# PRODUCERS Livestock

**Marketing · Credit · Commodities**

Sioux City, Iowa
1-800-831-5936 · 712-274-0539
www.ProducersLivestock.Net

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***PLEASE NOTE FORMS WHICH REQUIRE SIGNATURES***

# INTRODUCTION

## STRATEGIC MARKETING PROGRAMS
## for Pork Producers

Pork producers have several alternative methods to market their production. The most common and easily understood is the live cash market. An alternative is selling on a lean carcass basis in order to receive financial benefit for the quality of the animal. These methods depend on a favorable cash market at the point of sale and do not provide for management of risk.

Some producers attempt to manage price risk through contractual arrangements with packers. Such contracts specify quantity, quality, price or a combination of delivery conditions.

Still others manage price risk through use of the Futures markets. Pricing tools such as Hedges and Options provide a safety net to lock in profits or to limit your loss.

Many pork producers are unable to effectively use the Futures system because the contract size does not match their marketing pattern. As an example, a 40,000 pound lean hog futures contract would require a delivery of over 200 head of finished hogs.

Producers Livestock Marketing Association (PLMA) is able to offer a futures based contract on deliveries as small as 5,000 pounds. This contract will enable the producer to utilize the Futures market as an effective pricing and risk management tool.

Through PLMA's extensive network of members, we are able to combine several smaller contracts into a full Futures contract. This unique program is possible through a ***Hedge Contract*** between yourself and PLMA.

Just as with a regular Futures hedge, you have the opportunity to gain from your Futures through a stronger basis position at delivery. Your cash market is quality based, so your opportunity for basis gain is greater as you improve the quality of your hogs.

Your decision process is enhanced by having access to knowledgeable, experienced commodities brokers and marketing agents who are also close to the general market as well as your operation.

Finally, margin calls are simplified. A single fee arrangement is designed to cover, not only your brokerage expense, but also the advance of the initial margin and any additional margin calls that may apply to your contract until cash market time.

What could be easier -- One Call, One Fee, One Experienced Consultant!

# PROGRAMS

## PRODUCERS LIVESTOCK MARKETING ASSOCIATION
## RISK MANAGEMENT ALTERNATIVES IN THE PORK SECTOR

### PROSPECTUS

WE WOULD LIKE TO INTRODUCE A UNIQUE RISK MANAGEMENT PROGRAM FOR PORK PRODUCERS.

BUT FIRST; **WHO ARE "WE"?**

Producers Livestock Marketing Association (PLMA) is a bonded, livestock marketing cooperative. We provide marketing, credit and commodities brokerage services throughout Iowa, Nebraska, South Dakota, Wyoming, Montana, Illinois, Minnesota, Kansas, Missouri and Oklahoma. PLMA has been in existence for over 75 years. Financial information will be provided on request prior to entering into any marketing agreement.

**THE NEED!**

Many pork producers do not have the size of operation to enable them to use effective, independent risk management alternatives such as the futures market. This often pushes them to accept a long term contract with a local packer which, as many have learned, may create a significant liability during periods of depressed prices.

In addition, it is often not wise to lock in all production reducing all opportunity for the upward movement of prices or limit the market to a single buyer.

**THE SOLUTION!**

PLMA, through a unique marketing structure, is able to provide an opportunity for pork producers to use the futures market for contracts as small as 5,000 carcass pounds. In addition, this program will eliminate the need for you to make "margin calls" associated with the futures market.

**PROGRAM OBJECTIVE:**

**TO ENABLE A PORK PRODUCER TO UTILIZE THE FUTURES MARKET FOR PRICING OR RISK MANAGEMENT PURPOSES AT QUANTITIES LESS THAN THE MINIMUM CONTRACT STANDARDS OF THE MARKET; TO PROVIDE FOR PAYMENT OF INITIAL AND MAINTENANCE MARGIN REQUIREMENTS THROUGH A SINGLE SERVICE FEE AGREEMENT.**

## HOW DOES IT WORK?

Through a ***Hedge Contract***, PLMA is able to combine several small contracts into a single futures contract. A single contract fee, based upon the length or term of the contract will cover the brokerage charges plus the initial margin and maintenance margin advances made in your behalf.

