Contract No. ___________

COVER SHEET TO HORMEL FOODS CORPORATION HOG PROCUREMENT AGREEMENT

Hormel Foods Corporation
1 Hormel Place
Austin MN 55912-3680

Producer: ______________________________

Address: ______________________________

____

Designated delivery plant(s) [check one]:

____ **Austin MN**

____ **Fremont NE**

____ **Both Austin MN & Fremont NE**

Contact Person: ______________________________

Phone No.: ______________________________

E-Mail Address: ______________________________

THIS DOCUMENT IS A LEGAL CONTRACT BETWEEN HORMEL FOODS CORPORATION AND YOU.
READ YOUR CONTRACT CAREFULLY. This cover sheet provides only a brief summary of your contract. This is not the contract and only the terms of the actual contract are legally binding. The contract itself sets forth, in detail, the rights and obligations of both you and us. **IT IS THEREFORE IMPORTANT THAT YOU READ YOUR CONTRACT CAREFULLY.**

MATERIAL RISK DISCLOSURE STATEMENT

Please carefully consider the following risk factors in addition to your personal animal husbandry skills, management skills, experience and knowledge before signing this contract.

SWINE PRODUCTION RISKS

- Raising swine for profit depends on many factors. Performance under the terms of this contract does not ensure that you will make a profit. Your profitability is affected by numerous factors. Such factors include, but are not limited to, your own animal husbandry and management skills, herd health, adverse weather conditions, and catastrophic loss of facilities or hogs.
- You bear all risks of production of market hogs until risk of loss passes to us at our plant as specified in the carcass pricing rules section of our Carcass Buying Program, which is subject to change. Such risks include, but are not limited to, poor farrowing rates, disease, death loss, poor feed conversion, and sort loss.
- While you may be excused from failure to deliver the agreed number of hogs under the "Force Majeure" circumstances described in the contract, hog health or diseases (unless the subject of a governmental mandate) and financial and market conditions do not constitute acceptable excuses.
- You are required to comply with Level III of the Pork Quality Assurance Program of America's Pork Producers and any other HACCP or quality program that may be established by us or any governmental agency, and any changes to such programs. Changes in such programs may impose more stringent requirements, with related increased compliance costs, than the program requirements in place prior to the change.
- We must agree to any changes to certain aspects of your hog production operation as set forth in the contract.

FINANCIAL RISKS

- This contract is not a "cost plus" contract. This means that you are not assured of covering all of your costs of operation, or of earning a profit, by performing in accordance with the contract terms.
- This long-term contract requires you and us to agree to a specific supply arrangement for the entire term of the contract. This may turn out not to be the most beneficial way for you to market your hogs.
- This contract replaces any prior contract between you and us relating to the hog production operation supplying hogs under this contract. This contract may turn out not to be as beneficial to you as your prior contract.
- Financing of your swine production operation may exceed costs anticipated by you.

- Failure to make payments to repay a third party lender that has financed your swine production operation may cause your third party lender to foreclose on your facilities or take other collection actions.
- You are required to indemnify and hold us harmless from all liabilities, damages, claims, judgments, costs and expenses arising out of your failure to perform this contract.
- You and all other owners of the producer that is a party to this contract, as personal guarantors of its obligations under the contract, may become personally liable to us for the payment and performance of all obligations owed to us under the terms of this contract.

REGULATORY RISKS

- You are responsible for compliance of your hog production operation with all applicable federal, state and local laws and regulations. Any noncompliance exposes you to fines and other enforcement actions.
- You are responsible for obtaining all necessary permits to legally operate your facilities. Failure to obtain such permits may result in enforcement actions being taken against you by regulatory agencies.
- You are responsible for properly storing, handling and disposing of manure from your facilities and for odors emanating from your facilities. You are exposed to liability for odors and for any manure spills or contamination caused by improper storage, handling or disposal.
- Your hogs may be quarantined or destroyed by animal health or other regulatory agencies if the hogs are found to be diseased.
- You are responsible for disposal of all dead hogs. You could be exposed to liability if you fail to properly dispose of all dead hogs.

PAYMENT RISKS

- The "Adjusted Cutout" pricing factor may be affected if we select a substitute report of carcass cutout values or if we adjust the percentage used in the calculation to provide an equivalent Adjusted Cutout under the circumstances set forth in the contract. While such changes are not intended to result in a different payment for your hogs, a comparison of prices paid before and after the change may be difficult or impossible, and such changes may mean that you are paid less for your hogs as compared to prior to the change.
- We may change our Carcass Buying Program from time to time so long as any change to the premiums and discounts does not reduce the average Carcass Buying Program premium/discount percentage for all our contracted hogs to less than 102%. Such changes may mean that you are paid less for the same types of hogs you delivered prior to the change.
- We may change the Western Cornbelt Price under the circumstances set forth in the contract. While such changes are not intended to result in a different payment for your hogs or different delivery shortfall assessments, a comparison of prices and assessments before and after the change may be difficult or impossible. Such changes may mean that you are paid less for your hogs as compared to prior to the change if the Western Cornbelt Price affects your contract price and that you pay a higher delivery shortfall assessment as compared to prior to the change.
- Whenever you are in default, we may pay you a lower price for your hogs as set forth in the contract.
- Your failure to deliver the agreed upon number of hogs each period will result in you being obligated to pay us a delivery shortfall assessment as set forth in the contract.
- We may change our station delivered freight discount from time to time. Such changes may mean that you incur a higher transportation charge, and receive a lesser payment, for hogs you deliver to our buying station.
- If you are in default or amounts you owe us are past due, we may pay you less than amounts you are otherwise due from us by offsetting amounts you owe us.

