

Grain marketing report

December 2009/January 2010

Prairie strong, worldwide

www.cwb.ca

Overcoming challenges together



Larry Hill
Chair, CWB
board of directors

In agriculture, every year brings unique challenges. This year, many western Canadian farmers had the good fortune to reap a good harvest, but we weren't the only ones. In fact, that's our challenge. Growers in many exporting and importing nations had a good year, leaving the world in a surplus grain situation, with global stocks building for the second consecutive year.

We have a large crop to market in 2009-10, with good-quality wheat, durum and barley. Our export program

looks more positive, both from a quality and quantity perspective, than we ever could have anticipated in the middle of a difficult growing season. I'm well aware, however, that some farmers in northern areas and other localized pockets on the Prairie experienced quality problems due to late harvest.

As we begin the season of trade shows and farm meetings, I expect to hear a lot about grain prices, especially durum prices. Given the decline in prices, many growers are wishing more of their durum could have been accepted on the Series A contract. That's understandable, but I think many growers will see that the CWB's options are limited by the realities of the durum market. Let's take a closer look:

- Durum demand is inelastic, which means that demand for durum does not increase much when prices drop and doesn't decrease much when prices rise. Even with the high prices faced by buyers, we were still able to market 3.8 million tonnes last year.

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Marketing a high-quality crop

A look back at the growing season and an outlook on marketing the 2009-10 crop.
by Ward Weisensel, Chief Operating Officer

The CWB will be marketing a large and high-grade crop of wheat and durum this year, after warm September weather dramatically improved crop prospects across most of the Prairies.

The 2009 growing season began with very low soil-moisture levels and a dry spring. In June and July, with crop development delayed by two to three weeks due to abnormally cool temperatures, concern grew that a significant portion of the crop would not make it into the bin before the first killing frost. Instead, record-high September temperatures allowed the bulk of the crop to mature, preserving both the quantity and quality of the wheat and barley the CWB will market.

On the quality side, when the frost concern in Western Canada was at its highest in mid-August, analysts anticipated that only half the wheat crop would make the top two grades. Unless we saw later-than-average killing frosts, even that quality projection was at risk. Instead, thanks to September, nearly 80 per cent of the spring wheat and durum crop will fall within the top two grades.

On the production side, yields improved dramatically – to the point where the total Prairie wheat crop is now estimated to be similar in size to last year, which was the largest all-wheat crop in 12 years. Particularly surprising was the size of the 2009 durum crop, now estimated at close to last year's production of 5.5 million tonnes and among the largest ever.

The CWB's total export target is 18.7 million tonnes, over two million tonnes higher than forecast in mid-summer. This includes 13.5 million tonnes of wheat, 3.5 million tonnes of durum and 1.7 million tonnes of barley.

Offsetting these positive developments is the reality that U.S. competitors in the northern-tier states experienced the same late-summer heat wave. As a result, there is more high-quality wheat, durum and malting barley available than would have

otherwise been the case. This increase in supply had a dampening effect on price, felt most keenly in the relatively small world durum market.

Wheat

Even though global wheat production is down from last year, production will still exceed consumption, moving world ending stocks higher. The U.S. Department of Agriculture's November global stocks-to-use ratio for 2009-10 was 29 per cent, up from 25.8 per cent last year. World supplies are forecast larger, while the world export trade is forecast to decline by almost 20 million tonnes with world carry-out stocks increasing by almost 24 million tonnes.

New-crop spring wheat production in Western Canada is projected to settle at about 18 million tonnes, similar to last year.

Wheat prices have fallen substantially since the price peak of February 2008. Abundant supply is translating into fierce competition among exporters of low- to medium-quality wheat. Currently, the lowest-priced wheat is coming out of the Black Sea area from countries like Russia and Ukraine. Beyond the Black Sea, increased supplies in most major exporting countries will intensify export competition this year.

The Canada Western Red Spring (CWRS) crop is projected to have an average of 13.0 per cent protein, which is lower than average for Western Canada. The highest-protein grain will be targeted to our premium markets, where the CWB will take advantage of the strong protein premiums in the wheat market this year.

We will also be marketing a lot more low-protein spring wheat than normal. Markets for large quantities of low-protein CWRS means Canadian grain will compete with exports from the Black Sea and Australia. We expect this segment of the wheat market to be very

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RETURN UNDELIVERABLE CANADIAN ADDRESSES TO
CWB 423 MAIN STREET
PO BOX 816 STN MAIN
WINNIPEG MB R3C 2P5

PM 40062423

(Overcoming challenges... continued from page 1)

- The CWB accepts a similar tonnage on the Series A contract for durum each year and often accepts more on the Series B contract. What changes is the amount we grow as farmers and how much Canadian durum is needed in the world, keeping in mind that 80 per cent of our market is overseas.
- World trade in durum is around seven million tonnes. Western Canadian durum production was close to last year's total of 5.5 million tonnes, combined with carry-in stocks of 1.9 million tonnes. That means western Canadian durum supplies are greater than the total world trade in durum.

You start to see the dilemma. A million extra tonnes of durum weighs heavily on the world market, as we saw this year, when the market prices suddenly dropped in response to extra U.S. durum production of almost 800 000 tonnes.

In the big picture, I believe durum growers benefit from a disciplined approach to durum marketing. I look forward to hearing all points of view as we meet with you over the winter months.

