



FlexPro contract information for wheat

Important dates

The Flexpro price lock-in period runs from August 2, 2011 to July 31, 2012 at 9 p.m. CT. The CWB offers a daily flat price by reference grade for the seven classes of wheat.

Tonnes committed to the FlexPro program must be completely priced by July 31, 2012. Any unpriced tonnage will be automatically priced by the CWB on this date.

The tonnage committed to your FlexPro contract can be priced in partial tonnage increments.

Pricing schedules

The pricing schedules for the reference grades are posted every business day during the pricing period. Prices are effective from 3 p.m. CT until 9 p.m. CT the same business day.

Reference grades

Wheat classes and reference grades offered for the 2011-12 crop year are:

Wheat class	Reference grade
Canada Western Red Spring	No. 1 CWRS 13.5
Canada Western Hard White Spring	No. 1 CWHWS 13.5
Canada Western Extra Strong	No. 1 CWES
Canada Prairie Spring Red	No. 1 CPSR
Canada Prairie Spring White	No. 1 CPSW
Canada Western Red Winter	No. 1 CWRW 11.0*
Canada Western Soft White Spring	No. 1 CWSWS

*previously No. 1 CWRW

Payment

At the time of delivery, you receive the initial price (less freight and handling) at the elevator for the grade and protein delivered. The CWB will issue an additional payment within 10 business days of the deliveries being applied to a priced FlexPro contract. The additional payment on unpriced tonnes will be issued within 10 business days of pricing. The additional payment is equal to the FlexPro price + adjustment factor – reference grade initial price (in effect at the time the deliveries are applied to the contract). Wheat delivered against a FlexPro contract is not eligible for further adjustment, interim or final payments. If feed wheat is applied to the FlexPro contract, the additional payment will be adjusted by the feed spread adjustment in effect on the date the cash ticket is settled.

	<u>\$ per tonne</u>	<u>\$ per bushel</u>
CWB initial payment for the grade delivered	\$210.00	\$5.71
FlexPro value for reference grade	220.00	5.99
CWB initial payment for reference grade	-200.00	-5.44
CWB additional payment	20.00	.55
Total gross payments to producer	\$230.00	\$6.26

*Note: all values are in store St. Lawrence and Vancouver. Freight and handling from your delivery location must be deducted to arrive at a farmgate value.

