

GrainMatters



February/March 2010

A bi-monthly publication from the Canadian Wheat Board

www.cwb.ca



Cover photo: Rob Lobdell and Rob Myers of West Central Road and Rail

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FINANCIAL HIGHLIGHTS

	2009	2008	2007	2006
Revenue	1,234,567	1,123,456	1,012,345	901,234
Expenses	876,543	765,432	654,321	543,210
Profit	358,024	358,024	358,024	358,024

Also inside,
24-page pull-out
Report to Producers

Producer cars provide options



Larry Hill
Chair, CWB
board of directors

Should farmers have the right to access producer cars in their area? That's the issue farmers have been raising since CN announced last fall that it planned to remove tracks and switches from more than 50 producer-car loading sites in Alberta, Saskatchewan and Manitoba.

CN says these loading sites see little use from farmers. The company says it would like to pull up the track to save on regular maintenance costs.

Our position at the CWB is that past usage should not be the sole consideration in taking a site out of service. Producer cars provide farmers with an important option to reduce costs of shipping grain. Depending on the location, a farmer can save anywhere from \$800 to \$1,200 for each producer car he loads, usually through reduced trucking and elevation costs.

Since removal of track is an irreversible action, this step should not be taken in haste. Producer-car use has been rising in recent years, as farmers look for ways to reduce costs along the production and delivery chain. More than 2,800 producers loaded a record 12,447 cars to move their wheat and barley to port in 2008-09. Producers are on track to load even more this year.

Given the potential long-term implications, our right as farmers to access the supply chain ought to be part of the decision-making process. Under federal law, railways are required to provide "adequate and suitable facilities and service." Ripping up sidings may impair the growth of producer-car shipping in Western Canada. To properly evaluate the costs and benefits of delisting, regulators should look at potential cost-savings to the railways and balance that with the potential loss in cost-savings to farmers.

The trouble is that no one has a solid handle on what it actually costs the railways to move Prairie grain. The last full costing review was done in 1992. Things have changed dramatically since then. In 1992, there were 1,498 elevators across the Prairie. By 2006, the network of elevators had shrunk to 342, meaning that farmers are hauling grain much longer distances. The railways have benefited enormously from this industry consolidation but farmers have not shared in the benefits. In fact, freight rates have jumped 40 per cent since 1992.

The CWB has been calling for a rail costing review for years, to help ensure that freight rates are fair, for both the railways and farmers. CN's move to delist producer-car sites brings the issue into sharper focus and reminds us why a costing review is so important. We need to make sure farmers aren't left out of the discussion of what "adequate facilities and service" really means.

The CWB has proposed changes to the delisting process so that producer-car sidings receive at least the same kind of protection given to urban sidings. Section 146.2 of the Canada Transportation Act requires a 12-month notification period prior to the elimination of a siding within a metropolitan area. Plus, the railways are required to publish a list of urban sidings marked for abandonment and to provide notification to potentially affected and interested parties. In contrast, for rural sidings, the railways need only advertise their intent in an area newspaper and provide 60 days of notice. By the time words spreads about elimination of a particular siding, the 60-day period is nearly over.

Once a rail siding is gone, it's gone forever. As producers, we need assurances that our options to remain competitive in the future are not unduly restricted by actions taken in haste today.

WeatherFarm probe to predict winterkill

Figuring out the amount of winterkill in a winter wheat crop has traditionally been more of an art than a science, but a new project could help change that.

Soil temperature probes have been attached to selected WeatherFarm™ weather stations across the Prairies, under the pilot project being conducted by the CWB, Ducks Unlimited and Western Ag Innovations. The probes record soil temperature just below the surface, at crown height, and the data is fed into a model that predicts the risk of winterkill.



"This project is a perfect fit for the CWB's WeatherFarm network because it gives farmers another tool to make decisions about the health of their crop," said CWB weather network manager Guy Ash, who developed the concept for the Internet-based network.

WeatherFarm is an innovative new online weather centre offered free of charge to all farmers in Western Canada. It includes mapping and modelling tools farmers can use to help manage pests, increase the efficiency of their crop-protection products and improve farm management practices.

The winter cereal survival model being used in the pilot was developed by University of Saskatchewan

research scientist Brian Fowler. Available online through Western Ag Innovations, the model works by incorporating soil temperature data into a series of calculations that determine a plant's ability to survive through to spring.

Other factors such as seeding date, varietal winter hardiness, fall and winter weather conditions, and snowpack have to be considered when assessing whether the crop will be viable in the spring. Using this model helps eliminate some of the guesswork, said Western Ag Innovation president Ken Greer.

"When it gets to be minus a bazillion in the winter, it can be hard to tell whether your crop is dead or alive," Greer said. "Using direct soil temperature numbers can reliably predict a plant's insulating ability."

The winter wheat model can be found by typing, "winter cereal survival model" into Google, or by typing www.wheatworkers.ca/FowlerSite/winter_cereals/WWModel.php into your browser. If the pilot project is adopted, the data will also be publicly available through WeatherFarm at www.weatherfarm.com.

