



Ay, he spoke Greek!

Casca

Julius Caesar



Prairie strong, worldwide



Ay, he spoke about Basis!

Farmer

Crop Production Show



Prairie strong, worldwide

Overview

- **Why do we have Basis?**
- **What is Basis?**
- **What is a Cash Basis (ie. Open Market)?**
- **What is a CWB Basis?**
- **Why Cash Basis and CWB PRO Basis are different?**
- **What is the CWB adjustment factor?**
- **The million dollar question.....**

What is a basis in an open market?

Basis = Futures Price – Cash Price

Basis is dependent upon all factors impacting the underlying cash price. Examples

- specific quality,
- location,
- logistics (including time period, interest, & insurance),
- attract or deter grain deliveries,
- seller and buyer expectations,
- margin to the respective Company

Open Market - Pricing Grain

Three Methods of Pricing Grain

1. Cash Price

Locks in the final value and immediate delivery.

2. Deferred Delivery Contract

Lock in final value with a defined delivery period.

3. Basis Contract

Provides the farmer the opportunity (& risk) for pricing changes in either the basis or futures component.

Open Market Basis Example – Regina Area

July 23, 2007

March Futures

\$416.40

March Basis

(\$ 25.00)

Basis First

\$492.50 (\$11.16)

Net Return

\$391.40

\$ 8.88 per bushel

Futures First

\$382.40 (8.67)

December 28, 2007

March Futures

\$517.50

March Basis

(\$ 34.00)

Difference

\$110.10 (\$2.49)

Net Return

\$483.50

\$10.96 per bushel



What is a CWB basis?

CWB Basis = Pool Return Outlook – Forecasted Futures(FF)

Basis is dependent upon all factors that go into determining the PRO and the FF

- risk, time value of money and administration
- takes into account ALL firm and forecasted sales (PRO)
- the average futures price expected over the entire forward pricing period (FF)

Does NOT...

- include margin to the CWB
- operate as a mechanism to attract or deter grain deliveries



CWB - Pricing Grain

Four Methods of Pricing Grain

1. Pool Account (including Early Payment Options)

Sales are made throughout the year on a pricing model with returns “pooled “ and distributed back to farmers. Payments throughout year.

2. Daily Pricing Contract

Farmers are offered a price daily that reflects what they would receive if they were to deliver into the northern tier of the US. Paid full in 14 days.

3. Fixed Price Contract

Locking in the Basis and Futures at the same point in time. Paid full in 14 days.

4. Basis Payment Contract

Locking in Basis and Futures at separate points in time. Paid in 14 days.



Mechanics of the CWB Basis Payment Contract

- Single Desk Selling, Shared Access and Contingency Fund
- Futures month began quoting in September
- Basis Available end of February to October 31st
 - **Include Adjustment factor after August 1st**
- Futures Months – December and March
 - **After August 1st include May and July**
- Outside of pool accounts – full payment in 14 days
- Realize (deliver against), buy out or transfer

And much more....



CWB Basis Example – Basis First, March Futures

1 CWRS 13.5%

July 23, 2007

March Basis \$ (0.12)

December 28, 2007

March Futures \$ 10.07

Gross Return \$ 9.95

Average Deductions \$ 1.63

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\$ 8.83 per bushel

PRO \$ 7.38 per bushel



CWB Basis Example #2 – Futures First 2008-09

1 CWRS 13.5%

December 28, 2007

December 2008 Futures \$ 8.25

Basis Available Feb 27 to October 31

Farmers have to consider the risk!



The Million Dollar Question...

What is a good Basis?