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1. DEFINITIONS

- a. **“Actual Grade”** is the grade and/or protein of the *Wheat* actually delivered by the producer as reported on the Producer Certificate as defined in *The Canadian Wheat Board Act*.
- b. **“Adjustment Factor”** is the value that adjusts the price to reflect the sales position of the pool account with respect to the current market value as specified in the *Pricing Schedule*.
- c. **“Administration Fee”** is a component of the *Buy-out Price* and is a fixed amount of \$2.50 per tonne assessed to recover program costs that are incurred. It covers the cost of contract administration, futures trading costs (including margin financing), and foreign exchange trading costs (including margin financing) associated with non-delivery of the physical product.
- d. **“Buy-out Price”** is the price available from the CWB from time to time at which the CWB will allow the producer to buy out their obligations under this Agreement prior to delivery. The formula by which the per-tonne *Buy-out Price* is calculated for priced tonnes shall be equal to: the $(\text{Current FlexPro price} + \text{current adjustment factor}) - (\text{producer's FlexPro price} + \text{producer's adjustment factor}) + \$2.50 \text{ administration fee}$, if negative equal to zero. The formula by which the *Buy-out Price* is calculated for unpriced tonnes shall be equal to: $(\text{Current adjustment factor} - \text{producer's adjustment factor}) + \$2.50 \text{ administration fee}$, if negative equal to zero.
- e. **“CWB Act”** means *The Canadian Wheat Board Act*, as amended from time to time.
- f. **“CWB e-Services”** means the information system available via the internet at www.cwb.ca/eservices. Producers can sign-up, view and edit delivery contracts, conduct Producer Payment Options transactions, view CWB payments, renew their permit book and monitor cash advances.
- g. **“Contracted Adjustment Factor”** is the adjustment factor value locked in when tonnes are signed up on a *FlexPro Contract*.
- h. **“Contract Date”** is the date on which the producer enters into a *FlexPro Contract* and commits the *Net Tonnes*.
- i. **“Delivery Opportunities”** are the opportunities for the delivery of *Wheat* through CWB delivery calls made by the CWB from time to time during the 2011-12 crop year. Delivery and settlement must occur within the 2011-12 crop year.
- j. **“Fax Form”** means each of the following forms, as applicable: the “2011-12 FlexPro Contract Sign-up Application”, the “2011-12 FlexPro Contract Price lock-in”, the “2011-12 FlexPro Contract Target Pricing” and the “2011-12 FlexPro Contract Target Pricing Order Cancellation”.
- k. **“Feed Spread Adjustment”** is the value identified as such in the *Pricing Schedule* that adjusts the *FlexPro Payment* set out in paragraph 6.a. for delivery of *Feed Wheat* based on the *Settlement Date*.
- l. **“Feed Wheat”** is Canada Western (CW) Feed, No. 4 CW Red Spring (CWRS), No. 3 CW Soft White Spring (CWSWS), No. 4 CW Hard White Spring (CWHWS) and CW General Purpose. Sample grades and mixed grain grades cannot be delivered against the *FlexPro Contract*.
- m. **“FlexPro Payment”** is the amount that the producer will be paid for the *Net Tonnes* as set out herein in respect of the *FlexPro Contract* as applicable, instead of any and all payments that would have been made to the producer in respect of the *Net Tonnes* through participation in the CWB Pool Account.
- n. **“FlexPro Contract”** is the flat price contract as provided for herein.
- o. **“FlexPro Price”** is the price identified as such in the *Pricing Schedule*.
- p. **“FlexPro Sign-up Expiry Date”** is 9:00 p.m. Central Time (CT) March 15, 2012 or such other date as the CWB designates.
- q. **“Initial Payment”** is the payment made by the CWB or its agents at the time of delivery for *Wheat* of the *Actual Grade* in accordance with the *CWB Act*.
- r. **“Net Tonnes”** is the number of net tonnes of *Wheat* that the producer has signed up under the *FlexPro Contract* and has agreed to deliver to the CWB.
- s. **“Pricing Damages”** means the amount calculated using the *Buy-out Price* as of July 31, 2012.
- t. **“Pricing Schedule”** is the schedule published by the CWB from time to time that identifies: the *FlexPro Price* being offered at that time; the *Adjustment Factor* being offered at that time; the *Reference Grade* and the applicable *Feed Wheat Spread Adjustment*.
- u. **“Reference Grade”** is as set out in the *Pricing Schedule*.
- v. **“Settlement Date”** is the date on which a Producer Certificate, as defined in the *CWB Act*, is issued in respect of *Wheat* priced under a *FlexPro Contract*.
- w. **“Target Price”** is the *FlexPro Price* at which the producer indicates to the CWB that he/she is willing to accept the *Offer*.
- x. **“Wheat”** is all grades and classes of wheat except durum, sample grades and mixed grain.

