

## FIG.NET™ AGREEMENT

The Cargill, Incorporated Pig.Net™ Alliance is an alliance that brings together independent swine producers, linking farrowing operations with nursery/finishing operations. Pig.Net Alliance members are independent producers who own all animals and operate their own facilities. Producers who wish to maintain maximum independence and are willing to assume price risk are free to buy and sell animals at freely fluctuating, negotiated, market rates, pursuant to the Pig.Net Maximum Independence Program™. Producers who wish to protect against negative market risks may hedge their market risk through the Pig.Net Price Risk Program™.

### For Farrowers

If you operate a farrowing facility, you will be able to sell weaner pigs to other Pig.Net Alliance members. If you would like maximum independence, you may select the Pig.Net Maximum Independence Program, which allows you to sell your weaner pigs throughout the term of this agreement to other Pig.Net Alliance members, at then current market prices.

\_\_\_\_\_ Check here if you are a farrowing facility that is participating in the Pig.Net Maximum Independence Program™.

If you operate a farrowing facility and would like to hedge your exposure to fluctuating market prices, you may select the Pig.Net Price Risk Support Program, which allows you to hedge your risk by selling weaner pigs through a matrix pricing formula which sets price based on input costs, operating costs and futures prices, and which has guaranteed floors/ceilings for your pigs.

\_\_\_\_\_ Check here if you are a farrowing facility that is participating in the Pig.Net Price Risk Support Program™.

**For Finishers**

If you operate a Nursery/Finishing facility, you will be able to purchase weaner pigs from other Pig.Net Alliance members. If you operate a Nursery/Finishing Facility and would like maximum independence, you may select the Pig.Net Maximum Independence Program, which allows you to (1) purchase your weaner pigs throughout the term of this agreement from other Pig.Net Alliance members who would also prefer to participate in the Pig.Net Maximum Independence Program, at then current market prices, and (2) sell your finished hogs to any processor, at any price you can negotiate.

\_\_\_\_\_ Check here if you are a Nursery/Finishing facility that is participating in the Pig.Net Maximum Independence Program™.

If you operate a Nursery/Finishing facility and would like to hedge your exposure against fluctuating market prices, you may select the Pig.Net Price Risk Support Program, which allows you to hedge your risk by (1) purchasing weaner pigs through a matrix pricing formula which generally sets price based on input costs, operating costs and futures prices (subject to floors and ceilings), and (2) selling your finished hogs pursuant to a special Pig.Net futures contract pricing formula.

\_\_\_\_\_ Check here if you are a nursery/finishing facility that is participating in the Pig.Net Price Risk Support Program™.

Producer understands and acknowledges that Cargill does not own any animals sold through the Pig.Net Alliance, nor does it control or operate any facilities that raise animals bought or sold through the Pig.Net Alliance. Cargill cannot and does not warrant the ability of other members of the Pig.Net Alliance to perform their obligations as Pig.Net Alliance members, nor can Cargill warrant the health or condition of any pigs sold by Pig.Net Alliance members. Producer further understands and acknowledges that swine production is difficult, subject to many factors outside the control of the Producer or Cargill, and that Cargill cannot and does not warrant or guarantee that Producer's production or profits will be increased by participating in this Program.

**PRODUCER**

\_\_\_\_\_

**FIG.NET™ PRICE RISK PROGRAM AGREEMENT**  
**For Finishing Operations**

This Agreement is entered into by and between Cargill, Incorporated ("Cargill") and \_\_\_\_\_ ("Finisher"), effective the \_\_\_ day of \_\_\_\_\_, 200\_\_.

Whereas, Cargill has established an alliance (the "Fig.Net Alliance") of independent swine producers who are willing to buy or sell weaner pigs (young pigs, 21 days and younger in age) to or from other members of the Fig.Net Alliance; and

Whereas, Finisher operates a nursery to finish swine production facility ("Finisher's Facility") with a Facility Capacity of \_\_\_\_\_ head and would like to purchase weaner pigs through the Fig.Net Alliance; and

Whereas, another Fig.Net Alliance member ("Farrower"), listed in attached Exhibit A, would like to sell weaner pigs to Finisher; and

Whereas, Finisher would like to purchase weaner pigs through the Fig.Net Price Risk Program For Finishing Operations.

