

2007-08 Daily Price Contract – Wheat

What is it?

The Daily Price Contract program offers a daily price derived from current U.S. cash market values. The DPC program provides another payment option that you can incorporate into your farm management practices for price risk, budgeting, fixing margins, planning seeding and improving cash flow. The program is limited to 650 000 tonnes for the 2007-08 crop year and a 5 000 tonne per farm tonnage limit has been introduced.

How does it work?

The DPC has separate sign up and pricing periods. You can sign up tonnage for a DPC on any business day, from June 18, 2007 at 9:00 a.m. Central Time (CT) to July 20, 2007 at 7:30 a.m. CT. The pricing period runs from August 1, 2007 to July 31, 2008. The DPC also incorporates cash market spreads, published daily for various grade and protein levels. Cash spreads are locked in on the day of settlement.

On delivery, you receive the initial payment for the actual grade delivered. An additional payment for the balance of the contract price will be issued by the CWB within 10 business days. Producers who choose a DPC are not eligible for adjustment, interim or final payments from the pool account.

Reference grades

Reference grades are used to post pricing information based on in-store Vancouver or St. Lawrence. The reference grade is used as the base grade for your DPC. You will receive a premium or discount between the reference grade and the delivered grade based on the cash spread in effect at the time of settlement. Reference grades for wheat are as follows:

Wheat class	Reference grade	Futures contract
CWRS	No. 1 CWRS 13.5	Minneapolis Hard Red Spring
CWHW	No. 1 CWHW 13.5	Minneapolis Hard Red Spring
CWES	No. 1 CWES	Minneapolis Hard Red Spring
CWRW	No. 1 CWRW Select 11.5*	Kansas Hard Red Winter
CPSR	No. 1 CPSR	Kansas Hard Red Winter
CPSW	No. 1 CPSW	Kansas Hard Red Winter
CWSWS	No. 1 CWSWS	Chicago Soft Red Winter

*The reference grade for CWRW wheat has changed for 2007-08. Previously it was 1 CWRW.

Sign-up

You can commit to a DPC by phoning the CWB with your Producer Identification Number (ID) number and Personal Identification Number (PIN) or by faxing a sign-up application form. You must indicate the class and the number of tonnes you want to commit to the DPC (minimum 20 tonnes).

Prices and forms

CWB Web site	www.cwb.ca , 'Producer Payment Options'
Fax on Demand	1-800-275-4292 (telephone menu option #3)
Telephone	1-800-275-4292
Contact	CWB Farm Business Representatives
Visit	CWB Handling Agents

Delivery requirements

Once you have committed tonnage to the program you are obligated to:

1. sign a 2007-2008 CWB Series A, B or C delivery contract in order to deliver against your DPC; and
2. deliver 100 per cent of the tonnage committed to your DPC.

Producers who have not fully delivered against their contract by July 31, 2008 will be assessed pricing damages.

Payment

When you deliver your grain to the elevator:

Advise the elevator agent that the delivery is to be applied for payment under your DPC.

1. You will receive your DPC payment in two parts:
 - the initial payment for the actual grade and protein level delivered; and
 - the CWB additional payment representing the remainder of your contract price calculated as:

DPC contract price – initial payment of the delivered grade + cash spread

Example

On July 15, Bob commits 100 tonnes of CWRS wheat to a DPC.

On September 30, Bob prices 50 tonnes of his DPC at \$5.45 per bushel and delivers 50 tonnes of No. 2 CWRS 12.0 on the same day. The cash spread on that date for 2 CWRS 12.0 is -\$0.26 per bushel.

Bob advises the elevator agent to apply the deliveries against the DPC. Bob receives the initial payment net of freight and handling costs for his location ($\$3.86 - \$1.25 = \$2.61$ per bushel).

Within 10 business days, the CWB issues a payment representing the difference between his daily price and the initial payment for the grade delivered plus the cash spread on the date of settlement ($\$5.45 - \$3.86 + (-\$0.26) = \1.33).

Bob's farmgate price works out to \$3.94 per bushel ($\$1.33 + \2.61). Bob receives no further payments on this wheat.

The DPC at work on your farm

	Bob's numbers		Your numbers
	Per bushel	Per tonne	
CWB initial payment for the grade delivered	\$3.86	\$141.83	
Freight and handling deductions at the elevator*	\$1.25	\$45.93	
Net initial payment	\$2.61	\$95.90	
DPC value for reference grade	\$5.45	\$200.25	
CWB initial payment for the grade delivered	\$3.86	\$141.83	
Cash spread	-\$0.26	-\$9.55	
CWB additional payment	\$1.33	\$48.87	
Farmgate price	\$3.94	\$144.77	

* Estimated deductions. These will vary by location.

Changing contract commitments

Prior to August 1, 2007, you can reduce your DPC tonnage commitment at a cost of \$15 per transaction.

Starting August 1, 2007, there are two options available for reducing contract commitments if you are unable to fulfill 100 per cent of your tonnage commitment.

1. You can assign the outstanding tonnes of your contract to another producer who is willing to assume the terms and conditions of the contract. All assignments are subject to a \$15 administration fee per transaction. This fee is charged to the original contract holder (the assignor).
2. You can buy out the outstanding tonnes on your contract based on current market factors. Values posted on the date the buyout is initiated will be used to calculate the buyout cost. All buyouts are subject to a \$15 administration fee.

If you want to exercise either of these options, call the CWB at 1-800-275-4292.