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2. OFFER AND ACCEPTANCE

- a. In accordance with these Terms and Conditions, the CWB offers to pay the producer the *FlexPro Payment* for the *FlexPro Contract* as calculated according to the relevant payment formula set out in paragraph 6 below subject to the conditions outlined in paragraph 2.c. below (the “Offer”).
- b. The *Offer* is open for acceptance by the producer from July 18, 2011, until the earlier of 9 p.m. (CT) on March 15, 2012 and such time as the *Offer* is withdrawn by the CWB in its sole discretion. The CWB reserves the right to withdraw the *Offer* at any time and without prior notice.
- c. The CWB reserves the right to reject a producer’s acceptance of the Offer, for any reason, including where the producer has outstanding Pricing Damages pursuant to a previous Producer Payment Option contract.
- d. The producer’s acceptance of the *Offer* will not be valid unless it is made in strict compliance with one of the *Approved Methods of Acceptance* outlined in paragraph 2.f. below.
- e. The producer’s acceptance of the *Offer* will not be valid unless it is actually received at the head office of the CWB prior to the withdrawal of the *Offer* or the *FlexPro Sign-up Expiry Date*, whichever comes first.
- f. The *Approved Methods of Acceptance* are:
 - i. telephone the CWB at 1-800-275-4292 and provide the producer’s CWB 10-digit producer ID number, confidential Personal Identification Number (PIN) and indicate the number of *Net Tonnes* and class of *Wheat* for sign-up or lock-in of a *FlexPro Contract*. The CWB’s records of such telephone call, including any written confirmation, is conclusive and binding on the producer; or
 - ii. fax a *Fax Form* to the CWB at 1-204-983-8031. The *Fax Form* must be completed fully and accurately and the producer must sign it. In the event of any uncertainty as to the information provided by the producer in the *Fax Form*, the CWB may, in its sole discretion, reject the acceptance of the sign-up or lock-in as invalid. The *Fax Form* will be deemed to have been received at the time printed on the fax by the CWB’s fax machine.
 - iii. log into CWB e-Services at www.cwb.ca/eservices and indicate the number of tonnes and the class of *Wheat* that the Producer wants to sign up or lock in on a *FlexPro Contract*. Upon receiving confirmation of the transaction using CWB e-Services the producer shall be bound by the Terms and Conditions of this Agreement; or
 - iv. the producer may execute a *Target Price* order or cancellation using any of the methods set out in i., ii. or iii. above.

3. LOCKING IN THE FLEXPRO PRICE

- a. The producer will lock in the *FlexPro Price* as per the *Pricing Schedule* in effect on that date on or before 9 p.m. (CT) on July 31, 2012; and
- b. The producer must lock in the said value indicated in 3.a. above in accordance with the *Approved Methods of Acceptance*.

4. CWB’s OBLIGATIONS

The CWB agrees as follows:

- a. To guarantee that it will accept delivery of the *Net Tonnes* contracted pursuant to this Agreement for offers made by the producer prior to the announcement of Series A delivery contract acceptance for the 2011-12 crop year for all classes of wheat except: Canada Western Extra Strong (CWES) and Canada Prairie Spring White (CPSW), pursuant to which the CWB will accept delivery as set out in paragraph 4.b. below. If sufficient *Delivery Opportunities* are not provided during the 2011-12 crop year, the CWB will provide additional *Delivery Opportunities*. However, the CWB is not obliged to accept delivery of the *Net Tonnes* unless it is satisfied, in its sole discretion, that the producer took full advantage of all *Delivery Opportunities* for *Wheat*, as applicable, that were available to the producer during the 2011-12 crop year.
- b. To guarantee that it will accept delivery of the *Net Tonnes* contracted pursuant to this Agreement for offers made by the producer for CWES and CPSW prior to the *FlexPro Sign-up Expiry Date*. If sufficient *Delivery Opportunities* are not provided during the 2011-12 crop year, the CWB will provide additional *Delivery Opportunities*. However, the CWB is not obliged to accept delivery of the *Net Tonnes* unless it is satisfied, in its sole discretion, that the producer took full advantage of all *Delivery Opportunities* for *Wheat*, as applicable, that were available to the producer during the 2011-12 crop year.
- c. For all classes except CWES and CPSW, any *Net Tonnes* contracted pursuant to this Agreement after the Series A delivery contract acceptance for the 2011-12 crop year is announced until March 15, 2012, the delivery guarantee will only be in effect up to the Series A delivery acceptance levels. The CWB is not obligated to accept delivery of any *Net*

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Tonnes contracted above the Series A acceptance level; the producer must utilize any additional delivery opportunities provided through CWB delivery programs later during the 2011-12 crop year.