When the hogs are sold and delivered to a packer of your choice, PLMA will close out the contract and **add** or **deduct** any futures gain or loss.

Since the cash market portion of this transaction is a vital part of the overall futures net return, PLMA is also available to provide cash marketing and pricing services.

## NET CONTRACT PRICE

The producer will receive the value of his actual cash or grade & yield sale, plus or minus the hedge contract profit or loss. A contract profit during a lower market will help offset the lower cash or grade & yield market price. A contract loss during a higher market will be offset by a higher cash or grade & yield market price. Regardless of market direction, this will allow the producer to realize the return estimated at the time the contract is written. Any price adjustment will be due to the actual basis at market time.

## BASIS RISK

The basis risk associated with the futures market pricing mechanism is born by the pork producer.

Basis is defined as the difference between the cash or grade & yield market price and the current nearby futures price.

Contracts are priced at the futures board price with the net expected value adjusted by historic basis tables. The actual basis difference could be greater or less, depending on market conditions at the time of delivery. The cash price for determining basis will be the actual value based cash price at delivery. This enables a producer of high quality hogs to realize better net value by exceeding the quality assumptions used at the time of pricing. (SEE THE NEXT SECTION FOR A COMPLETE EXPLANATION OF "BASIS".)

## WHAT DOES IT COST?

An up-front fee is charged based on the estimated close out date of the contract.

| CLOSE OUT DATE | PRICE/CWT. |
|---|---|
| 6 months or less | $0.50/cwt. |
| over 6 months | $0.75/cwt. |

**WHAT DOES THE PRODUCER NEED TO DO?**

1. Complete a marketing agreement that specifies the conditions and basis risk factors, and establishes the maximum number of contracts expected during the agreement period.
2. Inform the primary lender of the agreement conditions.
3. Advise the primary lender that the sale proceeds will be processed through the PLMA offices to be adjusted by hedge gains or losses and then forwarded with the appropriate lien holder identification.
4. Provide a description of their operation and a current balance sheet (or have one provided by the lender).

**WHAT HAPPENS NEXT?**

When a producer decides to place a contract, a ***Hedge Contract*** showing the contract month & year, number of pounds contracted, futures price, service fee cost and expiration date of the underlying futures contract will be generated and forwarded to the producer and the primary lender (if requested). Payment of the fee is to be remitted by the producer or the lender to PLMA's office. The producer will be given a buyer's notice and authorization form prior to delivery. These are to be presented to the packer when the hogs are delivered, to assure that the packer will forward the proceeds to PLMA.

**HOW DOES THE CONTRACT CLOSE OUT?**

When the hogs associated with the contract are finished and priced or delivered to a packer, the producer is to advise the PLMA office to close out the hedge. The proceeds of the sale will then be remitted to PLMA by the packer. PLMA will add any futures profit or deduct any futures loss. We then remit the balance of the proceeds to the customer or primary lender with the appropriate lien holder identification.

**SUMMARY**

The ability to utilize the futures market is a sound risk management tool. Often, an individual may not want nor need to lock in 100% of production, thereby limiting the use of the futures market as a pricing or risk management alternative. Use of the futures market for a smaller quantity can be a valuable alternative to long term contracts. The Hedge Contract enables the producer to selectively use the futures market to their advantage. In addition, the producer has access to experienced, salary based brokers in the decision process.

The primary lender is protected by knowing exactly what portion of the producers' total production is under risk management and also not being burdened with processing margin calls on behalf of their borrower. This risk management protection can enhance the lending relationship between producer and lender.

## CASH FLOW CONTACT

In some instances, pork producers would hedge only those months that reflected the highest futures price, skipping the lower priced months, which often times were the months that needed to be hedged most of all. By averaging multiple futures contracts into a single price, the ***Cash Flow Contract*** can provide cash flow stability and potentially a price level that is profitable for an extended period of time, from 4 to as much as 14 months into the future. You are paid based on that average price for each delivery. The premiums you receive from the packer are still yours. You stand the basis gain or loss.

