2007-08

Daily Price Contract

(for wheat)

PPO

Producer Payment Options

CWB

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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. The CWB continues to improve the scope and type of programs available (see changes 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.

Changes for the 2007-08 crop year

As part of its ongoing commitment to provide farmers with better tools to manage their businesses, the CWB has expanded the Daily Price Contract (DPC) program for the 2007-08 crop year.

The CWB is increasing the program's tonnage limit to 650 000 from the 500 000 tonne limit in 2006-07. To help ensure as many farmers as possible have access to the program, a per-farm limit of 5 000 tonnes is also being introduced.

Interested farmers can sign up a DPC for the 2007-08 crop year starting from June 18, 2007 to July 20, 2007. As was the case in previous years, sign-up is on a first come, first served basis. Once the program tonnage limit of 650 000 tonnes is reached, sign-up will be terminated without any prior notice. Sign-up will start at 9:00 a.m. Central Time (CT) on June 18.

The DPC is designed to provide farmers with additional price flexibility and to increase their ability to manage cash flow. U.S. elevator bids and market price relationships are used to establish daily cash prices for each class, grade and protein level of wheat. The program is one of the range of Producer Payment Options (PPOs) the CWB now offers producers, and like all other PPOs, the DPC is guided by the principle that it must be consistent with the maintenance of a competitive and viable pooling option.

The price risk associated with higher futures movement on any given day can be offset by the CWB hedging program. The CWB sells futures when the farmer locks in the DPC reference grade value and buys futures against the tonnage in the program according to the CWB sales pace. Compared to other PPOs the CWB offers, there is considerably more unhedgeable basis risk for the DPC. One source of this additional risk is the use of a single market – the northern tier of country elevators in the United States – to determine DPC pricing, when sales are made against a number of other market price structures with varying basis levels.

There are currently no effective risk management tools available for the types of basis risk inherent to the DPC. At the time the DPC was structured, it was hoped that the Minneapolis wheat index futures would provide a mechanism to hedge a portion of the basis. However, they only trade sporadically and have not provided an effective risk management tool. Without a reliable method to manage basis risk, the CWB needs to increase the adjustment for risk to deal with a higher-than-expected basis risk associated with the DPC program.

The CWB intends to increase the risk discount by approximately $5 per tonne from the current 2006-07 program levels to offset the higher level of basis risk, which means the daily prices offered in 2007-08 may be lower than historical comparison may suggest. However, the changes to the way daily prices are established will improve the long-term viability of the DPC program.

As part of the DPC operating guidelines, the CWB is also committed to keeping the spread between the DPC and the Producer Direct Sale (PDS) relatively narrow and stable with the proviso that under exceptional circumstances, the spread could be widened to protect grain that was required for CWB marketing. This provision has never been exercised. The linkage between the PDS and the DPC provides farmers with the assurance that both the DPC and PDS will track the average price to cross border elevator prices for grain of similar quality. If the DPC price is low relative to an elevator across the border, then selling to the U.S. using the PDS should be attractive. Conversely, if the PDS is high relative to the cross border prices, then the DPC is also likely to be high.

Daily Price Contract overview

The Daily Price Contract (DPC) is a pricing alternative that offers producers the opportunity to capture a daily cash price, based on the U.S. market, for the seven classes of wheat throughout the crop year. Producers must commit tonnage to the program before the start of the crop year and prices are posted beginning August 1. The DPC is comprised of two components: the DPC price for the reference grade and the cash spread. The CWB uses the nearby futures of the relevant U.S. futures markets for hedging activities related to the DPC program. Reference grades are used to post pricing information based on an in store Vancouver or St. Lawrence basis.

Wheat class	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

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

The reference grade is used as the base grade for the pricing contract. The DPC cash spread adjusts the reference grade price to reflect the price of the actual grade delivered. In other words, the daily reference grade price plus the cash spread equals the DPC price for the delivered grade in store Vancouver or St. Lawrence. To arrive at a farmgate value, freight and elevator handling from the producer's location must be deducted.

DPC price for the actual grade = DPC reference grade price + DPC cash spread

On delivery, the producer receives the initial payment for the actual grade delivered. If the contract has been priced, an additional payment, equal to the difference between the DPC price for the actual grade and the initial payment for the actual grade, will be issued by the CWB within 10 business days of receipt of the cash purchase ticket. Additional payments for deliveries made against unpriced DPCs will be issued once the reference grade value has been priced. Deliveries against a DPC are not eligible for adjustment, interim or final payments from the pool account.

DPCs are pricing contracts and carry no delivery terms. All deliveries, whether to a pool account or a PPO, must have an associated CWB delivery contract. Producers must deliver 100 percent of the tonnage committed to PPOs to offset hedges in the futures market, as opposed to 90 percent required under delivery contracts.

Sign-up and pricing period

The DPC program has a sign-up period and a separate pricing period. Producers must commit tonnage before the beginning of the pricing period.

Sign-up period: June 18 at 9:00 a.m. to July 20, 2007 at 7:30 a.m. CT (see tonnage limit below)

Pricing period: August 1, 2007 to July 31, 2008

DPCs that haven't been priced by the pricing deadline will be automatically priced by the CWB. Any undelivered tonnes will be subject to pricing damages (see page 11).

Tonnage limit

The DPC program is limited to 650 000 tonnes. If this limit is reached before the end of the sign-up period, sign-up will be terminated without prior notice.

There is also a per-farm sign-up limit of 5 000 tonnes.

Where to find DPC program information

Information on the DPC program can be found on the CWB Web site, www.cwb.ca, 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 on the DPC home page in the Producer Payment Options section of the CWB Web site.

