

CWB EARLY PAYMENT OPTION

What is an Early Payment Option?

The Early Payment Option (EPO) is a CWB Producer Payment Option (PPO) that provides additional cash flow and sets a floor price. EPOs are available on most of the grains that are marketed through the CWB. Unlike other PPOs, tonnes signed up on an EPO remain in the CWB's pool.

What is the contract?

The EPO allows the producer to receive 80, 90 or 100 percent of the Pool Return Outlook (PRO) when they deliver their grain, the level they choose is their Early Payment Value (EPV). The EPO is available for wheat, barley and durum. Producers sign up tonnes through e-services or by fax. At the time of sign up, the producer locks in the EPV and discount. The discount represents the risk the CWB takes on by guaranteeing the early payment. The discount for an 80% EPO is lower than 100%. At time of delivery, the producer will receive the initial payment from the elevator. Within 10 business days, the producer will receive a payment from the CWB topping them up to the EPV they locked in. EPO's can be signed up from August 1st to July 31st of the crop year.

Why should this be used as part of your overall pricing strategy?

The EPO can be used to provide extra cash flow through the year with out having to leave the pool like other PPO. By locking in the EPV, the producer is also setting a floor price for their wheat, protecting them from any large down side in the PRO. Generally the spread in the discount from 80 and 90 to 100 percent is large, and for this reason it may not make sense to take a 100 percent EPO.

What should you know?

The discounts can change daily and are posted on the CWB's website. Producers can lock in the discount from 3:00 p.m. to 9:00 p.m. Winnipeg Central time. At the time of sign up, the EPV is also locked in. As the CWB increases the initial payments, they will terminate EPV levels. This is done because the initial payment maybe at a similar or higher levels than the EPV.

What is your conclusion?

The EPO can be used by producers that want to manage cash flow and remain in the CWB pool. By remaining in the pool the producer is not taking on the market risk that comes with using PPO, such as the Fixed Price contract and FlexPRO contract. However, producers can not capture any upside rallies that may occur in the market through the year.

For more information on this and other CWB PPO, please visit: <http://www.cwb.ca/public/en/farmers/producer/>