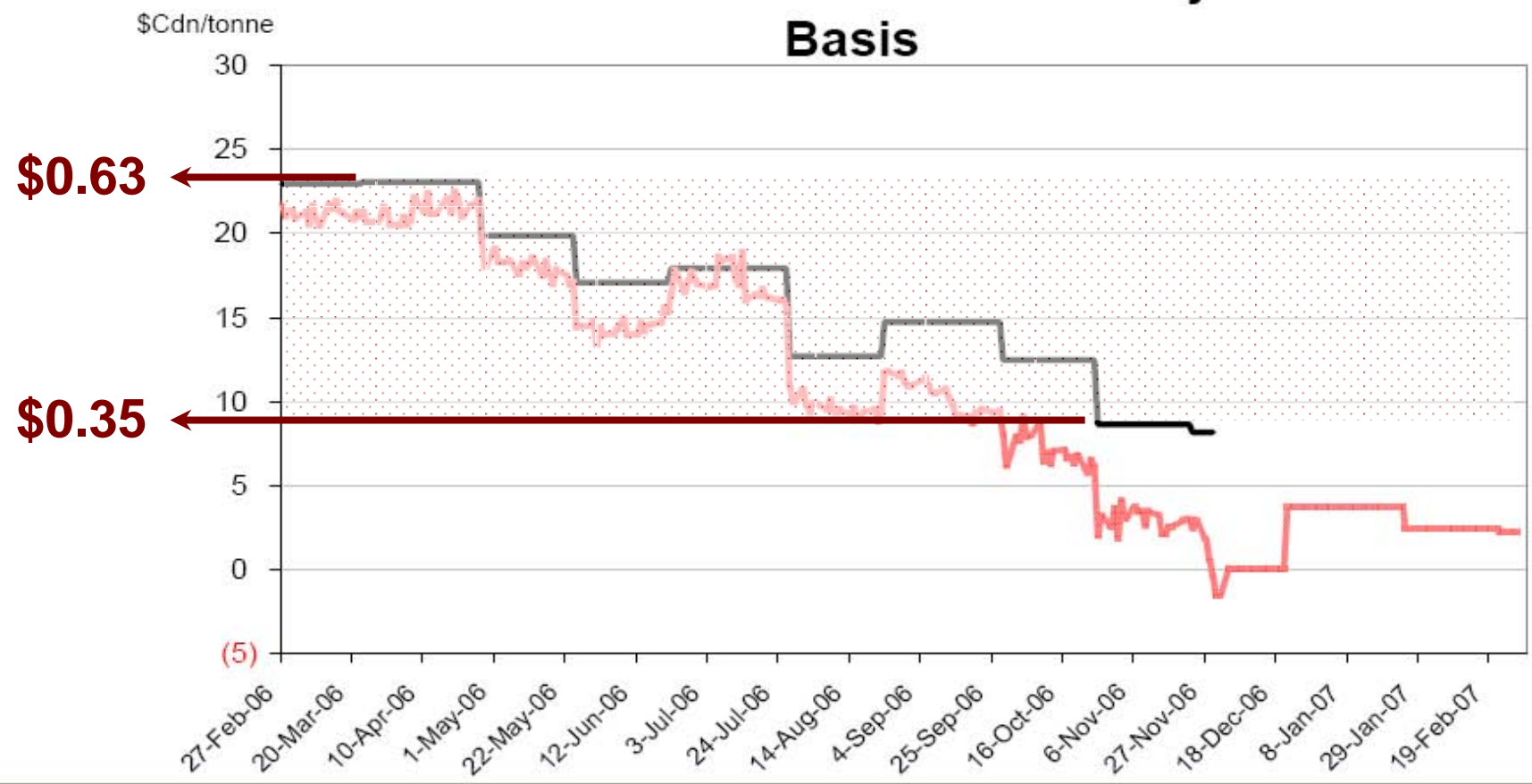
File Edit Go To Favorites Help

Back Forward Stop Home Search Favorites Refresh Mail Print Mailbox Search

Address http://www.cwb.ca/public/en/farmers/producer/historical/pdf/2006-07/fpcbpccharts_073007.pdf Go

