

Please note: You must have an active permit book for either the 2007-08 or 2008-09 crop year in order to sign up a 2008-09 BPC. If you do not have an active permit book, please contact the CWB at 1-800-275-4292.

*The basis includes a discount for basis risk, time value of money and administration costs

What is it?

The Basis Price Contract (BPC) for wheat is a pricing option that offers producers the opportunity to lock in the basis and futures portions of the contract separately. Either the futures or the basis* component can be priced first and the other locked in at a later date. The CWB offers a “pooled” basis, rather than a “spot” basis. For more information on the CWB basis and how it is calculated, please refer to the Basis information sheet.

How does it work?

On delivery, you receive the initial payment for the grade delivered. An additional payment will be issued by the CWB within 10 business days if the BPC is fully priced. Additional payments on BPCs that are not fully priced are not issued until the full contract value (basis and futures) is priced. Producers who choose a BPC are not eligible for adjustment, interim or final payments from the pool account.

Additional payment

The CWB additional payment is calculated as: BPC contract price – reference grade initial payment + incremental payment value**.

Reference grades

Reference grades are used to post pricing information based on in store Vancouver or St. Lawrence values. The reference grade is the base grade associated with your contract price. Spreads between the delivered grade and the reference grade at the time of settlement of the initial payment are used to reflect the quality delivered against the contract. Reference grades for wheat are as follows.

Wheat class	Reference grade	Futures contract
CWRS	No. 1 CWRS 13.5	Minneapolis Hard Red Spring
CWHW	No. 1 CWHW 13.5	Minneapolis Hard Red Spring
CWES	No. 1 CWES	Minneapolis Hard Red Spring
CWRW	No. 1 CWRW Select 11.5	Kansas Hard Red Winter
CPSR	No. 1 CPSR	Kansas Hard Red Winter
CPSW	No. 1 CPSW	Kansas Hard Red Winter
CWSWS	No. 1 CWSWS	Chicago Soft Red Winter

Delivery requirements

Since the BPC is only a pricing commitment, you must still sign a 2008-2009 CWB Series A, B or C delivery contract or a Guaranteed Delivery Contract (GDC) in order to deliver.

Sign-up

You can commit to a wheat BPC by logging in to e-Services and completing a sign-up transaction, by phoning the CWB with your Producer Identification (ID) and Personal Identification Number (PIN) or by faxing a sign-up application form.

Prices, forms and sign-up periods

CWB Web site	www.cwb.ca , 'Producer Payment Options'
e-Services	www.cwb.ca 'e-Services log-in'
Telephone	1-800-275-4292
Contact	CWB Farm Business Representatives

**Incremental payment values reimburse you for the time value of money portion of the discount for deliveries made later in the year. Incremental payment rates are established on the sign-up date and are listed on the daily pricing schedule. The rates increase progressively each month from August to July and you are paid the rate associated with the month in which delivery takes place.

Futures sign-up period

September 1, 2007 to October 31, 2008

Basis sign-up period

February 25, 2008 to October 31, 2008

Example

On November 22, the December 2008 Minneapolis wheat futures are posted on the daily pricing schedule at \$5.85 per bushel in store Vancouver or St. Lawrence. John signs the futures portion of a wheat BPC on this date. On May 15, John locks in a December basis of \$0.10 per bushel for an overall contract value of \$5.95 per bushel ($\$5.85 + \0.10), based on the reference grade.

On October 10, John delivers No. 2 CWRS 12.0 and advises the elevator to apply the delivery against his BPC. The initial payment for No 1 CWRS 13.5 is \$5.54 per bushel and for No. 2 CWRS 12.0 \$5.30 per bushel. John receives the initial payment net of freight and handling costs for his location of \$4.05 per bushel ($\$5.30 - \1.25).

Within 10 business days, the CWB issues a payment representing the difference between John's BPC value and the initial payment for the reference grade, plus the incremental payment value for October delivery ($\$5.95 - \$5.54 + \$0.01 = \0.42 per bushel).

John's farmgate price works out to \$4.47 per bushel ($\$4.05 + \0.42) for the No. 2 CWRS 12.0 he delivered. John receives no further payments on this wheat.

The BPC at work on your farm

	John's numbers		Your numbers
	Per bushel	Per tonne	
CWB March basis	\$0.60	\$22.05	
Minneapolis March			
Hard Red Spring wheat futures	\$4.85	\$178.21	
Late sign-up adjustment factor	\$0.00	\$0.00	
BPC value	\$5.45	\$200.26	
CWB initial payment for the grade delivered	\$3.86	\$141.83	
Freight and handling deductions at the elevator*	\$1.25	\$45.93	
Net initial payment for grade delivered	\$2.61	\$95.90	
BPC value	\$5.45	\$200.26	
CWB initial payment for the reference grade	\$4.22	\$155.06	
Incremental payment for delivery month	\$0.01	\$0.37	
CWB additional payment	\$1.24	\$45.57	
Farmgate price	\$3.85	\$141.47	

* Estimated deductions. These will vary by location.

Changing contract commitments

The BPC offers three options for reducing contract commitments if you are unable to fulfill 100 per cent of your tonnage commitment.

1. You can assign the outstanding tonnes of your contract to another producer who is willing to assume the terms and conditions of the contract. All assignments are subject to a \$15 administration fee per transaction. This fee is charged to the original contract holder (the assignor).
2. You can buy out the outstanding tonnes on your contract based on current market factors. Values posted on the date the buyout is initiated will be used to calculate the buyout cost. All buyout transactions are subject to a \$15 administration fee.
3. If you chose the force majeure option at sign-up, you can invoke it to reduce pricing damages for non-performance related to extreme events that cause production loss. There is a \$3 per tonne cost associated with the force majeure option.

For more information, call the CWB at 1-800-275-4292 or visit 'Producer Payment Options' at www.cwb.ca.