

2011-12

FlexPro

for wheat

PPO



Producer Payment Options



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2011-12 Web site links

2011-12 FlexPro program information, pricing schedules, forms and contact information are all available on the CWB Web site. Below is a list of pages related to the FlexPro programs, with a brief description of the information listed on the page. To be re-directed to the web page, please click on the title.

E-Services

- Login and e-Services registration

Program Service Representative

- Contact information

Farm Business Representatives

- Contact information for these reps who live across the Prairie region

Forms

- FlexPro sign-up
- FlexPro lock-in
- FlexPro terms and conditions
- Target pricing application
- Target pricing cancellation

Price charts

- Current and historical price charts for all Producer Payment Option programs

Pricing schedule

- FlexPro prices
- Adjustment factor
- Feed spread adjustment
- Reference grades

Program information

- Program guide
- FlexPro worksheet and information sheets

Information is also available by calling the CWB at 1-800-275-4292 or contacting your Program Service Representative or Farm Business Representative.

Producer Payment Options

PPOs provide pricing flexibility and alternative payment options to the CWB pool accounts while maintaining the integrity of the price pooling system. PPOs are pricing tools that can be incorporated into producers' marketing portfolios to manage returns on their crops. Combined with price pooling, they can be used to maintain a balanced marketing strategy.

PPOs can improve producers' budgeting and create better cash flow by providing earlier payment on grain deliveries. PPOs also give producers the ability to react to market signals, allowing them to take advantage of market rallies during the crop year.

However, there are also risks associated with using PPO programs. If production is not sufficient to fulfill the contract, producers could be subject to buy-out costs or pricing damages. Futures markets can be extremely volatile and reducing contractual obligations can be quite costly if the market goes against the producer.

The programs are designed to have no adverse impact on the pool accounts, grain delivery or single-desk sales. The cost of administering the programs is borne by program participants. Gains or losses in hedging activities flow through the Contingency Fund* which backstops each program.

New for 2011-12

Sign-up has been extended to March 15, 2012. If producers sign up a FlexPro contract after the start of the crop year, the posted adjustment factor will become part of their contract price. The per-tonne buy-out formula is:

(Current FlexPro price + current adjustment factor) – (producer's FlexPro price + producer's adjustment factor) + \$2.50 administration fee

If the formula results in a negative value, the buy-out cost is zero.

For more information on buy-outs see page 13.

The reference grade for Canada Western Red Winter is No. 1 CWRW 11.0. Previously, it was No. 1 CWRW.

FlexPro overview

Producers commit tonnage only and lock in the adjustment factor when they sign up a FlexPro contract.

Producers can price their wheat on any business day between August 2, 2011 and July 31, 2012.

FlexPro offers a daily cash price** without an adjustment factor because the program's tonnage is known at sign up, which facilitates hedging. FlexPro is offered as a flat price without separate futures and basis components.

Adjustment factor

The adjustment factor accounts for wheat that the CWB has priced before producers commit tonnage to the FlexPro program, ensuring that producers making later commitments share in previous pricing activities.

The adjustment factor can be either a positive or negative value depending on the relationship of the average price of wheat the CWB has already priced to the current market value of wheat. If the average price is lower than the current market value, then based on that relationship, the adjustment factor passes the gain or loss back to program participants. Without the adjustment factor, the gain or loss would be absorbed by the FlexPro hedging program.

Adjustment factor = (average price – current market value) x percentage of wheat priced

*The Contingency Fund can be in a surplus or deficit position in any given crop year. Financial details for the Contingency Fund are contained in the CWB annual report. Risk management practices must keep the Contingency Fund sustainable. The CWB manages the price risk associated with the programs using futures markets and CWB sales throughout the crop year.

** The daily cash price is based on current market values. The current market value is established by taking the weighted average of the current prices available for shipping periods and all destinations the CWB expects to sell into for the remainder of the sales period.

Reference grades:

Wheat	Reference grade
CWRS	No. 1 CWRS 13.5
CWHWS	No. 1 CWHWS 13.5
CWES	No. 1 CWES
CPSR	No. 1 CPSR
CPSW	No. 1 CPSW
CWRW	No. 1 CWRW 11.0*
CWSWS	No. 1 CWSWS

*The reference grade for CWRW wheat was previously No. 1 CWRW

Settlement

Deliveries must be applied against existing FlexPro contracts at the time of settlement.

Starting August 1, 2011, if deliveries have already been made before the contract is signed up, the producer can ask to have those previous deliveries applied when they sign-up. Deliveries are applied to the contract on a first-in, last-applied basis, unless the producer advises otherwise.

Upon delivery, the grain company or acting CWB agent issues the initial payment for the actual grade delivered. The additional payment for the balance of the contract will be issued by the CWB within 10 business days of the deliveries being applied to the contract. Any premium or discount between the initial price for the reference grade and the initial price for the grade delivered is accounted for at the time the delivery is applied to the contract.

For fully priced contracts, the additional payment will equal the contract price less the reference grade initial price in effect when the cash ticket is applied to the contract. A feed spread adjustment is applied on eligible feed deliveries (see pages 10 and 11).

Payments on unpriced contracts will be issued when the contract is priced. Deliveries applied to a FlexPro contract are no longer eligible for adjustment, interim or final payments from the pool account.

FlexPro is a pricing contract only, not a delivery contract. All deliveries, whether to a pool account or a PPO, must have an associated CWB delivery contract. Producers must deliver 100 per cent of the tonnage committed to FlexPro contracts to offset hedges in the futures market.