Save a Copy Print Mail Search Select Zoom 91% Adobe Reader

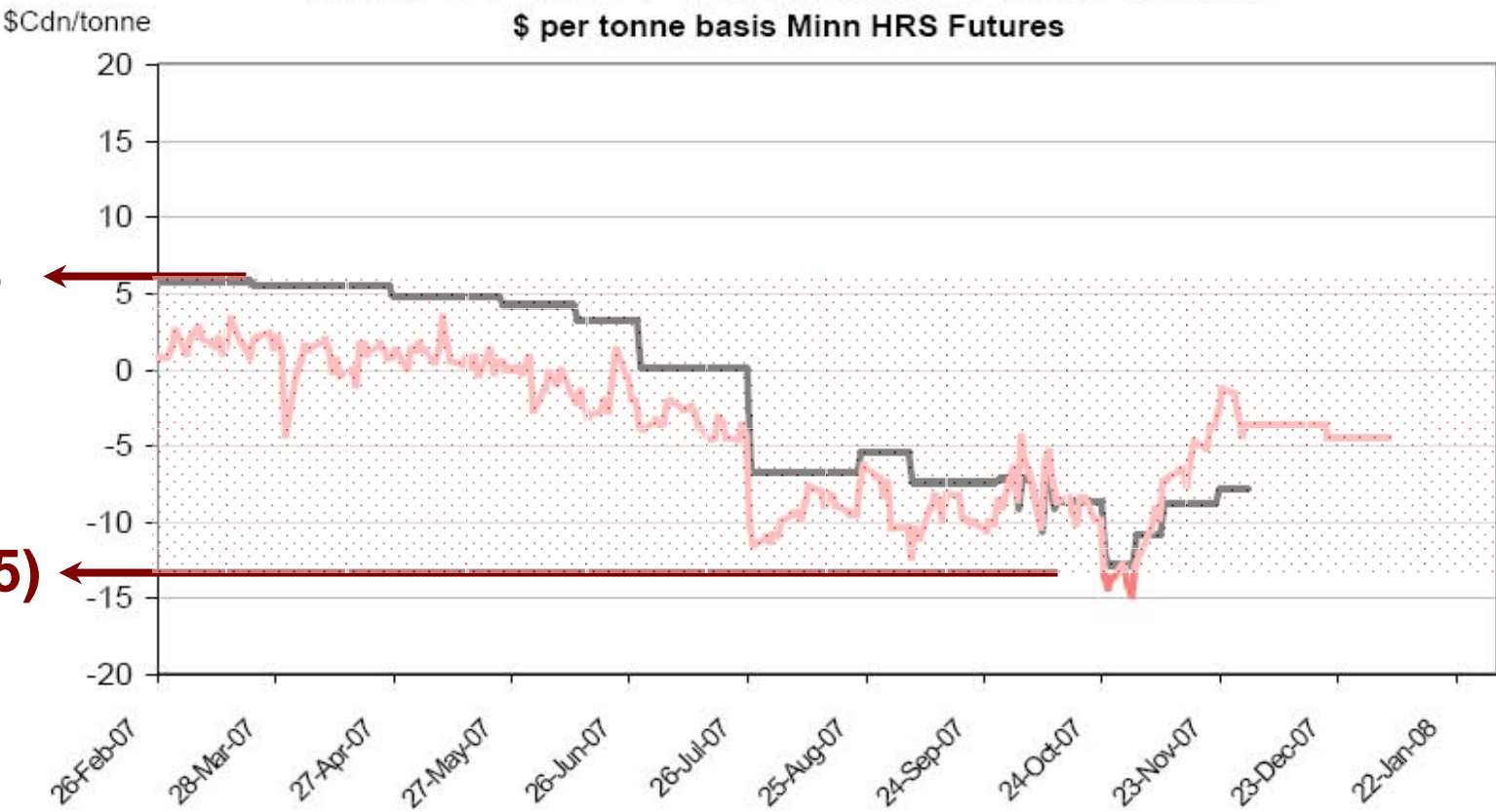
2006-07 No. 1 CWRs/HWS 13.5 Adjusted Basis



Microsoft Internet Explorer interface showing address bar, search, and navigation tools.

2007-08 No. 1 CWRs/HWS 13.5 Basis

\$ per tonne basis Minn HRS Futures



\$0.16

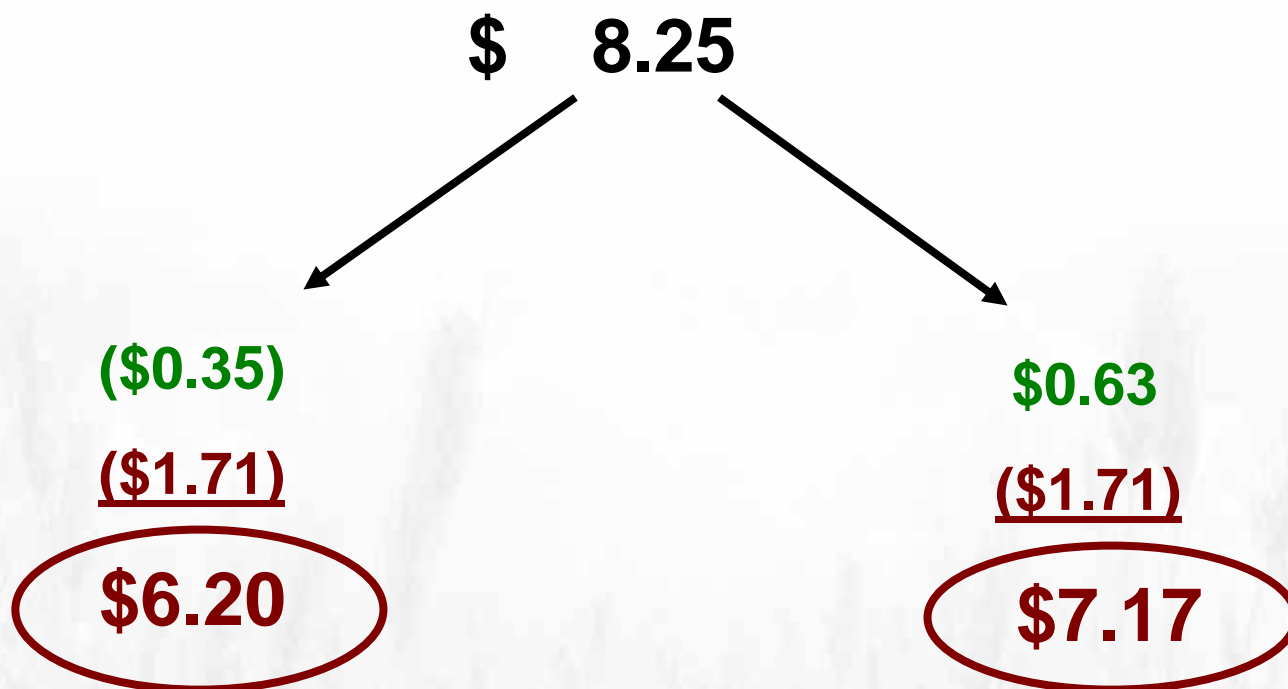
(\$0.35)