To execute a transaction using forms downloaded from the Web site, fax 1-204-983-8031.

Assignment and buyout forms are not posted on the Web site. To ensure producers are aware of the obligations they are committing to, assignment and buyout transactions can only be executed by calling a BCR at 1-800-275-4292 or by contacting your local FBR.

BCRs

All transactions related to the DPC program 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 only if producer ID and PIN numbers are given.

FBRs

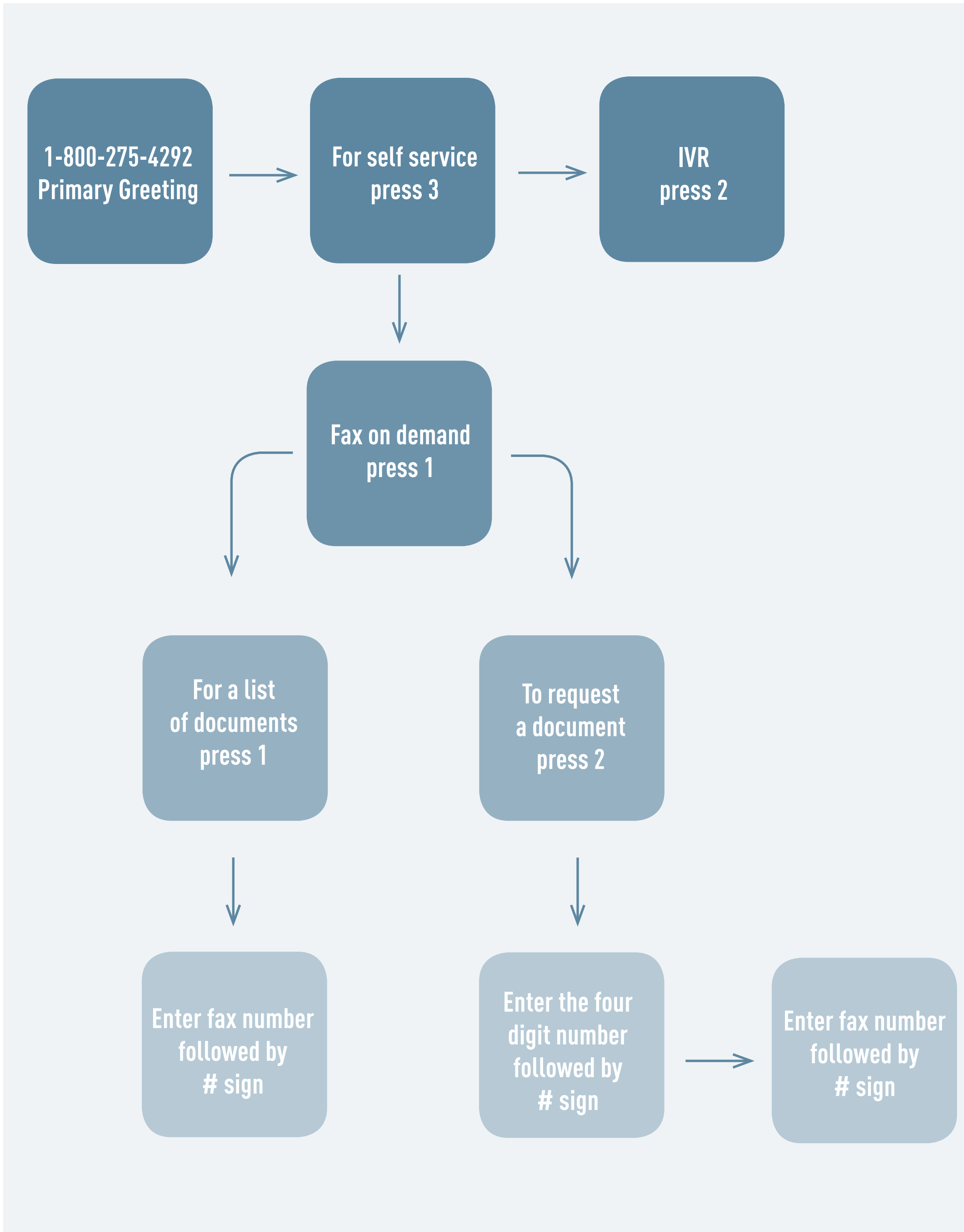
FBR contact information can be found on the CWB Web site under 'About Us-Our People'.

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'.

Interactive Voice Response system



Daily Price Contract

Components of the DPC

There are two components to the DPC: a flat price based on the reference grade and a cash spread that adjusts the price to reflect the actual grade delivered.

Daily Price

The flat price offered for the DPC combines the nearby futures month from the relevant futures market with a daily basis specific to the DPC program.

Daily reference grade price = basis + futures

Basis

A separate spot basis is calculated for each of the seven classes of wheat based on average daily U.S. elevator prices from locations primarily in Montana and North Dakota.

Futures

The CWB uses the nearby U.S. wheat futures month of the relevant futures market to establish the futures component of the DPC. For reference grades and futures markets, see page 4.

Cash spreads (grade & protein adjustments)

The DPC price the producer locks in is for the reference grade. If the producer delivers any grade or protein level other than the reference grade, cash spreads adjust the price to reflect the market value of the actual grade and/or protein. The cash spread component adjusts the DPC price based on the settlement date at the elevator, when the producer is issued the initial payment. A third party grade assessment may be used to verify grade and protein levels of grain settled against DPCs for the purpose of determining cash spreads.

Daily price for the actual grade = daily price for the reference grade + cash spread for the actual grade on the settlement date

Cash spread values can change daily and are posted on a separate daily pricing schedule between August 1, 2007 and July 31, 2008.

