

What is it?

An EFP is an exchange of grain for the equivalent quantity of futures. The EFP option lets you take a short futures position through a broker and exchange this position with the CWB to lock in the futures component of a Basis Price Contract (BPC). When the EFP is executed, you receive a long futures position to unwind your short at the previous day's settlement price, posted on the CWB pricing schedule. The CWB takes on the short position at the same price to lock in the futures portion of the BPC. EFP transactions occur outside of the futures pit.

How does it work?

You must commit to a BPC with the CWB in order to exercise the EFP option. Commitments must be made in 136-tonne increments to correspond with the size of a futures contract. The basis month commitment and the short futures position must be the same month.

For the 2011-12 crop year, you can use the EFP to sign up a BPC until March 15, 2012. The adjustment factor in effect on the date the EFP is executed will be applied to your contract. You can use the EFP to lock in the futures component of an existing BPC until the relevant lock-in deadline. EFPs can only be completed for futures months the CWB is currently offering.

2011-12 BPC sign-up and lock-in deadlines

Futures month	Sign-up deadline	Lock-in deadline
December 2011	9 p.m. CT November 25, 2011	9 p.m. CT November 25, 2011
March 2012	9 p.m. CT February 24, 2012	9 p.m. February 24, 2012
May 2012	9 p.m. CT March 15, 2012	9 p.m. April 20, 2012
July 2011	9 p.m. CT March 15, 2012	9 p.m. June 22, 2012

There are three ways to use the EFP option:

1. Sign up the futures and adjustment factor using the EFP and lock in the basis component by the lock-in deadline.
2. Lock in the futures on an existing BPC.
3. Sign up the futures and adjustment factor using the EFP and lock in the basis component on the same day, essentially a Fixed Price Contract (FPC).

Your total return on the BPC in Canadian dollars will equal your original short position plus the locked in basis, plus any gain or loss on foreign exchange, plus the adjustment factor on the date the contract was signed up. EFPs are executed at the U.S. closing price and you are responsible for any foreign exchange risk on your U.S. futures account.

Example

A producer sells one December Minneapolis Hard Red Spring futures contract (5,000 bushels) through a broker on March 8 at \$5.36 US per bushel (\$221.57 Cdn per tonne).

On April 16, the producer signs a 136 tonne BPC at a December basis price of \$0.15 Cdn per bushel (\$5.42 Cdn per tonne). The adjustment factor is zero. The same day, the producer instructs the broker to contact the CWB's broker at the exchange to complete an EFP.

The December Minneapolis futures price on this day is posted on the CWB pricing schedule at \$5.23 US per bushel (\$216.19 Cdn per tonne). Assume a Canadian dollar exchange rate of \$1.125.

Producer's futures account	Cdn per tonne	US per bushel
Sold futures	\$221.57	\$5.36
EFP with CWB (futures on BPC)	\$216.19	\$5.23
Gain on futures	\$5.38	\$0.13

Producer's BPC	Cdn per tonne	Cdn per bushel
Basis	\$5.42	\$0.15
Futures	\$216.19	\$5.88
Adjustment factor	\$0	\$0
BPC price	\$221.61	\$6.03

Producer's total return (before elevator deductions)	Cdn per tonne	Cdn per bushel
EFP with CWB (futures on BPC)	\$216.19	\$5.88
Gain on futures	\$5.38	\$0.15
Producer's basis	\$5.42	\$0.15
Total	\$226.99	\$6.18

OR

Producer's short position	\$221.57	\$6.03
Producer's basis	\$5.42	\$.15
Total	\$226.99	\$6.18

Executing an EFP

You must call the CWB at 1-800-275-4292 between 3 p.m. and 6 p.m. CT (Winnipeg time) with your CWB producer ID number and four-digit PIN or fax an EFP form to 1-204-983-8031 during the pricing period as posted on the daily pricing schedule.

You must contact your broker and inform him or her of your intent to complete an EFP with the CWB. The broker is responsible for contacting the CWB's broker before 10:30 a.m. CT to lock in the previous day's futures price. Call the CWB to get the name and phone number of the CWB broker at the relevant futures exchange.

The futures portion of the BPC will be locked in once the EFP has been completed. The CWB will confirm with you when the EFP has been successfully completed.

Prices and forms

Web site	www.cwb.ca/ppo
E-Services	www.cwb.ca/eservices
Telephone	1-800-275-4292
Contact	Program Service Representatives CWB Farm Business Representatives