— CWRs/HWS Dec 2007 Basis — CWRs/HWS Mar 2008 Basis

CWB Basis Example #2 – Futures First 2008-09

December 28, 2007

December 2008 Futures



What is the BEST and WORST I can do?

BEST I can do?

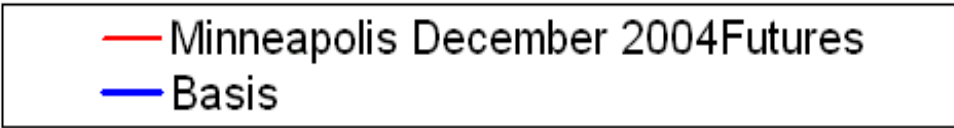
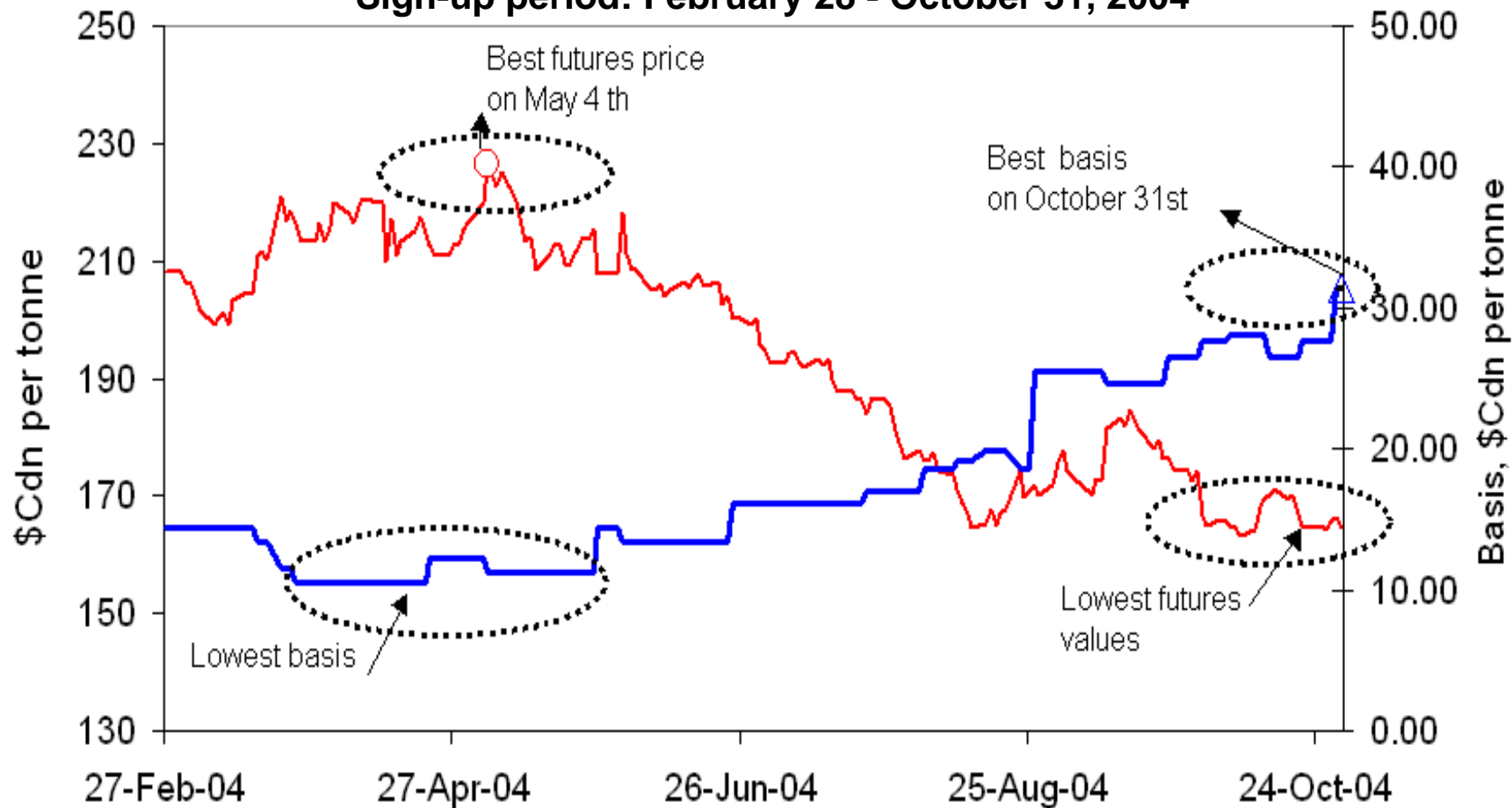
Highest Futures Price and **Most** Attractive Basis Level