Important dates

Sign-up and pricing periods

FlexPro contracts are signed up and priced separately.

Sign-up period: July 18, 2011 to March 15, 2012

Pricing period: August 2, 2011 to July 31, 2012

FlexPro contracts that haven't been priced by the pricing deadline will be automatically priced by the CWB. Any undelivered tonnes will be subject to pricing damages (see page 14).

Prices are available every business day during the pricing period as posted on the daily pricing schedule (see page 3 for the link).

The CWB reserves the right to withdraw these programs at any time, without notice, subject to market conditions.

Terms and conditions

FlexPro is a legal contract. Definitions, sign-up methods, obligations, pricing information and provisions of the contract are described in the terms and conditions. Producers who commit grain are bound by the obligations listed in the terms and conditions. Before making a commitment, producers should be familiar with these obligations. Terms and conditions are available through e-Services and on the CWB Web site (see page 3 for the link).

Target pricing service

The target pricing service allows producers to place orders to lock in a price on all or a portion of a FlexPro contract. Target pricing gives producers the opportunity to take advantage of potential rallies without having to monitor daily market conditions. The service is free of charge and unfilled orders can be cancelled at any time. Target orders can be placed at any time during the pricing period. Producers can choose the length of time they want the order to stand up to the end of the crop year.

The order will be automatically filled when the daily FlexPro settlement price reaches or exceeds the target price. If the settlement price exceeds the target price, the producer will receive a contract for the higher settlement value.

Orders can be placed by fax, through e-Services or by calling the CWB at 1-800-275-4292.

For fax or phone orders, the producer will be sent a contract confirmation, giving details of the pricing action taken on an existing FlexPro contract. For e-Services transactions, an online confirmation is available.

If an order expires without a fill, the producer can execute another target price order.

Example

A producer signs up a FlexPro contract for 200 tonnes.

On August 23, the producer places two target orders for 100 tonnes each, one for a FlexPro price of \$300 per tonne and one for a price of \$310 per tonne.

On October 3, the posted daily FlexPro price reaches \$305 per tonne. The CWB locks in 100 tonnes at \$305 per tonne.

On Oct. 8, the posted daily FlexPro price reaches \$312 per tonne. The CWB locks in 100 tonnes at \$312.

The CWB sends the producer contract confirmations, indicating the prices at which the orders were filled.

Delivery requirements

A key requirement of the FlexPro program is that producers must deliver 100 per cent of the tonnage committed to the contract. Also, it is important to remember that FlexPro contracts are picing contracts only, separate from delivery contracts. Producers must still sign up their production to CWB delivery contract programs and deliver against delivery calls in effect.

Wheat committed to 2010-11 delivery contracts cannot be settled against a 2011-12 FlexPro contract.

Producers must advise grain company staff to assign their deliveries to the payment option of their choice before settlement.

Payment on a FlexPro contract is made in two parts: the initial payment on delivery at the elevator and the additional payment from the CWB. This represents total payment. Deliveries can be made against FlexPro contracts whether or not they are priced.

Delivery guarantee

The CWB offers a delivery guarantee for PPO programs to give producers a guideline to determine their tonnage commitment to the programs. The guarantee applies to tonnage signed up under all PPO programs combined. Producers must also take into account any pool deliveries.

For 2011-12, the guarantee for CWRS, CWHWS, CWRW, CPSR and CWSWS wheat is 100 per cent of production offered for delivery up until Series A acceptance levels are announced.

The delivery guarantee is in place until Series A acceptance is announced, to give producers security for pricing before delivery opportunities are known. After Series A acceptance levels are announced, there is no delivery guarantee.

The guarantee for CWES and CPSW wheat is 100 per cent until the sign-up deadline because there are no Series contracts for these classes. Tonnage must be offered under Guaranteed Delivery Contracts (GDCs) as they become available.

Producers must take advantage of all delivery opportunities to be eligible for the guarantee.

If overall acceptance levels are less than the delivery guarantee, the CWB will provide additional delivery opportunity.

Example

Bob signs up a 1 000-tonne FlexPro contract before Series A acceptance. He has offered 1 100 tonnes under the Series A contract. Wheat offered under Series contracts is automatically rolled to the next available Series. Below are the acceptance levels:

Series	Sign-up tonnage	Acceptance level	Tonnes accepted
A	1 100	60%	660
B	440	80%	352
C	88	0%	0

Bob would be not be eligible for the special delivery provision because total acceptance (660 + 352 = 1 012 tonnes) was higher than the 1 000 tonnes contracted under the FlexPro contract.

If he had signed up all 1 100 tonnes prior to Series A acceptance, he would be eligible for a special delivery provision of 88 tonnes (1 100 – 1 012).

However, if he signed another 100-tonne FlexPro, FPC, BPC or Early Payment Option contract after Series B acceptance, he would be responsible for the 88-tonne shortfall.

Reporting deliveries

All cash tickets reported against a FlexPro contract must contain a “D” in the payment designation field of the cash ticket. The delivery contract number must be entered in the authorization field.

Deliveries will be applied to the highest priced FlexPro contract of the same class on a first-in, first-applied basis. If producers want deliveries applied to a different contract, they must contact the CWB at time of settlement. Once the CWB issues the additional payment, deliveries cannot be reapplied to another contract.

Deliveries will be automatically applied to the highest priced FlexPro contract first. Producers must contact the CWB at settlement if they want their deliveries applied to a different contract.