IMPORTANT:

By applying a delivery to the DPC, producers elect to take the DPC cash spread effective on the date of initial payment settlement.

Cash price spreads cannot be locked in before or after settlement.

Initial payment spread vs. DPC cash spread

When producers deliver and settle grain against a DPC, they receive the initial payment for that grade at the elevator. Since the initial payment spread between the actual grade delivered and the reference grade is different than the spread in the U.S. cash market, the DPC cash spread adjusts the DPC value to reflect the spot price of the actual grade delivered.

Contractual obligations

Terms and conditions

The DPC is a legal contract and producers who commit grain are bound by the requirements contained in the terms and conditions. Definitions, sign-up methods, obligations, pricing information and provisions of the contract are described in the terms and conditions. Terms and conditions are available on the CWB Web site and through Fax on demand. They can also be obtained by calling the CWB.

Delivery requirement

A key requirement of the DPC 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 DPC does 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 DPC program offers two options for reducing contract commitments if producers are unable to meet them. Producers may assign or buy out all or part of their contract. If a producer chooses not to exercise either of these options and there is shortfall tonnage on the contract, pricing damages will be assessed.

Assignments

If a producer wants to reduce their DPC 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. It is the assignor's (producer transferring the contract) responsibility to ensure the assignee (producer taking over the contract) receives the contract details and terms and conditions. The form must be signed by both producers and returned to the CWB by fax or mail. A $15 administration fee is charged for each assignment.

Buyouts

Producers can initiate a buyout at any time after making the initial commitment. Prior to August 1, 2007, the CWB will release producers from their contractual commitments for a $15 per transaction administration fee.

After July 31, buyout costs are determined by market conditions. Producers should watch the market before initiating the buyout to ensure the lowest cost. The Fixed Price Contract (FPC) is used to calculate the buyout cost in order to determine the arbitrage between the spot U.S. cash basis and the CWB pooled basis.

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. After the FPC sign-up deadline, the CWB posts buyout information separately on the Web site. However, these prices are posted for information proposes only. The producer must call the CWB in order to execute the buyout transaction to ensure the cost has been accurately calculated.

If the DPC has been priced, the buyout formula is the greater of:

Current FPC – producer's DPC   OR   Current futures – producer's futures. If negative, then zero.

If the DPC is unpriced, the buyout formula is:

Current FPC – current DPC. If negative, then zero.

A $15 administration fee is also charged for buyouts. If the producer's contracted futures month has expired, contract values must be adjusted to the current nearby futures month for the buyout calculation.

Pricing Damages

Pricing damages are charged if a producer fails to apply all deliveries to a DPC by the end of the crop year and are based on July 31 market values. The calculation for pricing damages is the same as for buyouts.

The purpose of charging pricing damages is to recover all market losses (basis and futures) the CWB incurs on defaulted contracts. Because the CWB holds the risk associated with these contracts, the CWB 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 on July 31.