- d. To pay the producer in accordance with the terms herein contained in respect of the *FlexPro*.

5. PRODUCER'S OBLIGATIONS

- a. The producer undertakes to deliver the *Net Tonnes* in accordance with the CWB's *Delivery Opportunities* and this Agreement.
- b. The producer acknowledges that, except to the extent that any provisions may be inconsistent, this Agreement does not alter the producer's obligations under any delivery contract entered into between the producer and the CWB. The producer agrees that this shall be the case regardless of whether such delivery contract is entered into prior to or subsequent to the producer entering into this Agreement. In the event of such an inconsistency, the provisions of this Agreement will prevail.
- c. For the sake of clarity, the producer acknowledges that the only payment they will receive in respect of the *Net Tonnes* is the *FlexPro Payment*.
- d. The producer undertakes to use his best efforts to deliver to the CWB the class of *Wheat* specified in this Agreement.

6. PAYMENT

- a. The *FlexPro Payment* for a *FlexPro Contract* is calculated as follows for each *Net Tonne* of *Wheat*:
 - i. *Contracted Adjustment Factor*; plus
 - ii. *FlexPro Price*.

If the producer has locked in multiple deliveries, with respect to each delivery the *FlexPro Price* will be applied to the highest priced contract;

- iii. Adjust for the CWB's grade and/or protein spread between the *Reference Grade* and the *Actual Grade*, including any discount for tough or damp grain, based on the *Initial Payment* on the *Settlement Date*; and
 - iv. Subtract the *Feed Spread Adjustment*, if applicable, as specified in *Pricing Schedule* on the *Settlement Date*; and
 - v. Subtract all deductions authorized under the *CWB Act* or under this Agreement or otherwise required by law, including, without limitation: deductions under the *Agricultural Marketing Programs Act*, the *Prairie Grain Advance Payment Act* and the *Spring Credit Advance Program*.
- b. If the *FlexPro Payment* less the *Initial Payment* results in a positive number the CWB agrees to forthwith pay same to the producer. If the *FlexPro Payment* less the *Initial Payment* results in a negative number such amount will be deducted from future payments owing to the producer or the producer can make a repayment agreement within 30 days of being notified by the CWB.
- c. For greater certainty, the producer acknowledges that the only payment they receive in respect of the *Net Tonnes* is the *FlexPro Payment*.

7. DESIGNATING THE NET TONNES

- a. The producer may designate the *Net Tonnes* to be priced under the *FlexPro Contract* on the *Contract Date* using any of the *Approved Methods of Acceptance* set out in section 2.f. above.
- b. The producer undertakes to designate at the time of delivery, the *Net Tonnes* to be priced under the *FlexPro Contract*. Such designation must be made on or before the *Settlement Date* and shall be made by informing the CWB's agent at the location where the *Wheat* is delivered of the existence of the *FlexPro Contract*.
- c. Settlement must occur within the 2011-12 crop year.

8. DEFAULT

- a. The producer shall be deemed to be in *Default* under the *FlexPro Contract* ("in Default") if the producer fails, for any reason, to deliver all of the *Net Tonnes* through *Delivery Opportunities*. If the CWB, in its sole discretion, determines that the producer has fully utilized all of the available *Delivery Opportunities*, additional *Delivery Opportunities* will be provided.
- b. In the event that the producer is in default, the CWB may cancel the *FlexPro* and any or all other contracts to which the CWB and the producer are party.
- c. Further, the producer shall pay *Pricing Damages* to the CWB to compensate the CWB for its actual losses incurred as a result of the producer's default. Such *Pricing Damages* shall be equal to the *Buy-out Price* in effect

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at the time of such default. The producer is responsible to deliver 100 per cent of the contracted *FlexPro* tonnage and any shortfall is subject to *Pricing Damages*.