Landlord (interested party) deliveries

Landlords are eligible for payment against a FlexPro contract signed under the actual producer’s CWB producer ID number by entering the producer’s delivery contract in the authorization field and the appropriate letter in the payment designation field.

The elevator must ensure deliveries are applied using the correct landlord prefix. If the wrong prefix is used, the deliveries will not be applied to the producer’s FlexPro contract and an additional payment will not be generated until the cash ticket is corrected.

Landlords may also sign their own FlexPro contract. If both the producer and the landlord have FlexPro contracts, the landlords’ deliveries will be applied to their own contracts first and then to the producer’s.

Multiple contracts/splitting cash tickets

If the tonnage on the cash ticket exceeds the contract amount, the excess tonnage will be automatically applied to the next-highest priced contract of the same type. However, if a producer has contracts of a different type, the elevator must split the cash ticket, so that the first contract is completely filled and the remaining tonnage can be applied to another type of contract. Otherwise the overage will go into the pool.

Example 1

A producer prices 20 tonnes of a FlexPro contract for CWRS wheat at \$230 per tonne on August 11. On September 22, the producer prices another 50 tonnes at \$250 per tonne.

On September 28, the producer delivers 20 tonnes of CWRS wheat to the elevator and advises the agent to apply the delivery against the FlexPro contract.

The delivery of 20 tonnes would be applied to the September 22 pricing, because it is the highest price.

On September 30, the producer prices another 20 tonnes at \$280 per tonne.

On October 16, the producer delivers 30 tonnes and advises the elevator agent to apply the delivery against the FlexPro contract.

Twenty tonnes would be applied to the September 30 pricing, because it is now the highest price and the remaining 10 tonnes would be applied to the September 22 pricing, which is the next-highest price.

Deliveries applied	20-tonnes priced \$230 August 11	50-tonnes priced \$250 September 22	20-tonnes priced \$280 September 30
September 28		20 tonnes	
October 16		10 tonnes	20 tonnes

Example 2

A producer has a FlexPro contract with 20 tonnes priced at \$230 per tonne and a 20-tonne Fixed Price Contract (FPC) contract at a price of \$210 per tonne.

The producer delivers 40 tonnes of wheat and the elevator settles the delivery on a single cash ticket and indicates “D” for FlexPro in the payment designation field.

The delivery would be applied as follows:

	FlexPro \$230	FPC \$210	Pool
Tonnes applied	20 tonnes	0 tonnes	20 tonnes

In order to fill the FPC as well, the delivery must be settled under two separate cash tickets; one for 20 tonnes with an “F” in the payment designation field and one for 20 tonnes with a “D” in the payment designation field.

Applying previous deliveries

After the start of the crop year, deliveries that were previously applied to the pool can be applied to a FlexPro contract at the time of sign-up. This option is available to maintain cash flow and provide more time for a pricing decision during the extended sign-up period.

Producers who sign up by fax can select this option on the fax form. Producers who sign up by phone should advise the CWB when they sign-up that they want previous deliveries applied.

Previous deliveries will be applied on a last-delivered, first-applied basis. If the producer wants other deliveries applied, he or she should contact the CWB when they sign-up.

If sign-up is through e-Services or the result of a target pricing order, the CWB will contact the producer to ask if previous deliveries should be applied.

Contract settlement

Producers receive payment for their FlexPro contract in two parts: the initial payment at the elevator and an additional payment from the CWB.

Initial payment at the elevator

Producers receive the initial payment at the elevator for the grade and protein of the actual grain delivered, less freight and handling.

CWB additional payment

Once the cash ticket has been applied to the FlexPro contract, an additional payment will be issued within 10 business days. The additional payment will be issued on any tonnes that have been priced. The additional payment on unpriced tonnes will be issued once they are priced.

The CWB additional payment is the difference between the contracted FlexPro value and the initial price for the reference grade. For feed grade deliveries, a feed spread adjustment is applied (see page 10 for information on feed spread adjustment).

FlexPro additional payment = (FlexPro price + adjustment factor) – reference grade initial price

The additional payment is always calculated based on the reference grade initial price in effect on the date the delivery is applied to the contract.

Deliveries applied against a FlexPro contract are not eligible for adjustment, interim or final payments. The initial payment received at time of delivery plus the CWB additional payment represents total payment. Earlier deliveries applied to a FlexPro contract may also have received adjustment payments if the initial price changed between the settlement date and the date they were applied.

Example

A producer signed up a CWRs FlexPro contract with a \$2 adjustment factor and locked in a FlexPro price of \$350. The producer delivers No. 1 CWRs 14.5 against the contract.

The initial price for the reference grade No. 1 CWRs 13.5 is \$150 per tonne and the initial price for No. 1 CWRs 14.5 is \$160 per tonne.

The producer receives the initial price for No. 1 CWRs 14.5 of \$160 per tonne, less deductions, at the elevator. The additional payment from the CWB is calculated as follows:

Additional payment = FlexPro price + adjustment factor – reference grade initial price (in effect when deliveries applied to contract)

$$\begin{aligned} &= \$350 + \$2 - \$150 \\ &= \$202 \end{aligned}$$

The producer's total FlexPro price (before elevator deductions) is \$362 per tonne (\$160 + \$202).

Example

A producer delivered 100 tonnes of No. 1 CWRs 14.5 on August 3. The initial price for the grade delivered was \$160 per tonne. The initial price for the reference grade No. 1 CWRs 13.5 was \$150 per tonne.

