pounds per pig to 183 pounds per pig, as the case may be, based on the configuration of the Slaughter Facility;

(iii) free of defects listed in Section 8 to this Agreement;

(iv) produced only from the Breeding Stock; and

(iv) minimum of 51% lean as determined by the Fat-O-Meter system.

(g) "Nonqualifying Market Hogs" shall mean all Market Hogs that do not conform to the requirements set forth in Section 1(f) of this Agreement.

(h) "Purchase Base Price" shall have the meaning set forth in Section 12 to this Agreement.

6. CARE OF THE HERD. Producer shall supply all necessary management, labor and utilities to properly operate the Facilities and shall supply all necessary medications, vaccines, and feed to competently feed, water, and otherwise care for the Herd in accordance with the highest industry standards of good animal husbandry and in accordance with the terms of this Agreement so as to insure timely delivery of Market Hogs under this Agreement. Producer shall not house, feed, water or otherwise care for any swine on or in the Facilities other than the Herd, and shall not breed the Herd with any swine other than swine that are part of the Herd. Producer shall feed and manage the Herd in accordance with Farmland's recommended feeding programs as may be modified by Farmland from time to time. Producer shall notify Farmland of any problems or conditions that may affect Producer's ability to deliver Qualifying Market Hogs according to the terms of this Agreement.

7. VETERINARY SERVICES. Farmland and Producer acknowledge that proper management of the Herd by Producer shall include normal veterinary care, provided on terms and conditions which are acceptable to Producer, but which care will insure normal and regular veterinary review of the management and care of the Herd. In connection therewith, Producer will instruct and direct Producer's veterinarians and other employees to administer medication, vaccines and other animal health care products only in accordance with label directions and instructions. In addition, with respect to any such medications, vaccines or other animal health care products that are subject to USDA approval, only products with such approval will be utilized. In addition, Producer shall insure that any and all medication, vaccines and other animal health care products used with respect to the Herd are reduced to the lowest level possible consistent with good animal husbandry and effective management of Herd health.

8. DEFECTS. All Qualifying Market Hogs shall be free of the following defects: (a) uncastrated males, (b) ruptures, (c) abscesses, (d) freshly castrated males, (e) freshly cut or unhealed wounds, or (f) any defect that would result in a down grade of the animal's carcass.

All Market Hogs (including Qualifying and Nonqualifying Market Hogs) delivered under this Agreement are purchased subject to passing inspection by the USDA with deductions to the Purchase Price for all carcasses or carcass parts that are condemned by USDA inspectors.

9. NONQUALIFYING MARKET HOGS. Producer shall deliver to Farmland all Nonqualifying Market Hogs produced by Producer during the term of this Agreement, which Nonqualifying Market Hogs may or may not be purchased by Farmland as determined by Farmland's then current purchasing practices. If purchased by Farmland, such Nonqualifying Market Hogs will be purchased at Farmland's then current price for hogs of like kind and grade. If not purchased by Farmland, such Nonqualifying Market Hogs will be sold by Farmland on behalf of Producer in accordance with Farmland's then current policies and procedures, and Farmland promptly shall remit the net proceeds therefrom to Producer.

10. WEIGHT DISCOUNT. Farmland's weight discount (sort) schedule at the time of receipt of the Qualifying Market Hogs shall apply to all deliveries.

11. PRODUCER COMPENSATION. The purchase price for the Qualifying Market Hogs purchased by Farmland hereunder (the "Purchase Price") shall be equal to (a) for scalded carcass hogs, the Scalded Cornbelt Price (as hereinafter defined), or (b) for skinned carcass hogs, the Skinned Cornbelt Price (as hereinafter defined); provided, however, that in no event shall the Purchase Price be (i) less than the Base Price (as hereinafter defined), or (ii) greater than the sum of the Base Price plus (A) for scalded carcass hogs, $10.00/cwt (hot carcass weight), or (B) for skinned carcass hogs, $11.30/cwt (hot carcass weight). The "Scalded Cornbelt Price" shall mean the average of the opening USDA Western Cornbelt mid-point hog hot carcass prices/cwt carcass weight for the 49-50% lean carcass for each reported trading day occurring in the second week immediately prior to the week of delivery to the Slaughter Facility. The "Skinned Cornbelt Price" shall mean the Scalded Cornbelt Price multiplied by 1.13.

12. BASE PRICE. The "Base Price" shall be determined per hundred weight (cwt) of hot carcass weight and shall mean the sum of (a) the Nonfeed Cost Allowance (as hereinafter defined), plus (b) the Feed Cost Allowance (as hereinafter defined). The Feed Cost Allowance portion of the Base Price for Qualifying Market Hogs delivered during a Monday through Sunday period shall be computed on the Monday of the immediately preceding period.

13. NONFEED COST ALLOWANCE. The "Nonfeed Cost Allowance" shall mean (a) for scalded carcass hogs, $28.25/cwt of hot carcass weight, or (b) for skinned carcass hogs, $32.00/cwt of hot carcass weight.

14. FEED COST ALLOWANCE. The "Feed Cost Allowance" shall mean the amount calculated by the following methods:

(a) Feed Costs:

(i) Corn prices will be based on a 20-week rolling average according to the Omaha #2 yellow corn Processor bid price per bushel, as reported by the USDA Market News Service. Average weekly prices per bushel will be determined by aggregating the sum of the midpoint of the range of closing prices per bushel quoted by the USDA Market News Service for all trading days reported within a week and dividing the sum by the number of trading days within that week. The 20-week rolling average price per bushel shall be determined by adding the weekly average prices per bushel for each of the 20-weeks preceding (A) the week of delivery to the Slaughter Facility, and (B) the week immediately prior to the week of delivery, and dividing the sum by 20.

(ii) Soybean meal prices will be based on a 20-week rolling average price per ton for Decatur soybean meal (44% protein, rail price) as reported by the USDA Market News Service plus $10 per ton. The average price per ton for each week will be calculated by aggregating the sum of the midpoint of the range of closing prices per ton for each trading day reported in a week, divided by the number of trading days in the week. The 20-week rolling average price per ton shall be determined by adding the weekly average prices per ton of the 20 weeks preceding (A) the week of delivery to the Slaughter Facility, and (B) the week immediately prior to the week of delivery, and dividing the sum by 20.

(b) Feed Usage Rates. The following average feed usage rates will be used to calculate the Feed Cost Allowance, based on the average price for each component as defined in Section 14(a)(i) and (ii):

Ration Component	Allowance (lbs.) per cwt. of Carcass weight of Qualifying Market Hog Produced	
	Scalded	Skinned
Soybean mean (44% protein)	103 lbs.	116 lbs.
Corn	357 lbs.	403 lbs.

For example, in the event 3,000 lbs. of skinned, hot carcass weight of Qualifying Market Hogs are transferred to the Slaughter Facility hereunder, the average corn price per ton determined pursuant to Section 14(a)(i) above is $3.36/bushel, and the average soybean meal price per ton determined pursuant to Section 14(a)(ii) above is $250/ton, then the Feed Cost Allowance shall be equal to determined as follows:

Soybean meal allowance:

cwt. Of carcass weight (3,000 lbs/100lbs) 30.00

multiplied by Average price per pound