

Sign-up period
March 10, 2011 to
March 15, 2012

*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 and you receive the rate for the month in which delivery takes place.

What is it?

Durum FPCPlus is a pricing option that offers you a minimum flat price for your durum with the potential to receive a “plus” payment consisting of the unused risk discount. The risk of offering an FPC for durum is much higher than for wheat because there is no direct associated futures market for durum. The flat price is calculated by deducting discounts for time value of money, risk and administration from the CWB Pool Return Outlook (PRO) and may be increased by futures markets values, if any, that can be achieved through cash sales and hedge activity. The durum FPCPlus does provide for a rebate of a portion of the risk discount to be rebated at the end of the marketing year.

The potential for a rebate of the risk discount is unique to the durum FPCPlus. When some of the risk discount is not necessary to cover cost and risks relating to the operation of the program, it is refunded to farmers at the end of the year. The potential value of the rebate at the beginning of the sign-up period, when the crop is neither planted, harvested or sold, is limited. However, it's important to remain aware of this program feature when making pricing decisions throughout the sign-up period.

How does it work?

At delivery, you receive the initial payment for the grade delivered. You must advise your elevator agent to apply your deliveries applied against your FPCPlus. If you have more than one FPCPlus, the deliveries will be applied to the highest priced contract first. If you want your deliveries applied to a different FPCPlus, 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 FPCPlus 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 the FPCPlus, 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 FPCPlus, but you may be eligible for a rebate of a portion of the risk discount.

Additional payment

The CWB additional payment is calculated as: FPCPlus contract price – current No 1 CWAD 13.0 initial price + incremental payment value*.

Rebate

At the end of the marketing period, if a portion of the risk discount remains, it will be rebated to participants. If the risk discount has been fully used, there will be no rebate.

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 FPCPlus. The spread between the delivered grade initial price and the reference grade initial price adjusts your contract price to reflect the quality delivered against the contract. The reference grade is No. 1 CWAD 13.0 for the durum FPCPlus.

Delivery requirements

Since the FPCPlus 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 FPCPlus.

Durum 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 FPCPlus.

Minimum delivery guarantee

For 2011-12, the CWB guarantees to accept delivery of 90 per cent of durum committed to Producer Payment Option (PPO) contracts before Series A acceptance is announced. Delivery against durum PPO contracts signed up after Series A acceptance is only guaranteed up to Series A acceptance levels. The delivery guarantee is intended to give you a guideline to determine your tonnage commitment. For more information, please see the durum delivery guarantee information sheet.

Sign-up

You can commit to an FPCPlus 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 1-204-983-8032 during the pricing period as posted on the daily pricing schedule.

Price 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

Example

On May 18, the fixed price for the reference grade No. 1 CWAD 13.0 is posted on the pricing schedule at \$5.29 Cdn per bushel in store Vancouver or St. Lawrence. Bob signs an FPC on this date.

Bob delivers No. 2 CWAD 12.0 on October 10 and advises the elevator agent to apply the deliveries against his *FPCPlus*. The initial price for No. 1 CWAD 13.0 is \$3.27 per bushel and \$3.21 per bushel for No. 2 CWAD 12.0. Bob receives the initial payment net of freight and handling costs for his location ($\$3.21 - \$1.25 = \$1.96$ 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 ($\$5.29 - \$3.27 + \$0.01 = \2.03 per bushel).

Bob's farmgate price works out to **\$3.99** per bushel ($\$1.96 + \2.03) for the No. 2 CWAD 12.0. Bob receives a minimum price of \$3.99 and is eligible for a partial rebate of his risk discount at year-end.

FPCPlus at work on your farm

	Bob's numbers		Your numbers
	Per bushel	Per tonne	
CWB initial payment for the grade delivered	\$3.21	\$117.95	
Freight and handling deductions at the elevator*	\$1.25	\$45.93	
Net initial payment for grade delivered	\$1.96	\$72.02	
FPCPlus value	\$5.29	\$194.37	
CWB initial payment for the reference grade	\$3.27	\$120.15	
Incremental payment for delivery month	\$0.01	\$0.37	
CWB additional payment	\$2.03	\$74.59	
Farmgate price	\$3.99	\$146.61	

* Estimated deductions. These will vary by location.

Changing contract commitments

The *FPCPlus* 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.