On October 14, the initial price was increased by \$20 to \$180 per tonne for No. 1 CWR 14.5 and by \$10 to \$160 per tonne for No. 1 CWRs 13.5. The producer received the adjustment payment of \$20 per tonne for the No. 1 CWRs 14.5.

On November 3, the producer signs up a 100-tonne FlexPro contract with a -\$5 adjustment factor and asks to have the previous deliveries applied.

On December 5, the producer locks in the price at \$350 per tonne.

The additional payment from the CWB is calculated as follows:

Additional payment = FlexPro price + adjustment factor – reference grade initial price

$$\begin{aligned} &= \$350 + (-\$5) - \$160 \\ &= \$185 \end{aligned}$$

The producer's total FlexPro price (before elevator deductions) is \$365 per tonne (\$160 initial price at elevator + \$20 adjustment payment + \$185 additional payment).

Feed spread adjustment

FlexPro values are based on milling quality grades. If feed grades are applied to these contracts, the feed spread adjustment will adjust the value of the contract to reflect the current spread between milling quality and feed values.

The following grades are subject to the feed spread adjustment if delivered against a FlexPro contract:

- Canada Western Feed
- No. 4 Canada Western Red Spring (CWRs)
- No. 4 Canada Western Hard White Spring (CWHWS)
- No. 3 Canada Western Soft White Spring (CWSWS)
- Canada Western General Purpose

Sample grades and mixed grain cannot be delivered against a FlexPro contract.

The feed spread adjustment posted on the daily pricing schedule on the cash ticket settlement date is deducted from the producer's additional CWB payment.

The feed spread adjustment is locked in on the settlement date, not on the sign-up date.

**Additional payment for feed deliveries =
(Contract price – reference grade initial price) – feed spread adjustment**

Example

On July 22, a producer signs up a CWRS FlexPro contract with a \$0 adjustment factor and prices it on August 25 at \$300 per tonne. On October 22, the producer delivers feed wheat against the contract and receives the initial price for feed wheat of \$100 per tonne (before deductions) at the elevator. The initial price for No. 1 CWRS 13.5 wheat on that day is \$150 per tonne and the feed spread adjustment is \$10 per tonne. The CWB additional payment is calculated as follows:

Additional payment for feed deliveries
= (contract price + adjustment factor – reference grade initial price) – feed spread adjustment
= \$300 + \$0 - \$150 - \$10
= \$150

The producer's total payment (before deductions) for the feed delivery is \$250 per tonne (\$100 + \$150).

Initial overpayments

An overpayment of a FlexPro contract can occur when the initial price for the reference grade is higher than the contract value. This can happen later in the crop year if the CWB has adjusted the initial price before the producer delivers against the contract. The producer will always receive the initial price on delivery, even when their FlexPro contract price is lower. The CWB will deduct the initial overpayment from any future CWB payment made to the producer.

Example

A producer has a 100-tonne FlexPro contract for No. 1 CFSR priced at \$180 per tonne with a \$2 adjustment factor. The initial price for No. 1 CFSR has been adjusted to \$190 per tonne, \$8 above the contract price.

The producer delivers No. 1 CFSR and receives the initial payment at the elevator, less freight and handling.

Additional payment = FlexPro price + adjustment factor - reference grade initial price
= \$180 + (\$2) - \$190
= -\$8 per tonne

When the additional payment calculation results in a negative value, it means the producer has been overpaid by that amount. This overpayment will be deducted from future CWB payments.

Initial price spreads

When producers deliver against a FlexPro contract, they receive the initial price for the actual grade delivered. This effectively reduces or raises their contract price by the spread between the initial price for the reference grade and the initial price for the delivered grain on the date of settlement.

If producers have a range of grades and/or proteins available to deliver against a FlexPro contract, they should watch initial price spreads to determine which will provide them with the best return. Changes to the PRO spreads during the crop year should also be watched to determine trends. If there is an adjustment payment recommendation, the PRO spreads reflected at the time of the recommendation are used to set the new initial price. If there is delivery opportunity, knowing the trends in the PRO spreads will help producers decide which grade and/or protein to apply against their PPO contracts.

After the start of the crop year, producers can choose to have previous deliveries applied at the time of sign-up.

When a producer locks in a price on their FlexPro contract, they are locking in a price for the reference grade (No. 1 CWRS 13.5). However, other grades are deliverable against their contracts. Grade spreads are locked in at the time deliveries are applied to the FlexPro contract.

If the initial price spread between the reference grade and delivered grade changed as a result of the adjustment payment, this will affect the producer's contract value if they are applying previous deliveries. If deliveries were applied to their FlexPro contract before the adjustment payment, there is no effect on their contract.

Example

On October 15, a producer delivers 50 tonnes of No. 2 CWRS at an initial price of \$108. On January 7, the producer commits 50 tonnes of CWRS to a FlexPro contract with an adjustment factor of \$10 and asks that previous deliveries be applied to the contract.

There was an initial price increase on December 2.

The producer locks in a FlexPro price of \$350 on February 9.

The new initial price for No. 2 CWRS is \$151 and \$202 for No. 1 CWRS 13.5 (reference grade).

The producer's payments are as follows:

October 15 initial price for No. 2 CWRS at elevator	\$108
December 2 adjustment payment from CWB	\$ 43
February 9 additional payment from CWB	
FlexPro price	\$350
+ adjustment factor	\$ 10
-initial price for reference grade	\$202
= additional payment	\$158
Total value received by producer	\$309

Payment deductions

The additional payment issued by the CWB is subject to deductions for wheat research.