Each year, the CWB's challenge is to find ways to provide better service to farmers. We look for ways to improve service in every aspect of our business, including sales and marketing, market analysis, logistics, market development and farm services. The result of our efforts can be seen in innovative new programs responding to producer needs and in efficiencies captured along the value chain. Throughout this marketing report, you'll find examples of how the CWB is working to ensure you receive maximum possible value for your grain.

The CWB is your grain marketing agency. Whether you want to talk about producer pricing options or moving and marketing your crop, our annual Farmer Forum consultations provide a great opportunity for you to share your views about how we can serve you better in the future. Your elected directors look forward to meeting you at a Farmer Forum in your area.



Ward Weisensel,
Chief Operating Officer

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competitive for the rest of this year. The smaller-volume wheat classes, particularly Canada Western Red Winter and Canada Prairie Spring have strong programs already on the books.

Durum

Durum presents marketing challenges due to the

large quantity available this year from Canada and other durum-producing regions in the world. This year, Western Canada saw durum carry-in stocks of about 740 000 tonnes on-farm and another 1.1 million tonnes in commercial facilities. Combined with new crop production close to last year's levels, Canada's supply of durum is greater than the total world trade, projected at seven million tonnes this year.

The small size of the global durum market means its price structure can be extremely sensitive to small shifts in the supply-and-demand balance. The durum price structure came under increasing pressure as harvest progressed in the major production areas surrounding the Mediterranean, but the steepest declines occurred when the size and quality of the U.S. durum crop became apparent. From June to September, world durum prices decreased anywhere from \$90 to \$150 per tonne. In September, U.S. durum prices dropped over \$50 per tonne. Backed by abundant supplies, U.S. exporters priced aggressively, pushing the world durum price structure lower.

Around the world, current durum production is estimated to be about 39 million tonnes, up more than half a million tonnes from last year. CWB exports of Canadian durum accounted for 50 per cent of world durum trade last year. This year, the CWB will face increased competition for those same markets from the U.S., which has grown its largest durum crop in more than a decade.

On the demand side, abundant rainfall and near-ideal growing conditions have resulted in a very large durum crop in northern Africa, with production up by 70 per cent over last year, from 3.4 million tonnes to 5.8 million tonnes. Good domestic production in importing countries has significant implications for the CWB marketing program. Together, the African countries of Algeria, Morocco and Tunisia account for close to half of the world's durum imports. The amount of durum these countries

import will have a large impact on the CWB's durum exports this year.

We expect that the European Union (EU), which is the world's largest durum producer and second-largest exporter, will continue to be a significant importer of western Canadian durum this year, particularly into Italy. Due to low global prices, an import tariff was applied to high-quality durum during the month of October, but efforts of the CWB and other industry players resulted in its removal.

With the large durum production this year, we expect that all major exporters will see an increase in ending stocks in 2009-10. With limits on export demand, durum carry-over in Canada is expected to grow to 2.7 million tonnes.

Barley

September's good weather was a double-edged sword for Canadian malting barley producers. The weather that preserved the quality of the crop in Canada was equally beneficial to northern-tier states like Minnesota, North Dakota and Montana.

Good-quality crops in major exporting nations, including Canada, the U.S. and Europe, have pressured malting barley prices. Australia expects to harvest its largest crop since 2005-06 and, if good quality prevails, will be an aggressive competitor in the world malting barley market against Canadian exports. By contrast, Western Canada's barley crop is projected to total 8.55 million tonnes, down from 11.2 million tonnes last year.

We expect that the overall lower price structure for malting barley will result in increased imports into China, which is a very price-conscious market. The CWB sees opportunity to fill the demand into that market, but will be competing against strong Australian and European competition.

On the feed barley side, the current price structure supports feed barley remaining in the domestic feed market. However, weakening of the domestic market or strengthening of the international market could shift the price balance enough to make the export feed barley market attractive for western Canadian production and push our exports above current projections. The current combined export program for feed and malting barley is projected at about 1.7 million tonnes.

After experiencing a growing season in which crop production and quality was continually revised downwards due to poor weather conditions, the CWB is pleased to be moving ahead with a strong export program notable for its high-quality grain.

Managing logistics key way to reduce costs

The CWB is optimistic the supply chain will be able to meet the demand of global milling and malting customers in the coming crop year, due to some positive indicators in the transportation system.

Railway volumes continue to be down because of softness in the North American economy, meaning that the CWB can respond quickly to changes in market demand. While the ocean freight market has shown some signs of recovery, the market remains weak relative to the peaks reached in the summer of 2008. After peaking, shipping rates crashed spectacularly and farmers are still benefiting from overall reduced costs of shipping grain.

To date, the CWB has seen strong movement of grain in the first quarter of the year (August – October).

Overall, movement of product is up 32 per cent when compared to last year. When managing grain movement, the CWB is continually looking for ways to leverage the supply chain and reduce overall costs to farmers. The CWB maximizes efficiencies by:

- Forging commercial arrangements with suppliers. In 2008-09, western Canadian farmers realized savings of \$34.5 million through tenders and other arrangements with grain industry partners.
- Encouraging the use of producer cars. In 2008-09, western Canadian farmers loaded a record number of producer cars with CWB grain, saving approximately \$14 million in grain handling costs last season.