What you're doing with this contract is hedging your pork on a futures exchange and then balancing the hedge against the average of those prices at delivery time. This provides you price protection and cash flow stability. It also enables you to ship hogs to any packer with the added flexibility of changing the packer you deliver to, even in the midst of the contract delivery period – without any penalty. You just need to deliver a consistent amount of pork each month. The mechanics and fees are the same as outlined above for the ***Hedge Contract***.

## HEDGE CONTRACT USING OPTIONS

Yes. It's easy and convenient. You can use Lean Hog Put and Call Options in 40,000 lb. increments and PLMA will finance those costs under the same ***Hedge Contract*** agreement. Buy Put Options for your downside price insurance, or establish a "fence" (buy put/sell call), and PLMA will finance the out of pocket option premiums and any margin calls associated with a "fence" transaction. From there, the mechanics are the same as previously outlined for the ***Hedge Contract***. The fees (which are paid up-front) vary from \$0.25-\$0.40/cwt. depending on the length of the contract term and the amount of the premium.

## COMMODITY SERVICES

If you'd rather have your own commodity account and work with an experienced commodity broker that's a livestock industry specialist, we can help you with that too. Producers Commodity Services have brokers that are salaried and not commissioned. Their interest is in helping you with your marketing program.

Our extensive marketing network – PLMA members, marketing representatives, national affiliates and contacts involved with the livestock, grains, and feed markets everyday – provides reality-based analysis of present markets and future trends, tempered with close understanding of the members marketing needs and concerns.

Producers Commodity Services has experienced professional commodities staff available to work with you in developing price protection and marketing strategies. In addition, the staff is available for educational and informational outlook meetings.

# BASIS

## WHAT IS "BASIS" AND HOW IT WILL AFFECT YOUR FINAL RETURNS

When your hogs have reached market weight, you will sell your hogs on the open market just as you would have done if they weren't contracted. So you must do a good job marketing your hogs. But when you get a bid, don't commit your hogs until you compare your estimated net price (after premiums) with the current futures quote. The difference between your net cash price and the current futures price is called **"BASIS"**. This difference is very important to you when calculating the net price you will receive for your hogs. Let's look at several examples.

**EXAMPLE 1:**
Suppose your contract price for April delivery is $90.00. It's now market time and you are bid $85.00 by your local packer. That same day the April Futures are trading at $85.00. Basis is calculated as **CASH MINUS FUTURES**, so in this example the basis = $0.00. You will net $90.00 for your hogs. Why??

1. You hedged them at $90.00, and got out at $85.00, realizing a $5.00 futures profit, which we will add to your cash hog check.
2. You sold cash hogs at $85.00
3. $85.00 cash sale + $5.00 futures profit = $90.00 net -- the same as your original Hedge Contract price because of the $0.00 basis.

**EXAMPLE 2:**
Suppose your contract price for April delivery is $90.00. It's now market time and you are bid $83.00 by your local packer. That same day the April Futures are trading at $85.00. Basis = minus $2.00, which means you will net $88.00 for your hogs. Why??

1. You hedged them at $90.00, and got out at $85.00, realizing a $5.00 futures profit, which we will add to your cash hog check.
2. You sold cash hogs at $83.00.
3. $83.00 cash sale + $5.00 futures profit = $88.00 net -- $2.00 less than your original Hedge Contract price because of the minus $2.00 basis.

**EXAMPLE 3:**
Suppose your contract price for April delivery is $90.00. It's now market time and you market your hogs grade & yield. You estimate from past performance that your final grade & yield price (after premiums) will be $86.00. That same day the April Futures are trading at $85.00. Basis = plus $1.00, which means you will net $91.00 for your hogs. Why??

