



February 22, 2010

Dear durum contract holder:

Re: Series A and B and GrainFlo Periods 2, 3 and 4 durum delivery contracts

The purpose of this letter is to outline some options that are available to durum contract holders this year. World durum prices continue to be pressured by large supplies, weakness in the euro and slow demand from North Africa. Since March is often when producers start comparing old-crop and new-crop price outlooks, the CWB would like to draw your attention to the ways you can manage pricing and delivery, as well as the associated deadlines.

Contract reductions

- On 2009-10 Series A and GrainFlo Periods 2, 3 and 4 durum delivery contracts only, you can reduce your undelivered contracted tonnage, without penalty. Arrangements can be made by calling the CWB at 1-800-275-4292 before March 31, 2010.
- As always, Series B durum delivery contracts can be reduced before the sign-up deadline of March 31, 2010. This can be done through e-Services, by calling the CWB at 1-800-275-4292 or by contacting your local elevator agent. (Note: All unaccepted Series A contracted durum tonnes were automatically rolled into a Series B contract.)

New pool pricing

- This option allows you to deliver in the current crop year but choose the 2010-11 crop year pool return. This option is subject to fees based on the difference between the old and new crop year PRO, current average sales values and risk. Grain company storage fees may also apply. For more information on this option, go to www.cwb.ca and click on the *Farmer payments* link.

Before reducing your contract, remember that you're still required to honour your outstanding cash advance balances and Producer Payment Option contracts.

For more information on the durum market, please refer to the market update on the reverse. If you have questions about your contract options, please contact your CWB Farm Business Representative (FBR) or call the CWB at 1-800-275-4292. All FBR names and contact numbers can be found on our Web site at www.cwb.ca under the tab labeled *Farmers*.

Regards,

Susan Wiklund
Director
Farmer Operations

Durum market update

Late in 2009, the CWB sent you a durum market report that outlined the factors affecting world prices. Since then, international durum prices have moved lower due to:

- pressure from large North American supplies
- weakness in the euro
- slow demand from North Africa
- aggressive durum exporters

Large supplies

Export prices for durum have decreased significantly since the North American harvest. At 110 million bushels, the American durum harvest was the largest in more than a decade. In Western Canada, the durum harvest was the fifth largest on record at about 5.5 million tonnes.

Weakness in the euro

Recent pressure on durum prices can be traced to events in Europe. The euro has lost almost nine per cent of its value against the U.S. dollar since the beginning of December. The weaker euro, along with slow import demand in North Africa, has led to a significant drop in the US dollar price of European durum in the export market.

At the same time, these factors have significantly decreased the price that can be achieved on durum sales to European customers, who are projected to account for over 35 per cent of this year's world durum imports.

Slow demand

Although it is still early in the growing season, weather conditions in the Mediterranean basin have been mostly positive for the 2010-11 durum crop. The prospects of average-to above-average production in North Africa and the Middle East are expected to limit import demand from those regions in the coming months. This means slow demand recovery will maintain pressure on world durum values.

Aggressive exporters

Mexican durum production continues to be a factor. Just a few years ago, most of the durum produced in the region was used for hog feed. For the past two years however, Mexico has been in the durum market with more than a million tonnes of exportable surplus (compared to 450 000 tonnes historically). With aggressive export pricing, the Mexicans are now a significant player in several key markets. According to an International Grains Council (IGC), Mexico will export 800 000 tonnes this year which will put additional pressure on prices late in the spring.