The Parties Agree as follows:

1. **Sale of Weaner Pigs.** Finisher agrees to purchase weaner pigs from Farrower, pursuant to the terms of this Agreement.
2. **Finisher's Responsibilities.** Finisher is responsible for and controls all aspects of operations at Finisher's Facility. Finisher shall provide physical facilities and all equipment necessary to adequately house, shelter, feed, and otherwise care for Finisher's swine in accordance with good industry standards (including biosecurity standards) and in compliance with all applicable laws, regulations and ordinances. Without limiting the foregoing, Finisher agrees to operate and maintain waste management facilities in accordance with good industry standards, and in compliance with all applicable laws, regulations and ordinances. Finisher has sole control and responsibility for labor necessary to perform all of Finisher's obligations hereunder. Subject to applicable laws, regulations and ordinances, Finisher has sole control and responsibility for all medical care associated with Finisher's swine.
3. **Process for Transfer of Weaner Pigs.** Finisher shall work with Farrower to coordinate delivery and receipt of weaner pigs on a rotating basis with other Fig.Net Alliance members who are also purchasing weaner pigs from Farrower. Finisher shall count all weaner pigs transferred, weigh any suspect pigs, and inspect them. Upon receipt of weaner pigs, Finisher shall promptly notify Farrower and Cargill of the number of pigs received and of any blemishes

or inadequacies pursuant to Section 9 of this Agreement. Finisher shall take ownership of all weaner pigs upon delivery, and Finisher shall assume all risk of loss upon delivery. Finisher shall have no responsibility for paying for any weaner pigs that die or disappear in transit. Target shipment weight for each shipment of weaner pigs shall be an average of 10 pounds each.

4. Price and Terms for Weaner Pigs. Subject to the floor and ceiling set forth in Section 8 of this Agreement, and subject to adjustments and modifications as set forth in Sections 7 and 9 of this Agreement, the sale price for all weaner pigs sold hereunder shall be determined based on the Cargill Pig.Net Pricing Matrix ("The Pig.Net Base Matrix") attached hereto as Exhibit B. The Pig.Net Base Matrix is a formula for determining the price of weaner pigs, based on the projected initial size of the pigs, the projected future market price for the pig (including projected premiums), the projected number of days on feed, the projected average size of market hogs, the projected amount and price for feed, medication and freight, the projected death/cull rate, interest, and other, miscellaneous expenses incurred in raising and marketing pigs. In computing the projected feed cost, the Pig.Net Base Matrix, gathers, each week, a 26 week weighted average corn price, collected from key points in Iowa (currently, Cherokee, Atlantic, Rowan, Greeley, West Branch, and subject to change at Cargill's discretion) and then averaged. In computing the projected feed cost, the Pig.Net Base Matrix, gathers, each week, a 26 week weighted average soybean meal price, collected from key points in Iowa (currently, Cedar Rapids, Des Moines, and Iowa Falls, and subject to change at Cargill's discretion) and then averaged. Soybean meal will have a \$10.00 per ton freight charge added to the weighted average price (or other amount as determined by Cargill from time to time). In computing the predicted future value of the weaner pig as market hogs, The Pig.Net Base Matrix utilizes a forward contract price, which equals the lean hog futures price for finished hogs on the Chicago Mercantile Exchange, for the time period that Finisher is projected to deliver finished hogs, plus or minus the Predicted Basis. The "Predicted Basis" shall mean the amount published by Excel Corporation as the Basis for all Pig.Net Weaner Pigs delivered on any particular week. Cargill shall calculate The Pig.Net Base Matrix price on a weekly basis.

Farrower shall invoice Finisher upon delivery of weaner pigs, and Finisher shall pay Farrower upon delivery of pigs.

5. Finisher's Obligation to Forward Contract Sale of Weaner Pigs. Finisher shall forward contract for the sale of all pigs sold hereunder pursuant to a forward contract pricing formula that supports prices to be paid hereunder. In the event that Finisher fails to enter into such a forward contract, Farrower shall be relieved from its obligation to deliver weaner pigs to Finisher, for so long as Finisher fails to do so. In addition, Finisher shall be liable to Farrower for any losses Farrower incurs as a result of Finisher's failure to enter into such a forward contract, and Finisher shall be liable to Cargill for liquidated damages

equal to \$10.00 per pig multiplied by the number of pigs Finisher would have been obligated to purchase throughout the remainder of this Agreement.

6. Close-Out Reports. Finisher shall complete close-out reports ("Close-Out Reports") for all groups of swine purchased and sold under the Pig.Net Alliance, utilizing forms provided by Cargill, and Finisher shall forward the completed Close-Out Reports to Cargill within ten (10) days of the date Finisher markets the last pig in that group. Finisher understands and acknowledges that modifications to the Pig.Net Base Matrix and any Facility-Specific Matrix is dependent on members of the Pig.Net Alliance providing Cargill with accurate and complete Close-Out Reports. Finisher agrees to use best efforts to complete Close-Out Reports in a complete and timely manner, and Finisher acknowledges that failure to do so shall be deemed a material breach of this Agreement.

7. Modification to Pig.Net Pricing Matrix. The Pig.Net Base Matrix is a proprietary formula of Cargill and is subject to change if the projections are shown to be incorrect on a Pig.Net Alliance-wide basis. For instance, if transportation costs significantly increase, The Pig.Net Base Matrix may be modified to reflect a higher projected transportation cost. Similarly, if veterinary/medical costs increase because of widespread health problems, the Pig.Net Base Matrix may be modified to reflect the higher costs. In addition, the interest rate may change weekly, based on the prime rate as reported by the Wall Street Journal under the heading "Money Rates."