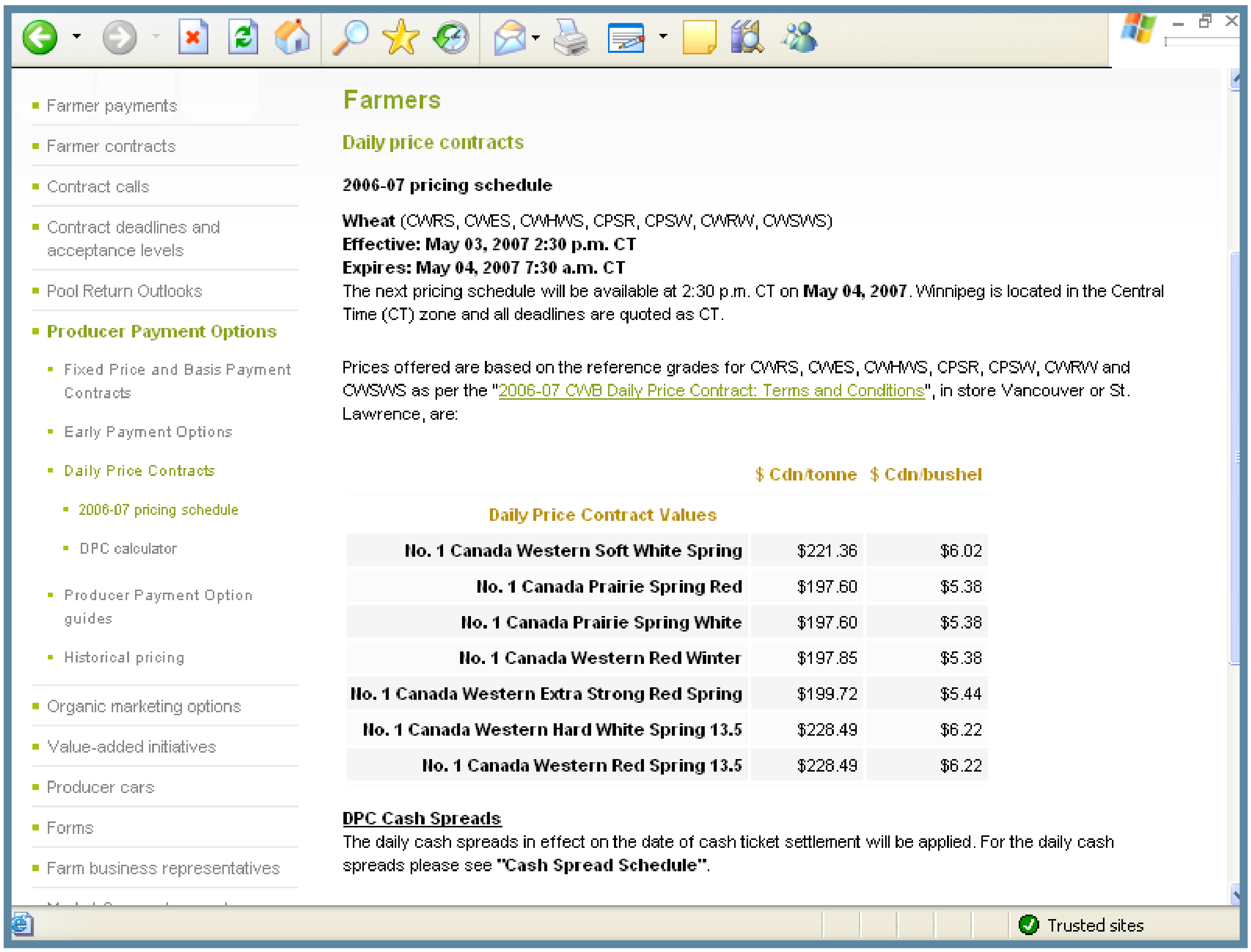
Program Administration

2007-08 DPC pricing schedule

During the pricing period (August 1, 2007 to July 31, 2008), the CWB publishes the daily DPC values and cash spreads on the Web site.

DPC values

DPC values are posted by class and the related U.S. futures market in $Cdn per tonne and $Cdn per bushel at 2:30 p.m. CT each business day and are effective until 7:30 a.m. CT the following business day.


- Farmer payments
- Farmer contracts
- Contract calls
- Contract deadlines and acceptance levels
- Pool Return Outlooks
- Producer Payment Options
  - Fixed Price and Basis Payment Contracts
  - Early Payment Options
  - Daily Price Contracts
    - 2006-07 pricing schedule
    - DPC calculator
  - Producer Payment Option guides
  - Historical pricing
- Organic marketing options
- Value-added initiatives
- Producer cars
- Forms
- Farm business representatives

Farmers

Daily price contracts

2006-07 pricing schedule

Wheat (CWRS, CWES, CWHWS, CPSR, CPSW, CWRW, CWSWS)
Effective: May 03, 2007 2:30 p.m. CT
Expires: May 04, 2007 7:30 a.m. CT
The next pricing schedule will be available at 2:30 p.m. CT on **May 04, 2007**. Winnipeg is located in the Central Time (CT) zone and all deadlines are quoted as CT.

Prices offered are based on the reference grades for CWRS, CWES, CWHWS, CPSR, CPSW, CWRW and CWSWS as per the "2006-07 CWB Daily Price Contract: Terms and Conditions", in store Vancouver or St. Lawrence, are:

Daily Price Contract Values	$ Cdn/tonne	$ Cdn/bushel
No. 1 Canada Western Soft White Spring	$221.36	$6.02
No. 1 Canada Prairie Spring Red	$197.60	$5.38
No. 1 Canada Prairie Spring White	$197.60	$5.38
No. 1 Canada Western Red Winter	$197.85	$5.38
No. 1 Canada Western Extra Strong Red Spring	$199.72	$5.44
No. 1 Canada Western Hard White Spring 13.5	$228.49	$6.22
No. 1 Canada Western Red Spring 13.5	$228.49	$6.22

DPC Cash Spreads
The daily cash spreads in effect on the date of cash ticket settlement will be applied. For the daily cash spreads please see **"Cash Spread Schedule"**.

DPC cash spreads

Cash grade and protein spread tables for each class of wheat are effective for 24 hours a day, beginning at 12:00 a.m. CT each business day, for settlement of cash purchase tickets. Cash spreads are posted on the CWB Web site at 7:00 a.m. CT. Spreads in effect on that date will be applied to settlements. These spreads are determined based on daily spreads available in the U.S. spot market.

Farmers

Daily price contracts

2006-07 pricing schedule

Wheat (CWRS, CWES, CWHWS, CPSR, CPSW, CWRW, CWSWS)

Effective: June 07, 2007 7:00 a.m. CT
Expires: June 08, 2007 12:00 a.m. CT
The next pricing schedule will be available at 7:00 a.m. CT on **June 08, 2007**. Winnipeg is located in the Central Time (CT) zone and all deadlines are quoted as CT.
Prices offered are based on the reference grades for CWRS, CWES, CWHWS, CPSR, CPSW, CWRW and CWSWS as per the "2006-07 CWB Daily Price Contract: Terms and Conditions", in store Vancouver or St. Lawrence, are:

Grade	1 CWRS Cash Spread	2 CWRS Cash Spread	Grade	Cash Spread	Cash Spread
Canada Western Red Spring 15.5	3.60	(0.49)	3 Canada Western Red Spring 14.5		(6.20)
Canada Western Red Spring 15.4	3.47	(0.62)	3 Canada Western Red Spring 14.4		(6.53)
Canada Western Red Spring 15.3	3.34	(0.75)	3 Canada Western Red Spring 14.3		(6.86)
Canada Western Red Spring 15.2	3.21	(0.87)	3 Canada Western Red Spring 14.2		(7.19)
Canada Western Red Spring 15.1	3.08	(1.00)	3 Canada Western Red Spring 14.1		(7.52)
Canada Western Red Spring 15.0	2.95	(1.13)	3 Canada Western Red Spring 14.0		(7.85)
Canada Western Red Spring 14.9	2.82	(1.26)	3 Canada Western Red Spring 13.9		(8.18)
Canada Western Red Spring 14.8	2.69	(1.39)	3 Canada Western Red Spring 13.8		(8.51)
Canada Western Red Spring 14.7	2.56	(1.52)	3 Canada Western Red Spring 13.7		(8.85)
Canada Western Red Spring 14.6	2.43	(1.65)	3 Canada Western Red Spring 13.6		(9.18)
Canada Western Red Spring 14.5	2.30	(1.78)	3 Canada Western Red Spring 13.5		(9.51)
Canada Western Red Spring 14.4	2.17	(1.91)	3 Canada Western Red Spring 13.4		(9.84)
Canada Western Red Spring 14.3	2.04	(2.04)	3 Canada Western Red Spring 13.3		(10.17)
Canada Western Red Spring 14.2	1.91	(2.17)	3 Canada Western Red Spring 13.2		(10.50)
Canada Western Red Spring 14.1	1.79	(2.30)	3 Canada Western Red Spring 13.1		(10.83)
Canada Western Red Spring 14.0	1.66	(2.43)	3 Canada Western Red Spring 13.0		(11.16)