TERMINATION RISKS

- We may terminate this contract prior to expiration of the term of the contract if you are in default.
- We may terminate this contract prior to expiration of the term of the contract if we stop slaughtering hogs at the plant(s) designated for delivery of your hogs.
- If you are in default, we have the right to pursue any and all remedies available to us at law or in equity. These remedies include any remedies granted to us under this contract.
- If you are in default or we terminate this Agreement for your default, you must pay us the direct damages set forth in the contract.

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YOUR RIGHT TO REVIEW AND CANCEL THIS CONTRACT

You may cancel this contract by mailing a written cancellation notice to us at the address set forth above within three business days after you receive a copy of the fully signed contract. The written notice of cancellation will be deemed mailed on the date of the postmark on the envelope.

VOLUNTARY AGREEMENT; NO GUARANTEE OF PROFIT

You acknowledge that: (1) you have voluntarily entered into this contract on your own accord; (2) you have had adequate opportunity to consult with your own attorney and accountant regarding all legal, accounting and tax consequences of this contract; and (3) we and our employees and agents make no representations or guarantees of any kind whatsoever regarding the consequences or profitability of this contract to you.

Your Initials: _______________ **Date:** _______________

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This Hormel Foods Corporation Hog Procurement Agreement **(this "Agreement")** is made **effective the 1st day of** ________________________, 200___, by and between the undersigned producer of hogs **(referred to in this Agreement as "you" or "your")** and Hormel Foods Corporation **(referred to in this Agreement as "we", "us" or "our")**.

1. **TERM**.

(a) **Constant Flow.** If you have constant flow production, this paragraph 1(a) applies. **"Constant flow production"** means all hog production where the producer can deliver the same number of hogs each month. The initial term of this Agreement commences on the effective date set forth above and **expires on the last day of** ________________________, 200_____. Thereafter this Agreement shall automatically renew for successive one (1) year renewal terms until terminated. Either party may terminate this Agreement at the end of the initial term or any renewal term by providing the other party written notice of such termination at least one year prior to the end of such term. This Agreement is also subject to termination pursuant to paragraph 7.

(b) **Quarterly Flow.** If you have quarterly flow production, this paragraph 1(b) applies. **"Quarterly flow production"** means hog production that is "all-in/all-out" or batch production where the producer cannot deliver the same number of hogs each month. The term of this Agreement commences on the effective date set forth above and **expires on the last day of** ________________________, 200____. The term of this Agreement is not subject to renewal. This Agreement is subject to termination pursuant to paragraph 7.

2. **HOG QUANTITY**.

(a) **Constant Flow.** If you have constant flow production, this paragraph 2(a) applies. You agree to sell to us under this Agreement, and we agree to buy, market hogs in the exact monthly quantities specified in the Delivery Schedule made part of this Agreement **(the "Delivery Schedule")**. If you incur a Delivery Shortage Assessment pursuant to paragraph 3(f) for any three consecutive months, then you and we will reassess the Delivery Schedule for the remaining term of this Agreement. You and we may mutually agree in writing to modify the Delivery Schedule for the remaining term of this Agreement.

(b) **Quarterly Flow.** If you have quarterly flow production, this paragraph 2(b) applies. You agree to sell to us under this Agreement, and we agree to buy, market hogs in the exact quarterly quantities specified in the Delivery Schedule made part of this Agreement **(the "Delivery Schedule")**. If you incur a Delivery Shortage Assessment pursuant to paragraph 3(f) for any quarter, then you and we will reassess the Delivery Schedule for the remaining term of this Agreement. You and we may mutually agree in writing to modify the Delivery Schedule for the remaining term of this Agreement.

(c) Any variances in deliveries from the agreed monthly or quarterly quantities will be accepted only at our discretion. Any excess quantities of hogs accepted by us will not compensate for prior or future deficit monthly or quarterly quantities.

(d) You acknowledge that you bear the risk of hog production shortfalls. Further, your failure to deliver the agreed monthly or quarterly hog quantities, unless excused pursuant to paragraph 13, will result in you having to pay us Delivery Shortage Assessments pursuant to paragraph 3(f).

(e) You acknowledge that our payment of the Contract Price as set forth in paragraph 3 is made in reliance upon your promise to perform under this Agreement for the entire term of the contract.

3. **PRICE.**

(a) The **"Contract Price"** for contract hogs sold to us each week shall be a price per carcass cwt. determined by us pursuant to this paragraph 3(a).

(1) If the Adjusted Cutout, defined in paragraph 3(b), is within a range of $46.00 to $58.00 per carcass cwt., then the Contract Price shall be equal to the Adjusted Cutout.