1. You hedged them at $90.00, and got out at $85.00, realizing a $5.00 futures profit, which we will add to your cash hog check.
2. You sold cash hogs at $86.00 (grade & yield).
   $86.00 cash sale + $5.00 futures profit = $91.00 net -- $1.00 more than your original Hedge Contract price because of the plus $1.00 basis.

As you can see, the hog producer in Example 3 came out the best because of the way the hogs were marketed. Grade & yield marketing won't necessarily work for all hogs, but it is still important to market your hogs at the best possible cash market.

In the first three examples, the underlying hog market (cash & futures) went lower after you hedged your hogs. What would happen if the hog markets were to rise after you contracted?? Let's look at three more examples.

**EXAMPLE 4:**

Suppose your contract price for April delivery is $90.00. It's now market time and you are bid $94.00 by your local packer. That same day the April Futures are trading at $94.00. Basis = $0.00, which means you will net $90.00 for your hogs. Why??

1. You hedged them at $90.00, and got out at $94.00, realizing a $4.00 futures loss, which we will deduct from your cash hog check.
2. You sold cash hogs at $94.00.
3. $94.00 cash sale - $4.00 futures loss = $90.00 net -- the same as your original Hedge Contract price because of the $0.00 basis.

**EXAMPLE 5:**

Suppose your contract price for April delivery is $90.00. It's now market time and you are bid $92.00 by your local packer. That same day the April Futures are trading at $94.00. Your basis = minus $2.00, which means you will net $88.00 for your hogs. Why??

1. You hedged them at $90.00, and got out at $94.00, realizing a $4.00 futures loss, which we will deduct from your cash hog check.
2. You sold cash hogs at $92.00.
3. $92.00 cash sale - $4.00 futures loss = $88.00 net -- $2.00 less than your original Hedge Contract price because of the minus $2.00 basis, but equal to your expected net.

**EXAMPLE 6:**

Suppose your contract price for April delivery is $90.00. It's now market time and you market your hogs grade & yield. You estimate from past performance that your final grade & yield price (after premiums) will be $95.00. That same day the April Futures are trading at $94.00. Basis = plus $1.00, which means you will net $91.00 for your hogs. Why??

1. You hedged them at $90.00, and got out at $94.00, realizing a $4.00 futures loss, which we will deduct from your cash hog check.
2. You sold cash hogs at $95.00 (grade & yield).
3. $95.00 cash sale - $4.00 futures loss = $91.00 net -- $1.00 more than your original Hedge Contract price because of the plus $1.00 basis.

Again, the hog producer in the last example came out the best because of the way the hogs were marketed.

Now, after 6 examples, you are probably really confused. What does all this mean -- down market, up market, $0.00 basis, plus $1.00 basis, minus $2.00 basis?

**SUMMARY:**

down market -- $0.00 basis -- net $90.00
up market -- $0.00 basis -- net $90.00

down market -- minus $2.00 basis -- net $88.00
up market -- minus $2.00 basis -- net $88.00

down market -- plus $1.00 basis -- net $91.00
up market -- plus $1.00 basis -- net $91.00

The point we are trying to make is this: it doesn't matter whether the market goes up or down after you have hedged your hogs. The **actual basis at market time** will determine the net price you will receive.

Basis levels will vary from month-to-month, but can be somewhat predictable, as history can tell us what to expect for any month throughout the year. We keep basis records as far back as 10 years, but look more closely to the last 5-year average. We rely on this average when we explain our Hedge Contract, as we try to estimate what you can expect to receive for your hogs. There will be some basis risk, but much less than open market risk. You can reduce some of that risk by comparing your cash price at market time with the current futures quote. Like we said earlier, don't commit your hogs until you have made that comparison. Market your hogs when the basis is acceptable.

Please look this over and call if you have any questions. Most importantly, please call when you have hogs ready to market. We would like to have the opportunity to go over this with you again, so we can avoid any misunderstandings.