Producers who choose not to participate can mail or fax a written note to the Western Grains Research Foundation (WGRF) before making settlement against a FlexPro contract. Notice must include full name, CWB 10-digit producer ID number, crop year, full address and signature.

Western Grains Research Foundation
214-111 Research Drive
Saskatoon, SK S7N 3R2
Phone: 1-306-975-0060
Fax: 1-306-975-0316

The additional payment is also subject to any other deductions that may be appropriate. These include, but are not limited to, outstanding defaulted cash advance accounts, liquidated damages, pricing damages, or transaction fees related to the PPO programs.

Changing contract commitments

FlexPro offers two options for reducing contract commitments. Producers can buy out or assign all or part of their contract. If one of these options is not exercised and there is shortfall tonnage on the contract, pricing damages will be assessed based on July 31, 2012 values (see pages 13 and 14).

Assignments

If producers want to reduce their contractual obligations, they may assign all or part of their tonnage commitment to one or more producers. The producer must complete an assignment form specifying the contract number, price and tonnage to be transferred. The assignment form is available by calling the CWB.

The CWB will provide the details of the contract and terms and conditions along with the assignment form. The form must be signed by both the assignor (producer transferring the contract) and assignee (producer taking over the contract) and returned to the CWB by fax or mail. A \$15-per-transaction administration fee is applied to assignments.

Buy-outs

Producers can initiate a buy-out at any time. Buy-out costs are determined by market conditions. Producers can get a buy-out quote or execute a buy-out transaction through e-Services or by calling the CWB with their CWB 10-digit producer ID number and four-digit PIN.

Buy-out calculation

The buy-out formula for the FlexPro program is:

(Current FlexPro price + current adjustment factor) – (contracted FlexPro price + contracted adjustment factor) + \$2.50 administration fee

If the formula results in a negative value, no buy-out cost will be assessed.

If a producer has not locked in the price, the FlexPro price component of the calculation will not be considered.

Example – priced contract

A producer signs up a FlexPro contract on July 29 locking in a \$0 adjustment factor.

On August 15, a producer locks in a price of \$340 per tonne. The producer does not harvest enough wheat to fully deliver against the contract and decides to buy out 50 tonnes on November 23.

The adjustment factor on November 23 is \$2. The current FlexPro price is \$335.

Buy-out formula:

(current FlexPro price + current adjustment factor) – (contracted FlexPro price + contracted adjustment factor) + \$2.50 administration fee

$$= (\$335 + \$2) - (\$340 + \$0) + \$2.50$$

$$= \$337 - \$340 + \$2.50$$

$$= -\$0.50 \text{ per tonne}$$

Because the value is negative, the buy-out cost is zero.

Example – unpriced contract

A producer has an unpriced FlexPro contract. The producer does not harvest enough wheat to fully deliver against the contract and decides to buy out 50 tonnes on November 23.

The adjustment factor on November 23 is \$2.

Buy-out formula:

current adjustment factor – producer's adjustment factor + \$2.50 administration fee

$$= \$2 - \$0 + \$2.50$$

$$= \$4.50 \text{ per tonne}$$

The total buy-out cost is \$225 (50 x \$4.50)

Effect of the adjustment factor

As the crop year progresses, buy-out costs become increasingly influenced by the adjustment factor because a larger percentage of wheat is priced.

The impact of the adjustment factor on buy-out costs is exactly the opposite of the impact on contract prices at sign-up (see pages 10 and 11). The adjustment factor reduces buy-out costs if prices are rising and increases buy-out costs if prices are falling.

Pricing damages

Pricing damages are assessed if a producer fails to make all deliveries to a FlexPro contract by the end of the crop year. Pricing damages will be based on market values as of July 31, 2012. The calculation for pricing damages is the same as for buy-outs.

The purpose of pricing damages is to recover all market losses the CWB incurs on defaulted contracts. The CWB holds the risk associated with the prices offered through these programs and therefore does not pay out gains to producers who default on their contract if they are higher in value than the CWB's posted price.

Contract transactions

The most convenient method of conducting contract transactions is through e-Services. Producers can apply for e-Services access online, by completing and faxing in an application form (available on the CWB Web site) or by calling the CWB.

Producers can also conduct contract transactions by phone at 1-800-275-4292 between 3 p.m. and 5 p.m. CT (Winnipeg time). To commit to a FlexPro contract or to execute any other contract transaction over the phone, producers must provide their CWB 10-digit producer ID number and four-digit PIN.

Producers may also execute contract transactions by faxing in the appropriate form between 3 p.m. and the expiry time posted on the daily pricing schedule. Forms are available on the CWB Web site (see page 3 for the link) or by phoning the CWB.

2011-12 pricing schedule

The daily FlexPro pricing schedule is posted on e-Services and the CWB Web site each business day at 3 p.m. CT (Winnipeg time) and prices are in effect until the expiry time posted on the daily pricing schedule (see page 3 for the link). Sign-up, lock-in and buy-out transactions can only be executed during the pricing period.

The daily pricing schedule includes the following details:

1. The FlexPro price for each reference grade in \$Cdn per tonne and \$Cdn per bushel
2. Adjustment factor
3. Feed spread adjustment

(Prices used in the example pricing schedule are for illustration purposes only.)

When market risk warrants, the CWB reserves the right to withdraw prices prior to the expiry time. If the CWB withdraws a price, lock-in and buyout transactions cannot be executed.

