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.