In addition, if Close-Out Reports related to Farrower's pigs reflect that Farrower's weaner pigs perform differently than Pig.Net projections on feed conversion, average daily gain, death/cull losses, medical costs, pig market weight, market hog weight, or payment cutout premiums, Cargill may create a Facility-Specific Matrix that determines weaner pig prices based on projections that are specific to Farrower's pigs. Cargill may modify the Facility-Specific Matrix periodically, if Close-Out Reports from the top ½ of all Pig.Net Alliance members who are purchasing from Farrower shows that assumptions or projections utilized in creating the Facility-Specific Matrix are inaccurate. Cargill shall provide Finisher with at least thirty (30) days written notice of intent to change The Pig.Net Base Matrix or to impose or modify a Facility-Specific Matrix that impacts Finisher.

8. Floor/Ceiling for Price. In the event that the sale price for weaner pigs as determined by The Pig.Net Base Matrix is less than \$25.00 per head, the sale price shall be \$25.00 per head. In the event that the sale price as determined by The Pig.Net Base Matrix, is greater than \$40.00 per head, the sale price shall be \$40.00 per head. If a Facility-Specific Matrix has been imposed, and the sale price that would have been determined by The Pig.Net Base Matrix is less than \$25.00 per head, the sale price shall be the price determined by the Facility-Specific Matrix, plus the difference between \$25.00 per head and The Pig.Net Base Matrix Price. Similarly, if a Facility-Specific Matrix has been imposed, and the sale price that would have been determined

by The Pig.Net Base Matrix is more than \$40.00 per head, the sale price shall be the price determined by the Facility-Specific Matrix, minus the difference between \$40.00 per head and The Pig.Net Base Matrix Price.

9. Adjustment to Price for Weaner Pigs. The price for all weaner pigs sold hereunder shall be adjusted in accordance with the current Pig.Net Blemished Pig Adjustment Schedule (the "Blemish Schedule"), which may be amended or adjusted by Cargill from time to time. A copy of the current Blemish Schedule is attached hereto as Exhibit C. Notwithstanding the foregoing, Finisher and Farrower shall have the right to mutually agree, in writing, to create their own blemish schedule to determine how the price for imperfect weaner pigs will be adjusted.

10. Disputed Invoices. In the event there is a bona fide dispute between Farrower and Finisher over the amount due for weaner pigs delivered hereunder, Finisher shall pay the undisputed amount, and the parties will attempt to amicably resolve their dispute.

11. Farrower's Lien to Weaner Pigs. Finisher hereby grants Farrower a purchase money security interest in any weaner pigs purchased hereunder, to secure payment of any amounts Finisher may owe Farrower. Finisher agrees to sign a separate security agreement, assignment, and/or UCC financing statement if Farrower requests that Finisher execute such documents.

12. Pig.Net Subscription Fee. Subject to Section 13 hereinbelow, Finisher shall pay Cargill a subscription fee equal to \$3.50 per weaner pig for all weaner pigs purchased through the Pig.Net System. Payment of the subscription fee shall be on a monthly basis.

13. Purchase of Cargill Approved Feed. Cargill agrees to waive the subscription fee provided for in Section 12 hereinabove for any month if Finisher utilizes only Cargill animal nutrition products to feed pigs purchased through the Pig.Net Alliance. Finisher may purchase Pig.Net™ complete feed products or Finisher may purchase Pig.Net™ premixes or concentrates and grind or toll mill Finisher's own feed.

14. Coordination with Ancillary Documents. Concurrent with entering into this Agreement, Farrower is entering into a Pig.Net Price Risk Program Agreement for Farrowing Operations, substantially in the form as attached Exhibit D ("The Farrower Pig.Net Agreement"). Finisher agrees to purchase weaner pigs from Farrower pursuant to the term of this Agreement and The Farrower Pig.Net Agreement. Finisher agrees to be bound by the term of the Farrower Pig.Net Agreement, as though Finisher were a party to said Agreement. At Cargill's request, Finisher shall execute the Farrower Pig.Net Agreement confirming Finisher's intent to be bound by the terms of said Agreement. Finisher shall be considered a third party beneficiary of the Farrower Pig.Net Farrowing Operations Agreement, and Farrower shall be considered a third party beneficiary of this Agreement.

15. Replacement of Farrower. In the event that Farrower (or Farrower's replacement) is unable or unwilling to perform as contemplated hereunder, Cargill shall be entitled to provide Finisher with a replacement Farrower to supply Finisher's weaner pigs hereunder. If Cargill is unable to find an acceptable replacement Farrower, within one hundred and twenty (120) days, Finisher's sole remedy shall be that Finisher shall be relieved from purchasing weaner pigs hereunder.