# SAMPLE CONTRACT

# *PRODUCERS LIVESTOCK MARKETING ASSOCIATION*

***HEDGE CONTRACT NUMBER : 36060***

On this date, Friday, March 15, 2013 , NOW, THEREOF, in consideration of the mutual promises set forth herein, it is agreed between Producers Livestock Marketing Association, 4280 Sergeant Road Suite 240, Sioux City, IA, 51106, hereinafter referred to as MARKETER, and:

| | | | |
|---|---|---|---|
| ***SELLER:*** | MR. HOG PRODUCER | Customer Number: | 98765 |
| | 1234 HIGHWAY 1 | Phone: | 712-555-1212 |
| | ANYTOWN IA 56789 | Bank: | ANYTOWN STATE BANK |
| | | Comments: | NORTH BARN |

hereinafter referred to as SELLER, witnesseth:

## *SECTION 1 - MARKETER AGREES TO:*

1. Hedge the risk of an adverse price change for JUNE 2013 LEAN HOGS by selling 40,000 lbs. on the CME.
2. Verify the confirmed futures price of $90.000 has been transacted.
3. Pay all margin calls and requirements necessary to establish and maintain the commodity futures position
4. Pay the complete commodity brokerage fee on futures trade.
5. Keep well informed on market conditions and maintain regular contract with SELLER throughout the contracted period.

## *SECTION 2 - SELLER AGREES TO:*

1. Offer contracted commodity for sale to any buyer, as long as buyer furnishes MARKETER with satisfactory proof of financial responsibility.
2. Permit MARKETER to invoice and collect all proceeds generated from the sale of the contracted commodity from the buyer and promptly pay SELLER in accordance with U.S.D.A. regulations.
3. Allow title to said commodity to pass to buyer following weighing. The commodity will be weighed at an approved scale. SELLER will bear all expense and risk of loss until title passes.
4. Weigh each price lot seperately if multiple prices are accepted on the contract. It is understood that there might be different breeds or types involved in a sale.
5. Accept cash market bid price on delivery weight in excess of contract terms.
6. Pay MARKETER a service fee of $0.50 /cwt. that will be paid within 7 business days from above contract date.
7. Accept gross proceeds to be calculated by the summation of cash sales (live or carcass) plus or minus futures gain or loss.

## *SECTION 3 - IT IS MUTUALLY AGREED:*

1. That SELLER will be responsible for, or entitled to, the net result of the futures position.
2. That SELLER understands MARKETER will hedge its price risk on the above commodity by selling futures contracts on the appropriate Chicago commodity exchange, which will involve financial obligation on MARKETER'S part. If SELLER shall fail to deliver on the agreement as herein set out, it is agreed that SELLER shall promptly pay to MARKETER and be liable to MARKETER for all losses arising from the hedged futures position, in addition to MARKETER'S service fee. SELLER shall be liable to MARKETER for all expenses arising from any breach on SELLER'S part of this contradt, including but not limited to its reasonable expenses in obtaining replacement commodity together with all incidental and consequential damages, and all reasonable attorney fees in the enforcement of this contract.
3. That SELLER warrants and represents that there are no security interest, liens, or encumbrances, on the commodity, except as disclosed on the top of this contract, and that no such security interest, liens or encumbrances will attach to the commodity without notification to MARKETER. SELLER agrees that in the event that SELLER notifies MARKETER of a security interest, lien or encumbrance, or if a creditor claims a lien by giving written notice to MARKETER, or if MARKETER independently discovered a perfected UCC-1 file claiming a lien in the commodity, in any of these cases, that the payment for the commodity (including an adjustment for the hedging profit or loss) will be made jointly to SELLER and any claimed lienholder. SELLER agrees that MARKETER shall have no liability whatsoever for any dispute as to the existence of a lien or lien priority.
4. That SELLER warrants that said contracted commodity is and will remain free of any other contractual marketing agreement during the term of the contract. Contract expiration date shall be Friday, June 14, 2013 .
5. That SELLER warrants and represents that all commodity delivered pursuant to this contract shall be in good and marketable condition, suitable and fit for immediate shipment and sale.
6. As this is a true hedging contract, SELLER agrees that the commodity and the futures contract will be liquidated as contemporaneously as possible, and that it will not be possible to liquidate the futures contract prior to the liquidation of the commodity.
7. That this agreement shall be binding upon respective heirs, successors and assigns of each of the parties hereto.
8. That this contract contains the entire agreement between MARKETER and SELLER, and SELLER acknowledges that he has been fully advised and does fully understand the contents of this agreement. The parties agree that no changes can be made to this agreement without the same being reduced to writing and signed by both parties.