(2) If the Adjusted Cutout is below $46.00 per carcass cwt., then the Contract Price shall be equal to the midpoint between the Adjusted Cutout and $46.00 per carcass cwt.

(3) If the Adjusted Cutout is above $58.00 per carcass cwt., then the Contract Price shall be equal to the midpoint between the Adjusted Cutout and $58.00 per carcass cwt.

(4) For example, assume the Adjusted Cutout is $52.00 per carcass cwt. Since this amount is within the range of $46.00 to $58.00 per carcass cwt., then the Contract Price will be $52.00 per carcass cwt. For another example, assume the Adjusted Cutout is $38.00 per carcass cwt. The Contract Price will then be $42.00 per carcass cwt., which is the midpoint between such Adjusted Cutout and $46.00 per carcass cwt. For another example, assume the Adjusted Cutout is $68.00 per carcass cwt. The Contract Price will then be $63.00 per carcass cwt., which is the midpoint between such Adjusted Cutout and $58.00 per carcass cwt.

(b) We will calculate the **"Adjusted Cutout"** each week as follows:

(1) The Adjusted Cutout shall be eighty-eight percent (88%) of the average value per carcass cwt. of the prior week's (Monday - Friday) USDA daily carcass cutout values reported by USDA Market News in *National Daily Carlot Pork*, report LS500 (**"Cutout Value Report"**). The Cutout Value Report is available at www.ams.usda.gov/mnreports/nw_ls500.txt. For example, assume the prior week's (Monday - Friday) daily carcass cutout values reported in the Cutout Value Report are $58.75, $58.25, $59.10, $59.90 and $59.60. Adding those five numbers together and dividing by five results in an average cutout value of $59.12 per carcass cwt. That average cutout value of $59.12 multiplied by 88% equals an Adjusted Cutout of $52.03 per carcass cwt.

(2) If the Cutout Value Report is discontinued by the reporting source, then we shall select a substitute Cutout Value Report of carcass cutout values from a third party industry source(s). If the volume of hogs used in reporting the carcass cutout value in the Cutout Value Report drops below a daily average of twenty loads for any week, then we may select a substitute Cutout Value Report of carcass cutout values from a third party industry source(s). If the reporting source changes the method of calculating the carcass cutout value reported in the Cutout Value Report or if a substitute Cutout Value Report uses a different method of calculating the carcass cutout value, then we may adjust the percentage used in the calculation of the Adjusted Cutout. The adjusted percentage shall provide an Adjusted Cutout that is equivalent to the Adjusted Cutout using the prior method of calculating the carcass cutout value. We will provide you written notice identifying any substitute Cutout Value Report and any adjusted percentage.

(c) The Contract Price shall be adjusted in accordance with our carcass merit buying program in effect at the time of delivery (**"Carcass Buying Program"**) to determine the final amount to be paid to you. Carcass Buying Program premiums and discounts will be determined on the basis of the Adjusted Cutout, except as provided in paragraph 3(d). Our Carcass Buying Program is subject to change by us in our discretion from time to time. However, any change we make to our Carcass Buying Program premiums and discounts shall not reduce the average Carcass Buying Program premium/discount percentage for all our contracted hogs to less than 102%. Any proposed change to our Carcass Buying Program premiums and discounts will be evaluated by us by calculating the average Carcass Buying Program premium/discount percentage under such change based on all contracted hogs we purchased in the prior twelve months. This new average Carcass Buying Program premium/discount percentage must be 102% or more. All such calculations shall be conclusive absent manifest error. We have given you a copy of our current Carcass Buying Program. We will provide you written notice of any change in our Carcass Buying Program.

(d) At any time you are in Default (defined in paragraph 7(a)), we may adjust the Contract Price to be equal to the lower of the Adjusted Cutout or the Western Cornbelt Price. Carcass Buying Program premiums and discounts will be determined on the basis of the Western Cornbelt Price whenever such price is used in determining the Contract Price. The **"Western Cornbelt Price"** shall be determined as follows:

(1) The Western Cornbelt Price shall be the average price per carcass cwt. of the prior week's (Monday - Friday) daily weighted average base prices for negotiated purchases of barrows and gilts reported by USDA Market News in *Western Cornbelt Daily Direct Hog – Afternoon*, report HG212 (**"Western Cornbelt Report"**). The Western Cornbelt Report is available at www.ams.usda.gov/mnreports/lm_hg212.txt. For example, assume the prior week's (Monday - Friday) daily weighted average base prices for negotiated purchases of barrows and gilts reported in the Western Cornbelt Report are $52.75, $51.25, $49.70, $50.90 and $51.60. Adding those five numbers together and dividing by five equals a Western Cornbelt Price of $51.24.

(2) If the Western Cornbelt Report is discontinued by the reporting source, then the Western Cornbelt Price shall be equal to an average of hog prices reported by a third party industry source(s) determined by us. If the method of calculating the price reported in the Western Cornbelt Report is changed by the reporting source, then we may redefine the Western Cornbelt Price to be equal to an average of hog prices reported by a third party industry source(s) determined

by us. If the volume of hogs used in reporting the price in the Western Cornbelt Report drops below a daily average of 10,000 for any week, then we may redefine the Western Cornbelt Price to be equal to an average of hog prices reported by a third party industry source(s) determined by us. We will provide you written notice identifying any new source for the Western Cornbelt Price and any change in definition.