- Shipping wheat and durum through the Port of Churchill. In 2008-09, the CWB shipped 529 000 tonnes through the Canadian port. Shipping grain through Churchill saves farmers money compared to moving grain through the Great Lakes and St. Lawrence Seaway system.
- Upgrading existing assets. Modifications to the CWB's fleet of 3,411 hopper cars are underway, which will increase the volume of grain that can be transported in each car and extend the life of this asset.
- Finding lower-cost alternatives when servicing millers south of the border. The CWB uses rail service from Burlington Northern Santa Fe in the Red River Valley.

Volatility the new norm for Canadian dollar

The Canadian dollar continued on a wild ride this year, experiencing volatility that left currency forecasters shaking their heads in disbelief.

“The majority of currency forecasts suggest we’re heading to par, but where we go in terms of the long term is anyone’s guess,” says CWB Treasurer Andrea Carlson.

The Canadian dollar started the 2008-09 crop year very strong, trading at 98 cents US. Then, as the worldwide financial crisis took hold and investors and other market players looked for safety, the U.S. dollar strengthened, pushing our dollar to a low of 77 cents US by March 2009. Within five months, the loonie had stormed back, climbing to 92 cents US by the end of the crop year, and continuing upwards almost to the 98 cents US level in October 2009.

The CWB smooths out fluctuations in the dollar and limits farmers’ exposure to the strong Canadian dollar in

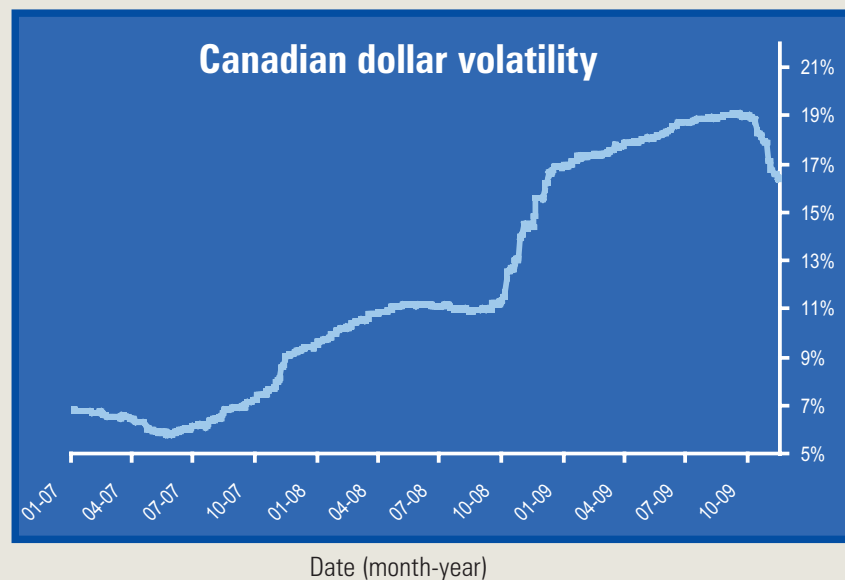
the wheat and durum pool accounts through the use of currency hedging.

“We start hedging the wheat and durum crop before the beginning of the crop year, when farmers begin seeding,” says Carlson. “Since we’re pricing continuously, we’ll get some of the highs and some of the lows and it enables us to further limit the volatility of returns.”

The treasury department also hedges currency risk through the use of options. By hedging a portion of the wheat and durum pools through options, the CWB limits the negative impact of Canadian dollar strength. “Essentially, we’re buying insurance on a portion of the pool,” says Carlson. “This has worked out well so far in 2009-10.”

Currency risk is also managed for the barley pools, but since pool sizes for barley are so variable,

the CWB isn’t able to hedge in advance of sales. Instead, currency risk is hedged at the time barley sales are made so that further fluctuations are not experienced when sales revenues are received.



Annual percentage change

Historical volatility is a statistical measure that can be thought of as a speedometer on the currency. It tells you how fast the currency was moving, but not which direction (You need a currency GPS for that!). And, as usual, higher speed means higher risk.

Dollar for dollar

Imagine you have a crisp \$100 bill bearing the image of American Benjamin Franklin. How much is your U.S. currency worth in Canadian dollars? Let’s see.

March 2008
Your US\$100 is worth Cdn\$98

August 2008
Your US\$100 is worth Cdn\$102

March 2009
Your US\$100 is worth Cdn\$130

August 2009
Your US\$100 is worth Cdn\$107

It’s easy to see how currency volatility and a strong Canadian dollar present a challenge to Canadian exporters. For western Canadian farmers, who are among those exporters, a higher dollar means lower returns, since most grain sales are made in U.S. dollars.

Records smashed in September to remember

A nearly frost-free September, like the one farmers experienced this growing season, only comes around once or twice every 100 years.

“In most locations, only one to three other times in recorded history has the first major killing frost arrived so late,” says Bruce Burnett, CWB director of weather and market analysis.

