

GrainMatters



June/July 2011

A bi-monthly publication from the Canadian Wheat Board

www.cwb.ca



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RETURN UNDELIVERABLE
CANADIAN ADDRESSES TO:
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Farmers deserve a say



Allen Oberg
Chair, CWB
board of directors

The CWB is farmers' marketing organization. It exists for farmers. It should go without saying that farmers should decide its future.

The issue is crucial to the business of farming. It affects the competitiveness of western Canadian wheat and barley in markets around the world. And it's essential to the spirit of democracy: the current law spells out that farmers should decide.

The *Canadian Wheat Board Act* states that any changes to wheat and barley marketing need to be approved through a referendum of producers.

A referendum is the current legal requirement. And it's the right thing to do.

The CWB is a democratic organization run by farmers for farmers. The CWB sells farmers grain to 70 countries around the world, and returns all proceeds, minus operating costs, to farmers. Not one dollar of taxpayer money goes into this organization. Prairie grain farmers fund its operations. It's our money. Let us decide its future.

To top it off, it's clear that farmers want to decide the future of their grain marketing organization. In the 2010 Producer Survey, 76 per cent of respondents said the government does not have the right to eliminate the CWB without farmer consent. The survey, conducted by the Gandalf Group, talked to a random sampling of 900 producers in the three Prairie provinces and previous surveys have had similarly strong results on this same question.

Farmers may differ on their views about the CWB, but it's clear that they believe farmers should have the final word on what happens to the CWB.

Nevertheless, some are arguing there is no need for a democratic farmer referendum on the future of grain marketing because the federal election gave the government a mandate on this issue. I don't believe the election was a plebiscite on the CWB. Over the past several weeks I've heard from plenty of farmers who voted Conservative and are surprised the Government of Canada is considering making changes to the CWB without a vote.

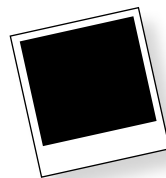
Voters went to the polls with any number of issues in mind: taxes, the economy, crime, the gun registry, health care, education, the deficit, gas prices, foreign affairs, support for the military, the list goes on. It was definitely not a one-issue election, and it wasn't an issue dominated by farmers.

In Western Canada, there are around 70,000 grain farmers. According to Elections Canada, there were 2.3 million votes cast on the Prairies in the federal election. If every single permit holder voted, they would have cast little more than two per cent of the ballots.

I should be clear – this is not about retaining the CWB's single desk, this is about ensuring farmers' democratic rights are respected.

A referendum is the right thing to do. Farmers want it. Who can argue with that?

What's happening at cwb.ca



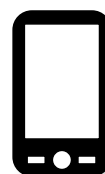
CWB snapshot

Provides a quick overview of CWB activities. The snapshot discusses the CWB beyond its role as a multi-billion dollar marketing organization, from the creation of farmer programs to the development of new markets to advocacy on transportation issues. Get the picture at cwb.ca/snapshot.



Grain Matters

You don't need to pick up a copy of Grain Matters for your CWB news – you can read Grain Matters online. Each issue is posted online as a PDF before printed copies arrive in mailboxes. Read online at cwb.ca/grainmatters.



WeatherFarm mobile

Now you can get your farm weather anywhere. A new mobile Web site is the latest addition to WeatherFarm. The mobile site features daily localized weather information, seven-day forecasts, severe weather alerts and live satellite and radar maps. For setup instructions, go to cwb.ca/wfmobile.



e-Tools

Use the CWB e-Tools look-up menu to find the right CWB e-tool for the job. The CWB has online tools to access market info, calculate rail costs, calculate price pace, contact a farm business representative and more. Ten tools are outlined at cwb.ca/etools.

Key dates

Visit the online farmer calendar at cwb.ca for a full list of important upcoming dates.