Worst I can do?

Lowest Futures Price and **LEAST** Attractive Basis Level

2004-05 CWRS Basis vs Futures

Sign-up period: February 28 - October 31, 2004



Calculated Adjusted Basis/Adjustment Factor?

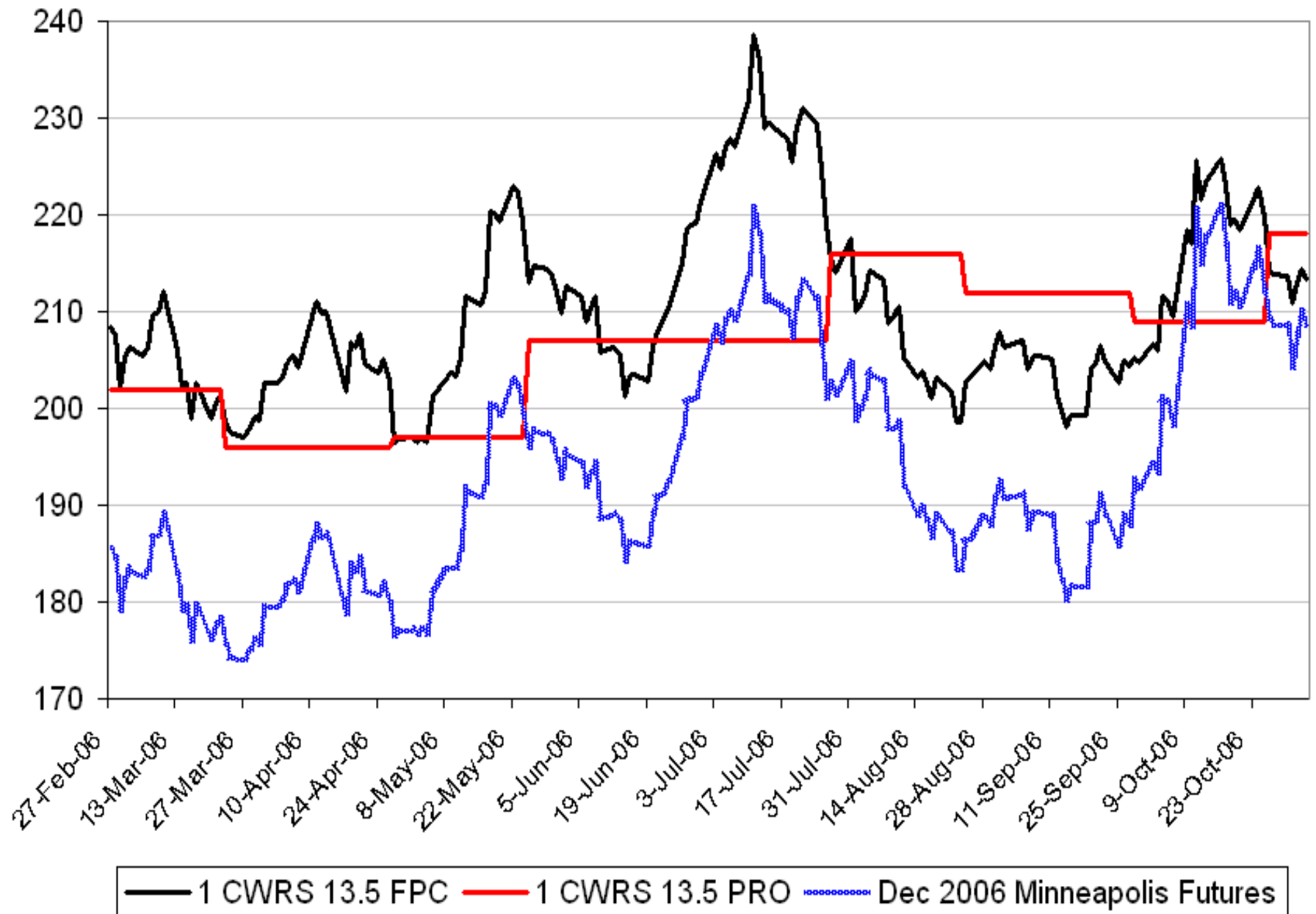
- Allows the CWB Pool Account to be neutral to pricing options
- Starts August 1st
- Can be positive or negative
- Fixed at time of signup
- Be careful when signing up?