Farmers who would like to order a soil temperature probe for their WeatherFarm stations can contact CWB weather network specialist Alison Sass, at (204) 983-4783.

Online calendar highlights key dates

The CWB has developed a new online calendar to help farmers keep track of key dates related to payments, cash advances, delivery opportunities and deadlines, and pool return outlooks and pricing.

The calendar is easily accessible, even on dial-up Internet. Updates are made regularly and contain relevant operational information. To get more information on each calendar listing, simply click on the listing and a new information window opens up.

The calendar is also interactive, allowing you to choose what kind of information you want to see appearing on its pages. If you're searching for delivery calls, for example, you can strip away all the information on the calendar except those entries related to grain delivery.

To try this new service, click on the "Online farmer calendar" link at the top right-hand corner of every page at www.cwb.ca.

Important dates

Here's a brief look at what's coming in March and April, 2010. You'll find these entries and more on the CWB's online farmer calendar.

- March 25** - 2009-10 and 2010-11 PROs
- March 31** - Series B Durum delivery contract sign-up deadline
 - 2009-10 Cash advance program (after-harvest) sign-up deadline
- April 1** - 2010-11 Cash advance program (pre-harvest) sign up begins
- April 16** - 2010-11 Calendar photo contest deadline
- April 22** - 2009-10 and 2010-11 PROs
- April 23** - BPC May futures month lock-in deadline
- April 30** - Period 3 GrainFlo ends
 - 2008-09 Cash advance program stay-of-default repayment deadline for durum
 - 2010-11 Spring wheat force majeure option deadline



Countdown to new crop year means decision time on delivery contracts

March is the time of year when producers start comparing old-crop and new-crop price outlooks. The first Pool Return Outlook (PRO) for 2010-11 came out on Feb. 22, 2010. Durum growers especially may be tracking the new crop PRO each month, trying to decide how much grain to market into the 2009-10 crop year and how much to hold for 2010-11 in hopes of better returns. World durum prices continue to be pressured by large supplies, weakness in the euro and slow demand from North Africa.

Here are some ways farmers can manage durum pricing and delivery:

NEW Reduce Series A on undelivered tonnage

To help farmers manage challenges related to durum prices, the CWB has prepared a new contract option. This year, you can reduce your Series A and GrainFlo Periods 3 and 4 durum delivery contracts on undelivered tonnage without penalty. To reduce the contract on undelivered tonnage, you'll need to call 1-800-275-4292 before March 31, 2010. This option is for durum only.

Before reducing your contract, remember that you're still required to honour any outstanding cash advance balances and PPO contracts, which may limit your ability to reduce tonnage. Also keep in mind that if you reduce



your contract, your first delivery and payment for this grain would be early in the 2010-11 crop year when new contract calls are made.

Reduce contract offer on Series B

Whenever the CWB doesn't accept 100 per cent of the grain offered under a series contract, the remaining grain is automatically rolled over into an offer under the next series. However, farmers can reduce their durum contract offer anytime until the durum Series B sign-up deadline of March 31, 2010. Call 1-800-275-4292, go online at CWB e-Services or contact your elevator agent to reduce your contract offer on Series B.

Generally, farmers reduce their contract when they expect to realize a price advantage from delivering into the following crop year. Once again, reducing your contract means your first delivery and payment for this grain would be early in the 2010-11 crop year when new contract calls are made.

Switch crop years for a fee

Farmers who want to deliver this crop year but are more optimistic about next year's prices may want to transfer grain into the new pool. Farmers have until June 30 to submit a new-pool pricing sign-up application and still take advantage of delivery opportunities in the current crop year. Here are some things to consider if you're looking at this option:

- Farmers who transfer into the new pool pay a switching fee based on the difference between the old and new crop year PRO, current average sales values and risk.
- Once a new-pool pricing sign-up application is completed, the pool-switching fee is locked in on the date the application is received. The pool-switching fee is non-refundable.

- If you settle more tonnage in the 2010-11 crop year than you indicated on the new-pool pricing sign-up application, you'll face additional fees on the excess tonnes calculated using the highest pool-switching fee.
- Depending on when you deliver your grain, you may need to pay elevator storage fees, so talk to your elevator about how much those fees will be.
- The new-crop PRO may change over the course of the crop year, as more of the new crop is priced.

Some farmers may want to take a wait-and-see approach on prices before deciding whether to transfer into the new pool. If you're in this situation, you can deliver under Series A or B (in the case of durum) or Series A, B or C (in the case of wheat), but decide at a later date what crop year to price the grain in. Again, be sure to consider the fees when considering whether this is the right approach for you.

Employ a pricing mix

Due to this year's acceptance levels, durum growers will already be storing some grain into the 2010-11 crop year. As a result, most farmers with durum will be pricing in both crop years. Some farmers may still want to re-balance their pricing mix. For example, farmers who are bullish about prices may want to reduce their contracts or use new pool pricing to switch grain into the new crop year. However, producers who want to move grain off the farm and have increased certainty about price can continue to deliver under current contract calls.

Farmers can find the PROs, the new-pool pricing sign-up application and the pool-transfer fee, along with additional program information, at www.cwb.ca.

