



2008-09 CWB Malting Barley Guaranteed Price Program – *CashPlus*

CWB Day, Crop Production Week
January 11, 2008

Michael Brophy,

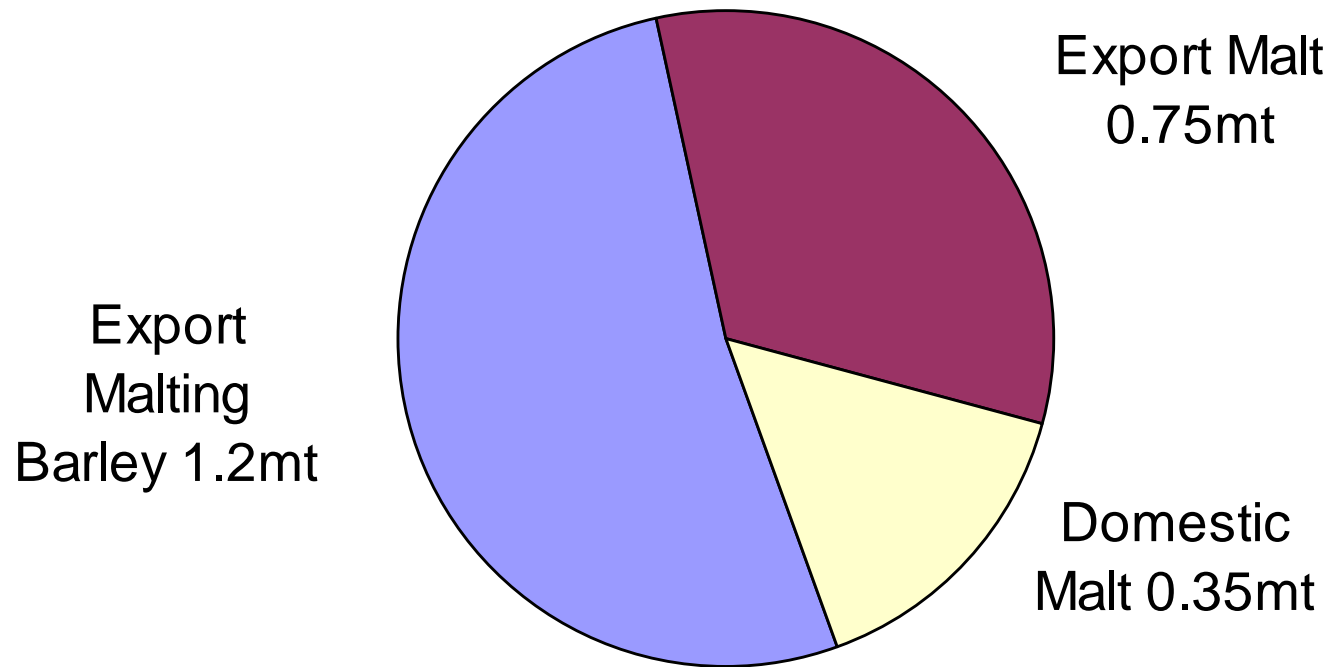
Director Barley Technical Services

CWB Product Development and Marketing Support

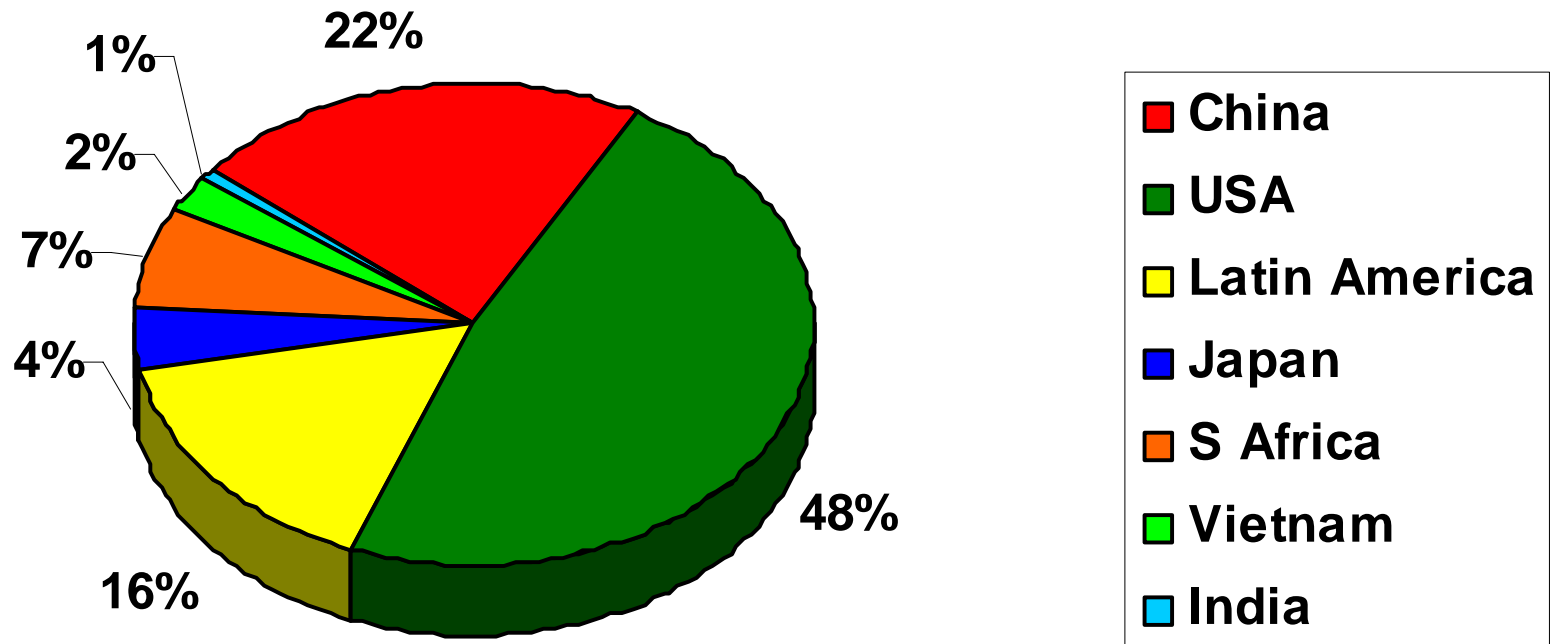


Prairie strong, worldwide

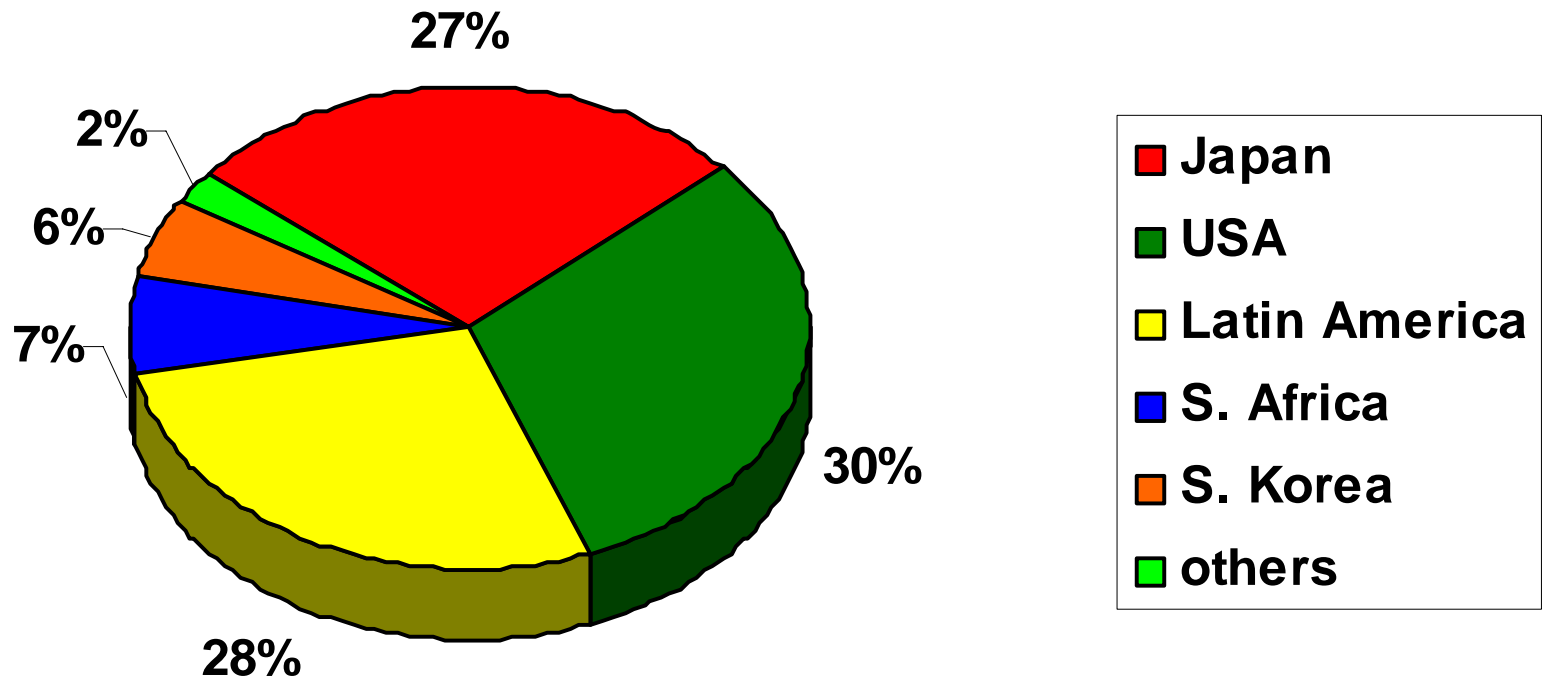
Typical Malting Barley Pool (2.3 million tonnes)



Canadian malting barley export markets 2007



Canadian malt export markets 2005-06



Issues to be addressed

- Covering risk of pre-harvest forward malt barley sales when feed prices post-harvest are high and rising
- Wide variations between pre-harvest malting barley forward sales values and post-harvest sales values
- Originating malting barley post-harvest when feed prices are high and rising
- Effective liquidated damages to ensure contracts are fulfilled