July 1: Canada Day, CWB offices closed

July 28: Pool Return Outlook

Aug. 1: - Official start of 2011-12 crop year
- 2011-12 Series A sign-up begins
- Civic holiday, CWB offices closed

Aug. 2: 2011-12 EPO sign-up begins

Aug. 25: Pool Return Outlook

The online farmer calendar is available in the upper right-hand section of the CWB homepage at cwb.ca.



Crop scouting priorities for 2011



Mike Grenier
CWB Agronomist

Two key crop pests that affect both grade and yield losses in wheat are fusarium head blight and wheat midge. Here are the key considerations you should be thinking about in terms of managing these pests as your wheat begins heading.

Fusarium head blight

Growing conditions last year were particularly favourable for fusarium, and it appeared in non-traditional areas such as west central Saskatchewan. This means that there could be more disease inoculum present to deal with this year, but the weather conditions at the

time of flowering for wheat and barley will still be the primary consideration.

Fungicides can also be used in season to somewhat reduce fusarium's impact, but it's critical to determine when and if an application is required. WeatherFarm has a new fusarium risk-management tool that will help you determine if the weather conditions are conducive and provide an assessment of risk level for fusarium development.

Fusarium development requires high relative humidity and warm temperatures. The key infection period for fusarium is when the wheat reaches the flowering or anthesis stage. A fungicide application can provide suppression during this infection period. Monitoring fusarium risk levels while the wheat is in heading will help you determine if a fungicide application is warranted. Once you've made a decision to spray, timing and application coverage is important for optimizing performance.

It is also essential to understand that the fungicides only provide suppression and results will be variable depending on the variety susceptibility. Durum wheat is more susceptible to fusarium than spring wheat so a fungicide application may not be as effective under high epidemic conditions.

Wheat midge

Monitor for wheat midge as wheat begins heading to determine if the field population is reaching action threshold for economic losses. Provincial forecast maps are showing an increased risk potential for wheat midge throughout eastern and central Saskatchewan and throughout most of central and southern Alberta. Detailed risk maps can be accessed through the Web sites of the provincial agriculture departments.

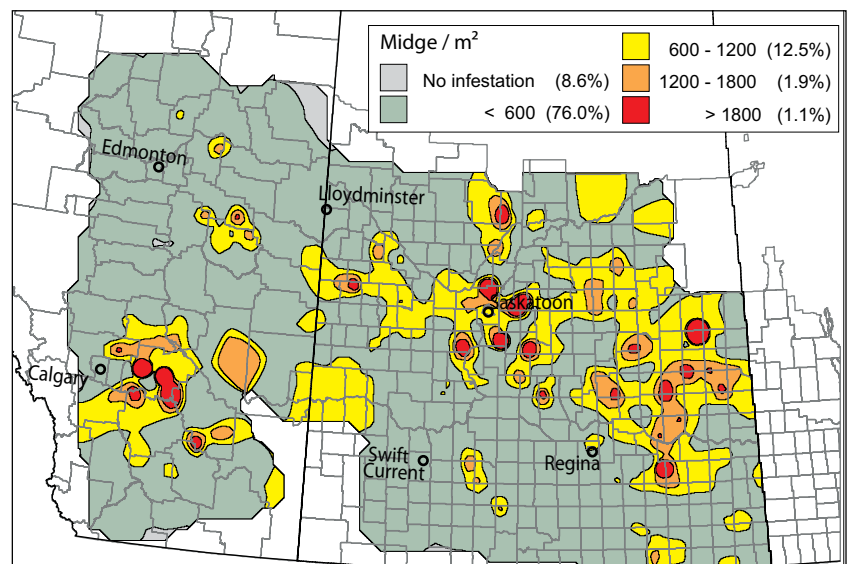
Field scouting is essential as soon as the midge have access to the wheat head and up to the flowering or anthesis stage. Growth development and emergence

can be predicted based on accumulated temperatures. A wheat-midge emergence tool is available through WeatherFarm – it can help you determine when to intensify field scouting. Once the wheat has reached flowering, it is much less susceptible to damage from wheat midge and pesticide control is no longer recommended. In fact, spraying too late can be detrimental, as it will affect beneficial insects that attack the wheat midge larvae.