(e) The price for all hogs delivered to us in excess of the agreed monthly or quarterly quantities shall be our daily quoted market price. If we overpay you for such hogs, you agree to promptly repay any overpayment upon receipt of notice of the overpayment. If you fail to do so, we may deduct the overpayment from the Contract Price for your next delivery(ies) of hogs.

(f) You must pay us a **"Delivery Shortage Assessment"** for under delivery of contract hogs as follows:

(1) Constant Flow. If you have constant flow production, this paragraph 3(f)(1) applies. If you deliver to us under this Agreement less than the monthly quantity of hogs specified in the Delivery Schedule in any month, then you must pay us a Delivery Shortage Assessment. The Delivery Shortage Assessment shall be the number of contracted hogs not delivered in the month multiplied by a per hog assessment equal to five dollars ($5.00) plus the excess, if any, of the Monthly Western Cornbelt Price over the Monthly Adjusted Cutout assuming a 200 lb. carcass. The **"Monthly Western Cornbelt Price"** shall be the Western Cornbelt Price calculated as the average of the daily weighted average base prices for the month. The **"Monthly Adjusted Cutout"** shall be the Adjusted Cutout calculated using the average of the daily carcass cutout values for the month. For example, assume you deliver 60 hogs less than the number of contracted hogs in a month, the Monthly Western Cornbelt Price is $50.32 and the Monthly Adjusted Cutout is $50.16. The $0.16 carcass cwt. excess of the Monthly Western Cornbelt Price over the Monthly Adjusted Cutout ($50.32 - $50.16) multiplied by 2.00 (for a 200 lb. carcass) equals $0.32. This $0.32 added to the fixed $5.00 equals a $5.32 per hog assessment. This $5.32 per hog multiplied by the 60 hog shortfall equals a $319.20 Delivery Shortage Assessment for the month.

(2) Quarterly Flow. If you have quarterly flow production, this paragraph 3(f)(2) applies. If you deliver to us under this Agreement less than the quarterly quantity of hogs specified in the Delivery Schedule in any quarter, then you must pay us a Delivery Shortage Assessment. The Delivery Shortage Assessment shall be the number of contracted hogs not delivered in the quarter multiplied by a per hog assessment equal to five dollars ($5.00) plus the excess, if any, of the Quarterly Western Cornbelt Price over the Quarterly Adjusted Cutout assuming a 200 lb. carcass. The **"Quarterly Western Cornbelt Price"** shall be the Western Cornbelt Price calculated as the average of the daily weighted average base prices for the quarter. The **"Quarterly Adjusted Cutout"** shall be the Adjusted Cutout calculated using the average of the daily carcass cutout values for the quarter. For example, assume you deliver 150 hogs less than the number of contracted hogs in a quarter, the Quarterly Western Cornbelt Price is $50.32 and the Quarterly Adjusted Cutout is $50.16. The $0.16 carcass cwt. excess of the Quarterly Western Cornbelt Price over the Quarterly Adjusted Cutout ($50.32 - $50.16) multiplied by 2.00 (for a 200 lb. carcass) equals $0.32. This $0.32 added to the fixed $5.00 equals a $5.32 per hog assessment. This $5.32 per hog multiplied

by the 150 hog shortfall equals a $798.00 Delivery Shortage Assessment for the quarter.

(3) We will calculate any Delivery Shortage Assessment and send you a written statement of the Delivery Shortage Assessment. You must pay us the Delivery Shortage Assessment within ten business days from the date of the statement. If we do not receive your payment by the due date, we may deduct the Delivery Shortage Assessment from the Contract Price for your next delivery(ies) of hogs.

(g) For hogs delivered to buying stations, the Contract Price shall be adjusted by our station delivered freight discount in effect at the time of delivery.

(h) The Contract Price, as adjusted by Carcass Buying Program premiums and discounts, to be paid to you for contract hogs may be reduced by an offset as provided in paragraphs 3(e), 3(f) and 11.

(i) The hogs supplied under this Agreement shall be sold F.O.B. destination and title to hogs and risk of loss of hogs pass from you to us at our plant as specified in the carcass pricing rules section of our Carcass Buying Program.

4. **TRANSITION PROVISIONS**.

(a) If a Long-Term Hog Procurement Agreement between you and us relating to the hog production operation supplying hogs under this Agreement is in effect at the time this Agreement is signed by you and us **(the "Previous Agreement")**, this paragraph 4(a) applies. The Previous Agreement, whether in the initial or extended term, is superseded, amended and restated in its entirety by this Agreement. Any Negative Cash Balance under the Previous Agreement is deemed eliminated and you shall have no obligation to us for such Negative Cash Balance. **"Negative Cash Balance"** means any excess of the aggregate contract price we have paid to you for contract hogs over the total market value, based on our market prices, of those same hogs purchased under the Previous Agreement. No Negative Cash Balance shall arise out of your sale of hogs to us under this Agreement.

