

## CWB Producer Payment Options

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### Background

July 2010

The Canadian Wheat Board (CWB) introduced Producer Payment Options (PPOs) in 2000 in response to farmers' desire to exercise greater individual control over the pricing of their wheat, durum and barley. These programs were designed to give farmers alternatives to the pooling system.

PPOs offer farmers unique chances to have more control over their own marketing decisions, but are structured in such a way that the various pool accounts are protected first and foremost.

#### ***Basis Payment Contract (BPC)***

The BPC is available for all classes of non-durum wheat. Using a BPC, a farmer can fix the basis and futures value component of a wheat price at different times during the pricing period.

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

The FPC is available for all classes of wheat, including durum and for feed and designated barley. The FPC is a daily flat price that a farmer can lock in from February to January. The price for non-durum wheat is determined using a combination of CWB December basis and the relevant closing futures contract value on a given day. For the other grains, the FPC price is calculated using the PRO, minus a discount for risk, administration and the time value of money.

#### ***Early Payment Option (EPO)***

With an EPO, a farmer can collect 80, 90 or 100 percent of the PRO at the time of delivery, minus a discount for time value of money and administration costs. Essentially, the EPO allows a farmer to set a price floor for his grain, at a cost. A farmer using an EPO is still entitled to additional payments from the pool if the price goes beyond the value that he has locked in.

#### ***FlexPro***

Offers a daily price for wheat that can be locked in throughout the crop year, provided tonnage is committed before the year begins.

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

FPC Plus is a program for durum wheat that provides additional potential for participants to receive a rebate of the risk discount at the end of the year.

#### ***Daily Price Contract***

The Daily Price Contract (DPC) offers a daily price derived from current US cash market values. Tonnage for a DPC can be signed up from June 1 to July 22, and then priced between August 2 and July 31.

#### ***CashPlus***

Cash Plus was designed for western Canadian barley farmers to add flexibility to malt barley prices. The Cash Plus establishes a guaranteed cash price upfront that reflects market values.

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For further information (or to suggest topics for future information sheets) contact:

Alberta Grains Council: (780) 427-7329 [www.agric.gov.ab.ca/agc](http://www.agric.gov.ab.ca/agc)

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