Varieties of midge-tolerant wheat can provide protection against this pest and reduce need for insecticides. To learn more about these varieties, review provincial seed guides or visit www.midgetolerantwheat.ca.



Wheat midge forecast 2011



Source: Agriculture and Agri-Food Canada

WeatherFarm has free tools to help you fight fusarium and wheat midge, as well as sclerotinia and grasshoppers. Use these tools to help plan your crop monitoring, determine if action thresholds are approaching, and decide if pesticide control is required. There's a lot more than the weather at weatherfarm.com.

Welcome to two new FBRs in Saskatchewan

Two new CWB farm business representatives (FBRs) are at your service.

Tom Viczko now assists producers in the Tisdale area and can be reached at (306) 231-6828 or tom_viczko@cwbc.ca. Tom was raised on a mixed farm near Prud'Homme, SK. He has 36 years experience in the grain industry working for United Grain Growers, Agricore United, Viterra and Cargill.

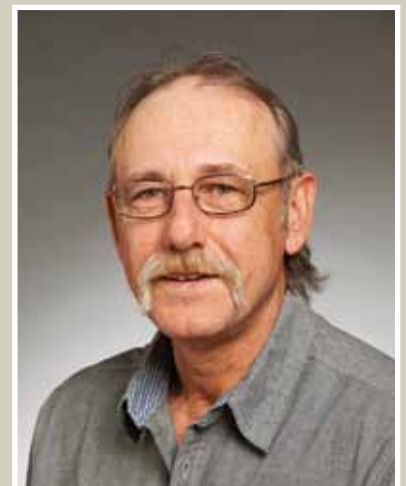
Pat Eskra serves farmers in the Wynyard area and can be contacted at (306) 227-2169 or at pat_eskra@cwbc.ca. Pat grew up on a farm north of Invermay, where his family raised grains, oilseeds and cattle. He brings almost 34 years of grain industry experience with Saskatchewan Wheat Pool and Viterra.

FBRs work for farmers in communities across Western Canada, serving as a link between producers and the CWB. They can visit your farm to discuss issues, explain CWB programs, help navigate online services, and trouble-shoot concerns with contracts, permits or deliveries.

Find your FBR online using our interactive map at cwbc.ca/fbr.



Tom Viczko – FBR for Tisdale area.



Pat Eskra – FBR for Wynyard area.

Market share grows dramatically for western Canadian wheat

Prairie wheat exports to Bangladesh have been growing rapidly in recent years – so much so that last year, the South Asian nation became the largest export market for western Canadian wheat.

Prairie farmers' share of the Bangladesh market expanded from five per cent in 2005-06 to 28 per cent last year. This year, both sales and market share are expected to remain strong.

Prairie exports have been increasing for a number of reasons, including strong customer relations and the CWB's ability to capitalize on supply issues. Another key reason is an overall surge in demand, due to a growing economy in the densely populated, traditionally poor country located on the eastern edge of India.

"With a growing middle class, diets are changing to a more Western-based diet, to products that need better quality wheat," says Don Bonner, CWB manager of marketing and sales for Asia Pacific. "A growing number of people are now consuming more leavened bread and buns."

Bangladesh imports a mix of wheat qualities. Lower quality wheat is commonly used in such standard fare as roti, a flat bread which is a staple throughout South Asia. Traditionally, most of this wheat has been imported from neighbouring India. When India banned exports in 2007, Bangladesh turned to the Black Sea, which supplies inexpensive grain with lower protein than Indian varieties.

Paradoxically, the surge in low-protein Black Sea imports increased Bangladeshi demand for high-protein wheat, which is blended to improve flour quality. Geographically, Australia would seem a natural source for this high-protein, but drought reduced Aussie supplies in 2007 and 2008.

"A window of opportunity opened for us, and we jumped in and were able to capitalize on this demand," says CWB market analyst Jingshun Yin.

