PPO contract assignments

What is it?

If you want to reduce your PPO contract obligation, one of your options is to complete a contract assignment form, available from the CWB. All or part of the contracted tonnage may be assigned. The contract number and tonnage to be transferred must be specified on the form and signed by you and the producer who is taking over the contract. If the contract being assigned has more than one price, you must also specify the price to be assigned on the form. The form can be faxed or mailed back to the CWB.

Call the CWB at 1-800-275-4292 to arrange your assignment

When you request an assignment form, we will forward a copy of your contract confirmation and the terms and conditions of the contract to ensure the assignee (the producer taking over the contract) is fully aware of the contract details. You are responsible for providing the assignee a copy of the contract confirmation and terms. We will confirm the assignment to both of you once it is processed.

A new contract confirmation will be generated and mailed to the assignee. You will receive an updated contract confirmation, indicating the reduced tonnage. If the contract was completely transferred, you will receive a contract confirmation indicating that the contract has zero tonnes remaining.

The force majeure clause of a contract cannot be assigned. You must pay the force majeure deduction before the assignment can be completed.

The assignment cost is $15 per transaction and will be charged to you. The administration fee is deducted from future CWB payments.

Example

On May 15, Bob signs a Basis Payment Contract (BPC) for 500 tonnes of CWRS. In September, he encounters reduced yields and only has 400 tonnes of total CWRS production. Bob finds a neighbour who wants the benefits of a BPC and is willing to sign up 100 tonnes of production.

Bob contacts the CWB to arrange the transfer of 100 tonnes of his BPC to his neighbour. The CWB sends the forms to Bob who, along with his neighbour, signs and returns them to the CWB.

The CWB completes the assignment. Bob pays the $15 administration fee and now has a BPC commitment of 400 tonnes. A new contract confirmation for 100 tonnes is created for his neighbour.

2011-12 Fixed Price Contract and Basis Price Contract – buyout

You can initiate a buyout of your Fixed Price Contract (FPC) or Basis Price Contract (BPC) at any time after making the initial commitment. Buyout costs are determined by market conditions and can vary significantly throughout the year.

You can get a buyout quote based on current market conditions or execute a buyout through e-Services during the pricing period as posted on the daily pricing schedule or by calling the CWB with your CWB 10-digit

Producer ID number and four-digit PIN.

Per-tonne buyout calculations

FPC and BPC:

(Current futures + current basis + current adjustment factor) – (producer's futures + producer's basis + producer's adjustment factor) + $2.50 administration fee

If the formula results in a negative number, the buyout cost is zero.

FPC*Plus* for durum:

Current FPC*Plus* - producer's FPC*Plus* + $2.50 administration fee

If the formula results in a negative number, the buyout cost is zero.

Only certain components of the formula apply to a BPC buyout depending on your pricing commitments. For example, if you have a BPC without the futures locked in, the futures component of the calculation would not be considered.

Example

A producer signed a 20-tonne BPC contract for CWRS wheat on May 26 at a basis value of -$24 per tonne. Since the contract was signed prior to August 1, the producer's adjustment factor is $0 per tonne. On May 31, the producer locked in a futures value of $268 per tonne.

The producer does not have enough CWRS wheat to fill the contract and contacts the CWB for a buyout quote on December 14. The basis is -$40, the futures are $266 and the adjustment factor is -$3.

The buyout per-tonne cost was assessed at:

(Current basis + current futures + current adjustment factor) – (producer's basis + producer's futures + producer's adjustment factor) +$2.50 administration fee

= [-$40 + $266 + (-$3)] – (-$24 + $268 + $0) + $2.50
= $223 - $244+ $2.50
= -$18.50 per tonne

Since the formula resulted in a negative number, there would be no charge to the producer.

Example

A producer signed a 20-tonne BPC contract for CWRS wheat on July 20 at a basis value of -$15 per tonne and an adjustment factor of $0. On October 15, the producer decides to buy out the contract. The basis has improved to -$12 and the adjustment factor is $1.

Since the futures were not locked in, the per-tonne buyout cost was assessed at:

(Current basis + current adjustment factor) – (producer's basis + producer's adjustment factor) + $2.50 administration fee

= (-$12 + $1) – (-$15 + $0) + $2.50
= -$11- (-$15) + $2.50
= $6.50 per tonne

In this case, the producer is assessed a buyout cost of $6.50 per tonne.