***MARKETER*** *PRODUCERS LIVESTOCK MARKETING ASSOCIATION* ***SELLER*** *MR. HOG PRODUCER*

OFFICE (WHITE COPY) CUSTOMER (YELLOW COPY)

PRODUCERS

# LIVESTOCK MARKETING ASSOCIATION

## HEDGE CONTRACT SERVICE FEE INVOICE

| | | | |
|---|---|---|---|
| Bill To: | MR HOG PRODUCER<br>1234 HIGHWAY 1<br>ANYTOWN IA 56789 | Customer Number:<br>Invoice Date: | 98765<br>3/15/2013 |

| *Contract Date* | *Contract Number* | *Contract Size* | *Service Fee* | *Amount Due* |
|---|---|---|---|---|
| 15-Mar-13<br>NORTH BARN | 36060 | 40,000 | $0.50 | $200.00 |

*Total Amount Due* $200.00

PLEASE SIGN THE WHITE COPY OF THE ENCLOSED CONTRACT AND RETURN WITH THE ABOVE SERVICE FEE WITHIN 7 DAYS OF INVOICE DATE

4280 Sergeant Road, Suite 240 • Sioux City, Iowa 51106 • Phone: (712) 274-0539 • Fax: (712) 274-0741

# ***PRODUCERS LIVESTOCK MARKETING ASSOCIATION***
# ***HEDGE CONTRACT DELIVERY REMINDER***

NAME: **MR. HOG PRODUCER**

This is a reminder that your Hedge Contract # **36060** for **40,000** pounds will expire on **Friday, June 14, 2013**.

Any questions regarding delivery should be directed to our representative at Producers Livestock Marketing Association Commodity Services office in Sioux City, IA at 800-831-5936. As we depend on timely notice to enable us to lift the corresponding futures / option contract, PLEASE GIVE 24 HOUR ADVANCE NOTICE OF SALE AND DELIVERY OF HOGS.

To insure prompt payment, be sure to sign one of the BUYER'S NOTICE AND AUTHORIZATION slips (found below) and send one with each delivery of hogs. This will notify the buyer that the hogs have been previously contracted, and will authorize them to make the check for those hogs payable to Producers Livestock Marketing Association.

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**(cut here)**

## ***BUYER'S NOTICE AND AUTHORIZATION***

This notice is to inform buyer that the hogs consigned this day have been contracted to Producers Livestock Marketing Association under terms of a contract and buyer is hereby authorized and instructed (by signature found below) to make check payable to and send proceeds and account of sale to:

Producers Livestock Marketing Association
4280 Sergeant Road Suite 240
Sioux City, IA 51106 800-831-5936

To insure prompt payment, buyer is asked to please call Producers Livestock Marketing Association Commodity Services office in Sioux City, IA at 800-831-5936, giving head count, weight, price, deductions and net check for the hogs included in this delivery.

NAME: ______________________________ Contract # **36060**
**MR. HOG PRODUCER**

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**(cut here)**

## ***BUYER'S NOTICE AND AUTHORIZATION***

This notice is to inform buyer that the hogs consigned this day have been contracted to Producers Livestock Marketing Association under terms of a contract and buyer is hereby authorized and instructed (by signature found below) to make check payable to and send proceeds and account of sale to:

Producers Livestock Marketing Association
4280 Sergeant Road Suite 240
Sioux City, IA 51106 800-831-5936

To insure prompt payment, buyer is asked to please call Producers Livestock Marketing Association Commodity Services office in Sioux City, IA at 800-831-5936, giving head count, weight, price, deductions and net check for the hogs included in this delivery.

