

The CWB prices wheat throughout the year according to a strategy approved by the Board of Directors, through a combination of cash sales and futures. Typically the wheat pricing pace is:

- 25 per cent priced by harvest
- 50 per cent priced by December
- 75 per cent priced by spring
- 100 per cent priced by fall

The current pricing pace to date is released monthly with the Pool Return Outlook. This information is also available weekly in the PPO Updater.

### **Fixed Price Contract (FPC)**

Prices posted daily for the (FPC) are determined as follows:

**FPC = (average price of priced wheat x percentage priced) + (current market value of wheat x percentage of wheat unpriced)**

The current market value of wheat is established by taking the weighted average of current prices available for shipping periods and destinations that the CWB expects to sell into for the remainder of the sales period.

### **FlexPro**

The daily price posted for the FlexPro contract is simply the current market value of wheat:

**FlexPro = current market value**

### **Basis Price Contract (BPC)**

The BPC is comprised of a basis, futures value and adjustment factor.

**BPC = basis + futures + adjustment factor**

The basis can be calculated in two ways:

**Basis = FlexPro – futures**

OR

**Basis = FPC – adjustment factor – futures**

**The adjustment factor can be calculated in two ways:**

**Adjustment factor = FPC – FlexPro**

OR

**Adjustment factor = (average price – current market value) x percentage of wheat priced**

The adjustment factor allows for later sign-up into the fall period after harvest is complete and is set at zero until August 1. It is an adjustment to ensure producers signing up FlexPro contracts take a share of previously completed pricing. It is locked in when tonnes are first committed to the program. The adjustment factor will be applied to FlexPro contracts signed up after the start of the crop year.

## Example

The CWB has priced 25 per cent of wheat at an average price of \$240 per tonne; 75 per cent remains to be priced.

The current market value is \$210 per tonne.

The December futures are \$192 and the March futures are \$198

**FlexPro = current market value**  
**= \$210**

**FPC = (average price x percentage priced) + (current market value x per cent unpriced)**  
**= (\$240 x 25%) + (\$210 x 75%)**  
**= \$60 + \$157.50**  
**= \$217.50**

**Adjustment factor = FPC – FlexPro OR (average price – current market value) x percentage of wheat priced**  
**= \$217.50 - \$210 OR (\$240 - \$210) x 25%**  
**= \$7.50**

**Basis = FlexPro – futures OR FPC – adjustment factor – futures**

**December basis = \$210 – 192 OR \$217.50 - \$7.50 - \$192**  
**= \$18**

**March basis = \$210 – 198 OR \$217.50 - \$7.50 - \$198**  
**= \$12**

## What factors influence prices?

There are many market factors that can influence prices. Individually, each factor can have either a positive or negative impact. Combined, the impact depends on how market forces interact and which factors exert the greatest influence at that time. Some examples include:

- World supply-demand balance
  - Greater than expected demand supports prices, while larger than anticipated supply is negative
- U.S. futures market versus world market dynamics
  - Speculative activity in U.S. markets can drive futures sharply higher or lower, while world cash values are flat
- Foreign exchange
  - A strengthening of the Canadian dollar tends to pressure prices, while a weakening dollar can be positive
- Quality
  - Prices can rise when key competitors have poorer quality wheat
- Ocean freight
  - Higher ocean freight rates can pressure prices lower for sales into offshore markets