16. Disclaimer of Warranty. Finisher understands and acknowledges that Cargill does not own any animals sold under the Pig.Net Alliance, nor does it control or operate any facilities that raise or breed animals bought or sold through the Pig.Net Alliance. Finisher is encouraged to conduct due diligence prior to entering into this Agreement, to determine the worthiness of Farrower prior to committing to a long term agreement to purchase weaner pigs from Farrower. Cargill does not and cannot warrant the worthiness of any Pig.Net Alliance member who may wish to participate in the Pig.Net Program. Finisher acknowledges that in entering into this Agreement, Finisher is not relying on any representation of Cargill or Cargill's employees or agents as to the worthiness of any Pig.Net Alliance member who may agree to sell weaner pigs to Finisher. Cargill cannot and does not warrant or guaranty the ability of other members of the Pig.Net Alliance to perform obligations required of Pig.Net Alliance members, nor can Cargill warrant the health or condition of any pigs sold through the Pig.Net Alliance. Finisher further understands and acknowledges that swine production is difficult, subject to many factors outside the control of the Finisher or Cargill, and that Cargill cannot and does not warrant or guarantee that Finisher's production or profits will be increased by participating in the Pig.Net Alliance.

17. Term. The term of this Agreement shall be three (3) years and nine (9) weeks, beginning on the effective date first above-written of, if no effective date is first above written, then the effective date shall be the first date Farrower ships weaner pigs to Pig.Net Alliance members. This Agreement shall be automatically extended for a term of two (2) additional years unless Cargill provides Finisher with at least ninety (90) days notice of intent to terminate. During the two (2) year additional term, Cargill shall have the right to terminate this Agreement by providing Finisher with at least ninety (90) days notice of intent to terminate.

18. Cargill's Right to Inspect Finisher's Facility and Records. Cargill shall have the right to inspect Finisher's facility and records, at reasonable times and upon reasonable notice.

19. Relationship of Parties. This is a service agreement. Cargill is not acting as Finisher's agent in connection with this Agreement or any ancillary agreements Finisher may sign in connection with the Pig.Net Alliance. Cargill and Finisher are each independent contractors and the parties acknowledge that

Finisher is in sole control of Finisher's Facility, except as specifically set forth herein. Neither Finisher nor his agents or employees shall be construed to be the employees of Cargill for any purpose whatsoever. This Agreement does not constitute any form of joint venture or partnership. Finisher accepts full responsibility for any and all taxes for Workmen's Compensation Insurance, Unemployment Compensation Insurance or Old Age, Survivors, Disability and Health Insurance Benefits and all similar insurance and benefits programs as to himself and all persons engaged in the performance of this Agreement on behalf of the Finisher.

20. Entire Agreement, Amendment. This Agreement contains the entire understanding of the parties and supersedes and replaces the letter of intent previously executed by the parties. This Agreement may be modified or amended only upon the written agreement of all parties hereto.

21. Notices. All notices required to be given hereunder shall be in writing and shall be sent by postage prepaid, certified or registered mail to the addresses as given hereinbelow:

If to Finisher:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Cargill:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

22. Waivers. The failure of any party to enforce at any time any of the provisions of this Agreement or to exercise its rights under any of the provisions or to require at any time a certain performance of the other party of any of the provisions herein, shall in no way be construed to be a waiver of such provision, nor in any way affect the validity of this Agreement or any part thereof, of the right of any party thereafter to enforce each and every such provision.

23. Assignment. This Agreement shall be binding upon and shall inure to the benefits of the parties hereto and their respective successors and assigns; provided that Finisher shall not assign this Agreement in whole or in part without the prior written consent of Cargill. Any attempted assignment in violation of this provision shall be void.

24. Governing Law, Arbitration of Claims. This Agreement and rights of parties under this Agreement shall be governed by and construed in accordance with the laws of the state of Iowa. Any controversy or claim arising out of, or relating to this contract, or the breach thereof, shall be settled by arbitration, in



Cedar Rapids, Iowa in accordance with the rules then obtaining of the American Arbitration Association and judgment upon the award rendered may be entered in any court having jurisdiction thereof.

25. Default, Termination. If either Finisher or Cargill materially breaches a material provision of this Agreement, and fails to cure said default within a reasonable time after written notice of said default, the non-defaulting party may, in addition to any other rights and remedies it may have at law or equity, terminate this Agreement with thirty (30) days written notice.