**Get to know your
Farm Business Representative
and get informed!**

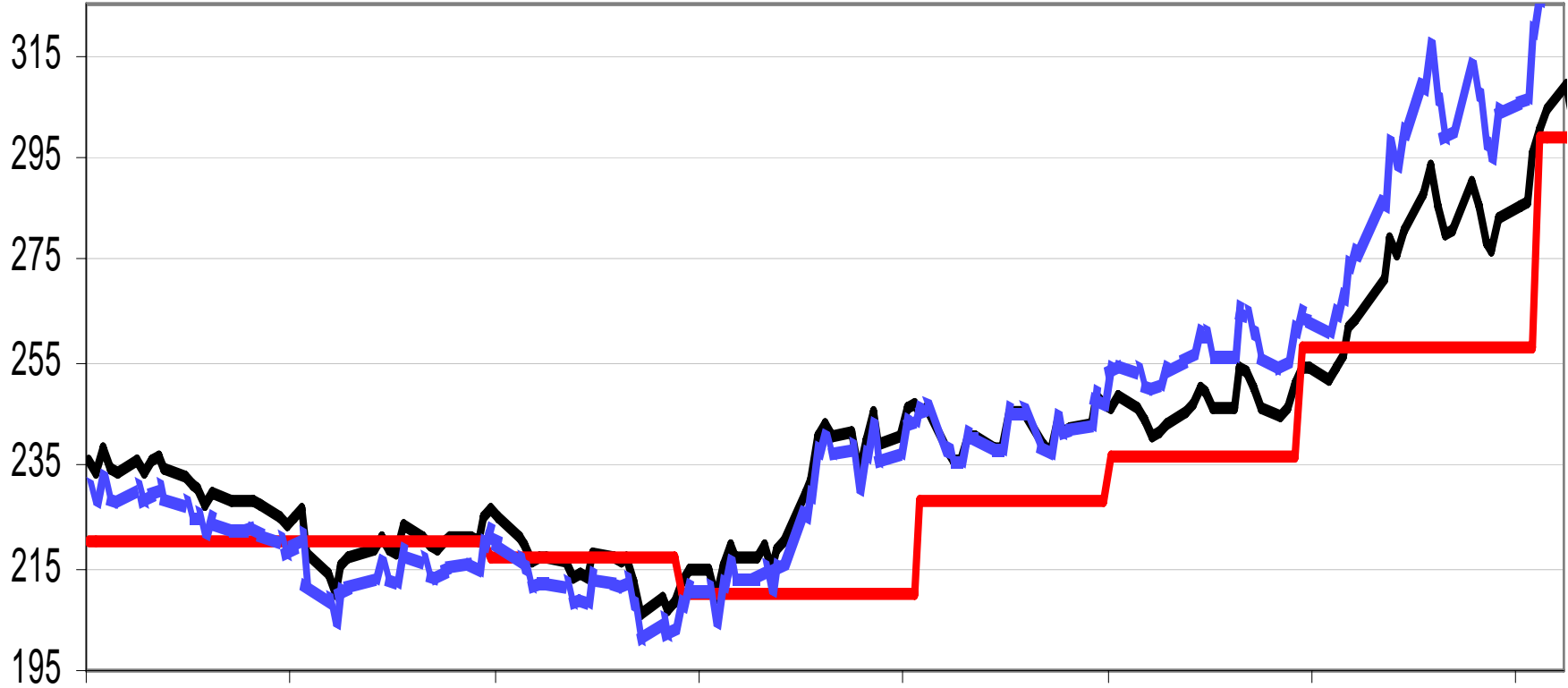
2006-07 No.1 CWRS 13.5 Fixed Price

\$Cdn/tonne



2007-08 No.1 CWRS 13.5 Fixed Price