(b) If a Long-Term Hog Procurement Agreement between you and us is extended and governed by the terms of this Agreement **(the "Extended Agreement")**, this paragraph 4(b) applies. Nothing in this Agreement shall modify the provisions of the Extended Agreement regarding the duration or termination of the extended term. In particular, you retain the right to terminate the Extended Agreement by paying us cash in an amount equal to the negative cash position under the Extended Agreement. Nothing in this Agreement shall reduce your obligations to us relating to a negative cash position under the Extended Agreement. The negative cash position or positive cash position under the Extended Agreement relating to hogs sold under the terms of this Agreement shall be calculated using the Adjusted Cutout as the market value.

5. **YOUR OBLIGATIONS**.

(a) You are solely responsible for the operation and management of your hog production operation. You are solely responsible for compliance of your hog production operation with all applicable federal, state and local laws and regulations. Examples include laws and regulations relating to permits to operate your facilities, handling and disposal of manure, and disposal of dead hogs.

(b) You must allow us to review and approve the following aspects of your hog production operation at the commencement of this Agreement and any changes you make to these aspects:

(1) A genetic program capable of producing lean, uniform sorted hogs that consistently meet our requirements;

(2) Facilities to farrow and finish hogs year round and/or sources of weanling and feeder pigs;

(3) A feeding program; and

(4) A cost and recordkeeping system.

(c) All hogs delivered by you under this Agreement must be as follows:

(1) Top quality, healthy and wholesome hogs that pass pre and post mortem inspection;

(2) Free of foreign objects (e.g., needles);

(3) Have a carcass weight of at least one hundred sixty pounds (160 lbs.) and not more than two hundred forty-nine (249) pounds;

(4) Not crippled, lame, sick, overfilled or otherwise unmerchantable at time of delivery;

(5) Derived from approved farrowing facilities and/or approved sources of weanling and feeder pigs and finished by you in your finishing facilities;

(6) Handled by you and transporters in such a manner so as to optimize meat quality;

(7) Supervised by a licensed veterinarian and in compliance with any applicable drug use requirements and withdrawal procedures; and

(8) If you have constant flow production, your weekly quantities of hogs delivered must be as uniform as is possible.

(d) You agree to deliver hogs under this Agreement by:

(1) Arranging transportation with transporters certified under the Truckers Quality Assurance Program of America's Pork Producers, and incurring freight costs to deliver the hogs to the slaughter plant(s) designated on the cover sheet of this Agreement;

(2) Delivering the hogs to a slaughter plant other than the slaughter plant(s) designated on the cover sheet of this Agreement if so directed by us. We will pay you for additional freight costs incurred by such delivery pursuant to our then current standard livestock freight schedule; and

(3) Arranging delivery with our Hog Procurement personnel by Thursday of the week prior to delivery, with specific delivery days and times to

be determined by us. Early, late, Sunday and holiday deliveries will be required. Time is of the essence in the delivery of hogs under this Agreement.

(e) You agree to the following:

(1) To maintain certification at Level III of the Pork Quality Assurance Program, a Hazard Analysis and Critical Control Points (**"HACCP"**) program of America's Pork Producers, or the highest Level of such PQA Program established in the future within six months of the Program change establishing such Level;

(2) To comply with any HACCP or quality program established by us or any governmental agency, and any change in such a program, within six months of the establishment of the program or the change;

(3) To allow us to inspect your hogs and facilities during normal business hours on reasonable notice to you;

(4) To demonstrate to us at all times the ability to produce hogs in the quantity and of the quality required during the term of this Agreement;

(5) To demonstrate your financial soundness to us at all times and provide us evidence thereof upon our request, and to provide us written notice of any default by you under any loan agreement with your lender(s), regardless of whether such default is declared by the lender(s);

(6) To allow us to inspect all of your production and financial records relating to this Agreement during normal business hours on reasonable notice to you; and

(7) To provide us a complete set of your financial statements and production information on an annual basis and at any time upon our request, and complete any standard financial or production report that we request.

6. **<u>OUR OBLIGATIONS</u>**.

(a) We agree to pay you for contracted hogs as set forth in paragraph 3 for the entire term of this Agreement.

(b) We will inspect, sort and weigh carcasses at our plant.

(c) We will keep all necessary records with respect to receipt, weighing and payment for all carcasses in accordance with our regular record retention and destruction schedule. We currently retain all P&L's and checks for two years. Upon giving us reasonable notice, you may inspect such records relating to your hogs during normal business hours at locations designated by us. We will supply at your expense copies of such records as you reasonably request.

7. **<u>DEFAULT; TERMINATION</u>**.

(a) For purposes of this Agreement, a party is in **"Default"** if such party:

(1) Breaches this Agreement and such breach remains uncured twenty (20) days after receipt from the non-defaulting party of a written notice specifying the breach;

(2) Manifests an intention not to perform any material obligation under this Agreement (for example, delivering hogs or accepting hogs) or manifests an intention not to cure a material breach of this Agreement; or

(3) Becomes insolvent, suspends or discontinues business operations, makes an assignment for the benefit of creditors, commences voluntary or has commenced against them involuntary bankruptcy proceedings, or voluntarily appoints or involuntarily has appointed a receiver or trustee of all or any part of their property.

