

Target pricing

The CWB offers a target pricing service for the Fixed Price Contract (FPC) and Basis Payment Contract (BPC) that allows producers to place orders to lock in a fixed price, basis or futures price. Target orders allow producers to take advantage of market rallies while leaving the responsibility of monitoring prices to the CWB. Producers indicate to the CWB the target price at which they want their contract locked in, the class or type of grain, tonnage and the time period over which the order is to stand.

There is a choice of three time periods available for target price orders. For FPCs and the basis component of BPCs, the options are 30 days, 60 days or until the end of the sign-up period. For the futures portion of BPCs where the basis has been locked in, the options are 30 days, 60 days or until the futures month expiry date.

The CWB posts futures settlement prices (target orders are matched against settlement, not intra-day values) every business day at 2:30 p.m. Central Time (CT). If a target price order is matched or exceeded, the CWB will fill the order at the higher value. (Note: after August 1, target orders are filled net of the late sign-up adjustment factor.) A contract and statement of information will be mailed to the producer. Producers may cancel or revise unfilled target orders at any time before expiry. If the target price is not met during the specified time period, the order expires without notification. Producers have the option of placing a new target order.

There is no fee for target pricing an FPC or BPC.

Producers may place target orders at any time during the BPC/FPC sign-up period. Futures price orders for a BPC with the basis locked in can be placed until the expiry date for the corresponding futures month. Producers can place a target price order by calling the CWB at 1-800-275-4292 between 7:00 a.m. and 6:00 p.m. CT, Monday to Friday or by faxing a Target Pricing Application form to 1-204-983-8031. Application forms are available on the CWB Web site on the 'Producer Payment Options' home page or through the 24-hour Fax on demand phone service at 1-800-275-4292.

Producers also have the option of choosing the force majeure clause on the target pricing application, until the earlier of May 1, 2007 at 7:30 a.m. CT or until the 200 000 tonne sign-up limit for all grains has been reached. If this option is chosen, the locked in value will be reduced by \$3 per tonne to reflect the additional risk being assumed by the CWB.

Futures target pricing example

On September 10 a producer decides he or she wants to lock in a 200 tonne CWRS BPC at a Minneapolis December 2007 futures price of \$210 per tonne and would also like to sign up for the force majeure clause. To offset the \$3 per tonne fee for the force majeure option, the producer submits a Target Pricing Application form for a December 2007 futures target price of \$213 per tonne and selects November 1, 2007 at 7:30 a.m. CT for the duration of the order. The CWB sends the producer a letter confirming the target order has been received. On April 15, the Minneapolis December future closes at \$215.50 per tonne. The contract is locked in at that level and the CWB mails the producer a BPC contract with a net value of \$212.50 (\$215.50-\$3), as well as a statement of information.

If, in the above example, the target price was not reached until May 15 (after the force majeure deadline), the order would be filled at \$215.50 without the force majeure clause. The producer would not be charged the \$3 per tonne fee.

2007-08 BPC futures month expiry dates

Futures month	Futures expiry dates
December 2007	7:30 a.m. CT November 30, 2007
March 2008 (Pool A feed barley only)	7:30 a.m. CT February 1, 2008
March 2008	7:30 a.m. CT February 29, 2008
May 2008	7:30 a.m. CT April 30, 2008
July 2008	7:30 a.m. CT June 30, 2008

Sign-up deadline is November 1, 2007 at 7:30 a.m. CT; for Pool B feed barley sign-up deadline is February 29, 2008 at 7:30 a.m. CT.