Corrections procedures		Glossary	27
Fax transmission failures			
Program termination procedures		Index	29

Introduction

***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. The CWB manages the price risk associated with the programs using futures markets and CWB sales throughout the crop year.**

Producer Payment Options

The Canadian Wheat Board (CWB) introduced Producer Payment Option (PPO) programs in the 2000-01 crop year, following extensive consultations with producers. 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.

Early Payment Option overview

The EPO program was established to provide producers with increased cash flow following delivery. At the same time it provides a floor price with upside potential for future CWB payments.

The EPO allows producers to lock in 80, 90 or 100 per cent of the current reference grade PRO value. This value, referred to as the Early Payment Value (EPV), is locked in at the time of EPO sign-up. Producers locking in an EPV will be charged an EPO discount that covers the CWB's costs associated with market risk, time value of money and administration.

Producers receive the initial payment for the grade delivered at the elevator (less freight and elevation). Once the cash purchase ticket is submitted to the CWB, an additional payment for the balance of the contract price will be issued within 10 business days.

If the final pool return were to fall below producers' EPVs, they are still guaranteed their EPO contract price. Alternatively, if initial payments rise above the total payment producers received under EPOs, they would be eligible for future CWB adjustment, interim or final payments.

Separate EPO programs are offered for the seven classes of milling wheat, feed wheat, milling durum, feed durum, selected barley and feed barley. Feed grades cannot be delivered against milling or selected EPOs. For wheat, No. 4 CWRS, No. 4 CWHWS, No. 3 CWSWS and CW Feed are considered feed grades.

The CWB will withdraw the lower EPV percentages when the initial payment for the relevant reference grade is increased during the crop year and approaches or exceeds the EPV.

Reference grades are used to post contract sign-up values based on an in store Vancouver or St. Lawrence value.

Reference grades and relevant futures exchanges for EPO programs:

	Reference grade	Futures exchange
Wheat		
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
Feed wheat	CW Feed	Winnipeg wheat
Selected barley		
Selected 2-Row	Standard Select	Winnipeg Western Barley
Selected 6-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 change. Previously it was No. 1 CWRW.

The reference grade posted by the CWB is used as the base grade for the pricing contract. However, other grades are eligible for delivery.

Reference grade	Deliverable grades
No. 1 CWRS 13.5 No. 1 CWHWS 13.5 No. 1 CWES No. 1 CPSR No. 1 CPSW No. 1 CWRW No. 1 CWSWS	All grades and protein except feed grades, sample grades and mixed grain
CW Feed	CW Feed, No. 4 CWRS, No. 4 CWHWS and No. 3 CWSWS
No. 1 CWAD 13.0	All grades and protein except feed grades, sample grades and mixed grain
No. 4 CWAD	No. 4 CWAD
No. 5 CWAD	No. 5 CWAD
Standard Select Standard Select	All select grades except sample grades
No. 1 CW	No. 1 and No. 2 CW

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 purchase ticket. Producers who choose an EPO are eligible for adjustment, interim and final payments from the pool account if the initial payment exceeds the EPV.

EPOs 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, durum and selected barley	August 1, 2007	July 31, 2008
Feed barley Pool A	August 1, 2007	January 31, 2008
Feed barley Pool B	February 1, 2007	July 31, 2008

*Programs will be terminated before July 31, 2008 if the initial payment of the reference grade approaches or exceeds the respective EPV level.

PRO release dates

The Pool Return Outlook (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	PRO month	Release date
August	August 23, 2007	March	March 27, 2008
September	September 27, 2007	April	April 24, 2008
October	October 25, 2007	May	May 22, 2008
November	November 22, 2007	June	June 26, 2008
December	December 20, 2007	July	July 24, 2008
January	January 24, 2008	August	August 28, 2008
February	February 28, 2008		

Where to find EPO program information

EPO program information can be found on the CWB Web site under 'Farmers-Producer Payment Options', by phoning the CWB Business Centre, 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, www.cwb.ca.

To sign up an EPO, download a form, fill it out and fax it to 1-204-983-8031.

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

CWB Business Centre

EPO sign-up transactions can be executed by phoning the CWB and providing a producer identification (ID) number and personal identification number (PIN).

Business Centre Representatives (BCR) 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 only 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 (IVR) system.

A Fax on demand listing can also be found on the CWB Web site under "Library-Publications-Farmers".

IVR system