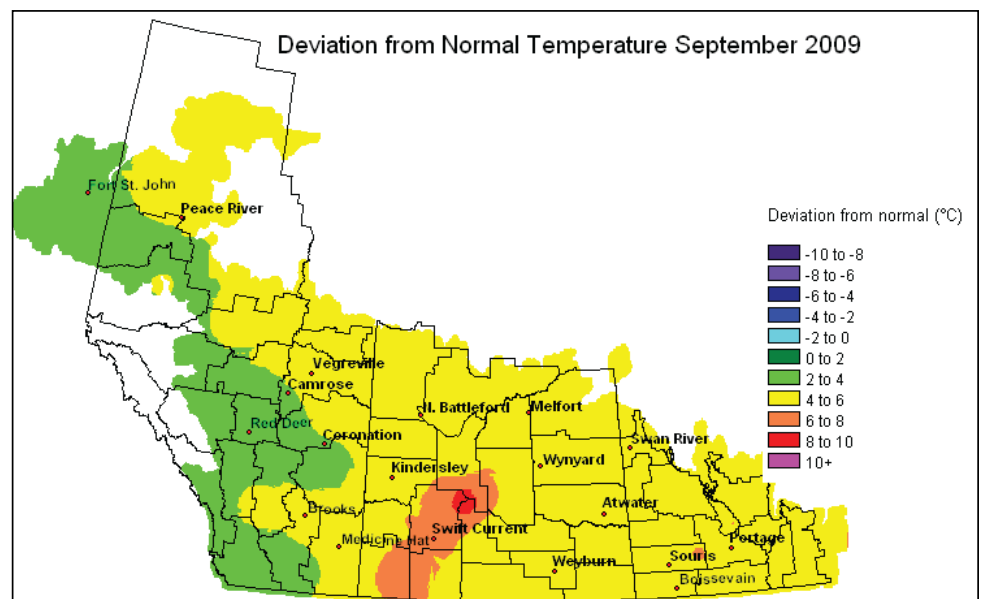
In Regina, 1938 is the last time frost held off until the first days of October.

Record-breaking warm temperatures throughout the month of September helped to turn around a crop that looked destined to be lower quality, lower yielding and potentially frost damaged. “When we hit August, the big risk was having frost before the crop developed, which would have reduced yield and quality,” Burnett says.

Instead, September temperatures were four to eight degrees above normal, helping to get a delayed crop back on track. Wheat, durum and barley crops that had been slow to develop due to cold spring and summer temperatures unexpectedly had a chance to mature, helping boost production and quality. Nearly 80 per cent of the spring wheat and durum crop will grade No. 1 or No. 2.

Unfortunately, the warm temperatures seemed to depart as quickly as they arrived. Cold temperatures, frequent rain showers and isolated heavy downpours kept many farmers out of the fields for the entire month of October. October temperatures were consistently two to eight degrees below normal, which kept crops from drying to a point where they could be harvested. Fortunately, the weather in November turned warm and dry, which allowed

the harvest to be completed by end of the month. Most of the crops harvested in November were tough and needed to be dried. To help farmers facing these late-harvest issues, the CWB issued a special advance call for tough and damp wheat in late October, enabling grain drying to occur at primary elevators.



Canadian wheat makes it good

Canadian wheat boosts flour sales in Ecuador

A November promotion involving 3,700 bakers in Ecuador focused on flour made from Canada Western Red Spring (CWRS) wheat. It boosted monthly sales by six per cent for milling company Moderna Alimentos.

CWB vice-president David Burrows was invited to Ecuador to participate in the event. Bakers were offered contest coupons for purchasing larger amounts of the company's premium flour brand, made with 80-per-cent CWRS from Prairie farms.

Sales increased despite the fact that Moderna's premium flour is two per cent more expensive than its competitors and 10 per cent more costly than its

mid-quality brand. The flour was positioned as a product of wheat that is "pure", "clean" and "the best in the world".

The CWB has signed a branding partnership agreement with Moderna Alimentos, which purchases about 200 000 tonnes of western Canadian flour each year.

"The success of this miller's campaign shows the value of leveraging Canada's brand reputation for top-quality wheat," Burrows says. "The CWB is pursuing these kinds of opportunities all over the world to increase sales of Prairie wheat and barley."



Ecuadorian miller Moderna Alimentos ran a Canadian wheat flour promotion including shopping-centre displays.



Pedro Vega, general manager of flour mills for Moderna Alimentos, signs a branding partnership agreement with CWB vice-president David Burrows.



Promotional material for an Ecuadorian flour mill contest featured Canadian wheat images and the CWB logo.

PPOs make cents

Extension of basis lock-in date

This year, the CWB extended the deadline for locking in the basis on a futures-first Basis Price Contract (BPC). Previously, the basis had to be locked in by the end of October. The change extends the deadline to the contract-month expiry date, which means the futures and basis pricing deadline is the same.

Basis contract month expiry dates for the 2009-10 and 2010-11 BPC programs are as follows:

Futures month	2009-10 basis contract month expiry	2010-11 basis contract month expiry
December	November 20, 2009	November 23, 2010
March	February 19, 2010	February 18, 2011
May	April 23, 2010	April 22, 2011
July	June 25, 2010	June 24, 2011

The CWB will provide the following consideration to farmers who made 2009-10 pricing commitments prior to the announcement of the basis lock-in deadline date extension:

Farmers who used the futures-first option of the BPC and subsequently locked in the basis component can unwind the basis lock-in by paying the difference between the current basis value and their lock-in value. Farmers will retain their futures price and the late sign-up adjustment factor assigned to the contract on the sign-up date. This will provide farmers the flexibility to assess basis levels until the new lock-in deadlines.