**Finisher warrants that he/she has read and understands this Agreement and acknowledges that this document sets forth the only agreement between Cargill and Finisher. This Agreement supersedes any verbal or implied representations and can only be modified by written agreement signed by both parties.**

**THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES. FINISHER IS ENCOURAGED TO SEEK LEGAL COUNSEL PRIOR TO EXECUTING THIS AGREEMENT.**

CARGILL, INCORPORATED  
Animal Nutrition Business Unit

BY: \_\_\_\_\_  
Business Manager

\_\_\_\_\_  
Witness

FINISHER

\_\_\_\_\_  
Proprietor/Gen. Partner/Officer  
(Please circle one)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Proprietor/Gen. Partner/Officer  
(Please circle one)

\_\_\_\_\_  
Witness

Recommended by:  
Territory Manager \_\_\_\_\_

Date: \_\_\_\_\_

**NOTE TO FINISHER:** \_\_\_\_\_ The territory manager may not bind Cargill to this Request. This Request is binding upon Cargill only when signed by a Designated Cargill Business Manager.

**Exhibit A**  
**Farrower**

The following is the name and address of the Pig.Net Alliance Farrower from whom Finisher is presently scheduled to purchase weaner pigs. By signing below Farrower agrees to be bound by this Agreement:

| <b><u>Name</u></b> | <b><u>Address</u></b> | <b><u>Signature</u></b> |
|--------------------|-----------------------|-------------------------|
| _____              | _____                 | _____                   |

**Exhibit B**  
**Pig.Net Pricing Matrix**

**EXHIBIT C**

**Pig.Net**

*Pig Adjustment Schedule*

|    | <b>Type of Malformation</b>                      |  | <b>Value</b> | <b>Discount</b> |
|----|--|--|--------------|-----------------|
| 1  | Soft elbow tissue                                |  | 100%         | 0%              |
| 2  | Crinkled ear (no swelling)                       |  | 100%         | 0%              |
| 3  | Crinkled ear (with swelling)                     |  | 90%          | 10%             |
| 4  | Rough hair coat, unthrifty                       |  | 50%          | 50%             |
| 5  | Hard swollen joints                              |  | 75%          | 25%             |
| 6  | Uncastrated                                      |  | 90%          | 10%             |
| 7  | Humpback   |  | 50%          | 50%             |
| 8  | Lesions or open wounds                           |  | 50%          | 50%             |
| 9  | Greasy pig                                       |  | 0%           | 100%            |
| 10 | Permanently crippled                             |  | 0%           | 100%            |
| 11 | Rectal prolapse                                  |  | 0%           | 100%            |
| 12 | Scrotal rupture                                  |  | 0%           | 100%            |
| 13 | Large Knot or abscess (golf ball or larger)      |  | 0%           | 100%            |
| 14 | Small Knot or abscess                            |  | 75%          | 25%             |
| 15 | Belly Rupture                                    |  | 0%           | 100%            |
| 16 | Navel Infection                                  |  | 50%          | 50%             |
| 17 | Undocked tails                                   |  | 90%          | 10%             |
| 18 | Dead on Arrival (DOA)                            |  | 0%           | 100%            |
| 19 | Less than 7 LB. (must be weighed at destination) |  | 0%           | 100%            |

**100% DISCOUNT PIGS MUST BE DESTROYED AND PROPERLY DISPOSED.**

Exhibit D  
FIG.NET™ PRICE RISK PROGRAM AGREEMENT  
For Farrowing Operations

This Agreement is entered into by and between Cargill, Incorporated ("Cargill") and \_\_\_\_\_ ("Farrower"), effective the \_\_\_ day of \_\_\_\_\_, 200\_\_.

Whereas, Cargill has established an alliance (the "Pig.Net Alliance") of independent swine producers who are willing to buy or sell weaner pigs (young pigs, 21 days and younger in age) to or from other members of the Pig.Net Alliance; and

Whereas, Farrower operates a \_\_\_\_\_ sow farrowing unit ("Farrower's Facility") and would like to sell all of the weaner pigs from Farrower's Facility to other Pig.Net Alliance members; and

Whereas, other members of the Pig.Net Alliance ("Finishers") would like to purchase all of Farrower's weaner pigs; and

Whereas, Farrower would like to sell weaner pigs through the Pig.Net Price Risk Program™ to Finishers.

The Parties Agree as follows:

1. **Sale of Weaner Pigs.** Farrower agrees to sell all weaner pigs produced at Farrower's Facility to Finishers, pursuant to the terms of this Agreement. The names and Facility Capacity of Finishers to whom Farrower will sell weaner pigs hereunder are set forth in attached Exhibit A, and may be modified during the term of this Agreement as set forth in Section 13.
2. **Farrower's Responsibilities.** Farrower is responsible for all aspects of operations at Farrower's Facility. Farrower shall provide physical facilities and all equipment necessary to adequately house, shelter, feed, breed and otherwise care for Farrower's breeding stock and weaner pigs in accordance with good industry standards (including biosecurity standards), and Farrower shall comply with all applicable laws, regulations and ordinances. Without limiting the foregoing, Farrower agrees to operate and maintain waste management facilities in accordance with good industry standards, and in compliance with all applicable laws, regulations and ordinances. Farrower has sole control and responsibility for labor necessary to perform all of Farrower's obligations hereunder. Except as specified in Section 15 below, Farrower has sole control and responsibility for all aspects of breeding, including choice of genetics, insemination of sows, culling unproductive sows, and bringing in replacement gilts. Subject to applicable laws, regulations and ordinances, Farrower has sole control and

responsibility for all medical care associated with Farrower's breeding stock and weaner pigs.

