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 PPO contract. Additional payments equal the contracted price less the initial price for the relevant reference grade at time of delivery plus the incremental payment.

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 EPO commitment, they can assign (transfer) 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 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.

Call option
An option that gives the buyer the right, but not the obligation, to buy the underlying futures contract at the strike price on or before the option's expiration date.

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.

Default
Failure to comply with the terms and conditions of a PPO contract. Producers in default on their PPO contract are subject to pricing damages.

Discount
Time value of money, risk and administration cost. This is the cost to the producer of signing a PPO contract.

Early Payment Option (EPO)
A pricing option available on all grains, which provides early cash flow on delivery and a floor price based on a percentage of the CWB's Pool Return Outlook (PRO), less a discount.

Early payment value (EPV)
The published value representing the percentage of the PRO before the discount.

Farmgate price
The net price the farmer receives after relevant deductions are subtracted from the in store price.

Feed grade wheat
For the purpose of the EPO program, wheat grading No. 4 CWRS, No. 4 CWHWS, No. 3 CWSWS and CW Feed.

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.

Floor price
A guaranteed minimum price which cannot be further reduced due to declining PROs or futures markets.

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.