Price charts

Current crop year and historical price charts of the DPC program can be found 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. To commit to a DPC 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. The following forms can be obtained through the Producer Payment Options section of the CWB Web site, by phoning the CWB, through the Fax on demand service 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

To ensure fast and accurate service, it is 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 DPC will be used to price deliveries. For example, if the producer is completing a DPC contract for a corporation, the corporation's name and ID 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 for the effective pricing period.

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.

Sign-up application

1) 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.

2) Indicate the class of wheat by the checking the appropriate box.

CWB

Wheat

For Office use only

2007-08 Daily Price Contract Sign-up

Please Fax to: (204) 983-8031

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

Wheat delivered into storage under 2006-07 CWB delivery contracts can be settled against a 2007-08 DPC, after the start of the 2007-08 crop year.

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 TONNAGE COMMITMENT

Please indicate the *Net Tonnes* you wish to commit.

By completing this section and sending it to the CWB, you are selecting a Daily Price Contract and agree that all of the said Terms and Conditions will apply.

Net Tonnes (Wheat)

________.000

Minimum of 20 tonnes

1

Maximum 5,000 tonnes per farm.

Proceed to B

This is a tonnage commitment only. The pricing period starts August 1, 2007 and ends July 31, 2008. Separate pricing schedules for both the reference grade and cash spreads will be posted daily.

B Please indicate your choice of class of wheat. (choose only one class per form)

- ☐ 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)

2

READ THE FOLLOWING PARAGRAPH CAREFULLY.

I (the *Producer*) have read the 2007-08 CWB Daily 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.

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.

Lock-in form

1) Enter the six-digit contract number.

2) Enter the number of tonnes to be locked in. Contracted tonnage may be priced in multiple transactions. However, lock-ins must be a minimum of 20 tonnes, or the balance of the contract, and reported in whole numbers (no decimals). If less than 20 tonnes are entered, the CWB will not process the contract.

CWB

Wheat

2007-08 Daily Price Contract Lock-in Application

Please Fax to: (204) 983-8031

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

The pricing period is from August 1, 2007 to July 31, 2008.
Separate pricing schedules for both the reference grade and cash spreads are posted daily.

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) ( )	

LOCK-IN **Complete all information in the box below.**

I have a Daily Price Contract (DPC).
I wish to lock in the reference grade for my DPC.

1

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

2

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

Cash spreads are locked in at the time of initial payment settlement for the grade(s) applied against your DPC.

READ THE FOLLOWING PARAGRAPH CAREFULLY.

I (the *Producer*) have read the 2007-08 CWB Daily 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.

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.

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, 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.
3) In the comments section, there will be information on the pricing status of the contract.

CWB agents can look under the 'PPO contracts' tab in E-services 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, and contract number, and provides an area to record deliveries.

CWB
The Canadian Wheat Board

Statement Date: February 23, 2008
Crop Year: 2007-08

Producer Payment Options Program
Statement of Information

Identification Number:
Contract Program: **Daily Price Contract / CWRS Wheat**
Futures Month: **Not Aplicable**
Contract Number
Contract Signup Date: **Monday, July 9, 2007**
Net Contract Amount: **200.000t / 7,349 bu**

1

Date	Activity	Tonnes	Bushels	Price
Jul-9-2007	Signup	200.000	7,349	
Nov-08-2007	Priced	40.000	1,470	$237.56 DPC
Nov-21-2007	Priced	40.000	1,470	$237.41 DPC
Jan-12-2008	Priced	27.000	992	$235.11 DPC
Feb-19-2008	Priced	50.000	1,837	$240.71 DPC
Feb-23-2008	Priced	43.000	1,580	$245.86 DPC

2

Comments

Cash spreads for your deliveries are locked in at time of initial payment settlement at the elevator.

3

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

Transaction corrections and program termination

Procedure to handle corrections

Pricing 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. For lock-ins, 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 have not been received within a week to 10 days, contact the CWB to confirm.

Program termination procedures

The DPC program has a tonnage limit and sign-up may be terminated before the sign-up deadline date. The CWB also reserves the right to terminate sign-up of PPO programs before the sign-up deadline dates, depending on market conditions.

If the program is terminated, the CWB will initiate an automated call to elevator managers, advising them of the program close and a Country Elevator News (CEN) bulletin will be released that morning. The CWB Web site will also be updated with the termination date and time.

Any contract commitments received after sign-up termination will be rejected. The CWB will contact producers to advise them that their offers were received after the cut-off.

DPC delivery and settlement

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

Producers must advise grain company staff to assign their deliveries to their DPC prior to settlement.

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

Producers must advise grain company staff to assign their deliveries to their DPC prior to settlement.

Reporting deliveries

For 2007-08, there are two methods of applying deliveries to a DPC contract:

- By entering the six-digit contract number in the authorization filed of the cash purchase ticket.
- By entering a 'D' in the payment designation field of the cash purchase ticket.