Example: Farmer Bob signs up a March futures-first BPC at \$300 per tonne with a late sign-up adjustment factor of \$5 per tonne. He locks in a basis at \$15. The current March basis is \$18. Farmer Bob's cost of unwinding the basis commitment is: $\$18 - \$15 = \$3$ per tonne.

Farmer Bob pays \$3 per tonne, maintains the \$300 March futures and \$5 per tonne late sign-up adjustment factor. He has until February 19, 2010 to price the basis.



weatherfarm

New, online weather centre designed for farmers

The CWB is building on the success of its Prairie-wide weather network with the launch of a new online weather centre, offered free of charge to all farmers in Western Canada at www.weatherfarm.ca.

Called WeatherFarm™, the new weather centre will help producers analyze and use weather data collected from a network of more than 700 Prairie field stations and publicly available weather data. In addition to raw data, mapping and modelling tools can be used to help farmers predict and manage pests, increase the efficiency of their crop-protection products and improve farm management practices.

Dugald Pizey, who farms near Oak Bank, Manitoba, uses information from his CWB-WeatherBug® field station every day.

“Harvest is the most critical time for me to have up-to-date weather information,” he says. “When I’m away from the farm, I can look at the temperature, humidity levels and wind direction from a remote location to get a good idea of the drying conditions for swathing or combining. On the forecast side, if I know I’m going to get moisture, I’m going to do the cereal crops versus the oilseed crops, which can handle the moisture just a little bit better.”

Pizey looks forward to using the historical data available on WeatherFarm.

“I know I’ll be looking at overnight humidity. If the humidity is high overnight, we know we’re not going to start as early in the morning, so it’s going to give us an idea of when we’re going to get the combine running. Plus, WeatherFarm let’s you do a print-out of conditions in your local area. At spray application time, current field conditions at the local level are handy to have to ensure you’re spraying within chemical company guidelines and to ensure that you’re a good neighbour.”

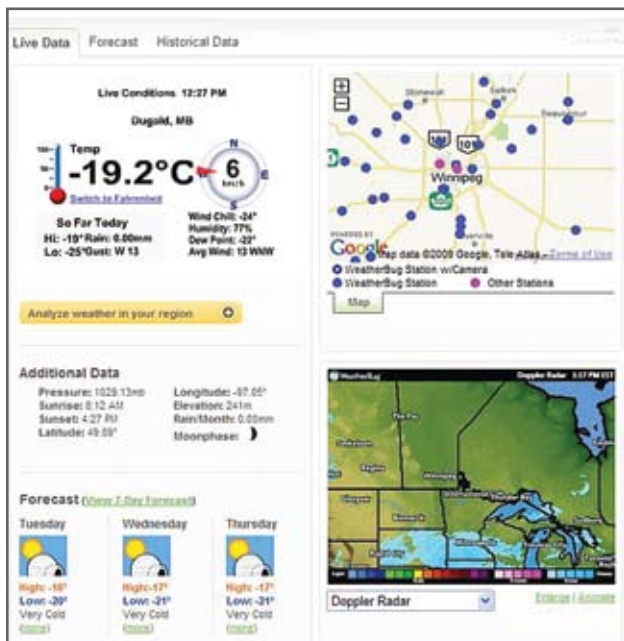
Sign-up is free to all farmers in Western Canada at www.weatherfarm.ca.

In addition to live and historic weather data, WeatherFarm includes commodity market information such as daily market prices, CWB Producer Payment Option values and Pool Return Outlooks.

To register for WeatherFarm, go to www.weatherfarm.ca and click on “New User? Register Here”.

Registration is easy and takes only minutes.

Both the network of field stations and the online weather centre are powered by WeatherBug, the world’s leading supplier of local weather information. Through strategic partnerships with other players in the agri-business industry, WeatherFarm is expected to become the major source of weather models and information for western Canadian producers and the agricultural industry.



WeatherFarm™ features

- Local live weather data from WeatherBug® and Environment Canada stations
- Three- and seven-day forecasts
- Historical daily and monthly data (120 days back)
- Ability to graph and map historical data
- Map of area weather stations and data
- Agro-meteorological modelling tools, with maps, for:
 - Growing degree day
 - Freeze severity
 - Fusarium
 - Wheat midge
 - Sclerotinia
- Commodity futures prices and CWB prices
- The latest farm news from agcanada.com and producer.com
- List and links to resources related to agriculture and weather

Taking steps to maintain grain quality in the bin



Mike Grenier
CWB Agronomist

In order to maintain high-quality wheat over the winter and into next spring, it's important to check the temperature of grain in storage. The warmer-than-normal fall temperatures mean you should take extra steps to bring storage temperature down.

When storing grain in the bin, the most important factor

to consider is temperature combined with moisture content of the grain. Guidelines for safe storage time of cereals at varying storage temperatures are found in the table to the right.

Under the weather conditions we experienced post-harvest this year, outside air temperature may not be sufficient to bring storage temperature down fast enough to prevent spoilage. Using aeration can be an effective way to bring down the temperature to levels appropriate for maintaining condition until delivery. Aeration is most effective when grain peaks within the bin are levelled.