- d. In the event that the producer is in default as a result of his/her failure to deliver the *Net Tonnes* the *Pricing Damages* assessed in accordance with this paragraph will be paid in addition to any liquidated damages which may be assessed pursuant to any delivery contract entered into with the CWB. Any *Default* will require the producer to pay damages to the CWB within 30 days of any such *Default* or make a suitable repayment agreement.
- e. The producer and the CWB agree that *Pricing Damages* determined in this manner are a genuine pre-estimate of the actual damages the CWB will incur as a result of the default by the producer and that such damages are not a penalty.
- f. *Pricing Damages* may be set-off by the CWB against any and all amounts that may become payable to the producer by the CWB, and/or against the proceeds of any and all deliveries made by the producer under the producer's delivery permit, or under any and all delivery permits in which the producer has an interest and is considered as a related producer. Any such delivery permit may be so endorsed.
- g. In the event that the producer ceases to make deliveries to the CWB, the CWB may, in its sole discretion, engage a collection agency to assist with the collection of the outstanding pricing damages.

9. GENERAL

- a. This Agreement constitutes the entire Agreement between the CWB and the producer with respect to the pricing of the *Net Tonnes*. There are no representations, warranties, terms or conditions, whether express or implied, beyond those contained herein. There shall be no changes or modifications to this Agreement unless they are made in writing, and signed by both the producer and the CWB. For the sake of clarity, the term "this Agreement" as used herein shall include the *Approved Methods of Acceptance* as described in paragraph 2.f., the *Pricing Schedule and the 2011-12 FlexPro Contract for wheat: Terms and Conditions*.
- b. If any provision, or part thereof, of this Agreement is determined to be void, invalid, or unenforceable, it will be severed and will not void, invalidate, or make unenforceable any other provision of this Agreement.
- c. This Agreement shall be governed and construed in accordance with the laws of the Province of Manitoba and the courts of the Province of Manitoba shall have exclusive jurisdiction in the case of any dispute.
- d. The producer represents that they are of the age of majority in the province in which they reside. Where the producer is a corporation, partnership, cooperative or other business entity, the producer and the person signing on behalf of the producer represent that the person signing on behalf of the producer are of the age of majority in the province in which the producer resides.
- e. This Agreement shall enure to the benefit of the heirs, administrators, executors, legal representatives, successors and permitted assigns of the producer and the CWB. However, no assignment of this Agreement by the producer will bind the CWB without its prior written consent.
- f. If the producer is a corporation, partnership, cooperative or other business entity, this Agreement must be signed in the entity's name and the authorized officer, agent or partner(s) who sign(s) on behalf of the entity must state their position and authority.
- g. The producer shall fully indemnify the CWB for any and all legal expenses associated with the enforcement of this Agreement on a solicitor client basis.
- h. If the payment received by the producer in respect of deliveries made against this Agreement exceeds the *FlexPro Payment*, the CWB has the right to set-off against any and all amounts that may become payable to the producer by the CWB, and/or against the proceeds of any and all deliveries made by the producer under the producer's delivery permit. Any such delivery permit may be so endorsed.
- i. The exercise by the CWB of any right or remedy provided herein shall not affect any other remedy that the CWB may have for the same default. Nor shall the failure of the CWB to exercise any right or remedy be considered a waiver of any right or remedy it may have.
- j. Any deliveries made against this Agreement may be made to the benefit of any producer listed under the producer's permit book.
- k. Time shall be of the essence of this Agreement.
- l. The producer may, at any time after entering into this Agreement, buy out his or her obligations hereunder by paying the CWB the *Buy-out Price*.
- m. The producer (assignor) may assign all of the rights and obligations of the producer under this Agreement to another producer (assignee) upon the receipt of written consent from the CWB. The producer will be charged an administration fee of \$15 per transaction.