(b) If the other party is in Default, the non-defaulting party may terminate this Agreement by written notice to the defaulting party. Upon delivery of such a written notice of termination this Agreement shall immediately terminate. The parties' obligations under this Agreement shall survive termination as provided in paragraph 18.

(c) If we discontinue slaughtering hogs at the slaughter plant(s) designated on the cover sheet of this Agreement, then we shall at our option (1) terminate this Agreement by written notice to you, or (2) notify you of the new designated slaughter plant to which you must deliver contracted hogs. We will pay you for any additional freight costs incurred by such delivery pursuant to our then current standard livestock freight schedule.

8. **REMEDIES**. If the other party is in Default, the non-defaulting party shall have the right to pursue any and all remedies available at law or in equity, including without limitation any remedies granted by this Agreement. The remedies shall be considered cumulative, with the pursuit of any one or more remedies not preventing the pursuit of any other remedies that may be available.

9. **DIRECT DAMAGES**. If you are in Default or we terminate this Agreement for your Default, then we shall be entitled to recover from you direct damages pursuant to this paragraph 9. Our direct damages shall be an amount equal to the total number of contracted hogs to be delivered for the remaining term of this Agreement multiplied by five dollars ($5.00) per hog plus any excess of the Monthly/Quarterly Western Cornbelt Price over the Monthly/Quarterly Adjusted Cutout for each period up to the date of our demand multiplied by the number of contracted hogs to be delivered for such period. Upon our demand, you shall pay us cash in the amount of such direct damages within thirty (30) days of the date of our demand or as otherwise agreed to by us in our discretion. Our demand may be made at any time of our choosing within four years of the date of your Default. Upon payment of such direct damages, you shall no longer have any obligation to deliver hogs that are included in the calculation of such direct damages. You and we agree that the above measure of our direct damages is a reasonable estimation of our direct damages. Such direct damages shall not preclude our recovery of other damages and shall be in addition to all other remedies we may have. Examples of such other damages are indirect, incidental and consequential damages.

10. **INDEMNITY**. Each party shall indemnify and hold the other party harmless for any and all liabilities, damages, claims, judgments, costs and expenses incurred by the other party in connection with such party's breach of this Agreement. Such expenses shall include without limitation reasonable attorneys' fees.

11. **RIGHT OF OFFSET**. If you are in Default, we may offset any amounts owed to us under paragraphs 9 and 10 against any amounts otherwise due and owing to you under this Agreement and any other agreement or transaction between you and us until all such amounts owed to us have been satisfied.

12. **NO SECURITY INTERESTS OR LIENS IN HOGS**. You represent to us that all hogs sold under this Agreement are free and clear of all security interests and liens of any kind whatsoever, except as specifically provided in a written notice received by us at least thirty (30) days prior to delivery. If hogs sold under this Agreement are subject to any security interest or lien, we may make payments jointly to you and the secured party or lien holder.

13. **FORCE MAJEURE**. Neither party shall be liable for damages due to delay or failure to perform any obligation under this Agreement during any period of time when performance is commercially impossible because of a Force Majeure Event. **"Force Majeure Event"** means strike or other labor difficulties, breakdown or damage to facilities, acts of war, acts of terrorism, civil commotions, acts of any governmental authority, interference in telephone or electronic communications, fire, flood, windstorms, and similar causes beyond the reasonable control of the affected party. **"Force Majeure Event"** does not include hog health or diseases that affect the production of hogs unless they are the subject of a mandate by any governmental authority. **"Force Majeure Event"** also does not include financial or market conditions. A party claiming it is excused from performance by a Force Majeure Event must promptly provide the other party written notice of such Force Majeure Event and its estimated duration.

14. **ASSIGNMENT; BINDING EFFECT**. You do not have the right to assign this Agreement or any of your rights or obligations under this Agreement without our prior written consent. You may, however, assign this Agreement or any of your rights hereunder to your lender(s) as collateral security for any loan. If you desire to sell all or substantially all the assets constituting your hog production operation, then in addition to obtaining our consent, you shall cause the purchaser to expressly assume, in a writing acceptable to us, all of your obligations under this Agreement. This Agreement shall be binding on your heirs, successors and permitted assigns and on our successors and assigns.

15. **WAIVER**. Any breach of this Agreement or any right provided by this Agreement may be waived only in a writing signed by the waiving party. Any such waiver shall not affect the validity of this Agreement, or the right of either party to thereafter enforce every provision of this Agreement. Any breach of this Agreement or any right provided by this Agreement may not be waived by any course of dealing or prior performance.

16. **RELATIONSHIP OF PARTIES**. The parties are independent contractors, with neither party in any way the legal representative or agent of the other party. Neither party has any right or authority to act for or bind the other party in any manner.

17. **SEVERABILITY**. If any term or provision of this Agreement is held to be illegal or in conflict with any federal, state or local law or regulation, the validity of the remainder of this Agreement shall not be affected. The rights and obligations of the parties shall be construed and enforced as if this Agreement did not contain the particular term or provision held to be invalid.