Strong malting barley sales to China anticipated

Malting barley sales to China should increase significantly this year, exceeding last year's program of just under 400 000 tonnes, according to the CWB's senior barley marketing manager Bob Cuthbert.

"China's beer production continues to grow steadily," said Cuthbert, who recently returned from a marketing mission to China. "However, demand for malting barley has been growing at a slower rate than demand for beer. Many brewers are making a lighter beer, with lower alcohol content. So, there's less malt barley in a Chinese bottle of beer compared to a Canadian bottle of beer."

Even with reduced malt barley content in Chinese beer, demand for the ingredient is expected to rise to keep up with increased beer production. This year, two factors are working in Canada's favour in terms of accessing the Chinese market. First, Chinese production of malting barley was down significantly this year, so brewers require more imported malting barley to keep pace with demand. Second, the poor quality Australian crop has reduced competition from one of the world's major malting barley exporters.

Cuthbert also noted the price spread between domestic Chinese malting barley and western Canadian malting barley has narrowed, as world malting barley prices have dropped. Even so, price is still the major limiting factor in sales to China. Although the CWB achieves a premium for Canadian barley, that premium is limited due to price sensitivity in this market. The bottom line is we should be able to increase Canada's market share at values that are a good premium over feed values.



Western Canadian farmers under attack at the WTO

"Make no mistake," says CWB board chair Larry Hill, "once the WTO logjam breaks apart, it will be too late for western Canadian farmers to have any meaningful input in the final deal."

"Now is the time," he stressed, "for the Government of Canada to speak up for western Canadian farmers at WTO negotiations in Geneva, and for western Canadian farmers themselves to tell their elected representatives what they expect of them."

WTO negotiations resumed last fall on the basis of a draft text that would eliminate western Canadian farmers' single desk for wheat and barley by 2013. The CWB is the only so-called State Trading Enterprise (STE) explicitly targeted in the text. This is in spite of



the fact that all 14 international trade investigations since the 1990s – including one by a WTO panel – have established that the CWB does not violate any international trade rules.

WTO Director General Pascal Lamy is urging a meeting in Geneva at the end of March to decide whether a deal can be concluded by the end of 2010. Major policy differences remain to be resolved, but there is widespread acknowledgment that once they are, a deal could be reached quickly and elements of the draft text cast in stone.

The current draft includes:

- an end to the single desk for wheat and barley by 2013,
- an end to farmers' financial guarantees of initial payments and CWB borrowings, which was conceded by Canada in 2004 and will add millions of dollars each year to farmers' risk management and borrowing costs,

- no meaningful improvements in market access for western Canadian wheat and barley,
- no meaningful decreases in the subsidies received by farmers in competitor countries.

Farmers are invited to use the mail-in card enclosed in this issue of Grain Matters to express their views on the WTO draft deal to Agriculture Minister Gerry Ritz, said Hill.

"When you get right down to it, this is a question of democracy. I believe that western Canadian farmers have the democratic right to decide the marketing structure for their grain. Our competitors have no business using the WTO to make this decision for us. But that's exactly what's going to happen if the Government of Canada does not protect our democratic rights in Geneva."

For more information on the WTO and western Canadian farmers, visit www.cwb.ca > Hot topics > trade issues.



Mike Grenier
CWB Agronomist

Watch for grasshoppers this growing season

Populations of grasshoppers are expected to continue to increase this growing season, even though we experienced a cool growing season last summer. While the cool weather delayed grasshopper development, field surveys near the end of August showed increasing levels of adults present.

With the above-normal temperatures through September and into October, conditions were conducive to egg laying and, in certain areas, have set the stage for elevated risk this growing season.

In Alberta, areas of highest risk are in the northwest central part of the province and in the Peace region. Levels throughout the rest of Alberta are low with some isolated hot spots in the south and along the Saskatchewan border. Levels in Manitoba are similar to 2009 with high levels in the western portions of the province. In Saskatchewan, the western side of the province is showing increasing areas of moderate to high risk for damage to cereals. Most of the southern area of the province is showing light to moderate risk levels which can pose problems for other crops such as lentils.