The two methods can also be used simultaneously. If both methods are used and the contract number is incorrect, the delivery will be applied to the producer's earliest 'DPC'.

Note: Only the payment type method will be in use for the 2008-09 crop year. Both methods are available for 2007-08 to assist grain companies through the transition period.

If the DPC contract number is entered in the authorization field, the delivery will be applied to the contract indicated. Check the contract confirmation in the permit book for the correct contract number or under the 'PPO contracts' tab in E-services.

If a 'D' is entered in the payment designation field without a contract number, the delivery will be applied to the oldest DPC of the same grain and class on a first in, first applied basis.

One or both of these methods must be used in order to generate the producer's additional CWB payment.

Landlord (interested party) deliveries

Landlords are eligible for payment against a DPC signed under the actual producer's CWB identification number or they can sign their own DPC. In either case, deliveries can be applied by entering the six-digit contract number in the authorization field or by entering a 'D' in the payment designation field.

However, if only the payment designation field is used and both the landlord and the actual producer have DPCs, the delivery will be applied to the landlord's DPC first. Once all of the landlord's DPCs have been fully delivered against, the landlord's deliveries will be applied to the actual producer's contract.

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 DPC and an additional payment will not be generated until the cash purchase ticket is corrected.

Multiple contracts/splitting cash purchase tickets

When the final delivery is applied against a DPC, 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.

Settling 2006-07 deliveries against 2007-08 contracts

The policy to allow farmers to place old-crop deliveries into storage for settlement against a new-crop DPC remains in place. Producers can deliver against 2006-07 delivery commitments and price these deliveries against their 2007-08 DPC after August 1, 2007. Producers will receive the cash spread in effect on the settlement date.

Payment

Payment on a DPC is made in two parts: initial payment settlement at the elevator and the CWB additional payment settlement.

Initial payment settlement

Producers receive the initial payment at the elevator for the grade and protein of the actual grain delivered, less freight and elevator handling. The DPC cash spread for the grade delivered is locked in on the settlement date, whether or not the DPC has been priced. If the DPC is priced, an additional payment will be issued by the CWB within 10 business days of receiving the settlement information from the elevator.

CWB additional payment settlement

The additional payment issued by the CWB is the difference between the net DPC price for the grade delivered (DPC reference grade price + DPC cash spread) and the initial payment received for the grade delivered.

DPC additional payment = total DPC value (DPC price + cash spread) – initial payment of actual grade delivered

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

Example

A producer commits 200 tonnes of CWRS wheat on July 15. On September 2, the producer locks in a price of $200 per tonne, based on the reference grade 1 CWRS 13.5 per cent protein.

On February 4, the producer delivers 1 CWRS 15.5 per cent protein against the contract, locking in the DPC cash spread of $3.20 per tonne posted on the daily pricing schedule for that day. The DPC price for the reference plus the locked-in cash spread equals the total DPC value for the actual grade delivered in store St. Lawrence or Vancouver ($200 + $3.20 = $203.20). Producers must deduct freight and elevator handling charges to arrive at a farmgate price for their location.

The producer receives the initial payment for the actual grade delivered at the elevator (less freight and elevator handling) and the additional payment from the CWB within 10 days.

The producer's payment is calculated as follows:

Initial payment for 1 CWRS 15.5	$175
Additional payment	
= DPC price	$200
+ DPC cash spread +	$3.20
- initial payment for the actual grade	- $175
	$28.20 per tonne

Total payment = initial payment for grade delivered + additional payment
= $175 + $28.20
= $203.20 per tonne

Total DPC value = DPC price + DPC cash spread
= $200 + $3.20
= $203.20 per tonne

To arrive at a farmgate value, freight and elevator handling must be deducted.

Unpriced or partially priced contracts

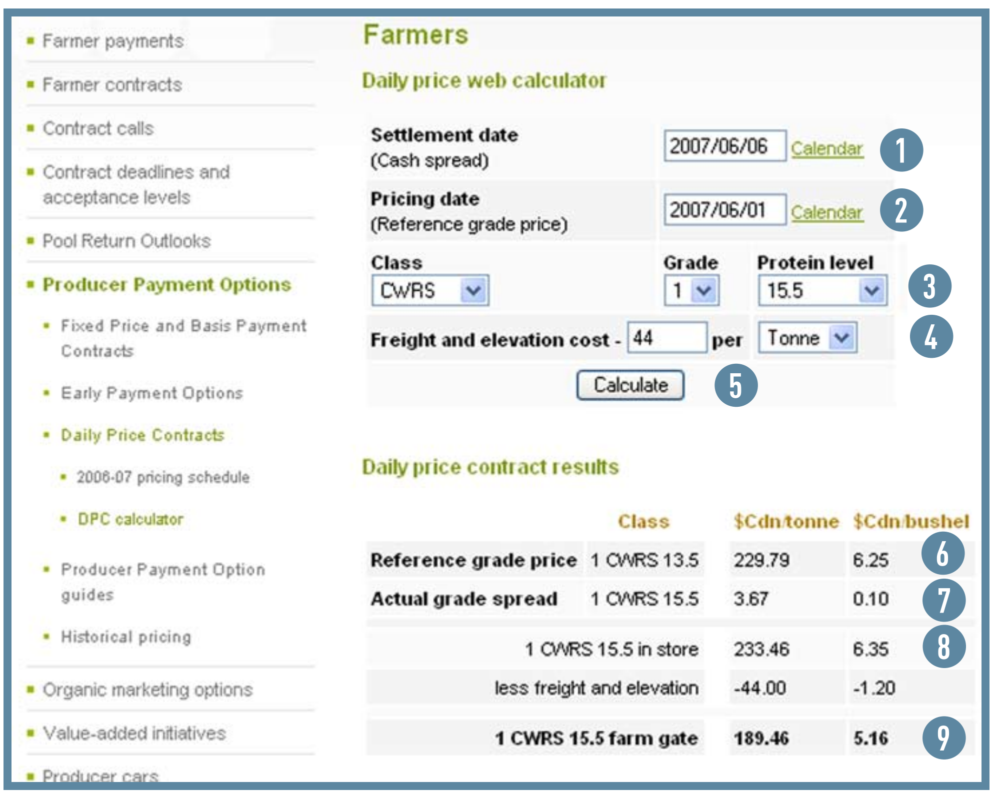
When deliveries are reported against a DPC that has not been priced, the additional payment will not be issued until the price is locked in. The CWB will then issue the additional payment for the priced tonnes only. If the DPC has been partially priced, the producer receives an additional payment for the priced tonnes only. If deliveries exceed the amount of tonnes that have been priced, the additional payment on the remaining tonnes will be made once the price has been locked in.