\$Cdn/tonne



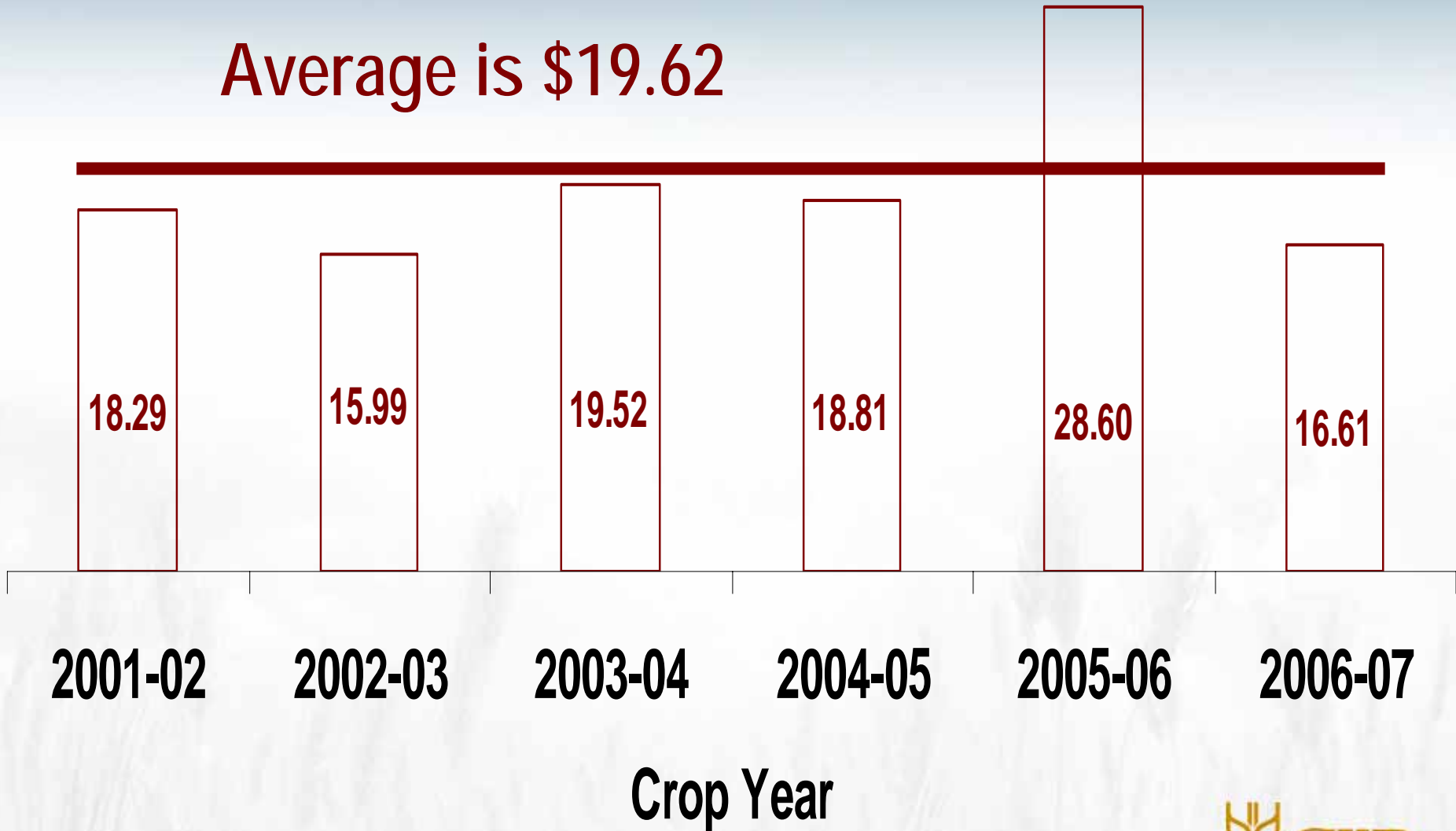
— 1 CWRS 13.5 FPC

— 1 CWRS 13.5 PRO

— Dec 2007 Minneapolis Futures

Historically, what is a good basis level for CWRS?