Some flour is made entirely from Canada Western Red Spring (CWRS), but the bulk of Prairie grain is used to spike lower quality grain to produce blended flours for pan breads and other baked goods. Millers refer to CWRS as "bullet wheat" for its ability to improve the performance of lesser milling wheats.

To help foster relationships with leading millers, CWB marketing experts have visited Bangladesh several times in recent years. In the most recent mission in February, staff from the CWB and the Canadian International Grains Institute met with leading milling customers and exhibited at a major Canadian business and trade fair in Dhaka. The exhibition, Canada Showcase 2011, was sponsored by the Canadian High Commission and the Canada-Bangladesh Chamber of Commerce



and Industry with the objective of increasing bilateral trade between the two nations.

"The Bangladeshi milling industry is quite different from other countries," Bonner says.

"They have over 1,000 small-scale mills, but in the last five years several large mills have been built to meet increasing demand. You can have more of an impact in developing loyalty with a larger customer."

These large modern mills represent a giant leap forward from the old-school small mills.

"The new mills are quite sophisticated," Bonner says. "The market expansion is mostly by new mills, but the old mills still exist. They are very unsophisticated, they still test wheat by chewing it. But even these older mills recognize the gluten quality in our wheat."

In the 2009-10 crop year, western Canadian wheat exports to Bangladesh reached more than one million tonnes, nearly a tenfold increase in five years.

"We likely won't continue to grow at this pace, but our share of the market still has the potential to grow," Yin says. "Future demand will be driven both by Bangladesh's rate of economic growth, and by the availability of regional wheat exports from India, Pakistan and Australia."

Bangladesh at a glance

Location: South Asia, surrounded largely by India but also borders Burma and the Bay of Bengal

Climate: Tropical, with a hot humid summer from March to June, followed by a monsoon season from June to October

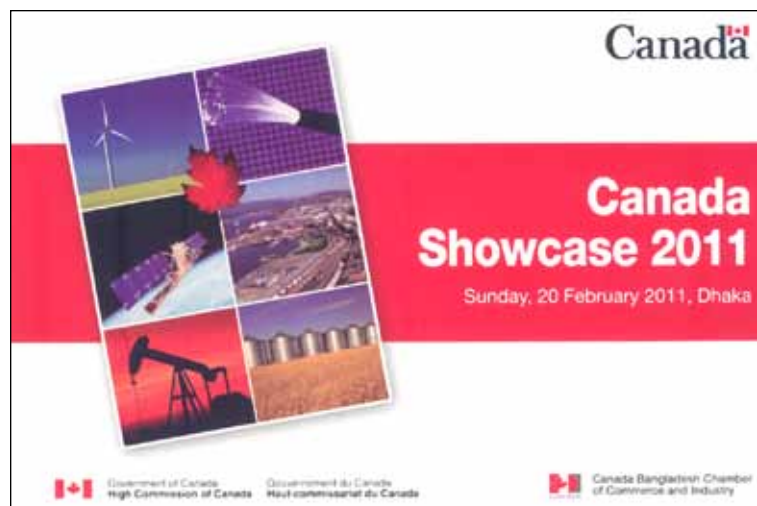
Population: 160 million

Capital city: Dhaka, population 12 million

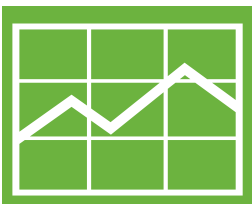
Agricultural products: Rice, tea, jute, fruit, vegetables, corn, wheat

Industries: clothing, agriculture

Languages: Bengali, English



The CWB's Jingshun Yin (far left) and Don Bonner (far right) with CIGI reps and local millers in Dhaka.



PPO Portfolio



In this new feature, farmers discuss how they use Producer Payment Options (PPOs) in their businesses. In this issue, we feature Chris Allam, who farms east of Edmonton.

Portfolio: Chris Allam, Ardrossan, AB

For Chris Allam, the key to PPOs is cost analysis.