DPC Calculator

There is a DPC calculator available on the CWB Web site under 'Farmers-Producer Payment Options-Daily Price Contract' that can be used to calculate the DPC price in store St. Lawrence and Vancouver and the farmgate price.

To use the calculator:

1. Enter the date of settlement on the cash purchase ticket.
2. Enter the date the DPC was priced.
3. Enter the class, grade and protein of wheat delivered.
4. Enter freight and elevation cost.
5. Click on the calculate button.
6. DPC reference grade price.
7. DPC cash spread of grade delivered.
8. In store value of grade delivered.
9. Farmgate value of grade delivered.



Payment deductions

The additional payment on a DPC issued by the CWB is subject to deductions for wheat research. Producers who choose not to participate can mail or fax a written note to 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

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.

IMPORTANT:
Delivery must be applied to a DPC with the correct settlement date to ensure the correct daily cash spreads are applied. Cancelling and replacing cash purchase tickets with different settlement dates and grades will alter the cash spreads previously applied against a DPC. The original settlement date will be used when processing corrections.

Overpayments

An overpayment on a DPC 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 DPC. The producer will always receive the initial payment upon delivery, even when their DPC is a lower value. The CWB will deduct the overpayment from any future CWB payment made to the producer.

Marketing Strategies

Marketing wheat to the CWB with a DPC

Producers can price a DPC anytime during the 2007-08 crop year, either before, after, or at the same time as delivery. To determine the best time for pricing and delivery, producers should watch the daily price and the cash spreads. Keep in mind that the cash spreads are locked in on the settlement date whether the DPC is priced or unpriced.

It's also important to remember that DPCs can be priced in whole or in part. However, there is a minimum of 20 tonnes per transaction.

Simultaneous pricing and delivery

If a producer thinks the daily price and cash spreads are favorable on the day of delivery, the DPC can be priced on the delivery date.

In this case, the producer will be paid the initial payment of the grade delivered at the elevator. The CWB will issue the additional payment within 10 business days of receiving the cash purchase ticket information from the elevator.

Example

On July 15, a producer commits 100 tonnes to a DPC for CWRS wheat. On September 1, the producer delivers 100 tonnes of No. 1 CWRS 14.5 per cent protein against the contract, locking in the cash spread of $2 per tonne posted on the daily pricing schedule for that date. The producer phones the CWB to lock in the DPC price for $220 per tonne, based on the reference grade No. 1 CWRS 13.5 per cent protein, posted on that date.

Total DPC value = DPC price + DPC cash spread
= $220 + $2
= $222 per tonne

The producer receives the initial payment of $160 per tonne for No 1 CWRS 14.5 per cent protein at the elevator. The CWB issues an additional payment of $62 per tonne within 10 business days.

Additional payment = Total DPC value – initial payment of actual grade delivered
= $222 - $160
= $62 per tonne

Pricing before delivery

This may be considered if a producer wants to lock in a daily price but is either unable to deliver or believes the cash spread is going to improve. The cash spread will be locked in on the settlement date.

The producer will be paid the initial payment at the elevator. The CWB will issue the additional payment within 10 business days of receiving the cash purchase ticket information from the elevator.

Example

On July 15, a producer commits 100 tonnes to a DPC for CWRS. On September 1, the producer locks in a DPC price of $220 per tonne, based on the reference grade No. 1 CWRS 13.5 per cent protein. On November 1, the DPC cash spread for No. 1 CWRS 14.5 per cent protein, which the producer plans to deliver, rises to $2.50 per tonne. The producer delivers 100 tonnes against the contract, locking in the cash spread.

Total DPC value = DPC price + DPC cash spread
= $220 + $2.50
= $222.50 per tonne

The producer receives the initial payment of $160 per tonne for No.1 CWRS 14.5 per cent protein at the elevator. The CWB issues an additional payment of $62.50 per tonne within 10 business days.

Additional payment= Total DPC value – initial payment of actual grade delivered
= $222.50 - $160
= $62.50 per tonne

Pricing after delivery

If a producer thinks the daily price is going to rise further but has the opportunity to deliver and finds the cash spreads favorable, the wheat can be priced at a later date.

The producer will be paid the initial payment of the actual grade delivered to the elevator. The cash spread is locked in on the settlement date. When the producer prices the DPC, the CWB will issue the additional payment within 10 business days.

Example

On July 15, a producer commits 100 tonnes to a DPC for CWRS. On September 1, the producer delivers 100 tonnes of No. 1 CWRS 14.5 per cent protein against the contract, locking in the DPC cash spread of $2 per tonne posted on the daily pricing schedule for that date. The producer receives the initial payment of $160 per tonne for No. 1 CWRS 14.5 per cent protein at the elevator. Since the DPC is not priced, the CWB does not issue an additional payment.