- Defining liability for selection and delivery



Objectives for new program design

- Cash price that responds to market conditions
- Flexibility to offer farmers premiums and discounts
- Secure supplies
- Facilitate forward sales
- Place price & production risk on those willing to assume it
- Effective liquidated damages
- Fulfill CWB's obligations
- Ensure competitive prices offered to farmers
- Maximize farmer-selector flexibility to negotiate



Current status

- CWB board committed to proceed with development of a new approach to barley pricing and delivery
- Latest in a series of pricing and delivery options introduced since elected farmers took over leadership in 1998
- Held malting barley grower focus groups in Fall 2007 – positive feedback
- CWB has been meeting with industry for several weeks to work out the program details



New program overview - *CashPlus*

- Guaranteed cash pricing: pre-harvest production contracts and post-harvest marketing contracts
 - Prices vary with market conditions
 - CWB establishes *guaranteed price* to farmer for standard specs ... selector and farmer free to negotiate from that point
- Three-way contracting
 - Farmer, CWB and selector; very similar to today
- CWB negotiates sales prices to buyers
 - Maintains single-desk marketing clout
- Any surplus remaining of sales revenues above the amount paid to farmers in the *CashPlus* program would be the basis of a potential premium payment distributed equally to all participating farmers on a per tonne basis



Example

At today's market values, the Guaranteed Grower Cash Price would be over \$300/tonne basis Vancouver
= over \$230/tonne (over \$5/bu) backed off to Saskatchewan.