Prices offered based on the reference grades for CWRS, CWHWS, CWES, CPSR, CPSW, CWRW and CWSWS as per the "2011-12 CWB FlexPro Contract Terms and Conditions", in store Vancouver or St. Lawrence, are:

	1	2			
	\$ Cdn/tonne	\$ Cdn/bushel	Adj. factor	Effective	Expires
FlexPro Contract Values					
No.1 Canada Western Red Spring 13.5	\$359.94	\$9.80	\$0.00	3:00 p.m.	9:00 p.m.
No.1 Canada Western Hard White Spring 13.5	\$359.94	\$9.80	\$0.00	3:00 p.m.	9:00 p.m.
No.1 Canada Western Extra Strong	\$329.94	\$8.98	\$0.00	3:00 p.m.	9:00 p.m.
No.1 Canada Prairie Spring Red	\$282.85	\$7.70	\$0.00	3:00 p.m.	9:00 p.m.
No.1 Canada Prairie Spring White	\$278.40	\$7.58	\$0.00	3:00 p.m.	9:00 p.m.
No.1 Canada Western Red Winter 11.0	\$279.21	\$7.60	\$0.00	3:00 p.m.	9:00 p.m.
3 No.1 Canada Western Soft White Spring	\$292.74	\$7.97	\$0.00	3:00 p.m.	9:00 p.m.

Feed wheat spread adjustment

A class specific feed wheat spread adjustment will apply to deliveries of CW Feed, No. 3 CWSWS, No. 4 CWRS, No. 4 CWHWS and CW General Purpose, settled on August 02, 2011. The spread adjustment according to your contracted class is:

	\$ Cdn/tonne	\$ Cdn/bushel	
Canada Western Red Spring (CWRS)	\$13.50	\$0.37	
Canada Western Hard White Spring (CWHWS)	\$13.50	\$0.37	
Canada Western Extra Strong (CWES)	\$13.50	\$0.37	
Canada Prairie Spring - Red (CPSR)	\$0.25	\$0.01	
Canada Prairie Spring - White (CPSW)	-\$0.85	-\$0.02	Credit
Canada Western Red Winter (CWRW)	\$4.17	\$0.11	
Canada Western Soft White Spring (CWSWS)	\$1.95	\$0.05	

The CWB reserves the right to withdraw this Offer at any time and without prior notice. In order to be valid, any acceptance must be received at the CWB's head office in accordance with the approved methods of acceptance before the expiry or withdrawal of this Offer. For transactions executed by fax or by phone, the CWB will send written confirmation to the producer. E-Services transactions provide instant confirmations.

Target pricing

The [target pricing service](#) gives producers the ability to place lock-in orders for a FlexPro price. Producers can inform the CWB of the target price at which they want their contract locked in, the class of grain, tonnage and the time period over which the order is to stand.

The CWB will monitor prices daily and if the price on the pricing schedule (released daily at 3 p.m.) reaches or exceeds the target price, the order will be filled. If the posted price exceeds the target price, the producer's FlexPro price will be locked in for the higher posted value. The service is free of charge and orders can be cancelled at any time before they are filled.

Orders can be placed any time during the lock-in period. Producers can place a target price order by logging into e-Services, calling the CWB at 1-800-275-4292 between 8 a.m. and 6 p.m. Monday to Friday or faxing in a [Target Pricing Order Form](#).

Fax forms

Please note. Joint producers must submit a Continuing Personal Guarantee form to be eligible to sign up a PPO.

The producer's name and CWB ID number provided on the forms must match those on the CWB delivery permit book for which the FlexPro contract will be used to price deliveries. For example, if the producer is signing a FlexPro contract for a corporation, the corporation's name and CWB ID number must appear on the sign-up application.

It is important that the producer provides a telephone number and fax number (if available) to allow for verifying the information on the form. Pricing commitments must be received before the deadline time as posted on the daily pricing schedules. The CWB will attempt to contact the producer if there is an error on the form but if the producer can't be contacted, the contract will not be processed.


Please ensure all forms are signed and dated. All applications received by the CWB must be signed by the producer indicated on the form. Elevator staff cannot sign forms for the producer. Applications without a valid signature will not be processed. For company applications, the producer must indicate the position held within the company.

When the sign-up deadline is reached, the sign-up form will no longer be available on the CWB Web site. Expired forms should be discarded as they are crop-year specific and cannot be used in later years.

FlexPro sign-up application

Please refer to "2011-12 FlexPro contract sign-up application" form.


1. Enter the net tonnes.
Optional (after August 1) – choose to have previous deliveries applied to the contract.
2. Choose the class of wheat.
3. Sign and date the form and state position in company, if applicable. The producer must sign the form. Elevator agents cannot sign the form for the producer.