"You need to break down your budget for last year's farm costs and for this year's cost projections, and then apply those costs to figure out a break-even yield per acre and a break-even price at that yield. You have to make sure your costs are covered," says Allam.



"When you are making money, you don't go broke' – I have a cousin who says that."

Allam, 27, is the third generation of his family to farm at Ardrossan, AB. Together with his father Brian and brother Cameron, the family seeds about 8,000 acres, split evenly between wheat and canola with a small area planted to peas.

Last year, Allam used the Fixed Price Contract (FPC) on about half his wheat tonnes.

"We do a lot of smaller contracts, 100-200 tonnes at a time. I've already priced 200 tonnes into next year's crop," he says, via cell phone while guiding an air seeder

in early May. He's cautious to never sell more than half his wheat before the crop is in the bin. "If you get too far ahead of yourself, you can get into problems."

While budgeting is key to his pricing decisions, he also looks at where the Pool Return Outlook is in relation to the FPC price.

"If the Fixed Price is above the PRO, then you sell. Everytime we've done it, it seems like a good move. It all depends on what the pool is doing, if the PRO is strong and the fixed price isn't there, you might as well wait on it," he says. It's also important, he notes, to take the emotion out of pricing decisions.

"I've heard industry guys say that two-thirds of the crop is sold in the bottom one-third of the market. People get emotional and chase the market down. You've got to have a strong business sense and pull the trigger instead of chasing the market down. Be cautious. When you wait out for the big money you have just as much a chance of selling for less," he says.

"It's hard to do: you want to be the guy at the coffee shop bragging about the highest price."

Cash flow is also a factor in using the FPC, but not a primary one for Allam, who says it's important to weigh the cost of borrowing against the cost of getting money in hand.

"Some guys won't go into debt, and they may pull the trigger when they shouldn't have," he says.

Allam receives most of his pricing information over his Blackberry. For canola, he receives prices via text and e-mail, and calls elevators to confirm prices. For wheat, he receives daily prices via e-mail from the CWB.

He doesn't closely monitor analyst commentary.

"I don't put much stock in reading analysts. If they had all the answers they would be living in the Bahamas," he says. "What matters is what you have in the bin, the price and what your break-even is."

Farm life showcased in 2011-12 calendar

A photo of a nine-year-old girl emptying her rubber boots has captured the grand prize in this year's CWB crop year calendar photo contest.

Almost 400 photos were submitted to this year's contest on the theme "A Slice of Life".

"This photo is really a slice of life – who hasn't had water in their boots," says Lisa Klassen of High Bluff, MB, who snapped the winning photo.

"The kids were just having a ball in this creek, it was a very shallow creek, and I got a lot of good shots of the kids having fun."

The photo was taken near Austin, MB, during a cattle auction on Klassen's family farm.

Barbara Chabih, CWB senior graphic designer and one of the contest judges, said Klassen's photo was a well-composed, candid image with vibrant colour.

"It's a vivid photo that captures the girl in mid-pour – it's a moment that everyone can relate to," Chabih said.

In all, 17 photos were selected to appear in the calendar, which is included with this issue of *Grain Matters*. In addition to the creations from farm photographers across the Prairies, the calendar features important CWB dates for the 2011-12 crop year.



All winners:

- Joan Airey – Rivers, MB
- Lynne Alexander – Lenore, MB
- Wendy Anctil – Girouxville, AB
- Candais Bakke – Lisieux, SK
- Laura Ellis – Rockglen, SK
- Kaela Hoff – Gleichen, AB
- Will Huppertz – Westlock, AB
- Lisa Klassen – High Bluff, MB*
- Lorne Letkeman – Portage la Prairie, MB
- Cheryl Pady – Edenwold, SK
- Natasha Pittman – Warner, AB
- Sharlene Stanley – Pilot Butte, SK*
- Sonya Toews – MacGregor, MB
- Mickey Watkins – Aylesbury, Sk*

* Two photos selected

A delivery option to suit *your* needs

The CWB has numerous delivery options to suit your business needs, ranging from the popular Series contracts to storage programs to small niche-processing options to cash-buying opportunities. Most delivery contracts can be combined with either the pool or a Producer Payment Option. Delivering by producer car is also available on most contracts. Check out the options available for your wheat, durum and barley:

Series Delivery Contract

The most common method of contracting your grain. Offers the ability to manage your grain inventory – you choose the type, grade and quantity of the grain you want to deliver.