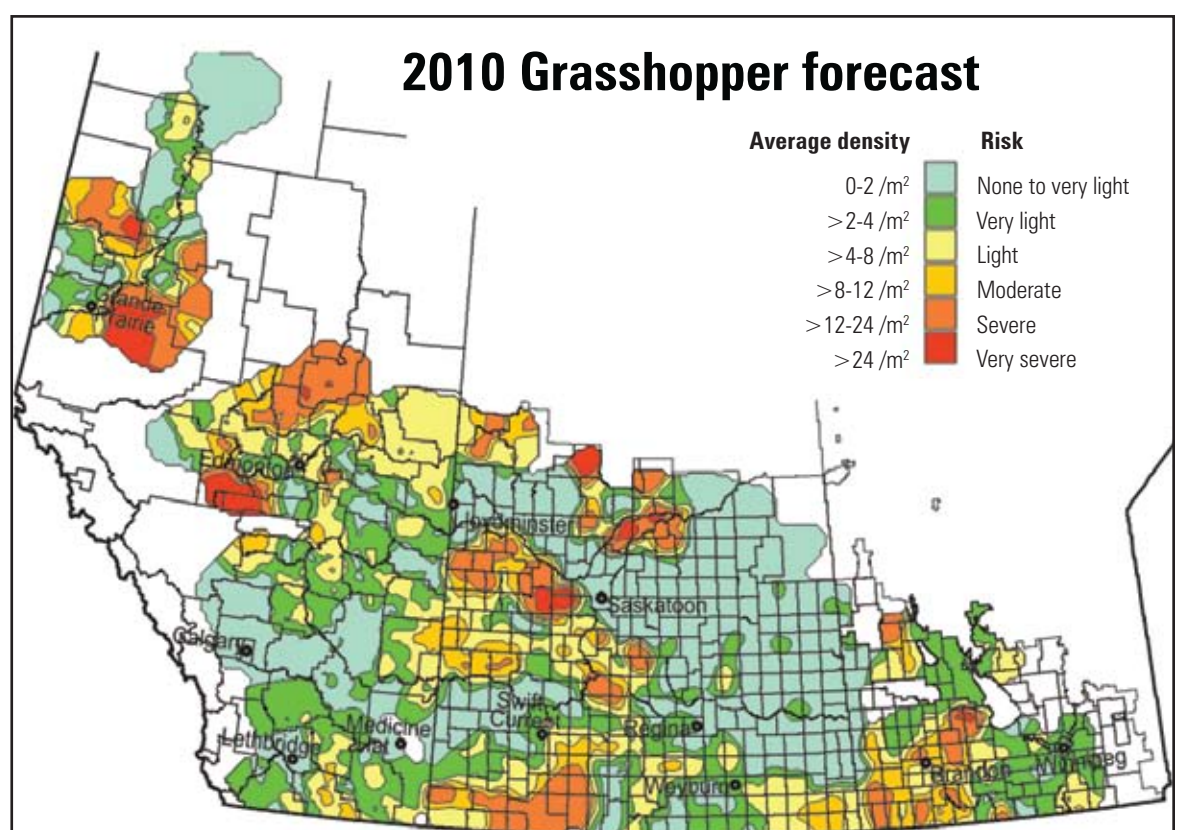
Risk forecasts are only one tool to use in determining your risk of damage due to grasshoppers. Ultimately, the weather conditions this spring will have a large impact on the rate of grasshopper development. This means that early season field scouting will be critical to determine if you have population levels that are exceeding recommended economic threshold levels. Dr. Dan Johnson, with the University of Lethbridge, has developed a weather-based forecast for predicting hatching progress, growth rates and activity by region. This forecasting tool will be available through weatherfarm.com this summer.

Field scouting is important in catching populations early and will help you to optimize pesticide control levels and keep costs down. In cereal crops, the recommended economic threshold for pesticide application is once populations reach the moderate risk levels (i.e., eight to 12 grasshoppers per square metre). Cereals at earlier growth stages will be at a greater risk of damage. As grasshoppers advance in development, they become more difficult to control and pesticide costs increase. It is important to recognize that your management objective should be to prevent economic losses rather

than expecting to achieve total control, especially in areas of high feeding pressure.

The 2010 grasshopper forecast map is provided courtesy of Agriculture and Agri-Food Canada. Refer to your provincial agricultural websites for recommendations on monitoring and pesticide control. Watch weatherfarm.com for forecast updates on grasshoppers and other pest risk forecasts throughout the growing season.

For more information call 1-800-275-4292 or e-mail: mike_grenier@cwb.ca.



Source: Agriculture and Agri-Food Canada

In the hopper

MEET YOUR CWB FARM BUSINESS REP



Eron Gross

Home base:
White City, SK

The region I cover:
South-central
Saskatchewan, including
Estevan, Weyburn
and Assiniboia.

A little bit about my roots in farming: I've been on the farm all my life. I was raised on a family farm in Alberta, in the Craigmyle area. I worked for Alberta Pool and spent all my life attached to agriculture in one way or another. I've been working at the CWB for almost 16 years.

Where I am and what I'm doing: March is always a very heavy information month for farmers. What I'm going to strive to do is provide avenues for farmers to get information that can support their business decisions and intentions for the coming year.

What I want to hear from you: There could be a variety of reasons that farmers might want to spend some time talking to me. The way that I grow and the way that the CWB grows is hearing about all of the things a farmer would like to discuss with the CWB.

My favourite part about being an FBR:

Bar none, my favourite thing to do is to be on the farm. There is just nothing better than being on the farm with these folks, hearing what they have to say, seeing their operations and being immersed in what they're doing.

What I do in my spare time: I like to work with my hands. I restore antique furniture because my wife goes to garage sales (laughs). I do a lot of small engine work and the reason I do that is because my wife says I'm cheap (laughs again). I actually even build some furniture. My spare time is about working with my hands and I really enjoy it.

