Appendix A—Inventory of Long-Term Contracts: General Contract Provisions[1]

Contract[1]	Minimum quality requirements	Volume Requirements	Contract duration	Producer compensation	Penalties	Revisions to carcass pricing program	Dispute resolution procedures
Farmland Market Hog Purchase Agreement 1998	Carcass weight 170 lbs (skinned) or 151 lbs (scalded). 51 % lean.	Quarterly delivery schedule.	34 months	Based on USDA Western Cornbelt carcass price with adjustments based on carcass merit program	Producer pays $2 per hog for undelivered hogs. Parties may seek remedies for breaches.	Not specified. Quality adjustments based on carcass merit program in effect at time of delivery.	Arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA).
Hormel Long-Term Hog Procurement Agreement 1996-a	Hog weight 225 lbs.	All hogs from several expansion project facilities with sow capacity specified for each of the facilities.	10 years	Average of previous week's plant delivered spot prices (adjusted by a calculated guaranteed minimum price) with premiums and discounts based on company Grade and Yield program	In the event of producer breach, Company can offset losses against any compensation owed to producer until company has been fully compensated. Company may terminate agreement for default.	Subject to change on 30 days written notice.	None specified.
Hormel Long-Term Hog Procurement Agreement II 1996-b	Same as 1996-a contract.	Weekly delivery schedule, subject to revision based on mutual consent and confirmed in writing.	7 years	Same as 1996-a contract.	Same as 1996-a contract.	Same as 1996-a contract.	None specified.
Hormel Long-Term Hog Procurement Agreement 1997-a	Hog weight 210 lbs.	Same as 1996-b contract.	5-10 years	Same as 1996-a contract.	Same as 1996-a contract, except for termination clause.	Subject to change	None specified.
Hormel Long-Term Hog Procurement Agreement I 1997-b	Same as 1996-a contract.	Same as 1996-b contract.	7 years	Same as 1996-a contract.	Same as 1996-a contract.	Same as 1996-a contract.	None specified.
Hormel Long-Term Hog Procurement Agreement 1997-c	Same as 1997-a contract.	A specified annual number of hogs per sow from 3 expansion phases with a minimum number of sows specified per facility. Weekly hog delivery schedule.	10 years	Same as 1996-a contract.	Material breach by either party allows non-defaulting party to seek all remedies. Defaulting party has 90 days to cure, provided that non-defaulting party may seek relief to prevent reoccurrence of breaches.	Subject to change	Arbitration in accordance with Minnesota law and the AAA.

Hormel Long-Term Hog Procurement Agreement III 1999	Same as 1996-a contract. Also, free from foreign objects (e.g., needles)	All hogs produced from a producer's sow farrowing operation or production operation, a specified number per month, or other means to be specified.	5 years	Contract price adjusted by company Carcass Buying Program, where contract price is calculated as a direct relationship to feed prices and average of previous week's plant delivered spot prices, with a guaranteed minimum price.	In the event of default, non-defaulting party may terminate agreement, in addition to all other remedies. Hormel may adjust contract price in the event of producer default as long as default continues.	Subject to change at Hormel's discretion	Mediation pursuant to the Minnesota Civil Mediation Act
Hormel Long-Term Hog Procurement Agreement IV 2000	Same as 1999 contract.	All hogs produced from a producer's sow farrowing operation or production operation, or a specified number per month.	Unknown	Same as 1999 contract.	In the event of default, non-defaulting party may terminate agreement and pursue all remedies available.	Same as 1999 contract.	Same as 1999 contract.
IBP Hog Procurement Agreement 1997-a	Carcass merit program evaluation that exceeds average of all producers that IBP buys from. Must meet existing weight specifications. Free from defects (e.g., abscesses, wounds).	Annual number (range) of hogs to be delivered each year. At the beginning of each quarter, producer provides estimated weekly delivery schedule (evenly distributed).	6 years	Window contract with ledger based on the calculated market price. The market price is the base price (average of the USDA Western Cornbelt Lean Value carcass), adjusted by the company's grade premiums and discounts and weight discounts.	In addition to all other rights and remedies under law, IBP or producer may terminate agreement upon default by the other party.	Grade premiums and discounts may change.	IBP and producer will use reasonable efforts to settle disputes.
IBP Hog Procurement Agreement 1997-b	Carcass merit program evaluation and meat quality (e.g., water holding capacity) that meets or exceeds average of all hogs delivered to IBP. Must meet existing weight specifications and a Minolta reading of 49.4 or less (color). Free from defects.	Annual number of hogs to be delivered each year. On November 1, producer provides estimated quarterly or monthly delivery schedule for the year (evenly distributed).	6 years	Same as 1997-a contract.	Same as 1997-a contract.	May be changed on a quarterly basis.	Same as 1997-a contract.

