

## What is it?

The Fixed Price Contract (FPC) is a pricing option that offers you a flat price for your wheat, outside of the pool account. For information on how the FPC price is calculated, please refer to the PPO price establishment information sheet.

## Sign-up period

February 28, 2011  
to March 15, 2012

## How does it work?

On delivery, you receive the initial payment for the grade delivered. You must advise your elevator agent that you want your deliveries applied against your FPC. If you have more than one FPC, the deliveries will be applied to the highest priced contract first. If you want the deliveries applied to a different FPC, you must contact the CWB at the time of settlement.

To facilitate later pricing, after the start of the crop year you can choose to have previous deliveries applied to your FPC at the time of sign-up. Deliveries will be applied on a last-in, first-applied basis unless you advise us otherwise.

When deliveries are applied to an FPC, the CWB will issue an additional payment for the balance of the contract price within 10 business days. You are not eligible for adjustment, interim or final payments from the pool account once deliveries have been applied to an FPC.

\*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 you are paid the rate associated with the month in which delivery takes place.

## Additional payment

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

## Reference grade

Reference grades are used to post pricing information based on in store Vancouver or St. Lawrence values. The reference grade is the base grade for your FPC. The spread between the delivered grade initial price and the reference grade initial price adjusts your contract price at the time of settlement to reflect the quality delivered against the contract.

Wheat Class	Reference grade
CWRS	No. 1 CWRS 13.5
CWHWS	No. 1 CWHWS 13.5
CWES	No. 1 CWES
CWRW	No. 1 CWRW 11.0 *
CPSR	No. 1 CPSR
CPSW	No. 1 CPSW
CWSWS	No. 1 CWSWS

\*The reference grade for CWRW wheat was previously No. 1 CWRW

## Delivery requirements

Since the FPC is only a pricing commitment, you must still sign a 2011-12 CWB delivery contract in order to deliver. You must deliver 100 per cent of the tonnage committed to an FPC.

Wheat delivered into storage against a 2010-11 delivery contract and settled in 2011-12 under the New Pool Pricing program cannot be applied to a 2011-12 FPC.

## Delivery guarantee

The CWB guarantees to accept 100 per cent of Canada Western (CW) Red Spring, CW Hard White Spring, CW Red Winter, Canada Prairie Spring Red and CW Soft White Spring wheat committed to Producer Payment Option (PPO) contracts until Series A acceptance is announced. The CWB guarantees to accept delivery of 100 per cent of CW Extra Strong and Canada Prairie Spring White wheat committed to PPO contracts up to the sign-up deadline.

For more information, please see the wheat delivery guarantee information sheet.

## Sign-up

You can commit to an FPC by logging in to e-Services and completing a sign-up transaction, by phoning the CWB with your CWB producer ID number and four-digit PIN or by faxing a sign-up application form to 1-204-983-8031 during the pricing period as posted on the daily pricing schedule.

## Prices and forms

Web site	<a href="http://www.cwb.ca/ppo">www.cwb.ca/ppo</a>
E-Services	<a href="http://www.cwb.ca/eservices">www.cwb.ca/eservices</a>
Telephone	1-800-275-4292
Contact	Program Service Representatives CWB Farm Business Representatives

### Example

On May 18, the fixed price for the reference grade No. 1 CWRS 13.5 is posted on the pricing schedule at \$5.45 Cdn per bushel in store Vancouver or St. Lawrence. Bob signs an FPC on this date.

Bob delivers No. 2 CWRS 12.0 on October 10 and advises the elevator agent to apply the deliveries against his FPC. The initial price for No. 1 CWRS 13.5 is \$4.22 per bushel and \$3.86 per bushel for No. 2 CWRS 12.0, Bob receives the initial payment net of freight and handling costs for his location (\$3.86 - \$1.25 = **\$2.61** per bushel).

Within 10 business days, the CWB issues a payment representing the difference between his fixed price and the initial price for the reference grade, plus the incremental payment value for October delivery (\$5.45 - \$4.22 + \$0.01 = **\$1.24** per bushel).

Bob's farmgate price works out to **\$3.85** per bushel (\$2.61 + \$1.24) for the No. 2 CWRS 12.0. Bob receives no further payments on this wheat.

## The FPC at work on your farm

	Bob's numbers		Your numbers
	Per bushel	Per tonne	
CWB initial payment for the <b>grade delivered</b>	\$3.86	\$141.83	
Freight and handling deductions at the elevator*	\$1.25	\$45.93	
Net initial payment for grade delivered	<b>\$2.61</b>	<b>\$95.90</b>	
FPC value	\$5.45	\$200.26	
CWB initial payment for the <b>reference grade</b>	\$4.22	\$155.06	
Incremental payment for delivery month	\$0.01	\$0.37	
CWB additional payment	<b>\$1.24</b>	<b>\$45.57</b>	
Farmgate price	<b>\$3.85</b>	<b>\$141.47</b>	

\* Estimated deductions. These will vary by location.

## Changing contract commitments

The FPC 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.
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 \$5 per tonne cost for the force majeure option.

**If you want to exercise any of these options, call the CWB at 1-800-275-4292. Buyouts can also be executed through e-Services.**