My contact information:

Phone: (306) 751-2693
Cell: (306) 861-7669
Fax: (306) 751-2692
Email: eron_gross@cwbc.ca



Orlando Nickel

Home base:
Sherwood Park, AB

The region I cover:
Stretching from
the northwest corner
at Barrhead across
to St. Paul in the northeast
corner down to Vermilion
and west to Edmonton.

A little bit about my roots in farming: I was born and raised on a small, mixed farm in southern Manitoba. Everything I've done in my life has been ag-related. After graduating from high school, I worked for a local cooperative selling fertilizer and fuel. Then I went to work for Manitoba Pool Elevators for 10 years, in construction and as an elevator manager in Brunkild. I joined the CWB in 1984 at Swift Current, SK. I moved to Wainwright, AB in the fall of 1987. I moved to Sherwood Park in 2001.

Where I am and what I'm doing: March means Farmer Forums with CWB directors, which we attend. We have a PPO workshop planned for Westlock at the end of the month. We'll continue to offer PPO workshops throughout the spring.

What I want to hear from you: I want to hear all of your questions and concerns, no matter what they are. If I can't help answer your question, I will certainly get the answer for you.

My favourite part about being an FBR: All the good people I work with, including fellow staff and farmers. People make my day.

What I do in my spare time: I enjoy golfing and watching curling. In the summertime, my yard deserves all of my attention because I enjoy a good-looking yard.

My contact information:

Phone: (780) 416-3665
Cell: (780) 721-5404
Fax: (780) 416-3656
Email: orlando_nickel@cwbc.ca



Patrick Weatherald

Home base:
Regina, SK

The region I cover:
North, east and west of
Regina. Major communities
are Moose Jaw, Raymore,
Balcarres, and Indian Head.

A little bit about my roots in farming: I was born and raised on a century-old farm in the southeast part of Saskatchewan by the town of Wawota. From graduating in high school, went to University of Saskatchewan and received my Bachelor of Science in Agriculture, with a major in Economics. I spent two summers working on an organic farm. I also worked a summer for Saskatchewan Wheat Pool.

Where I am and what I'm doing: I will be doing a number of farm calls and meeting with small groups of farmers talking about Producer Payment Options.

What I want to hear from you: I want to hear what's working and what's not. I especially want to hear what's not working because I want to continually feed that into head office so that we can improve the way we conduct business with farmers. I'll also be looking for feedback on farmers' seeding intentions, particularly their cereals and the amount of durum they're looking at planting.

My favourite part about being an FBR: I like my coffee, so I enjoy making farm calls and small meetings where we get together to talk about CWB issues. I'm a people person, so it's the face-to-face interaction that I have with farmers and grain company staff that I enjoy.

What I do in my spare time: I like to golf and ice fish. My wife and I own a cottage and I spend a fair bit of time chasing around three kids. The oldest is only four years old.

My contact information:

Phone: (306) 751-2694
Fax: (306) 751-2691
Email: patrick_weatherald@cwbc.ca

Send in your calendar pictures!

The CWB's popular calendar photo contest is back, but you'll have to hurry to get your entries postmarked by the April 16, 2010 deadline. The theme for the 17-month calendar is **All in a Day's Work**, showcasing the hard work that forms the foundation of rural life on the Prairies. Send in your pictures of friends, family and people of all ages working in the field, at home or in the community.

The grand prize winner will receive a \$500 photography-shop gift certificate, while 16 other winners will receive a \$50 gift certificate.

We're looking for high-resolution photos that enlarge well. For each image you send in, please include a digital image on CD as well as a printed copy for viewing. Unfortunately we cannot accept e-mail entries.

Full contest rules can be found at www.cwb.ca. Look under the *farmers* tab under *surveys, quizzes and contests*.

Good luck to all who enter!



Questions about PPOs?

Give your CWB program service rep a call.

Tim Baranyk, Chris Kuntz and Mavis Willson are PPO specialists and they're available to meet with you online, over the phone or in person.

Tim Baranyk
Red Deer, AB
Cell: (403) 554-0038
Fax: (403) 986-5562
tim_baranyk@cwbc.ca

Chris Kuntz
Saskatoon, SK
Cell: (306) 280-1247
Fax: (306) 975-6966
christopher_kuntz@cwbc.ca

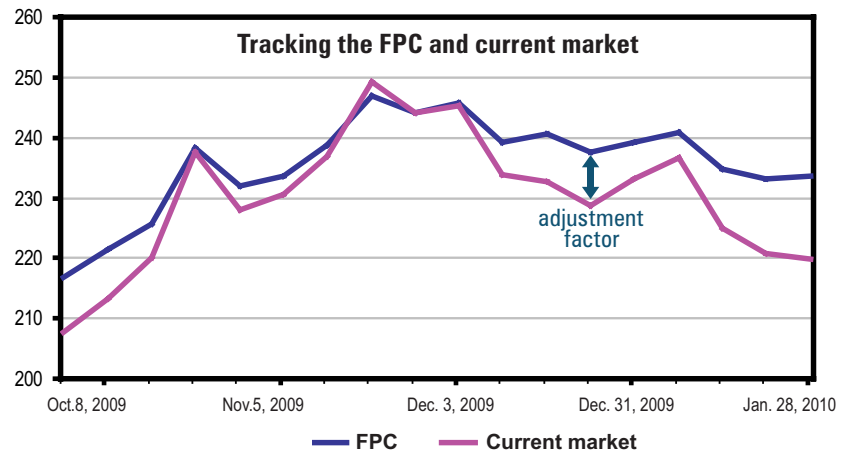
Mavis Willson
Winnipeg, MB
Cell: (204) 250-4469
Fax: (204) 983-8031
mavis_willson@cwbc.ca

