

---

## 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 field 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
	<u>\$28.20 per tonne</u>

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.

- 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

### Farmers

#### Daily price web calculator

**Settlement date**  
(Cash spread)  [Calendar](#) 1

**Pricing date**  
(Reference grade price)  [Calendar](#) 2

**Class**  3

**Grade**  3

**Protein level**  3

**Freight and elevation cost** -  **per**  4

5

#### Daily price contract results

	Class	\$Cdn/tonne	\$Cdn/bushel	
<b>Reference grade price</b>	1 CWRS 13.5	229.79	6.25	6
<b>Actual grade spread</b>	1 CWRS 15.5	3.67	0.10	7
	1 CWRS 15.5 in store	233.46	6.35	8
	less freight and elevation	-44.00	-1.20	
	<b>1 CWRS 15.5 farm gate</b>	<b>189.46</b>	<b>5.16</b>	9

---

## 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.