

What is it?

The Early Payment Option (EPO) for wheat is a pricing alternative that offers increased cash flow following delivery and a floor price for your milling wheat. The EPO provides an Early Payment Value (EPV) that is determined as a percentage of the reference grade Pool Return Outlook (PRO). At sign-up, you select an EPV level of 80, 90 or 100 per cent, each with a corresponding discount. The discount represents the cost of CWB risk management, administration and time value of money. Upon settlement, you receive the initial payment for the actual grade and protein delivered. An additional payment for the balance of the contract price will be issued by the CWB within 10 business days. You also remain eligible for future adjustment, interim and final payments if the initial price rises above the gross payments received under the EPO. The sign-up period is from August 1, 2007 to July 31, 2008.

When CWB initial payments approach or exceed an EPV, the EPO becomes less valuable as a cash flow tool and the CWB will withdraw the EPV level.

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, if you do not already have one, in order to deliver against your EPO; and
2. deliver 100 per cent of the tonnage committed to your EPO.

Payment

When you deliver your grain to the elevator, advise the elevator agent that the delivery is to be applied for payment under your EPO.

You will receive your EPO payment in two parts:

- The initial payment for the actual grade you deliver.
- The CWB additional payment representing the remainder of your contract price calculated as: Net EPV (EPV – discount) – reference grade initial payment + incremental payment value*.

Example

On January 27, the PRO for the reference grade No. 1 CWRS 13.5 is \$5.55 per bushel in store Vancouver or St. Lawrence. Bob commits to an EPO contract, selecting the 90 per cent EPV of \$5.00 per bushel with a discount of \$0.11 per bushel, for a net EPV of \$4.89 per bushel.

Bob delivers No. 1 CWRS 14.5 on February 5 and advises the elevator agent to apply the deliveries against his EPO. The initial payment for No. 1 CWRS 13.5 is \$4.25 per bushel and \$4.48 per bushel for No. 1 CWRS 14.5. Bob receives the initial payment net of freight and handling costs for his location of \$3.20 per bushel (\$4.48 - \$1.28).

Within 10 business days, the CWB issues a payment of \$0.65 cents per bushel representing the difference between his net EPV and the initial payment for the reference grade, plus the incremental payment value for the February delivery (\$4.89 - \$4.25 + \$0.01).

Bob's farmgate price works out to \$3.85 per bushel (\$3.20 + \$0.65) for the No. 1 CWRS 14.5. Bob will receive future CWB payments if the initial payment for No. 1 CWRS 14.5 increases above \$5.23 per bushel (\$5.00 - \$4.25 + \$4.48), his total gross payments.

Reference Grade

Reference grades, based on in store Vancouver or St. Lawrence values, are used as the base grade for the pricing contract. The reference grades for the seven classes of wheat are as follows.

Wheat class	Reference grade
CWRS	No. 1 CWRS 13.5
CWHWS	No. 1 CWHWS 13.5
CWES	No. 1 CWES
CWRW	No. 1 CWRW Select 11.5 *
CPSR	No. 1 CPSR
CPSW	No. 1 CPSW
CWSWS	No. 1 CWSWS

*For 2007-08, the reference grade has changed. Previously it was 1 CWRW.

Prices, forms and sign-up

CWB Web site

www.cwb.ca, under
'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/grain companies

The EPO at work on your farm

	Bob's numbers		Your numbers
	Per bushel	Per tonne	
CWB January PRO	\$5.55	\$204.00	
EPV (90 per cent of PRO)	\$5.00	\$ 183.72	
Less discount	\$0.11	\$ 4.04	
Net EPV price	\$4.89	\$ 179.68	
CWB initial payment for the grade delivered	\$4.48	\$ 164.61	
Less Freight and handling deductions at the elevator*	\$1.28	\$ 47.03	
Net initial payment	\$3.20	\$ 117.58	
Net EPV price	\$4.89	\$ 179.68	
Less CWB initial payment for the reference grade	\$4.25	\$ 156.16	
Plus incremental payment	\$0.01	\$ 0.37	
CWB additional payment	\$0.65	\$ 23.89	
Farmgate price or floor price	\$3.85	\$ 141.47	

* Estimated deductions. These will vary by location.

Changing contract commitments

The EPO offers several options 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 EPO to another producer who is willing to assume the terms and conditions of the contract.
2. You can buy out the outstanding tonnes on your contract.
3. If your wheat is downgraded, you can transfer your wheat EPO to a feed wheat EPO contract.

To change your contract commitment, call the CWB at 1-800-275-4292.



Incremental payment values represent the producer's time value of money for deliveries made later in the crop year. Incremental payment rates are established on the sign-up date and are listed on the daily pricing schedule. The rates increase progressively each month from August to July and you are paid the rate associated with the month in which delivery takes place.