John Morrell Hog Procurement Agreement 1997-a	Hog average per load weight range of 230-270 lbs, 73% average carcass yield, and 48% average lean yield.	Must deliver at least 80% of weekly projected total production (annual projected total production divided by delivery weeks) per week and 90% of annual projected total production per year.	3 years	Window contract with ledger maintained based on market price. Market price is an Iowa/ Southern Minnesota plant delivered live hog price as reported by USDA. Payments adjusted based on the company's Grade & Yield program.	In addition to all other rights and remedies under law, Morrell or producer may terminate agreement upon default by the other party.	May be modified as deemed necessary.	Any controversy or claim shall be settled by arbitration based on rules of the AAA.
JohnM orrell Minimum Value Protection Program Participation Agreement 1997-b	None specified.	Must deliver total estimated annual production (minimum 1,500 hogs per year).	3 years	Window contract with ledger maintained, where the market price is the IowaMi nnesota plant average price. Adjusted by the company's carcass merit program.	Morrell may terminate if producer defaults.	Same as 1997-a contract.	None specified.
JohnM orrell Hog Procurement Agreement 2000	Hog average per load weight range of 230-260 lbs, 74% average carcass yield, and 49% average lean yield.	Must deliver at least 85% of annual projected total production during the year.	3 years, with optional 1 year extensions over 6 years.	Iowa/Minnesota weighted average market price reported by USDA, with premiums and discounts based on percent lean, carcass weight, and yield percentage.	Same as contract 1997-a.	Same as 1997-a contract.	Same as 1997-a contract.
Morrell Ledger Contract Program ND-a	None specified.	Must deliver total estimated annual production (minimum 1,500 hogs per year) evenly distributed throughout the year.	Unknown.	Same as 1997-b contract.	Morrell may terminate if producer fails to deliver 100% of market hogs or fails to perform any material obligation.	Same as 1997-a contract.	None specified.
JohnM orrell Window Pricing Agreement ND-b	Carcass weight range of 176-220 lbs. Backfat level less than 1 inch or at least 51% lean on average.	Specified number per year, with producer option to increase.	Unknown.	Window contract, where the market price is the Iowa/Southern Minnesota plant average price. Adjusted by the company's carcass merit program.	None specified.	After introduction of a new weight and grade program, producer has a 60 day period to end agreement, but must allow 60 days for Morrell to adjust the program or show that the program is not penalizing the hogs.	Any controversy or dispute shall be settled by binding arbitration based on rules of the AAA, with enforcement by the courts of Minnesota.

Swift & Co. Hog Purchase Contract 1998	Hog weight between 240 and 270 lbs. Barrows 50% lean, gilts 52% lean. Average dressing yield per load exceeds 73.5%. PSE per load no greater than the greater of the plant or industry average. Within USDA limit on all residues.	7,000-11,000 per year, delivered on an even weekly basis, plus or minus 10%. Producer must follow procedures for advising Swift of quantities to be delivered.	7 years	Window contract with ledger maintained, where the market price is an Iowa/ Southern Minnesota plant delivered live hog price as reported by USDA. Carcass merit adjustment depending on percent lean, size, and yield.	In addition to all other rights and remedies under law, Swift or producer may terminate agreement upon default by the other party.	May be changed to reflect changes in Swift's carcass program.	Seller and buyer will use their best efforts to settle disputes, claims, questions, and disagreements, or any contract breach.
Swift & Co. Hog Purchase Contract 2000	Meet or exceed plant average pH (or a pH standard if established). Average live weight 240 lbs to 270 lbs per load and live weight per hog 220 to 290 lbs. Lean percent no less than the greatest of 54% lean or the plant average. Average dressing yield of 75% per load.	Specified quantity per fiscal year, delivered on an equal weekly basis with advanced notice of delivery.	Unknown	Fixed price contract tied to soybean meal and corn prices, adjusted by the carcass merit adjustment.	Same as 1998 contract. In addition to all other remedies, Swift may accept or reject non-conforming hogs.	Swift will give producer 30 days written notice prior to change.	Same as 1998 contract.
Swift & Co. Hog Purchase Contract 2001	Same as 2000 contract, except lean percent no less than the greater of 53% lean or the plant average.	Same as 2000 contract.	Unknown	Window contract, where market price is the Iowa/Southern Minnesota weighted average plant delivered carcass price as reported by USDA. Price adjusted based on the carcass merit buying matrix.	Same as 2000 contract.	Same as 2000 contract.	Same as 1998 contract.

Excel Pig.Net Hog Purchase and Supply Agreement 2000	Average pH reading of 6.1 per lot. Minolta reading of 49.4. Average lean percentage of 50%.	Upon advanced notice to Excel, if producer enters into forward contract with Excel to deliver market hogs 23 to 26 weeks thereafter, minimum of 20,000 lbs of market hogs must be sold per forward contract transaction in increments of 1,000 lbs.	Unknown.	Finisher receives a contract price (based on proprietary formula), subject to a minimum and maximum target price, adjusted by the company's carcass merit program (carcass weight and lean percentage).	Excel may terminate agreement upon 30 days notice if producer fails to correct deficiencies in meeting Excel's standards over a 6 month period. Over the 6 month period, producer will not receive carcass merit premiums.	May be changed by Excel at its discretion.	Any controversy or claim shall be settled by binding arbitration based on rules of the AAA.

Note: Swift (formerly Monfort), along with Farmland Foods, were two of the most aggressive packers in signing long-term contracts in the mid-1990s ("New Deals at the Packing Plants," *Successful Farming*, March 1995).

ND=Year Not Disclosed.

[1]Contract year is our best assessment of the year that the contract was initially available based on dates contained in the contract.

Source: Iowa Attorney General's Office (*http://www.IowaAttorneyGeneral.org/working_for_farmers/contracts.html*).