

2011-12 delivery contract assignments, buy-outs and liquidated damages

Delivery contracts assignments

What is it?

To reduce the tonnage committed to your delivery contract, you can assign (transfer) all or part of the tonnage to another producer by completing the [2011-12 CWB delivery contract assignment form](#), available on our Web site, and faxing it to the CWB at 1-204-983-8031. Your local elevator may be able to suggest another producer who is willing to take over your unwanted tonnes.

GrainFlo contracts cannot be assigned. Assignments for company-specific Guaranteed Delivery Contracts (GDCs), CashPlus, feed barley Guaranteed Price Contracts and Selected Barley Storage and Delivery Contracts can only be completed in consultation with your grain company.

Assignments can only be completed after acceptance levels are announced or, if you are assigning a GDC, after the offer is closed. Before that, your local elevator can reduce the contract at no charge as long as it doesn't put you into an over delivered position.

All or part of the contracted tonnage may be assigned. The contract number and tonnage to be assigned must be specified on the form and signed by you (the assignor) and the producer who is taking over the contract (the assignee).

We will confirm the assignment to both you and the producer taking over the contract once the assignment is completed. You (the assignor) will receive an assignment confirmation letter, indicating the reduced tonnage. If all of the tonnes were assigned, you will receive a contract confirmation indicating that the contract has zero tonnes remaining.

The assignment fee is \$25 per transaction and will be charged to you. You can pay the fee by credit card by calling the CWB at 1-800-275-4292 or you can mail us a cheque. If you do not pay the assignment fee, it will be deducted from future CWB payments.

Example

After Series A acceptance, a producer with a 600-tonne contract realizes he doesn't have enough grain to fulfill the delivery requirements of the contract.

The producer finds a neighbour willing to take over 100 tonnes of his delivery contract.

The producer fills out the delivery contract assignment form and, along with his neighbour, signs and returns it to the CWB.

The CWB completes the assignment. The assignor (original contract holder) pays the \$25 administration fee and now has a delivery contract commitment of 500 tonnes. A confirmation letter for 100 tonnes is sent to his neighbour.

Buy-outs

You can initiate a buy out on your delivery contract at any time after acceptance levels are announced if you don't have enough grain to fulfill your contract delivery requirement (listed below). The buy-out formula reflects the market cost associated with non-delivery.

Buy-out rates are posted daily on our Web site at 3 p.m. CT (Winnipeg time) and remain in effect until 2:59 p.m. CT the following day.

Buy-out calculation:

The per-tonne buy-out calculation is:

$(\text{expected price} - \text{average price}) \times (\text{per cent pool sold})$ – if the formula results in a negative number, the buy-out rate is zero.

A \$25 administration fee per transaction also applies.

Producer Payment Option (PPO) contract holders must deliver 100 per cent of their PPO contract commitment. If they deliver less than 100 per cent, pricing damages are assessed on the shortfall at the end of the crop year.

Contract program	Minimum delivery of accepted contract tonnes (percentage)
Series contracts	90
Identity Preserved Contract Program	100
Guaranteed Delivery Contract	90
GrainFlo	90
Churchill Storage Program	90
Wheat Storage Program	90

When you initiate a buy-out on contracts that require less than 100-per-cent delivery, you will not be charged the buy-out rate on the delivery tolerance. However, once you have been credited for the tolerance, the remaining outstanding tonnes are 100-per-cent deliverable.

Example:

A producer has a Series A contract for 1 000 tonnes but only has 800 tonnes of grain. The producer contacts the CWB to buy-out 200 tonnes. The buy-out rate is \$2 per tonne.

Accepted tonnes	1 000
Less delivery tolerance on 1 000 tonnes (tonnes x 10%)	100
Equals deliverable tonnes	900
Grain available for delivery	800
Buy-out tonnes (deliverable tonnes – grain available)	100

The producer's contract would be decreased by 100 tonnes, at no cost, to credit the delivery tolerance and 100 tonnes would be bought out. The buy-out cost is \$225 (100 tonnes x \$2, plus \$25 administration fee).

The producer will receive a letter confirming the buy-out.

The remaining tonnes on this Series contract are 100-per-cent deliverable because the producer has already received the benefit of the delivery tolerance.

Liquidated damages

Liquidated damages may be assessed on delivery shortfalls, with the exception of GrainFlo. If you have not fulfilled your delivery requirements you may be assessed liquidated damages at the buy-out rate as per your delivery contract program details. GrainFlo liquidated damages are assessed at the end of each delivery period. The buy-out rate in effect on the last business day of the relevant delivery period will be used to assess GrainFlo damages.

If you over deliver on your delivery contracts you may also be assessed liquidated damages.

Over delivery and under delivery of accepted contract tonnage may result in liquidated damages.

Example: Assessing liquidated damages when acceptance is less than 100 per cent

If a producer has a Series A contract for 1 500 tonnes and the CWB accepts 80 per cent, the amount the producer is eligible to deliver is:

$$1\ 500\ \text{tonnes} \times 80\% \text{ acceptance} = 1\ 200\ \text{tonnes}$$

The producer must deliver 90 per cent of the amount accepted to avoid damages.

$$(1\ 200\ \text{tonnes} \times 90\% = 1\ 080\ \text{tonnes})$$

If the producer delivers only 980 tonnes, liquidated damages will be assessed on the shortfall of 100 tonnes.

$$(1\ 080\ \text{tonnes} - 980\ \text{tonnes} = 100\ \text{tonnes})$$

For more CWB information, please call 1-800-275-4292 or e-mail: farmerservice@cwbc.ca.