- Three contracts (A, B and C) for wheat and two (A and B) for durum. Each series has its own sign-up deadline.
- The acceptance level is your guarantee of delivery.
- A contract call is your green light to deliver to the elevator of your choice.

Guaranteed Delivery Contract (GDC)

Contract your grain for a specific delivery period to take advantage of specific sales opportunities.

- 100-per-cent acceptance with delivery through a single delivery call
- A set, 30-day delivery period
- Search online for available GDCs by class, and if applicable, by company or station, at cwb.ca/gdc

GrainFlo

Deliver your grain in one of two defined delivery periods.

- 100-per-cent acceptance for CWRS and CWAD acceptance same as Series A
- Sign-up is first-come, first served, with tonnage caps
- Storage payments on accepted contracts

Selected Barley Storage and Delivery Contract

Offer malting barley to a selector of your choice.

- Negotiate a delivery period
- Receive added premiums by delivering low protein two-row malting varieties or by delivering directly to a malting company
- Storage payments that increase with time

Churchill Storage Program

Provides contract incentives to store your grain on farm for future movement through the Port of Churchill. Designed for farmers who deliver within the Churchill catchment area.

- 100-per-cent acceptance
- Premium and storage payments
- Single delivery call opportunity
- Option to price your grain in the current or new crop year

Wheat Storage Program

Provides contract incentives to store on farm No. 1 CWRS wheat 14.5 per cent protein and higher for future sales into premium markets.

- 100-per-cent acceptance of all committed tonnes
- Premium and storage payments
- Ability to deliver an equal amount of new crop right after harvest to offset stored wheat
- Option to price your grain in the current or new crop year

Identity Preserved Contract Program (IPCP)

Receive incentives to grow specific varieties. The program is designed to develop markets for newer varieties and to meet specific customer requirements for varieties with established markets. The 2011-12 spring sign-up is complete.

Direct to processors

Three niche programs provide the option to deliver direct to a processor in Western Canada:

- **Value-added Incentive Program:** Deliver directly to a mill or malting plant
- **New Generation Co-operative (NGC) Program:** Members can deliver directly to an NGC
- **Field to Plate:** Qualified niche processors can purchase up to 500 tonnes directly from a producer

Cash buying

Cash-buying options offer an upfront, market-based price for barley and soft white spring wheat. These programs operate as a three-way contract between you, the CWB, and a processor. Each contains both pricing and delivery components, and includes a defined delivery period. See cwb.ca/cashbuy for more details.

- **CashPlus:** A cash-buying contract for malting barley
- **Guaranteed Price Contracts:** A cash-buying program for feed barley
- **CWSWS Cash Buy program:** A cash-buying contract for soft white spring wheat

More information

- Questions? Contact your local farm business representative (FBR) – find your FBR at cwb.ca/fbr. Or call the Farm Business Team at 1-800-275-4292 weekdays from 8 a.m. to 6 p.m. CT. You will need your CWB 10-digit producer ID number and your four-digit PIN to conduct business over the phone. Questions can also be e-mailed to farmerservice@cwb.ca.
- Delivery contract sign-up deadlines, acceptance levels and payment details are available at cwb.ca/contracts.
- Search GDC contracts at cwb.ca/gdc.



Exiting a contract

You can buy-out a wheat, durum and feed-barley delivery contract during the crop year, or assign your tonnes to another farmer. To complete a buy-out, you pay a per-tonne fee and a \$25 transaction fee. Per-tonne fees for each class are posted daily at 3 p.m. CT (Winnipeg time) each business day at www.cwb.ca/buyout.