You will want to closely monitor temperatures to ensure no pockets within the bin are heating. Warm grain may attract insects or promote fungal growth, leading to mould development. When using aeration, be sure to stop the fans only after the temperature front has moved completely through the bin.

You can't improve grain quality while in the bin, but by closely monitoring the temperature and condition of the grain and taking appropriate actions, you can maintain storage quality while on the farm. For more information on maintaining quality of stored grain see: <http://www.grainscanada.gc.ca/storage-entrepote/temperature-eng.htm>

SAFE STORAGE TIME (days) CEREAL GRAINS												
Grain Temp (celsius)	Grain Moisture Content											
	14%	15%	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%
<-5												
5					80-120	40-60	40-60	40-60	20-30	20-30	20-30	10-15
10				80-120	40-60	40-60	40-60	20-30	10-15	10-15	10-15	10-15
15			80-120	40-60	40-60	20-30	20-30	20-30	10-15	10-15	5-8	5-8
20		80-120	40-60	40-60	20-30	10-15	10-15	10-15	5-8	5-8	3-5	3-5
25	80-120	40-60	20-30	20-30	10-15	5-8	5-8	3-5	3-5	3-5	3-5	3-5
30	40-60	20-30	10-15	10-15	5-8	3-5	3-5	3-5	3-5	3-5	3-5	3-5
NOT SAFE												

The table shows that as grain moisture content and grain temperature increase, safe storage time decreases rapidly. Source: Government of Saskatchewan

In the hopper

MEET YOUR CWB FARM BUSINESS REP



Ron Walker
Home base: Medicine Hat, AB

The region I cover: I cover southeastern Alberta and southwestern Saskatchewan. My area starts as far north as Oyen, AB and goes as far south as Medicine Hat before going east into Saskatchewan, including Leader, Hodgeville and Swift Current south to the U.S. border.

A little bit about my roots in farming: I grew up on the family farm at Oyen. It's a grain farm and we mainly produce durum wheat, canola and mustard.

My mom and dad still live on the farm, although my brother-in-law now does the farming. I spent 26 years in the grain business working for Alberta Wheat Pool until it became Agricore and then Agricore United. I've been with the CWB for the last three years and now live in Medicine Hat. My whole life has mostly been in agriculture. I played junior hockey for a few years after graduation and then I started with Alberta Wheat Pool.

Where I am and what I am doing: We'll be holding PPO workshops and farmers can sign up for these online. I'll be working the Western Canadian Crop Production Show Jan. 11-14, 2010 in Saskatoon. I will also be making lots of farm calls and station visits to elevators.

What I want to hear from you: If you have any issues or concerns related to any part of the CWB, I would like to be your first call. If you need information on contracts, pricing programs, cash advances or anything else, give me a call. I can come to the farm, meet you at Tim Horton's for coffee or we can meet at my office in Medicine Hat.

My favourite part about being an FBR: I like dealing with farmers and making farm visits. Farmers are proud to show you what they've accomplished on their farms, whether it's a new machine shed or some new combines. That is a part I really enjoy.

What I do in my spare time: I'm quite active in sports. In summer, my wife and I enjoy golfing together and we do lots of boating as a family. In winter, I like to curl and play hockey. I'm also a campfire guitar player.

My contact information:
Cell: (403) 650-8058 Fax: (403) 528-0866
Email: ron_walker@cwbc.ca



Keith Junk
Home base: Annaheim, SK

The region I cover: Northeastern Saskatchewan including Prince Albert, Humboldt, Wadena, Hudson Bay and a small portion of Manitoba around The Pas.

A little bit about my roots in farming: I grew up on a mixed farm in Annaheim. In 2003, I completed the Crop Technology program at Lakeland College. Students in the program run the 800-acre farm at Vermilion, Alberta. My class

seeded, combined and marketed the crop, operated and maintained the equipment, and used current GPS and GIS technologies. You could call it "hands-on" training. After school, I worked for Pioneer Grain and the co-op retailing system before starting with the CWB. In November, I moved onto a ranch in Annaheim, getting back to my roots.

Where I am and what I'm doing: I expect to be busy meeting farmers. I've been at the CWB for less than a year so there are lots of farmers for me to meet. I'll be at the Crop Production Show in Saskatoon in January, meeting people and working the CWB booth. I'll be at PPO workshops throughout the country with marketing groups and elevator staff. I'll be working with producer car loading facilities to help producers reduce the expense of grain handling. I also want to make sure information is getting out from head office to the farmers. I expect to be doing a lot of travelling meeting farmers in my area.

What I want to hear from you: If you have any questions about the CWB, I'd like to hear them. You can call me on my cell or we can meet one to one. I'd be happy to come out to your farm.

My favourite part about being an FBR: I like to help farmers the best way I can. I enjoy meeting people and seeing different farming operations.

What I do in my spare time: I live on a ranch, so I like to go horseback riding. I enjoy various sports activities. Hockey and waterskiing are probably the two biggest ones.

My contact information:
Phone: (306) 598-2013 Cell: (306) 231-6828 Fax (306) 598-2015
Email: keith_junk@cwbc.ca

What you stand to lose at the WTO

Valuing farmers' financial guarantees

World Trade Organization (WTO) talks resumed in September 2009 on the basis of a draft text that would eliminate the CWB – without farmers in Western Canada having any say in the matter.