NAME: ______________________________ Contract # **36060**
**MR. HOG PRODUCER**

PRODUCERS

# LIVESTOCK MARKETING ASSOCIATION

## *HEDGE CONTRACT PROFIT & LOSS STATEMENT*

MR. HOG PRODUCER
1234 HIGHWAY 1
ANYTOWN IA 56789

| Commodity | Cont. # | Contract Date | Size | Contract Price | Offset Date | Offset Size | Offset Price | Profit (Loss) | Date Paid |
|---|---|---|---|---|---|---|---|---|---|
| JUNE 2013 | 36060 | 3/15/2013 | 40,000 | $90.000 | | | | | |
| LEAN HOGS | NORTH BARN | | | | | | | | |
| | | | | | 6/10/2013 | 40,000 | $85.000 | $2000.00 | |
| | | | | | Balance Due: | 0 | Amount Due: | $2000.00 | |

4280 Sergeant Road, Suite 240 • Sioux City, Iowa 51106 • Phone: (712) 274-0539 • Fax: (712) 274-0741

# LENDER ACKNOWLEDGEMENT

On this date________________________________________, the undersigned (hereinafter referred to as "Creditor"), in consideration of the mutual promises set forth herein and being either a secured or unsecured creditor of ____________________________________________________, ("Seller") whose address is __________________ _______________________________________________________________, and who has entered or is planning to enter into a "Hedge Contract" with Producers Livestock Marketing Association ("PLMA") for hedging the price risk of livestock and for the sale of livestock ("Hedge Contract"), hereby acknowledges and agrees to the conditions set forth as follows:

1. Creditor has reviewed a copy of PLMA's Hedge Contract and is aware of the terms and conditions set forth therein.
2. Pursuant to PLMA's Hedge Contract, PLMA has priority in claims to funds only to the extent PLMA has actually advanced funds under said Hedge Contract to establish futures positions on Seller's behalf, including fees and margin calls of Seller in which PLMA and Creditor might both have a claim of security interest.
3. Creditor waives all claims, to the extent set forth in paragraph #2, including but not limited to claims of superiority of priority and any and all other Article 9 claims, that would entitle Creditor to said funds before PLMA has been paid in full under the terms of the Hedge Contract. PLMA's priority will survive whether the funds are held by PLMA or another entity, ("Possessor").
4. If PLMA does not hold Seller's funds, PLMA is authorized to direct the Possessor to pay PLMA in full, to the extent set forth in paragraph two; under the terms of the Hedge Contract before paying any claims made by the Creditor. Creditor waives all challenges to PLMA's authority to authorize such actions. After PLMA has been paid in full under the terms of the Hedge Contract pursuant to the terms of the Acknowledgement, Creditor shall be entitled to any funds held by Possessor until its balance has been paid in full.
5. All livestock placed under the Hedge Contract are subject to all terms and conditions of the Hedge Contract for a period of 24 months. Lender Acknowledgment will stay in full force until PLMA is notified by Seller or Creditor.
6. Upon request from the Creditor, PLMA shall provide a copy of all risk management placed with Seller.

(Check where applicable)

______ Creditor hereby requests the balance of proceeds, after adjustments are made for the benefit of PLMA as set forth in the Hedge Contract, be made payable jointly to the Creditor and Seller and mailed to Seller.

______ Creditor hereby requests the balance of proceeds, after adjustments are made for the benefit of PLMA as set forth in the Hedge Contract, be made payable jointly to the Creditor and Seller and mailed to Creditor.