3. Process for Transfer of Weaner Pigs. Farrower shall monitor farrowing rates, pig growth and weaner pig development and shall keep Cargill and Finishers informed as to projected shipments of weaner pigs. On a weekly basis, Farrower will ship all qualified weaned pigs to Finishers, with the receiving Finishers rotated on a weekly basis. Farrower will work with Finishers to coordinate shipment and delivery of weaner pigs, so that Finishers receive regular shipments of weaner pigs, and so that Finisher's Facilities are filled in a timely manner. On the Wednesday prior to the week of delivery, Farrower shall contact Finisher and Cargill and advise them of the number of weaner pigs to be delivered in the upcoming week. Farrower shall count all qualified weaner pigs transferred, weigh any suspect pigs, sort them, load them, note any blemishes or inadequacies, and arrange for and pay for shipment to Finisher. Farrower shall retain ownership of all weaner pigs while in transit, and Farrower shall assume all risk of loss until they are delivered to Finisher. Farrower shall receive no payment for any weaner pigs that die or disappear in transit. Target shipment weight for each shipment of weaner pigs shall be an average of 10 pounds each.

4. Price and Terms for Weaner Pigs. Subject to the floor and ceiling set forth in Section 6 of this Agreement, and subject to adjustments and modifications as set forth in Sections 5 and 7 of this Agreement, the sale price for all weaner pigs sold hereunder shall be determined based on the Cargill Pig.Net Pricing Matrix ("The Pig.Net Base Matrix") attached hereto as Exhibit B. The Pig.Net Base Matrix is a formula for determining the price of weaner pigs, based on the projected initial size of the pigs, the projected future market price for the pig (including projected premiums), the projected number of days on feed, the projected average size of market hogs, the projected amount and price for feed, medication and freight, the projected death/cull rate, interest, and other costs incurred in raising and marketing pigs. In computing the projected feed cost, the Pig.Net Base Matrix gathers, each week, a 26 week weighted average corn price, collected from key points in Iowa (currently, Cherokee, Atlantic, Rowan, Greeley, West Branch, and subject to change at Cargill's discretion) and then averaged. In computing the projected feed cost, the Pig.Net Base Matrix gathers, each week, a 26 week weighted average soybean meal price, collected from key points in Iowa (currently, Cedar Rapids, Des Moines and Iowa Falls, and subject to change at Cargill's discretion) and then averaged. Soybean meal will have a \$10.00 per ton freight charge (or other amount as determined by Cargill from time to time) added to the weighted average price. In computing the predicted future value of the weaner pig, as a market hog, The Pig.Net Base Matrix utilizes a forward contract price, which equals the lean hog futures price for finished hogs on the Chicago Mercantile Exchange, for the time period that Finisher is projected to deliver finished hogs, plus or minus the Predicted Basis. The "Predicted Basis" shall mean the amount periodically published by Excel Corporation as the basis for all Pig.Net weaner pigs delivered during any particular week. Cargill shall calculate The Pig.Net Base Matrix price weekly.

Farrower shall invoice Finisher upon delivery of weaner pigs, and Finisher shall pay Farrower upon delivery of pigs.

5. Modification to Pig.Net Pricing Matrix. The Pig.Net Base Matrix is a proprietary formula of Cargill and is subject to change if any of the projections are shown to be inaccurate on a Pig.Net Alliance-wide basis. For instance, if freight costs significantly increase, The Pig.Net Base Matrix may be modified to reflect a higher projected transportation cost. Similarly, if veterinary/medical costs increase because of widespread health problems the Pig.Net Base Matrix may be modified to reflect the higher costs. In addition, the interest rate may change weekly, based on the prime rate as reported by the Wall Street Journal under the heading "Money Rates."

In addition, if close-out data related to Farrower's pigs reflect that Farrower's weaner pigs perform differently than Pig.Net projections on feed conversion, average daily gain, death/cull losses, medical costs, pig market weight, market hog weight, or payment cutout premiums, Cargill may create a special matrix ("Facility-Specific Matrix") that determines weaner pig prices based on projections that are specific to Farrower's pigs. Cargill may modify the Facility-Specific Matrix periodically, if close-out reports from the top ½ of Finishers shows that assumptions or projections utilized in creating the Facility-Specific Matrix are inaccurate. Cargill shall provide Farrower with at least thirty (30) days written notice of intent to change The Pig.Net Base Matrix or to impose or modify a Facility-Specific Matrix that impacts Farrower.

