

Inventory Valuation of Canadian Wheat Board (CWB) Commodities

Starting with the 2006 program year, a new method of valuing inventory for agricultural commodities produced on the farm will be used for CAIS purposes. Until now, an end of year price was used to value changes in inventory during the program year. With the new method, both the opening price and an end of year price will be used to value inventory.

Prices Used to Value CWB Marketed Commodities

Until now, CWB marketed commodities were valued using the initial price for CAIS purposes, which represented a portion of the total expected value of the grain. Starting in 2006, CWB marketed commodities will be valued using the Early Payment Option at 100% (EPO 100). The EPO 100 is the highest estimated value that a producer can receive at year end. EPO values are based on the CWB Pool Return Outlook and are adjusted for a discount factor. The EPO 100 will be reduced by the freight and handling charged at the elevator.

Receivables Adjustment

Since cash sales of CWB marketed commodities will continue to reflect the initial price, and inventory values will now reflect the EPO 100 at year end, a receivables adjustment is necessary to compensate the producer for the amount expected above and beyond the initial cash sales amount.

The CWB Receivables Adjustment calculates the difference between the initial price and the EPO 100 for each CWB commodity on a per-unit basis, and applies it as a receivable to any amounts sold into the active pool at the fiscal year end. This produces an ending receivable that is then included in the calculation of the program year margin.

The Administration will apply receivables adjustments to commodities marketed through the CWB. The adjustment will be based on an estimate of your CWB commodity sales. Producers who wish to have the calculation based on their actual CWB commodity sales may choose to complete the CWB Receivables Adjustment Worksheet, which is available from the administration.

Options for Calculating CWB Receivables Adjustment

Two methods of calculating the CWB Receivables Adjustment are offered:

1. Default Calculation

The administration will automatically calculate the receivables adjustment for CWB commodities using production and inventory data supplied by the producer on the CAIS harmonized form.

2. Producer-Initiated Calculation

Producers who feel the administrative calculation is not applicable to their operation have the option of submitting a *CWB Receivables Adjustment Worksheet*. This worksheet will allow participants to provide greater detail on the timing and quantity of sales and identify the type of contract under which these sales occurred.

Although the *CWB Receivables Adjustment Worksheet* is optional, participants who chose to use the worksheet will be required to complete it on an ongoing basis.

To request a worksheet, call us toll free at **1-866-367-8506**.

The worksheet must be submitted within 90 days of your 2006 Calculation of Program Benefits Notice, or before the application deadline of September 30, 2007.