Sometimes, a little expert advice can help make you more comfortable

The CWB is working to provide farmers a full toolkit of choices in pricing their grain. Producer Payment Options (PPOs) enable you to make your own pricing and risk-management decisions within the existing marketing structure for western Canadian wheat, durum and barley. These programs offer choice, flexibility and cash flow. You can customize your mix of pricing options and/or pooling to meet the needs of your farm.

The risk of running the PPO program is managed through a separate risk management and hedging strategy. The CWB hedges the price risk from the time of farmer pricing to the completion of CWB sales at the end of the pool period. However, PPOs do not operate in isolation from CWB pricing of actual grain sales. The CWB markets farmers' wheat together, regardless of whether

This chart shows the relationship between the FPC and the current market. As the CWB advances pricing, the FPC loses volatility. The adjustment factor is the difference between the FPC and the current market.



New information helps manage price risk

The CWB is now providing regular updates in its monthly Pool Return Outlooks (PROs) on how much of the wheat pool is priced. The idea is to give you more information to support your choices about how to optimize participation in the pool and pricing programs.

The CWB begins pricing the new wheat crop in April, at a pace that is approved annually by its board of directors. Obviously, the percentage of wheat that is priced at seeding time is very low. By the following February, however, anywhere from between 60 to 70 per cent of the crop may be priced. It's this information the CWB is sharing in the PRO.

Each time the PRO comes out, you will be able to look at how much of the wheat pool is priced. Based on your own assessment of price risk, you may want to remain in the pool or decide to sign up a Producer Payment Option (PPO).

"With the current PPOs and the pooling option, farmers can construct their own pricing pace," says Curt Denisuk,

director of commodity risk management. "What we want to do is provide more information about the level of price risk in the pool, so farmers can factor the CWB's pricing pace into their own pricing decisions."

It's all about managing risk. With more information about how much of the wheat crop is priced, producers will be in a better position to evaluate their own financial position.

Let's say the CWB has priced 30 per cent of the crop. Producers who want to have more than 30 per cent of their wheat priced can sign up Fixed Price Contracts (FPCs), lock in the futures component of the Basis Price Contracts (BPCs), or sign up for Early Payment Options (EPOs). On the other hand, producers who would rather see less than 30 per cent of their wheat priced can leave

their FlexPro contract unpriced or lock in the basis component of a BPC. This will allow their pricing to fluctuate with the current market.

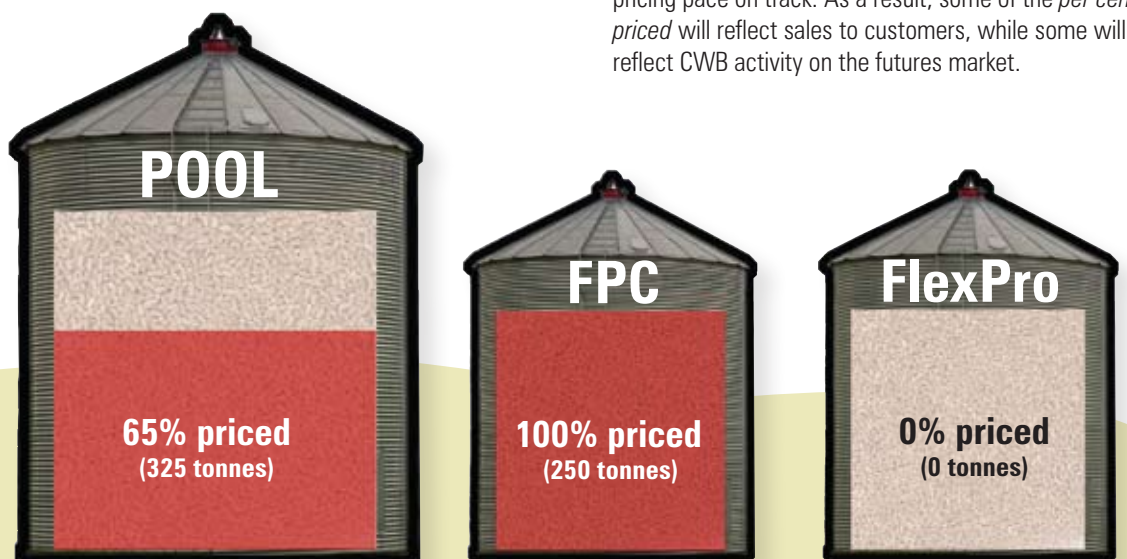
Even if you have no intention of using PPOs, you may appreciate knowing how much of the crop is priced. For one thing, you'll have a better idea how much price risk remains in the pool account and whether market shifts are likely to have a big influence on the pool. The more a crop is priced, the less influence market spikes or drops will have on the pool account.