6. Floor/Ceiling for Price. In the event that the sale price for weaner pigs as determined by The Pig.Net Base Matrix is less than \$25.00 per head and no Facility-Specific Matrix is in effect, the sale price shall be \$25.00 per head. In the event that the sale price for weaner pigs as determined by The Pig.Net Base Matrix is greater than \$40.00 per head and no Facility-Specific Matrix is in effect, the sale price shall be \$40.00 per head. If a Facility-Specific Matrix has been imposed, and the sale price that would have been determined by The Pig.Net Base Matrix is less than \$25.00 per head, the sale price shall be the price determined by the Facility-Specific Matrix, plus the difference between \$25.00 per head and The Pig.Net Base Matrix Price. Similarly, if a Facility-Specific Matrix has been imposed, and the sale price that would have been determined by The Pig.Net Base Matrix is more than \$40.00 per head, the sale price shall be the price determined by the Facility-Specific Matrix, minus the difference between \$40.00 per head and The Pig.Net Base Matrix Price.

7. Adjustment to Price for Weaner Pigs. The price for all weaner pigs sold hereunder shall be adjusted in accordance with the Pig.Net Blemished Pig Adjustment Schedule (the "Blemish Schedule"), which may be amended or adjusted by Cargill from time to time. A copy of the current Blemish Schedule is attached hereto as Exhibit C. Notwithstanding the foregoing, Farrower and Finishers shall have the right to mutually agree, in writing, to create their own blemish schedule, to determine how the price for imperfect weaner pigs will be

adjusted. If Farrower and Finishers create an alternate blemish schedule, Farrower shall promptly provide Cargill with a copy of said alternate blemish schedule.

8. **Disputed Invoices.** In the event there is a bona fide dispute between Farrower and Finisher over the amount due for weaner pigs delivered hereunder, Farrower acknowledges that Finisher may pay the undisputed amount, and the parties will attempt to amicably resolve their dispute.

9. **Pig.Net Subscription Fee.** Subject to Section 11 hereinbelow, Farrower shall pay Cargill a subscription fee equal to \$1.00 per weaner pig for all weaner pigs sold to Pig.Net Alliance members. Payment of the subscription fee shall be on a monthly basis.

10. **Farrower's Lien to Weaner Pigs.** Farrower shall retain a purchase money security interest in any weaner pigs sold hereunder, to secure payment of any amounts Finisher may owe Farrower. Upon Finisher's request, or the request of Finisher's purchaser, Farrower agrees to sign appropriate lien releases if Finisher has properly paid for said weaner pigs.

11. **Purchase of Cargill Approved Feed.** Cargill agrees to waive the subscription fee provided for in Section 9 hereinabove for any month if Farrower utilizes only Cargill animal nutrition products for all swine at Farrower's Facility. Farrower may purchase Pig.Net™ complete feed products or Farrower may purchase Pig.Net™ premixes or concentrates and grind or toll mill Farrower's own feed.

12. **Coordination with Ancillary Documents.** Concurrent with entering into this Agreement, Finishers are entering into a Pig.Net Price Risk Agreement for Finishing Operations, substantially in the form as attached Exhibit D (the "Finisher Pig.Net Agreement"). Farrower agrees to sell weaner pigs to Finishers pursuant to the term of this Agreement and the Finisher Pig.Net Agreement. Farrower agrees to be bound by the term of the Finisher Pig.Net Agreement, as though Farrower were a party to said Agreement even if Farrower has not signed said Agreement. At Cargill's request, Farrower shall execute each of the Finisher Pig.Net Agreements, confirming Farrower's intent to be bound by the terms of said Agreement. Farrower shall be considered a third party beneficiary of each Finisher Pig.Net Finisher Agreement, and Finishers shall be considered third party beneficiaries of this Agreement.

13. **Replacement of Authorized Finishers.** In the event that any Finisher listed in attached Exhibit A (or their replacements) is unable or unwilling to perform as contemplated hereunder, Cargill shall be entitled to provide Farrower with a replacement Finisher to accept Farrower's weaner pigs hereunder. If Cargill is unable to find an acceptable replacement Finisher within one hundred twenty (120) days, Farrower's sole remedy shall be that Farrower shall be relieved from delivering the displaced Finisher's share of weaner pigs,



unless other Finishers (or their replacements) are willing to accept the displaced Finisher's share.

14. Disclaimer of Warranty. Farrower understands and acknowledges that Cargill does not own any animals sold through the Pig.Net Alliance, nor does it control or operate any facilities that raise animals bought or sold through the Pig.Net Alliance. Farrower is encouraged to conduct due diligence prior to entering into this Agreement, to determine the worthiness of the Finishers prior to committing to a long term agreement with them. Cargill does not and cannot warrant the worthiness of any Finishers who may wish to participate in the Pig.Net Alliance. Farrower acknowledges that in entering into this Agreement, Farrower is not relying on any representation of Cargill or Cargill's employees or agents as to the worthiness of any Finishers who may wish to participate in the Pig.Net Alliance. Cargill cannot and does not warrant or guaranty the ability of other members of the Pig.Net Alliance to fulfill their obligations as Pig.Net Alliance members, nor can Cargill warrant the health or condition of any pigs sold through the Pig.Net Alliance. Farrower further understands and acknowledges that swine production is difficult, subject to many factors outside the control of the Farrower or Cargill, and that Cargill cannot and does not warrant or guarantee that Farrower's production or profits will be increased by participating in the Pig.Net Alliance.