		Effective August 1, 2011	Wheat								
2011-12 FlexPro contract sign-up application			For Office use only								
Please Fax to: 1-204-983-8031											
<p>This document forms part of the 2011-12 CWB FlexPro Contract: Terms and Conditions. Wheat delivered into storage under 2010-11 CWB delivery contracts cannot be settled against a 2011-12 FlexPro contract. To deliver against this FlexPro contract, you must sign a separate CWB delivery contract and a delivery call must be in place.</p> <p>Tonnage commitment reductions will be subject to a buy-out cost based on market conditions. Prices are posted for the reference grade at 3 p.m. CT (Winnipeg time) and are in effect until 9 p.m. CT the same business day.</p> <p>Producers and landlords who appear on a delivery permit as a joint producer, partnership or trade name must complete and submit a Continuing Personal Guarantee in order to sign up a BPC. The form only needs to be completed once and is available on the pricing schedule, in the Related information box on the right-hand side of the page.</p>											
Please complete all information in this area.											
Producer's Name ("the Producer") as shown on the Delivery Permit											
Producer's Identification No.	Producer's Telephone No.	Producer's Fax No.									
Alternative telephone No. (daytime/cell)	E-mail address										
<p>A TONNAGE COMMITMENT 1</p> <p>Please indicate the net tonnes you wish to commit. Net tonnes (wheat)</p> <p style="text-align: right;">_____,000 Proceed to B</p> <p>Optional</p> <p><input type="checkbox"/> Apply my earlier pool deliveries to this contract.</p>											
This is a tonnage commitment only. The pricing period starts August 2, 2011 and ends July 31, 2012. A pricing schedule showing each class of wheat will be posted daily.											
<p>B Please indicate your choice of class of wheat. (choose only one class per form) 2</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"><input type="checkbox"/> Canada Western Red Spring (CWRS)</td> <td style="width: 50%; border: none;"><input type="checkbox"/> Canada Prairie Spring White (CPSW)</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Canada Western Hard White Spring (CWHWS)</td> <td style="border: none;"><input type="checkbox"/> Canada Western Red Winter (CWRW)</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Canada Western Extra Strong (CWES)</td> <td style="border: none;"><input type="checkbox"/> Canada Western Soft White Spring (CWSWS)</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Canada Prairie Spring Red (CPSR)</td> <td style="border: none;"></td> </tr> </table>				<input type="checkbox"/> Canada Western Red Spring (CWRS)	<input type="checkbox"/> Canada Prairie Spring White (CPSW)	<input type="checkbox"/> Canada Western Hard White Spring (CWHWS)	<input type="checkbox"/> Canada Western Red Winter (CWRW)	<input type="checkbox"/> Canada Western Extra Strong (CWES)	<input type="checkbox"/> Canada Western Soft White Spring (CWSWS)	<input type="checkbox"/> Canada Prairie Spring Red (CPSR)	
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<input type="checkbox"/> Canada Western Extra Strong (CWES)	<input type="checkbox"/> Canada Western Soft White Spring (CWSWS)										
<input type="checkbox"/> Canada Prairie Spring Red (CPSR)											
Forms received outside of the 3 p.m. to 9 p.m. pricing period are void.											
READ THE FOLLOWING PARAGRAPH CAREFULLY.											
I (the Producer) have read the 2011-12 CWB FlexPro Contract: Terms and Conditions. By completing this document and sending it to the CWB, I am selecting the option indicated. I agree that all of the said terms and conditions will apply to the option I have selected.											
<p>3</p> <p>Producer's signature _____ Position in company (if applicable) _____</p> <p>Date _____</p>											
			FAX 1-204-983-8031 (3 to 9 p.m.) Phone 1-800-275-4292 (3 to 6 p.m.) Mon. - Fri. CT (Winnipeg time)								
Important: Please keep the original for your records.											

Target pricing order cancellation

Please refer to the “2011-12 FlexPro contract target pricing order cancellation” form .

1. Enter the six-digit contract number.
2. Enter the net tonnes to be cancelled. Partial tonnage of a target order can be cancelled.
3. Enter the target price that is being cancelled.
4. Sign and date the form and state position in company, if applicable. The producer must sign the form. Elevator agents cannot sign the form for the producer.

	Effective August 2, 2011											
2011-12 FlexPro contract target pricing order cancellation												
<p>To cancel your target price order, please complete this form.</p> <p>If the target order has already been executed, it cannot be cancelled.</p>												
<p>Please complete all information in this area.</p> <p>Producer's Name ("the <i>Producer</i>") as shown on the Delivery Permit</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">Producer's Identification No.</td> <td style="width: 33%;">Producer's Telephone No.</td> <td style="width: 33%;">Producer's Fax No.</td> </tr> <tr> <td style="text-align: center;">()</td> <td style="text-align: center;">()</td> <td style="text-align: center;">()</td> </tr> </table>		Producer's Identification No.	Producer's Telephone No.	Producer's Fax No.	()	()	()					
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<p>4</p> <p>_____ Producer's Signature</p> <p>_____ Date</p> <p style="text-align: right;">_____ Position in Company (If Applicable)</p>												
<p>FAX 1-204-983-8031 Phone 1-800-275-4292 (8 a.m. to 6 p.m. Mon. - Fri. CT Winnipeg time)</p>												
<p>Important: Please keep the original for your records.</p>												



Contract confirmation

When producers sign up, lock in or make another transaction on their contract the CWB mails the producer a contract confirmation the next business day.

Producers can print confirmations directly from e-Services.

1. The confirmation details the program, the contract number, the sign-up date, the adjustment factor and the net contract amount (tonnes and bushels) of the original contract commitment.
2. Below the original commitment information, a listing of activity against the contract is detailed by date. Each time a transaction occurs against the contract, a new line will be added to the confirmation and sent to the producer.
3. In the comments section, there will be information on the pricing status of the contract, deadlines and administration fees charged.

CWB agents can call the CWB at 1-800-275-4292 or look under the *Contracts* tab in e-Services to confirm contracted and outstanding tonnage when administering contracts for a producer.

