

What is it?

This cash-buying program offers farmers an upfront, market-based cash price for Canada Western Soft White Spring (CWSWS) delivered for domestic human consumption.

A CWSWS cash-buy contract is a three-way contract between the CWB, you and the processing company.

What does it offer?

This contract program offers you a guaranteed price for a specific delivery point. The guaranteed price varies depending on timing, pricing location, market conditions and grain quality.

You have the flexibility to negotiate premiums and discounts, including freight and elevation/cleaning back off, before establishing the net price for your contracted grain.

You are paid the agreed-upon net price in full by the company upon delivery. As payment is paid upfront at time of delivery, when using cash-buy contracts you are not eligible for any additional CWB payments.

At the discretion of the processor, cash-buy contracts may be available for both the pre-harvest (production) and post-harvest periods.

Program details

The CWB first negotiates a sales price with the domestic processing companies. Based on the sales price, a guaranteed farmer price for a specific delivery point is calculated. The guaranteed price varies depending on timing, pricing location, market conditions and quality.

You must then enter negotiations on the three-way contract with a processor. A basis level will be negotiated between you and the processor which will include price factors such as elevation, cleaning, storage, trucking and quality premiums.

Upon delivery, the guaranteed price which is adjusted for the negotiated basis will be paid to you by the processor.

CWB guaranteed price – Basis adjustments (farmer/processor negotiated) = Net cash price

Contract checklist

- Read your contract carefully. Understand the terms and conditions.
- Know the specific grain quality specifications and other production or delivery requirements as outlined by the processor.
- Negotiate storage rates with the processor at time of contract sign-up. Storage compensates you for holding your wheat past the delivery period.
- Pre-harvest cash-buy contracts may contain an “Act of God” clause which is negotiated between you and the processor.
- You are expected to deliver 100-per-cent of the grain contracted.
- Grain contracted under a cash-buy contract is not eligible for future CWB payments.
- It is up to the processor/purchasers' discretion to agree to any transfers/assignments.
- Defined delivery periods are stipulated in the three way cash-buy contract.
- If you are considering a cash-buy contract, you need to stay in contact with your local processor and be aware of any pricing opportunities.
- For further information, you should contact your local soft white spring wheat miller or malting company. You can also contact the CWB at 1-800-275-4292 to inquire about current contract availability.

CWSWS cash-buy program background

The cash-buy program for CWSWS wheat was introduced for the 2010-11 crop year. This program provides you with another pricing option. CWSWS growers were looking for attractive values for selling their wheat into the Canadian food processing market at competitive levels to the values offered by the ethanol and feed markets.

The program gives processors and the CWB more flexibility to pass the domestic price back to you. Offshore values are normally lower than domestic human consumption values and sometimes lower than western Canadian domestic feed and industrial market values. Cash buying provides another marketing channel for your grain, with clear and timely signals on the value of available sales opportunities for domestic human consumption.

The program also helps the domestic soft white spring wheat processors' source the required quality of SWS while offering a price that is competitive with the domestic feed or ethanol cash markets in their area. Depending on the relationship between the CWB Pool Return Outlook and domestic off-board cash price structure, local sourcing for appropriate grain quality can be difficult for processors.

The availability of these cash contracts will depend on how well this mechanism for purchasing CWSWS fits with the processor's sourcing requirements. The availability of post-harvest contracts will depend on both the market situation after harvest and the processors' specific quality and quantity requirements.

You may want to sign a CWSWS cash-buy contract if you feel the guaranteed price offered by the processors provides an attractive return for your soft white spring wheat.