15. Genetics. Farrower understands that in order to receive the benefits of the Pig.Net Alliance, Farrower is required to utilize acceptable genetic lines. Farrower agrees that it will not modify its genetic lines without first obtaining the written consent of Cargill, which consent Cargill may withhold at its sole discretion.

16. Term. The term of this Agreement shall be three (3) years and nine (9) weeks, beginning on the effective date first above-written or, if no effective date is first above written, then the term of this Agreement shall begin on the date Farrower first delivers weaner pigs under this Agreement. This Agreement shall be automatically extended for a term of two (2) additional years unless either Cargill or Farrower provides the other party with at least ninety (90) days notice of intent to terminate. During the two (2) year additional term, either party shall have the right to terminate this Agreement by providing the other party with at least ninety (90) days notice of intent to terminate.

17. Cargill's Right to Inspect Farrower's Facility and Records. Cargill shall have the right to inspect Farrower's facility and records, at reasonable times and upon reasonable notice.

18. Relationship of Parties. This is a service agreement. Cargill is not acting as Farrower's agent in connection with this Agreement or any ancillary agreements Farrower may sign in connection with the Pig.Net Program. Cargill and Farrower are each independent contractors, and the parties acknowledge that Farrower is in sole control of Farrower's Facility, except as specifically set

forth herein. Neither Farrower, nor his agents or employees shall be construed to be the employees of Cargill for any purpose whatsoever. This Agreement does not constitute any form of joint venture or partnership. Farrower accepts full responsibility for any and all taxes for Workmen's Compensation Insurance, Unemployment Compensation Insurance or Old Age, Survivors, Disability and Health Insurance Benefits and all similar insurance and benefits programs as to himself and all persons engaged in the performance of this Agreement on behalf of the Farrower.

19. Entire Agreement, Amendment. This Agreement contains the entire understanding of the parties and supersedes and replaces the letter of intent previously executed by the parties. This Agreement may be modified or amended only upon the written agreement of all parties hereto.

20. Notices. All notices required to be given hereunder shall be in writing and shall be sent by postage prepaid, certified or registered mail to the addresses as given hereinbelow:

If to Farrower:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Cargill:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

21. Waivers. The failure of any party to enforce at any time any of the provisions of this Agreement or to exercise its rights under any of the provisions or to require at any time a certain performance of the other party of any of the provisions herein, shall in no way be construed to be a waiver of such provision, nor in any way affect the validity of this Agreement or any part thereof, of the right of any party thereafter to enforce each and every such provision.

22. Assignment. This Agreement shall be binding upon and shall inure to the benefits of the parties hereto and their respective successors and assigns; provided that Farrower shall not assign this Agreement in whole or in part without the prior written consent of Cargill. Any attempted assignment in violation of this provision shall be void.

23. Governing Law, Arbitration of Claims. This Agreement and rights of parties under this Agreement shall be governed by and construed in accordance with the laws of the state of Iowa. Any controversy or claim arising out of, or relating to this contract, or the breach thereof, shall be settled by arbitration, in Cedar Rapids, Iowa, in accordance with the rules then obtaining of the American

Arbitration Association and judgment upon the award rendered may be entered in any court having jurisdiction thereof.

24. Default, Termination. If either Farrower or Cargill materially breaches a material provision of this Agreement, and fails to cure said default within a reasonable time after written notice of said default, the non-defaulting party may, in addition to any other rights and remedies it may have at law or equity, terminate this Agreement with thirty (30) days written notice.

**Farrower warrants that he/she has read and understands this Agreement and acknowledges that this document sets forth the only agreement between Cargill and Farrower. This Agreement supersedes any verbal or implied representations and can only be modified by written agreement signed by both parties.**

**THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.**

CARGILL, INCORPORATED  
Animal Nutrition Business Unit

BY: \_\_\_\_\_  
Business Manager

\_\_\_\_\_  
Witness

FARROWER

\_\_\_\_\_  
Proprietor/Gen. Partner/Officer  
(Please circle one)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Proprietor/Gen. Partner/Officer  
(Please circle one)

\_\_\_\_\_  
Witness

Recommended by:  
Territory Manager \_\_\_\_\_

Date: \_\_\_\_\_

**NOTE TO FARROWER:** The territory manager may not bind Cargill to this Request. This Request is binding upon Cargill only when signed by a Designated Cargill Business Manager.