18. **SURVIVAL OF PROVISIONS.** Any provisions of this Agreement that by their terms have or may have application after the expiration or termination of this Agreement shall be deemed to the extent of such application to survive the expiration or termination of this Agreement. Examples of such provisions are paragraphs 8-11, 19-22, 25 and 26.

19. **ENTIRE AGREEMENT; AMENDMENT**. This Agreement constitutes the entire agreement between you and us with respect to the subject matter of this Agreement. This Agreement supersedes any prior or contemporaneous oral or written agreement between you and us relating to the hog production operation supplying hogs under this Agreement. This Agreement may be amended or supplemented only in writing by you and us, and not by any course of dealing or prior performance.

20. **GOVERNING LAW**. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Minnesota without regard to conflict of laws principles.

21. **JURISDICTION AND VENUE**. All judicial proceedings and actions arising out of or relating to this Agreement shall be venued in the State Courts of Hennepin, Ramsey or Mower County in the State of Minnesota or the Federal Courts of the State of Minnesota. The parties consent to the personal jurisdiction of said courts and waive any argument that such forums are not convenient.

22. **MEDIATION**. The parties agree to the use of mediation to attempt to resolve any dispute between the parties arising out of or relating to this Agreement. The mediator shall have no authority to impose a settlement of any such dispute. Mediation shall be conducted pursuant to the Minnesota Civil Mediation Act, Minnesota Statutes, §§ 572.31 to 572.40.

23. **NO INVESTMENT**. Nothing in this Agreement requires you to make a capital investment in buildings or equipment that cost $100,000 or more and have a useful life of five or more years.

24. **AUTHORIZATION**. Each party represents and warrants to the other party that it has taken all necessary action to duly authorize the execution, delivery and performance of this Agreement. The individual signing this Agreement on each party's behalf certifies that he/she is duly authorized to execute this Agreement on behalf of such party.

25. **PERSONAL GUARANTY**. Unless you are a sole proprietorship, all of your obligations under this Agreement shall be personally guaranteed by all of the individuals who are your direct or indirect shareholders, partners, members or other owners **(collectively, the "Guarantors")**. No corporation, partnership, limited liability company or other entity may be a Guarantor. Rather, the individuals who directly or indirectly own each corporation, partnership, limited liability company or other entity that is one of your owners shall constitute Guarantors. All of the Guarantors must execute this Agreement, including all individuals who become one of your owners after you enter into this Agreement. In consideration of and as a material inducement to us to enter into this Agreement with you **(for purposes of this personal guaranty, "this Agreement" shall include this Agreement and any modification, extension and amendment of this Agreement)**, the Guarantors agree as follows:

(a) The Guarantors hereby absolutely and unconditionally guarantee the satisfactory performance by you of this Agreement in accordance with all its terms and conditions. If you default in performance of your obligations under this Agreement, the Guarantors shall be severally liable for a pro rata share of any and all liabilities, damages, claims, judgments, costs and expenses (including without limitation reasonable attorneys' fees) incurred by us in connection with your default, including any costs of collection from the Guarantors (including without limitation reasonable attorneys' fees) incurred by us **(the "Obligations")**. Each Guarantor's share of the Obligations shall be determined by multiplying the total liability of all the Guarantors under this personal guaranty times such Guarantor's percentage ownership interest in you, as set forth below.

(b) This personal guaranty is an absolute, unconditional and continuing one and shall terminate only on the satisfaction of each and every obligation of you under this Agreement, including without limitation irrevocable payment and performance in full of the Obligations. **"Irrevocable payment"** means payments that cannot be set aside or required to be returned for any reason, including recovery under the provisions of the Bankruptcy Code. If any payment received by us and applied to the Obligations is subsequently set aside or required to be returned for any reason, the Obligations to which such payment was applied shall be deemed to have continued in existence and this personal guaranty shall be enforceable as to such Obligations.

(c) No Guarantor shall exercise any right of subrogation until after irrevocable payment in full in cash of all Obligations.

(d) The Guarantors hereby expressly waive (1) all demands and notices of any kind with respect to any or all of the Obligations, whether provided for by agreement, law or otherwise; (2) any and all defenses you may have pertaining to the Obligations except for the defense of discharge by payment; (3) any and all rights to cause a marshalling of the your assets or to cause us to proceed against any security or other recourse we may have for the Obligations; and (4) any requirements that we institute any action or proceeding at law or in equity, or obtain any judgment, against you or any other person, as a condition precedent to making demand on, or bringing an action or obtaining and/or enforcing a judgment against, the Guarantors upon this personal guaranty.

(e) This personal guaranty shall inure to the benefit of us and our successors and assigns and be binding upon the Guarantors and their heirs, successors and assigns.

(f) Any provisions of this Agreement which by their terms have or may have application to this personal guaranty or the Guarantors shall be deemed to the extent of such application to apply to this personal guaranty and the Guarantors. Examples of such provisions are paragraphs 8, 17-21 and 26.