CashPlus details

- CashPlus Guaranteed Prices will be responsive to prevailing market conditions.
- Pre-harvest CWB sales contracts will be matched with Guaranteed Price Production Contracts (GPPCs). They will be administered as sales-specific Guaranteed Delivery Contracts (GDCs).
- Growers and selectors will still have opportunity to negotiate the *basis* difference between CWB guaranteed price and their net price.
- Delivery periods will be established with extra CWB payment for later delivery periods.



Cash*Plus* details

- Desired selection specifications will be entered on the contract
- If selection specifications not met, selector still has first right of refusal at a mutually-agreed market discount

Cash*Plus* details

- Growers are obligated to provide representative sample of the contracted tonnes for selection and after selection must deliver the selected quality and tonnes
- Selectors are obligated to select the tonnes offered if the minimum quality specs on the contract are met
- If growers or selectors do not honour selection/delivery obligations or other contract terms, they can be put into default at full replacement value of the barley

Two separate options for pricing and delivery

- *CashPlus*

Or

- CWB designated barley pool after harvest with sign-up deadline (may be October 31)

This provides more choice for growers





2008-09 CWB Guaranteed Price Production Contract

Producer's Name ("the Producer")	
Producer's Address	Producer's Identification No.
Producer's Telephone No. ()	Producer's Fax No. ()

CWB Guaranteed Price \$ _____.
Less Basis (e.g. freight, elevation, tariffs, etc.) \$ _____.
Net Price \$ _____.

Net Tonnes _____.000
Variety Name

Company / Delivery Point to which the barley will be delivered	Delivery Point Name
	Company Name
	Company/Delivery Point Code
	Delivery Point Telephone No. ()

GDC Reference Number
Selecting Party Destination

Delivery Period pre December 31 _____ tonnes January - February _____ tonnes
 March - April _____ tonnes May - July 31 _____ tonnes

Storage will be payable by the CWB for delivery after December 31, 2008. Storage rates are \$x.xx for January to February, \$x.xx for March to April, and \$x.xx for May to July 31.



Minimum Quality Specifications		Quality Specifications agreed to by Selecting Party and Producer (if different)
Minimum Germination (based on a three-day, 4ml water-based test using the Germination Energy method)	95%	
Maximum moisture content	13.5%	
Maximum Protein	12.5%	
Minimum Plump	85%	
Minimum Varietal Purity	95%	

The Producer agrees to sell to the Canadian Wheat Board ("the CWB") barley of the variety and in the quantity and of the quality specified above. The barley is to meet CGC Select grade standard of quality and will not be treated with pre-harvest glyphosates or other desiccants ("the Selected Barley").

I (the *Producer*) have read the CWB 2008-09 CWB Guaranteed Price Production Contract Program: Terms and Conditions.

By completing this document and sending it to the CWB, I agree that all of said Terms and Conditions will apply to this contract.

 Producer's Signature

 Position in Company (If Applicable)

 Date

The Selecting Party agrees to call for and accept delivery of the Selected Barley from the Producer, and agrees with the Producer and the CWB to all terms and conditions of this Contract for the Selected Barley.

 Selecting Party Signature

Company _____
 (Company name)

 Date

Fax to 204-983-8031



Objectives achieved

- Cash price that responds to market conditions – **Yes**
- Flexibility to offer farmers premiums and discounts - **Yes**
- Secure supplies - **Yes**
- Facilitate forward sales - **Yes**
- Place price & production risk on those willing to assume it – **Yes**
- Effective liquidated damages - **Yes**
- Fulfill CWB's obligations - **Yes**
- Ensure competitive prices offered to farmers - **Yes**
- Maximize farmer-selector flexibility to negotiate - **Yes**



Cash*Plus*

Questions?

