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# 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.

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### 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.