Questions farmers are asking

It's expected that legislation will end the CWB's single desk on Aug. 1, 2012. How will this affect programs in the 2011-12 crop year?

The proposed legislation has not been introduced, and its details remain unknown. Until details become clearer, it's unknown what the impact will be on 2011-12 programs.

Going forward, the CWB is committed to keeping you informed of program and service changes that may be implemented for both the 2011-12 and 2012-13 crop years.

When is the final PRO of 2010-11?

The final Pool Return Outlook (PRO) of 2010-11 will be issued Aug. 25. PROs are usually issued on the fourth Thursday of every month. The first PRO of each crop year is released in February, before seeding has even taken place, and continues each month until August of the following calendar year. This schedule is new this year – it increases the number of PROs over past years, when late-year PROs were issued bimonthly.

What changes are coming for winter wheat?

The Western Standards Committee has approved grading changes for 2011-12 for Canada Western Red Winter (CWRW) wheat. The Canadian Grain Commission will now require protein of 11 per cent or more for CWRW to be graded as No. 1 or No. 2. A new No. 3 grade will be introduced for eligible CWRW wheat that fails to meet the

minimum specifications for Nos. 1 and 2. This change is designed to support efforts to increase the marketability of winter wheat for milling purposes and compete with U.S. Hard Red Winter wheat. In an upcoming change effective Aug. 1, 2013, all generic CWRW varieties will be moved to the Canada Western General Purpose class. All Select varieties will remain in the CWRW class. For more information, visit the Canadian Grain Commission online at www.grainscanada.gc.ca.

Are any varieties being deregistered in the upcoming crop year?

Two Canada Prairie Spring White (CPSW) varieties, Snowwhite 475 and Snowwhite 476, are being deregistered by the Canadian Food Inspection Agency. They are eligible for delivery as CPSW Nos. 1 or 2 until July 31, 2011. In the 2011-12 crop year, these varieties – like all deregistered varieties – will be eligible only for delivery as feed. For more information, see the variety designation lists on the Canadian Grain Commission's Web site, www.grainscanada.gc.ca.

So far this year, my delivery opportunities have been poor – how am I supposed to complete deliveries before the end of the crop year?

There is 100 per cent acceptance of all wheat and durum offered for delivery in the 2010-11 crop year. To ensure delivery in areas that may have been affected by

rail-service issues, the crop year will be extended on lines served by CP Rail. Due to a number of issues earlier this crop year, CP fell well behind its expected pace. Since then, the CWB and CP have signed an agreement to work together to improve rail service, and service has been improving in the affected areas. No crop-year extension is expected on CN lines. It is common in many crop years for deliveries to continue after the official crop year end on July 31 to facilitate all contracted deliveries.

How long should it take to receive my full PPO payment?

Payment is in two stages for deliveries applied against a Producer Payment Option (PPO). When you deliver your grain to the elevator and advise the agent to apply the tonnes against a PPO, you will receive the initial payment for the grain delivered. (This may not be the case if your PPO contract value is below the initial price. If your elevator does not adjust your initial payment, you will be required to refund the difference between the initial and your PPO value.) You will also receive an additional payment for the remainder of your PPO delivery that is fully priced. The additional payment is made within 10 days of the cash ticket being reported to the CWB. If you deliver unpriced tonnes, the additional payment is processed within 10 days of the tonnes being priced.

Survey says...

YOU CAN WIN!



Garmin GPSMAP 60CSx



WeatherFarm™ weather station



Kestrel 2500 weather meter

A variety of prizes!

Submit your 2011-12 CWB Variety Survey before July 15, 2011 to be eligible for Early Bird prizes. It only takes a few minutes, and the pay-off is huge.

Knowing what's growing helps the CWB market your grain.

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)
Grain Matters editor, John Lyons
Contact the CWB – Phone: 1-800-275-4292, e-mail: farmerservice@cwb.ca