______ Creditor's name is NOT needed on checks.

______________________________________
Creditor

By: __________________________________

Title: ________________________________

Date: ________________________________

# SUPPLIER AND BANK REFERENCE AUTHORIZATION

**Important Notice to Customer -- Your signature on this page acknowledges that:**

1. You authorize Producers Livestock Marketing Association (PLMA) to contact the financing and business references provided, and other sources deemed necessary by PLMA, for the purpose of establishing an account and to update references when necessary.
2. You authorize the financing and business references provided to release information to PLMA.
3. The information you have supplied is accurate as of the date shown below.
4. All terms and conditions described are understood and agreed upon.
5. Authorize my lender to forward my most recent balance sheet to PLMA at the address shown below.

| | |
|---|---|
| ____________________ Name of Company | ____________________ City, State |
| ____________________ Signature of President, Owner or Manager, & Title | ____________________ Date |
| ____________________ Please Print Name | |

# ***HOG OPERATION***

Marketing Plan For: ______________________________________________

Address: ______________________________________________

City/State/Zip: ______________________________________________

Home Phone: ____________________ Cell Phone: ____________________

Email Address: ______________________________________________

Operating Period: ____________________ To: ____________________

DESCRIPTION OF HOG OPERATION:

(Type of facilities, number of sows, number of feeder pigs purchased, nursery space, finishing space, feed needs--raised or purchased)

Facilities ______________________________________________

Number of sows farrowed ______________________________________________

Number of feeder pigs purchased ______________________________________________

Nursery space - number of pigs ______________________________________________

Finishing space - number of hogs ______________________________________________

Feed needs:

Raised ______________________________________________

Purchased ______________________________________________

Complete or Submit most recent Financial Statement.

# STATEMENT OF FINANCIAL CONDITION

*CONFIDENTIAL*

Name: ____________________________________________

**ANNUAL INCOME**

| | |
|---|---|
| Sale of Pork Production | $__________ |
| Other Livestock | __________ |
| Sale of Grain Production | __________ |
| Off Farm Income | __________ |
| Other Income (please describe) __________ | __________ |
| **Total Annual Income** | __________ |

**FINANCIAL POSITION**

| | |
|---|---|
| Total Cash & Investments | __________ |
| Total Livestock | __________ |
| Total Machinery & Equipment | __________ |
| Total Feed & Grain | __________ |
| Total Real Estate | __________ |
| **Total Assets** | __________ |
| | |
| Total Debt - Livestock | __________ |
| Total Debt - Machinery & Equipment | __________ |
| Total Debt - Real Estate | __________ |
| Other Debt | __________ |
| **Total Liabilities** | __________ |
| | |
| **Net Worth (Total Assets - Total Liabilities)** | $__________ |
| ___Statement attached dated __________ | |

**BANK REFERENCE(S):**

Bank Name____________________________________________

Bank Address____________________________________________

Bank City/State/Zip____________________________________________

Bank Representative____________________________________________

Bank Phone____________________________________________

Type of Bank Account(s): ___ checking ___ savings ___ line of credit

Brokerage Accounts: Name ____________________Address____________________

I understand that Producers Livestock Marketing Association (PLMA) is relying on the information in this Financial Statement in deciding whether to establish or continue an account relationship and to extend credit on the basis that I/we have requested it or have received it in the past, and any extension or renewal of such credit. I/We certify this information of all supporting schedules provided to PLMA is true, correct, and complete to the best of my/our knowledge and understand all decisions will be based on PLMA's independent analysis of the information. I/We authorize PLMA to make credit checks or inquiries concerning my/our creditworthiness, credit standing, general reputation, and references. Creditors, credit and employment references, government authorities, and others are hereby authorized to disclose to PLMA any information relative to any of my/our loans, accounts, purchases, other financial transactions, production or marketing information, or other pertinent information, whether past, present, or future. Photocopies of this authorization may be presented and relied upon as evidence of my/our authorization to release information to PLMA.

I have read, understand, and agree to make these representations and warranties.

______________________________ ______________________________

Your Signature Date Signature of co-applicant Date

PRODUCERS Livestock
Marketing
Credit
Commodities

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or
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4809 South 114th Street
Omaha, NE 68137-2308

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www.ProducersLivestock.Net
Email: plma1@plmcoop.com

Producers Commodity Services
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Sioux City, IA 51106-4634

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Email: jnelson@plmcoop.com