This is unjustified given that Prairie wheat and barley producers have already been singled out for costly concessions at the WTO. In 2004, Canada agreed that farmers' financial guarantees on both CWB initial payments and CWB borrowings will be eliminated in any future WTO deal. This article explains what these concessions will cost western Canadian farmers.

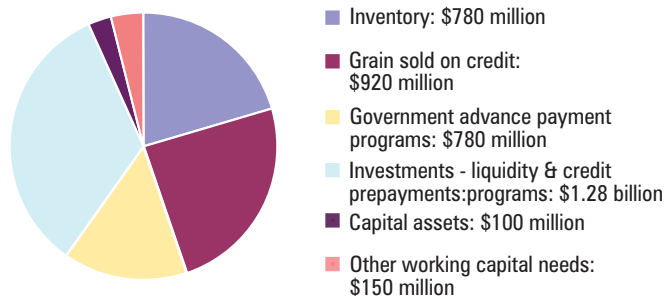
The need to borrow

- Typically, businesses establish a capital base comprised of retained earnings and equity. This capital base enables them to access debt financing through the markets or banks.
- The CWB is different. It pays out all earnings to farmers through initial, adjustment, interim and final payments. The CWB has no retained earnings at year end and no capital base. All CWB business activities are financed by issuing debt.
- Since it has no capital base, the CWB is able to borrow money only because of the federal government guarantee.

Borrowing guarantee

- The borrowing guarantee means that the Government of Canada backstops CWB debt.
- Because of this guarantee, western Canadian farmers, through the CWB, benefit from the same excellent credit ratings as the Government of Canada.
- The CWB has never had to call upon the borrowing guarantee, but it remains a very valuable asset to farmers. It facilitates cost-effective management of the CWB.

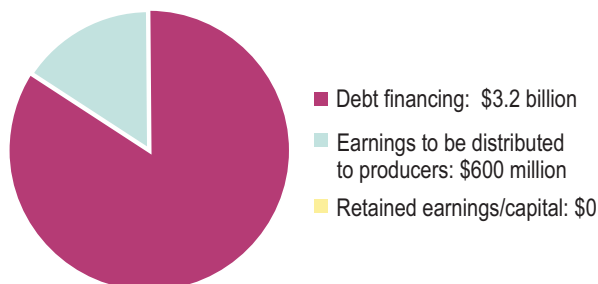
Funds in circulation at July 31, 2008
Total: \$3.8 billion



Building a capital base

- If the borrowing guarantee is eliminated, the CWB will need a capital base to operate and continue to access debt financing. Even so, borrowing costs will increase.
- Huge hurdles would have to be overcome in order for the CWB to build a capital base:
 - Time is needed to plan and to accumulate a capital base.
 - Where would capital come from – farmers or outside parties? Outside “non-farmer” ownership would dilute farmer control of the CWB.
 - The CWB Act does not currently permit the CWB to retain capital for this purpose.

Source of funds at July 31, 2008
Total: \$3.8 billion



Credit ratings and borrowing costs

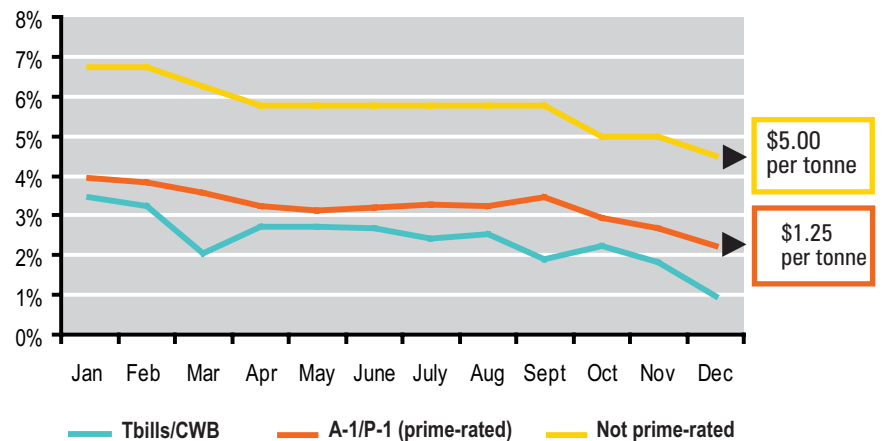
- Credit ratings have a very real effect on borrowing costs. The median credit rating for most agribusiness companies is less than “investment grade”.
- If the CWB had had a non-investment-grade rating in 2008, annual borrowing costs would have been at least \$100 million higher. Even with a good investment-grade credit rating, costs would have been at least \$25 million higher for the year.

CWB credit ratings in context

	Long-term	Short-term	S&P Long-Term Rating Level
Investment grade	Aaa/AAA	A-1/P-1	Canada/CWB
	Aa1/AA+		RBC/TD/Scotia BMO/CIBC ADM/Cargill Inc.
	Aa2/AA		
	Aa3/AA-		
	A1/A+	A-2/P-2	
	A2/A		
	A3/A-		
	Baa1/BBB+	A-3/P-3	ConAgra Foods AWB Limited/Bunge Ltd
	Baa2/BBB		
Baa3/BBB-			
Non-investment grade	Ba1/BB+	Not Prime	Viterra Median Agribusiness
	Ba2/BB		
	Ba3/BB		

Credit ratings affect financial costs

Comparison of short-term interest rates at different credit ratings for 2008



Losing the guarantee on initial payments

- The initial payment guarantee ensures that farmers receive at least the initial payment regardless of the amount of revenue the CWB earns throughout the year.
- This protection could be replaced, through additional risk management tools or building up capital as a backstop. Both options would come at a significant cost to farmers.

