

You have the option to roll your locked-in basis to another futures month, for all or a portion of your committed tonnage, as long as the futures component of the BPC has not been priced. The basis month may be rolled either forward or backward, e.g. December to May or May to December. This gives you more time to price the futures component of your contract or to take advantage of market trends. It is available as soon as the CWB begins offering more than one basis month.

**Rollovers can only be completed if you have not locked in the futures against your BPC.**

Rollovers are done on a flat price basis, which means that the original basis will be adjusted by the difference between the two futures values. So if the basis is rolled to a higher priced futures month, the basis will be adjusted downward. Alternatively, if it is rolled to a lower priced futures month, the basis will increase.

**Adjusted basis = original basis + (original basis month futures price – new basis month futures price)**

There is a \$1 per tonne administration fee for rollovers. There is no limit to the number of times the basis month can be rolled, but the administration fee is charged each time. Rollover fees are deducted from any CWB payment owing to you.

## Example

A producer locks in a December CWRS basis of \$13 per tonne and an adjustment factor of \$1 per tonne on September 2. On November 14, before the December basis lock-in deadline, the producer decides to roll the basis to the May contract when Minneapolis Hard Red Spring futures reach \$195 per tonne for December and \$200 per tonne for May. The producer's May basis is \$8 per tonne.

**Adjusted basis = original basis + (original basis month futures price – new basis month futures price)**

$$\begin{aligned} &= \$13 + (\$195 - \$200) \\ &= \$8 \text{ per tonne} \end{aligned}$$

Adjusting the basis does not affect the contract value if the futures are locked in on the rollover date.

**Contract value = basis + futures + adjustment factor**

$$\begin{aligned} &\text{Contract value of original basis on November 14} \\ &= \$13 + \$195 + \$1 \\ &= \$209 \text{ per tonne} \end{aligned}$$

$$\begin{aligned} &\text{Contract value of adjusted rollover basis on November 14} \\ &= \$8 + \$200 + \$1 \\ &= \$209 \text{ per tonne} \end{aligned}$$

The basis is adjusted to reflect the \$5 per tonne higher futures value on the date of the rollover.

## Deciding when to roll a basis

When rolled, the basis is adjusted in value by the spread between the two futures months. You should watch the spread to determine the best time to roll. If you are rolling to a forward month with the expectation that prices in that month will rise by more than your current futures month, the best adjusted basis is received when the spread has narrowed. If you are rolling backward with the expectation that a nearby futures month will rise by more than your current futures month, the adjusted basis is more favourable when the spread has widened.

## Example

A producer locks in a December basis of \$12.31 per tonne for CWRS on March 5. On September 15, the settlement price for the December Minneapolis futures is \$209.85 per tonne and the March settled at \$214.85 per tonne. If the producer rolled the basis on that day, the adjusted basis would be \$5 per tonne less at \$7.31 per tonne due to the spread between the two futures months:

**Adjusted basis = original basis + (original basis month futures price – new basis month futures price)**

$$\$12.31 + (\$209.85 - \$214.85) = \$7.31 \text{ per tonne}$$

If the futures market were inverted with the December at \$214.85 per tonne and the March at \$209.85 per tonne, the producer's basis would improve by \$5 per tonne.

$$\$12.31 + (\$214.85 - \$209.85) = \$17.31 \text{ per tonne}$$

## 2011-12 BPC lock-in deadlines

Futures month	Lock-in deadline
December 2011	9 p.m. CT November 25, 2011
March 2012	9 p.m. CT February 24, 2012
May 2012	9 p.m. CT April 20, 2012
July 2012	9 p.m. CT June 22, 2012

You can roll your basis by logging into e-Services and completing a basis roll transaction, by calling the CWB at 1-800-275-4292 with your CWB 10-digit producer ID number and four-digit PIN, or by faxing a basis rollover form to 1-204-983-8031 during the pricing period as posted on the daily pricing schedule. Application forms are available on the CWB Web site at [www.cwb.ca](http://www.cwb.ca).