 <p>CWB The Canadian Wheat Board</p>	<p>423 Main Street, P.O. Box 816, Stn. Main, Winnipeg, Manitoba R3C 2P5 1-800-275-4292; Fax (204) 983-8031; www.cwb.ca</p>																																										
																																											
<p>Producer John PO Box 123 RR 2 Anytown SK S4S 2W3</p>	<p>Crop Year: 2011-12</p>																																										
<p>Statement Date: February 22, 2012</p>																																											
<hr/> <p>Producer Payment Options program Contract confirmation</p> <hr/>																																											
<p>This statement confirms the transactions you have entered into. By entering into this contract you have agreed to abide by the terms and conditions.</p>																																											
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<p>Please notify the CWB immediately of any errors or omissions. Phone: 1-800-275-4292 Fax: (204) 983-8031</p>																																											

Transaction corrections and program termination

Correction procedures

Transactions for PPO programs must be received before the expiry time posted on the daily pricing schedule each business day. All required information on the fax form must be complete and accurate.

If a fax transaction is incomplete, the CWB will attempt to contact the producer to obtain the missing information. The producer will receive the contract price that is in effect at the time of confirmation.

If the fax form is complete, the CWB will process the transaction based on that information. When producers receive their contract confirmation, they should carefully review the transactions. If incorrect information was provided and the CWB acted on this information, producers will be responsible for any costs to correct the transaction.

If a producer executes a transaction incorrectly in e-Services, the producer must contact the CWB immediately. Producers will be responsible for any costs to correct the transaction.

Fax transmission failures

If a transaction is faxed to the CWB but not received, a copy of the sender's fax log confirming the transaction was successfully sent and a copy of the transaction should be sent to the CWB.

The CWB fax machine maintains a log of all incoming faxes received. The log indicates the time, originating fax number, number of pages received and status of the transmission. This log will be used to verify if a fax was transmitted to the CWB. If the sender's fax number does not appear on their fax log or if the date and time are set incorrectly, the CWB may be unable to verify the transmission.

It is the sender's responsibility to ensure their fax transmits successfully. If there is any doubt, check the fax transmission log to see if the send was successful. If there is still doubt and the fax is re-sent, **write 'possible duplicate' on it to avoid double contracting**. If the sender re-sends the fax without notifying the CWB about a possible duplication and duplicate contracts are entered, the producer is responsible for all contracts processed.

If the fax appeared to transmit successfully but a contract confirmation has not been received within a week to 10 days, contact the CWB to confirm.

Program termination procedures

The CWB reserves the right to terminate sign-up of PPO programs before the sign-up deadline, depending on market conditions. If a program is terminated, a Country Elevator News (CEN) Bulletin will be released.

Any contract commitments received after the program has been terminated will be rejected. The CWB will contact producers to advise them that their applications were received after the cut-off.

Actual grade

The grade and protein of grain delivered as reported on a cash ticket.

Additional payment

A payment made by the CWB to producers after grain is delivered against a PPO contract. Additional payments equal the contracted price less the initial price for the relevant reference grade in effect on the date the delivery is applied to the contract .

Basis Price Contract (BPC)

A pricing option available for all classes of wheat which offers the choice of locking in the basis and futures components separately.

Buy-out

The cost producers pay to reverse their PPO contract obligations. A calculation is performed to charge producers pricing damages for non-delivery of the contract based on market values.

Cash ticket

Certificate manually or electronically issued to the producer at time of settlement for a delivery. Includes value-only tickets for advance issuance or refunds against cash advance accounts.

Contingency Fund

A fund that backstops PPO operations. Included in the fund is the annual surplus or deficit arising from operating PPO programs.

Discount

Risk, time value of money and administration cost. This is the cost to the producer of signing a PPO contract.

Early Payment Option (EPO)

A pricing option available on all grains which provides a floor price based on a percentage of the Pool Return Outlook (PRO), less a discount and early cash flow upon delivery.

Farmgate price

The net price the producer receives after relevant deductions are subtracted from the in store price.

Feed spread adjustment

An adjustment applied to deliveries of Canada Western Feed, No. 4 CWRS, No. 4 CWHWS, No. 3 CWSWS and CW General Purpose against a FlexPro contract. By adjusting the posted contract price, the CWB can accommodate producers delivering lower quality grain against their PPO contracts.

Fixed Price Contract (FPC)

A pricing option available on wheat which provides a flat price that a producer can lock in.

FPCPlus

A pricing option available for durum, which provides a minimum flat price with the potential for a rebate of a portion of the risk discount at the end of the marketing period.

FlexPro contract

A pricing option available on all wheat classes which provides a flat value that a producer can lock in throughout the crop year.

Foreign exchange

Rate at which one currency may be converted into another. The PPO prices are determined by converting the relevant U.S. futures prices into their Canadian dollar equivalents.

Foreign exchange risk

The exposure to changes in foreign exchange rates that may adversely affect Canadian dollar returns to the CWB.

Producer Payment Options (PPOs)

Contract programs that allow producers more flexibility in pricing their grain. Producers make their own pricing and risk management decisions through these programs. PPO pricing alternatives include the FPC, BPC, EPO and FlexPro.

Reference grades

The grade within a class of grain used to establish the posted price. For example: the reference grade for the CWRS class is No. 1 CWRS 13.5 per cent protein.

Settlement date

The date on which a cash ticket is issued by a grain company.

Spread

The difference between the reference grade initial price and the initial price for the delivered grade. Spread may also refer to the price difference between two futures contracts trading at the same time. For example, if the Minneapolis Hard Red Spring December contract closed at \$4.04 per bushel and the corresponding March contract closed at \$4.06 per bushel on the same day, the spread would be \$0.02 per bushel.

Target price

A FlexPro price at which a producer has indicated that he or she wants to price their contract. Along with their requested target price, producers also specify the time period for the order to stand