How big a capital base is needed?

- Third-party experts have estimated that a capital base of between \$500 million and \$1 billion would be required to provide a good investment-grade credit rating and good access to debt financing.

Western Canadian farmers have already paid a price at the WTO table. Now is the time for the Government of Canada to act and protect Prairie farmers' right to choose their own marketing structure.

For more information on what you can do, visit www.cwb.ca. Select *Hot Topics*, click *Trade issues*, then click *Take action*.

Questions farmers are asking

Is the CWB offering a fusarium program this year for CWRS?

Yes. The program covers CWRS deliveries with up to two-per-cent fusarium damaged kernels on No. 2 and up to three-per-cent damaged kernels on Nos. 3 and 4. At this level of tolerance, the CWB has confidence that customers will receive a safe product.

When you deliver fusarium-damaged wheat under this program, you can expect to see a discount of up to two percent of the tonnage (net of dockage) that you deliver. Put another way, if you deliver No. 2 CWRS with two-per-cent fusarium and your net tonnage after dockage is 90 tonnes, you will see another 1.8 tonnes deducted from your delivery to adjust for fusarium. However, because of the program's increased fusarium tolerances, you'll be paid for No. 2 CWRS instead of No. 3 CWRS, which would otherwise be the case.

Will I be charged liquidated damages on my GrainFlo contract if I don't deliver within the protein range that I signed up for?

Yes. Liquidated damages are assessed for non-delivery on the GrainFlo contract as well as for delivering incorrect grade or protein. Make sure you know the quantity, grade and protein when you sign up for these optional delivery contracts for wheat and durum.

Why does the CWB conduct durum bin audits?

The CWB conducts durum bin audits to make sure that all durum growers are treated fairly. During producer consultations a few years ago, farmers expressed concern that some contracts were being inflated in order to maximize delivery opportunities in years when the CWB might not accept all the durum offered.

Durum bin audits are one way to ensure the integrity of the durum delivery contracting system. The idea is to ensure that the contract tonnage sign-up matches on-farm stocks.

If you're being audited, a crop-insurance agent will call and make an appointment to visit your farm at a mutually convenient time. The agent will inspect your bins to verify that the quantity you have contracted (whether through GrainFlo or Series A or B) matches your on-farm stocks.

If I want to take the 2010-11 price instead of this year's values, when will I know the fee for transferring to the new pool?

The fee for participating in the New Pool Pricing program will be announced on February 22, 2010. You will have from that date until the end of June to submit a new-pool pricing application. This allows you to price 2009-10 deliveries of wheat and durum into the 2010-11 crop year.

The pool-transfer fee is updated regularly to reflect changes in the Pool Return Outlook (PRO) and market conditions. The fee is calculated based on the difference between the old and new crop year PROs, current average sales values and risk.

You will need to look at the switching fee, consider the PROs, check what's happening in the markets and decide what the right decision is for your farm.

I have signed up a PPO and now my wheat is grading feed. Can I apply feed wheat to my PPO contract?

Yes. You can apply your feed grade to your PPO contract, but you will be assessed a feed discount. PPO contract values are based on milling quality grades. The feed discount will adjust the value of your contract to reflect the current spread between milling quality and feed values.

The feed discount is posted on the daily pricing schedule and your feed discount is locked in on the cash purchase ticket settlement date. You will receive the CW Feed initial price at the elevator and the feed discount will be deducted from the additional payment you receive from the CWB for your PPO contract.

Upcoming *GrainWorld* conference

Economic Recovery: Green Shoots or Summer Fallow?

Is economic recovery taking root in the agricultural sector? *GrainWorld* 2010 will focus on the global economy and how it is affecting farmers and the grain trade.

Join us at Canada's leading annual grain-industry conference as we examine future trends and outlooks and focus on how to make the most of upcoming opportunities. We'll be taking an in-depth look at wheat, barley, oilseeds, pulse and special crops, beef and pork.

GrainWorld 2010

February 20-23, Fairmont Hotel, Winnipeg

For registration information, contact Caroline Wiley at (204) 983-4236 or caroline_wiley@cwbc.ca.



Meet your director at the annual Farmer Forums

Interested in learning more about the current market outlook or the final results of the last crop year?

Want to know more about operations, program changes and new developments?

Each of your 10 farmer-elected CWB directors will hold two Farmer Forum meetings in their districts between March 8 and 19. This is your opportunity to ask questions, make suggestions and stay informed about the activities of your grain marketing organization.

Plan to attend a CWB Farmer Forum meeting near you.

Check www.cwb.ca for details.

Grain Matters is a bi-monthly publication distributed free-of-charge to Prairie farmers. (Current and past issues are also available online at www.cwb.ca)

If you have questions or comments, please submit them to: Grain Matters, c/o Corporate Communications, CWB, P.O. Box 816, Station Main, Winnipeg, Manitoba R3C 2P5
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