The CWB is able to provide a *per cent priced* figure without revealing commercially sensitive information due to the use of futures and options markets. The commodity risk management department uses these tools to moderate faster or slower cash sales and keep the pricing pace on track. As a result, some of the *per cent priced* will reflect sales to customers, while some will reflect CWB activity on the futures market.

Our hypothetical farmer has 1 000 tonnes of wheat. Let's assume the CWB has come out with a PRO showing the wheat pool is 65 per cent priced. The farmer has locked in an FPC for 250 tonnes, committed 250 tonnes to a FlexPro, which he has not yet priced, and left the remaining 500 tonnes in the pool. This farmer has priced 575 tonnes of wheat and is 57.5 per cent priced.

Total Grain (tonnes)

1 000 = 500 + 250 + 250



choice, flexibility and cash flow

As the sign-up period progresses, the per cent of wheat priced and the average price achieved represent a larger portion of the pricing calculation, since increasingly more grain has been priced. The adjustment factor will be negative if past pricing is below the current market and positive if past pricing is above the current market.

The current market value of wheat is determined by taking the weighted average of current prices available for the actual shipping periods and destinations that the CWB expects to sell into for the remainder of the sales period. Current market values based on unsold volumes are available to farmers under the FlexPro program. Here are your PPO programs:

Fixed Price Contract

- Offers a flat price for wheat that farmers can lock in

any day between the end of February and the end of January the subsequent year.

- The price incorporates the average price of the wheat the CWB has already priced plus the current market value of wheat that has not yet been priced.

Basis Price Contract

- Offers opportunity to lock in a basis and futures value for wheat at different times. The futures can be signed up between Sept. 1, 2009 and Jan. 31, 2011, while the basis can be signed up between Feb. 22, 2010 and Jan. 31, 2011.
- Basis varies based on differences in the current market relative to the relevant futures month (December, March, May and July).

- An adjustment factor (taking into account the per cent of grain priced by the CWB at that time, the average price achieved on that grain and current market values) is always locked in at contract sign-up.

FlexPro

- Year-round pricing contract for wheat that offers current market prices.
- Year-round pricing is possible because producers commit tonnage in advance of the start of the crop year, which allows the CWB to manage the risk. Because the total tonnage is known in advance, there is no need for an adjustment factor.
- Prices reflect current market values in all actual markets and shipping periods the CWB expects to sell into.

Doing the math

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

Basis = current market value – futures
or

Basis = FPC – adjustment factor – futures

Adjustment factor = FPC – current market value
or

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

FlexPro price = current market value

Extension of sign-up period

The CWB has extended the program sign-up period for the Fixed Price Contract (FPC) and Basis Price Contract (BPC) by three months. The 2010-11 BPC sign-up will now run for 17 months (from September until Jan. 31, 2011) while the 2010-11 FPC will run for 11 months (from the end of February until Jan. 31, 2011).

We've made this change in response to farmer feedback. Farmers told us they wanted the sign-up period extended well past harvest in order to assess grain quantity, quality and market conditions before committing to these contracts. The new end-of-January deadline is a better fit with grain grower calendars.

In addition, to maintain cash flow and provide more time for a pricing decision during this extended sign-up period, you may now apply deliveries previously applied to the pool to your FPC or BPC at the time of sign-up.

Also new for 2010-11:

- The basis lock-in deadline has been extended to align with the futures month expiry. Previously, the basis lock-in deadline was Oct. 30.
- Farmers can roll their basis between available months as soon as more than one futures and basis month is offered. Previously, producers could roll the basis beginning Aug. 1.
- An improved buyout formula that takes into account gains that will offset any CWB administrative costs, providing an opportunity for a zero-cost buyout.

Understanding the PRO

The CWB Pool Return Outlook (PRO) is a projection of how much the CWB will end up returning to farmers who deliver wheat, durum or barley for payment through the pool accounts. The pool accounts provide you with an average return achieved by the CWB for your grade and class of grain. This average takes into account returns from all customers who bought western Canadian grain across the entire crop year. Pooling minimizes the effects of market volatility during the year and is an effective risk-management tool for farmers.

PROs are usually issued on the fourth Thursday of every month. The first PRO is released in February, before seeding has even taken place, and continues until September of the subsequent year. It represents the best forecast that can be made at the time. For obvious reasons,

PRO = weighted average of (priced grain + forecasted prices on unpriced grain)

it becomes increasingly accurate as the crop year progresses and grain sales proceed. A huge variety of factors, ranging from basis risk to dietary trends, affect prices for wheat, durum and barley. As such, the PRO is a forecast, not a guaranteed price.

The PRO is designed to give you market signals and to provide an indication of cash flow expectations. It gives you an idea of what pooled payments to expect. It provides a sense of the movements in spreads between the various classes and grades of grain. You can also use the PRO to help decide when to take

advantage of off-board markets or use Producer Payment Options to manage your individual price risk.