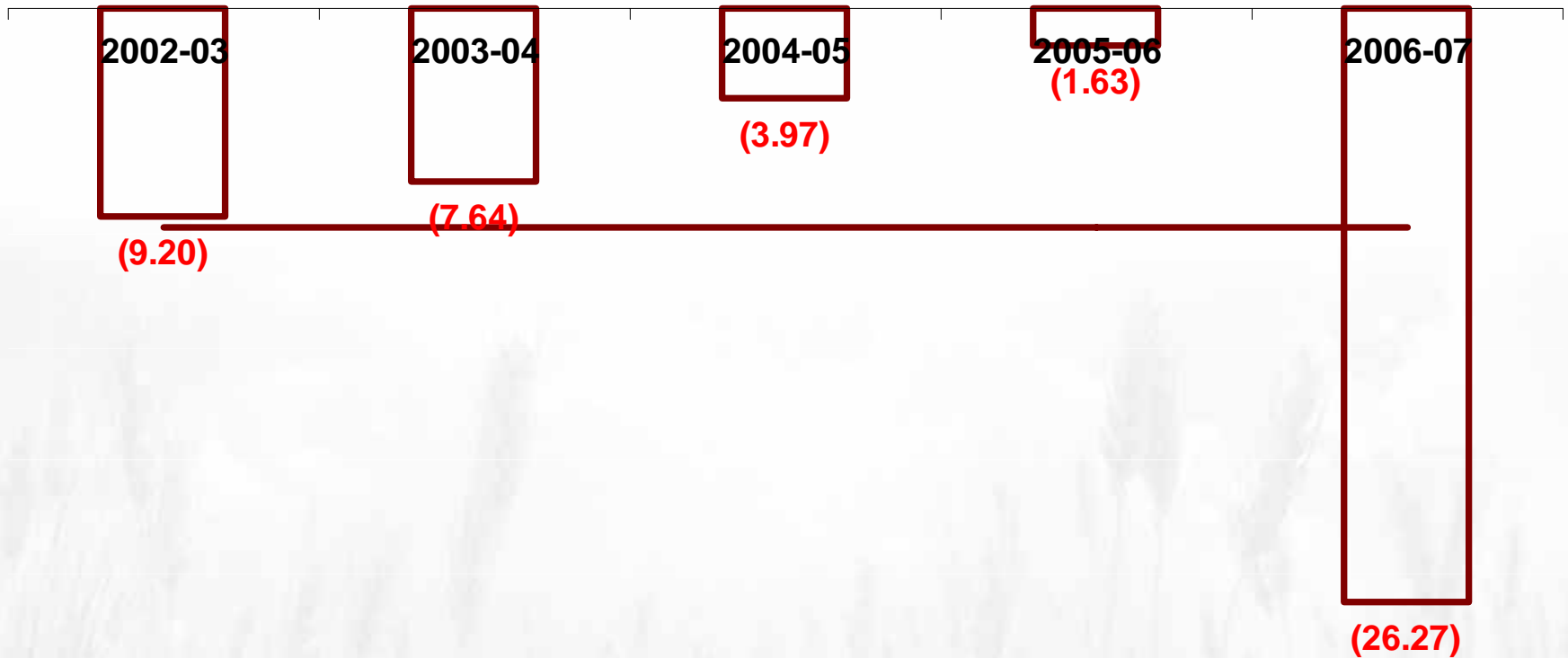
Average is \$19.62



Basis Levels for CPSR

Average Basis **(\$9.74)**

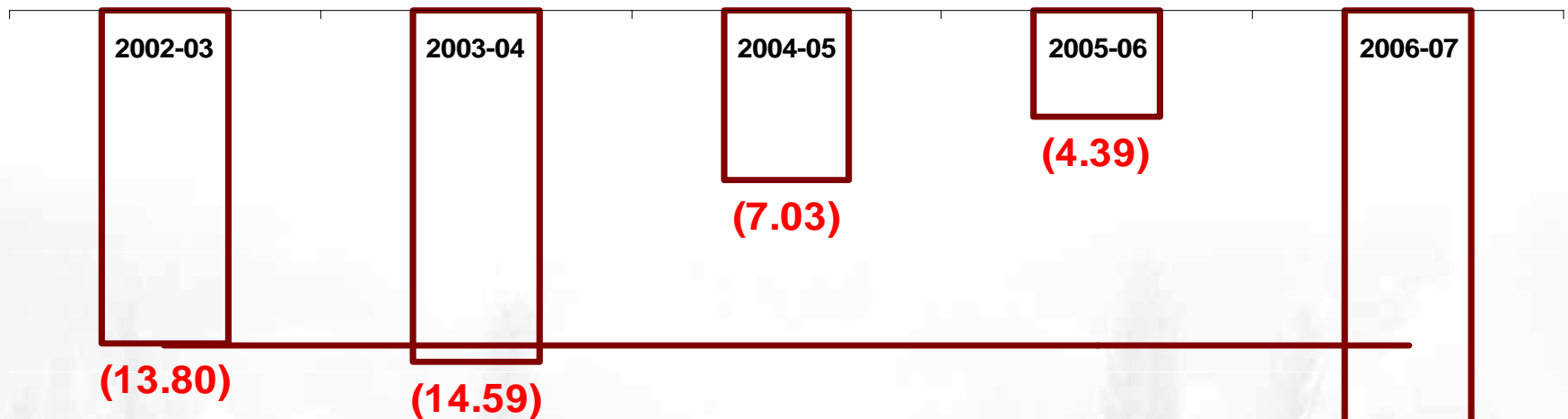
Range **(\$34.34)** to \$6.73



Basis Levels for CWRW

Average Basis **(\$13.90)**

Range **(\$29.69)** to \$5.34



Basis Levels for CWSWS

Average Basis \$16.42

Range \$9.50 to \$11.93