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26. **<u>WAIVER OF JURY TRIAL</u>.** THE PARTIES WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, OR UNDER ANY RELATED DOCUMENT OR AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives effective the date written on the top of page 1.

______________________________ ("you" or "your") [Print Full Legal Name]	HORMEL FOODS CORPORATION ("we", "us" or "our")
By: ______________________________	By: ______________________________
Its: ______________________________ [State "Sole Proprietor" or Title]	Its: ______________________________

THE UNDERSIGNED GUARANTORS have signed this Agreement for the purpose of being individually bound by the personal guaranty contained in paragraph 25 of this Agreement:

Signed: ______________________________	Signed: ______________________________
______________________________ [Print Name]	______________________________ [Print Name]
% Ownership Interest: ______________	% Ownership Interest: ______________
Address: ______________________________	Address: ______________________________
______________________________	______________________________
______________________________	______________________________
Signed: ______________________________	Signed: ______________________________
______________________________ [Print Name]	______________________________ [Print Name]
% Ownership Interest: ______________	% Ownership Interest: ______________
Address: ______________________________	Address: ______________________________
______________________________	______________________________
______________________________	______________________________

Contract No. ___________

DELIVERY SCHEDULE TO HORMEL FOODS CORPORATION HOG PROCUREMENT AGREEMENT (Constant Flow Production)

This Delivery Schedule to Hormel Foods Corporation Hog Procurement Agreement (Constant Flow Production) (this "Delivery Schedule") is agreed to by you and us as part of the Hog Procurement Agreement (the "Agreement") between you and us.

You agree to sell to us, and we agree to buy, the following specific quantity of market hogs during each calendar month under the Agreement:

MONTH	HOG QUANTITY	MONTH	HOG QUANTITY	MONTH	HOG QUANTITY
Oct. 2003		Feb. 2005		June 2006	
Nov. 2003		Mar. 2005		July 2006	
Dec. 2003		Apr. 2005		Aug. 2006	
Jan. 2004		May 2005		Sept. 2006	
Feb. 2004		June 2005		Oct. 2006	
Mar. 2004		July 2005		Nov. 2006	
Apr. 2004		Aug. 2005		Dec. 2006	
May 2004		Sept. 2005		Jan. 2007	
June 2004		Oct. 2005		Feb. 2007	
July 2004		Nov. 2005		Mar. 2007	
Aug. 2004		Dec. 2005		Apr. 2007	
Sept. 2004		Jan. 2006		May 2007	
Oct. 2004		Feb. 2006		June 2007	
Nov. 2004		Mar. 2006		July 2007	
Dec. 2004		Apr. 2006		Aug. 2007	
Jan. 2005		May 2006		Sept. 2007	

Total market hogs during the initial term of the Agreement: ______________

Unless you and we agree otherwise, you agree to sell to us during any renewal term the same quantity of market hogs as were agreed upon for the last twelve calendar months under this Delivery Schedule.

IN WITNESS WHEREOF, the parties have caused this Delivery Schedule to the Agreement to be signed by their duly authorized representatives.

____
("you" or "your") [Print Full Legal Name]

By: ______________________________

Its: ______________________________
[State "Sole Proprietor" or Title]

HORMEL FOODS CORPORATION
("we", "us" or "our")

By: ______________________________

Its: ______________________________

Contract No. ___________

DELIVERY SCHEDULE TO HORMEL FOODS CORPORATION HOG PROCUREMENT AGREEMENT (Quarterly Flow Production)

This Delivery Schedule to Hormel Foods Corporation Hog Procurement Agreement (Quarterly Flow Production) (this "Delivery Schedule") is agreed to by you and us as part of the Hog Procurement Agreement (the "Agreement") between you and us.

You agree to sell to us, and we agree to buy, the following specific quantity of market hogs during each calendar quarter under the Agreement:

QUARTER	HOG QUANTITY	QUARTER	HOG QUANTITY
Oct. 1 - Dec. 31, 2003		Oct. 1 - Dec. 31, 2005	
Jan. 1 - Mar. 31, 2004		Jan. 1 - Mar. 31, 2006	
Apr. 1 - June 30, 2004		Apr. 1 - June 30, 2006	
July 1 - Sept. 30, 2004		July 1 - Sept. 30, 2006	
Oct. 1 - Dec. 31, 2004		Oct. 1 - Dec. 31, 2006	
Jan. 1 - Mar. 31, 2005		Jan. 1 - Mar. 31, 2007	
Apr. 1 - June 30, 2005		Apr. 1 - June 30, 2007	
July 1 - Sept. 30, 2005		July 1 - Sept. 30, 2007	

Total market hogs during the term of the Agreement: ______________

Total hog quantities for the first and fourth calendar quarters cannot exceed total hog quantities for the second and third calendar quarters over the term of the Agreement.

IN WITNESS WHEREOF, the parties have caused this Delivery Schedule to the Agreement to be signed by their duly authorized representatives.

______________________________ ("you" or "your") [Print Full Legal Name]	HORMEL FOODS CORPORATION ("we", "us" or "our")
By: ______________________	By: ______________________
Its: ______________________ [State "Sole Proprietor" or Title]	Its: ______________________