CWB staff use a wide variety of information sources to develop the PRO and the CWB sales plan:

- The sales and marketing team has daily interaction with industry and customer contacts around the world.
- Market analysts compile data required to make short- and medium-term import demand estimates.
- Weather and crop surveillance staff monitor crop growth in Western Canada and around the world to gauge the impact of weather patterns on grain market supply.
- Financial analysts study foreign exchange rates and movement in the money markets.
- Commodity risk management staff analyze the commodity markets and hedge grain sales throughout the year to minimize risk and maximize gains.
- Staff in the logistics, farmer service and farmer operations departments continually update CWB supply estimates, as well as freight rates and capacities for grain-handling and transportation.
- Marketing strategy staff keep tabs on trends in customers' specific milling, baking and brewing requirements.

A full commentary on the PRO can be found each month at www.cwb.ca > Farmers > Pool Return Outlooks.

Questions farmers are asking

I have an active personal permit book and will be changing my farming operation for the 2010-11 crop year. What do I have to do?

You need to send in some documents so we can get a new permit book set up for you. We'll move all delivery and pricing contracts from your personal book to the new book. The documents required are:

- Application for changing to a new name,
- New permit application,
- Continuing personal guarantee (only if you are a joint producer or a partnership),
- Declaration and guarantee (only if a cash advance is involved).

All of the above documents can be found at www.cwb.ca, except for the new business name application. Please call 1-800-275-4292 and we will fax one to you.

Why do identity preserved contract programs (IPCPs) have 100-per-cent acceptance?

The market-development IPCP is designed to develop domestic and international markets for varieties of western Canadian wheat, durum and barley by allowing

the CWB to test-market new varieties among customers. The commercial IPCP is designed to meet specific customer requirements for varieties that have established markets.

While each component serves a specific purpose, both operate the same way for producers: farmers receive incentives to grow specific varieties. In both cases, a specific quantity is grown by producers to meet defined customer needs.

What happens if I don't deliver my grain before the posted termination dates?

Sometimes farmers overlook winter termination dates because they're taking care of other business, such as looking after cattle or working an off-farm job. The purpose of termination dates is to help ensure we have grain in position to match export sales. Generally, the system can accommodate farmers who want to deliver after the termination date, but there is no guarantee of this. Talk to your Farm Business Rep if you need to make a late delivery. Termination dates are released about a month before they go into effect. Please pay attention to them so you know you'll be able to deliver all the tonnage signed up on your delivery contract.

What do I need for a pre-harvest advance?

You'll need to arrive at the elevator with confirmation of crop insurance coverage. If you don't have crop insurance but you participate in AgriStability, you can use your 2010-11 enrolment notice. You'll also need Priority Agreements signed by financial institutions and secured parties.

Corporations, partnerships and cooperatives also need to fill out a Continuing Declaration and Guarantee form. Once completed, this information is kept on file, so you won't need to complete a new one unless something changes, such as the structure of the corporation or the names of the shareholders.

Pre-harvest advances are issued from April 1 to July 31, 2010. Producers can receive a maximum amount of \$400,000 on all agricultural products, with the first \$100,000 interest-free. These maximums can be reached only once per 18-month production period (April 1, 2010 to Sept. 30, 2011).

Application forms are available through local elevator agents and at www.cwb.ca. Call 1-800-275-4292 for more information or if you need assistance completing the application.

Celebrating grain handling excellence

The CWB has created a new Grain Handler of the Year awards program to recognize shipping performance achievements. Outstanding performance is worthy of recognition since accuracy in grain shipping results in customer satisfaction, increased efficiencies and reduced costs to farmers.

The CWB's grain industry partners contribute to the accurate and reliable transportation of Canadian wheat and barley in many ways, including unloading the correct grain from rail cars and timely grain movement through country elevators or ports.

"We want to recognize and encourage superior service in all processes that impact the CWB's supply chain," said Rick Steinke, CWB director of logistics. "This initiative helps to build a stronger, more efficient grain handling network."

Award recipients receive a plaque and the rights to being named the year's top grain handler for western Canadian grain farmers.

Grain Handler of the Year

Good grain service deserves recognition. Farmers rely on it. So do their customers.

A new CWB awards program singles out the cream of the crop.

Congratulations to the 2008-09 winners:

- Best shipper to a Canadian port**
North West Terminal
Unity, SK
- Best western port terminal**
Prince Rupert Grain Ltd.
Prince Rupert, BC
- Best shipper to the U.S.**
Viterra Assiniboia,
Assiniboia, SK
- Best eastern port terminal**
Bunge of Canada Ltd.
Quebec City, QC

For information on the CWB's annual "Grain Handler of the Year" awards, go to www.cwb.ca.

Prairie strong, worldwide

CWB

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If you have comments, please submit them to: Grain Matters Editor, Rhea Yates, Corporate Communications, CWB, P.O. Box 816, Station Main, Winnipeg, Manitoba R3C 2P5
Phone: 1-800-275-4292 Fax: (204) 983-4678 E-mail: questions@cwb.ca

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