On November 1, the producer prices all 100 tonnes at a DPC price of $230 per tonne, based on the reference grade No. 1 CWRS 13.5 per cent protein.

Total DPC value = DPC price + DPC cash spread
= $230 + $2
= $232 per tonne

The CWB issues an additional payment of $72 per tonne within 10 business days of the contract being priced.

Additional payment = Total DPC value – initial payment of actual grade delivered
= $232 - $160
= $72 per tonne

Marketing wheat to the U.S. with a DPC

The DPC can be a useful tool for producers who plan to market their wheat to the U.S. via a Producer Direct Sale (PDS). Because DPC and PDS prices are both based on the U.S. market, there is a close correlation between the prices.

Simultaneous pricing of DPC and PDS

By pricing a DPC and PDS simultaneously, producers can lock in the cost of doing a PDS transaction, eliminating uncertainty about the final spread.

Example

On July 15, a producer commits 100 tonnes to a DPC for CWRS. On November 1, the producer enters a PDS for U.S. delivery of No. 1 CWRS 14.5 per cent protein at a value of $260 per tonne and receives the initial payment at the elevator, locking in a cash spread of $3 per tonne.

Also on November 1, the producer locks in a DPC price of $252 per tonne for No. 1 CWRS 13.5 per cent protein, for a total DPC value of $255 per tonne ($252 + $3).

Locked-in PDS cost = PDS value – total DPC value
= $260 - $255
= $5 per tonne

By pricing the DPC and PDS simultaneously, the producer has locked in a $5 per tonne cost of doing the PDS transaction.

Pricing of DPC and PDS separately

Producers may also lock in DPC and PDS prices separately, if they want to speculate that the spread will narrow in their favor. However, they also run the risk that the spread will widen instead, increasing the cost of doing a PDS.

Example

On July 15, a producer commits 100 tonnes to a DPC for CWRS. On November 1, the producer enters a PDS for U.S. delivery of No. 1 CWRS 14.5 per cent protein at a value of $260 per tonne and receives the initial payment at the elevator, locking in a cash spread of $3 per tonne. The DPC price on this day is $252 per tonne for the reference grade No. 1 CWRS 13.5 per cent protein, but the producer does not lock in the price.

On November 25, the producer locks in his DPC, but the U.S. futures market has dropped and the DPC price has fallen to $247 per tonne for a total DPC value of $250 per tonne.

Locked-in PDS cost = PDS value – total DPC value
= $260 - $250
= $10 per tonne

Had the producer locked in the DPC on November 1, the cost of doing the PDS transaction would have been $5 per tonne less. On the other hand, the cost could have been lower if the futures market rallied.

Glossary

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

Additional payment
A payment made by the CWB to producers after grain is delivered against a DPC. Additional payments for the DPC equal the total DPC value less the initial payment for the actual grade delivered to the elevator.

Administration
Represents the cost to operate the PPO programs. PPOs must be self-financed so there will be no costs incurred to the pool accounts. General administration costs include computer resources, staffing, office expenses, etc.

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

Assignments
In the event producers want to reduce their DPC commitment, they can assign (transfer) all or part of their contract to another producer. Transfers involve completing an assignment form, available from the CWB, and assigning all or a portion of their contracted tonnage to another producer.

Basis
The basis value used in the DPC program that reflects average daily U.S. elevator prices from locations primarily in Montana and North Dakota. The basis plus the nearby U.S. futures equals the DPC reference grade value.

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 the 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 the PPOs.

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.

DPC cash spreads
A premium or discount, based on the grade and protein spreads from the DPC reference grade. DPC cash spreads are applied to the DPC price on the settlement date for the actual grade delivered. The DPC spreads are published daily by the CWB.

Default
Failure to comply with the terms and conditions of a PPO. Producers are subject to pricing damages on defaulted contracts.

Delivery contract
An offer from a producer that becomes a binding contract when accepted by the CWB. It specifies the type, grade and quantity of grain the producer wants to deliver.

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.

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. The 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 market
A location where buyers and sellers get together for price discovery and risk management through open outcry and/or electronic trading. The PPO programs use the Chicago Board of Trade (CBOT), the Kansas City Board of Trade (KCBT), Minneapolis Grain Exchange (MGE) and Winnipeg Commodity Exchange (WCE).

Hedge
A sale of futures contracts or the purchase of put options to offset the ownership or purchase of the underlying cash commodity in order to protect it against adverse price moves.

Initial payment
A payment issued by a grain company, on behalf of the CWB, to a producer for a grain delivery, specific to the grain, class, grade and protein delivered.

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.

Pricing damages
A PPO contract performance clause which requires producers to deliver 100 per cent of their PPO contracted tonnage. Calculated using the buyout formula, based on July 31 values.

Pricing period
The time frame that a producer can lock in a DPC price for the reference grade of a particular class of wheat. The pricing period for the DPC program is August 1, 2007 to July 31, 2008.

Producer Direct Sale
A process that gives individual producers the opportunity to capture U.S. market premiums they identify.

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 the 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.

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.

Sign-up period
The time frame that a producer can sign up tonnes under the DPC program. It runs from June 18, 2007 to July 20, 2007. DPC tonnage cannot be priced during the sign-up period.

Tonnage limit
The amount of tonnes available for the DPC program. For 2007-08, the tonnage limit is 650 000 tonnes.

Total DPC value
The sum of the DPC price locked in for the reference grade and the cash grade spread that adjusts the price for the actual grade delivered, locked in on the settlement date.

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