

## What is a basis?

A basis is the difference between the cash grain price and the futures price. The CWB offers a “pooled basis” based on the sales expectations during the crop year and the average projected futures on those sales.

The Pool Return Outlook (PRO) is a forecast of cash returns from all markets over the crop year. The PRO basis is determined by deducting the forecast average futures value for the entire 18-month sales period as well as a discount, for administration, time value of money and risk, from the PRO.

**PRO basis = (CWB PRO – CWB forecasted futures) - discount**

The PRO basis is then weighted against the December futures contract for the relevant futures exchange to establish the basis offered to producers. The basis is quoted based on in store St. Lawrence or Vancouver values.

The CWB offers a flat price structure across all futures months, which means that the basis value offered against the March, May and July futures months reflects the difference in value between these months and the December futures. As a result, the futures price added to the related basis will be equal regardless whether the futures contract is for nearby or deferred delivery.

### Example

On November 24, the December basis for CWRS wheat is calculated at \$10 per tonne. The December futures on that day closed at \$248 per tonne, for a flat price (futures + basis) of \$258 (\$248 + \$10).

Later Minneapolis futures months on that day closed at:

<b>March</b>	\$253 per tonne
<b>May</b>	\$260
<b>July</b>	\$265

The basis for the later futures months is calculated so the flat price for each month will be the same:

(December futures – deferred futures) + December basis

**March basis** = (\$248 - \$253) + \$10 = \$5

**Flat price** = \$253 + \$5 = \$258

**May basis** = (\$248 - \$260) + \$10 = -\$2

**Flat price** = \$260 + (-\$2) = \$258

**July basis** = (\$248 - \$265) + \$10 = -\$7

**Flat price** = \$265 + (-\$7) = \$258

To maintain the flat price across all futures months, day-to-day variations in the spread with December caused by futures market activity will be reflected in the basis posted for the deferred futures months.

## How often is the basis calculated?

The basis is calculated on the monthly PRO release date. However, if the markets become volatile between PRO releases, the basis will be adjusted to reflect the additional risk to the CWB of executing a balanced hedge for the program.

## How is the CWB basis different from a non-Board basis?

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**CWB**

Based on a forecast of the average basis on all sales in the crop year across all markets

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Quoted at export position

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Flat priced across all futures months

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Relatively stable

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**Non-Board**

Based on a spot or cash value directly associated with a particular delivery point and specific futures contract month

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Quoted basis country delivery location

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Adjusted higher or lower to encourage or discourage delivery

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May be extremely volatile

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