UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI
KANSAS CITY DIVISION

In re:	In Proceedings Under Chapter 11
Farmland Industries, Inc., et al., Debtors.	Case No. 02-50557-JWV Joint Administration

AMENDED APPLICATION FOR ALLOWANCE AND PAYMENT OF ADMINISTRATIVE EXPENSE CLAIM PURSUANT TO U.S.C. §§ 503(a), (b)

COMES NOW Agro Bauer Pork, LLP ("Agro Bauer"), by and through its counsel, Gislason & Hunter LLP, and for its Application for Allowance and Payment of Administrative Expense Claim Pursuant to 11 U.S.C. §§ 503(a), (b) (the "Application"), states to the Court as follows:

PRELIMINARY STATEMENT

1. Agro Bauer requests the allowance and payment of an administrative expense claim ("Claim") against Farmland Industries, Inc. ("Farmland") in the amount of $218,572.80.

2. This Claim relates to post-petition activity by Farmland and Agro Bauer pursuant to a certain agreement entered into between the parties, as set forth more particularly below. The activity arose from a transaction with Farmland, as a debtor-in-possession, for the benefit of the Estate, and as such should be allowed and paid as an administrative expense in accordance with 11 U.S.C. § 503(b).

APPLICATION

The Parties and their Agreement

3. Farmland is a farmer-owned cooperative that, in conjunction with the other debtor-entities and certain other non-debtor subsidiaries, among its many business activities, processes hogs.

4. Agro Bauer is a Minnesota limited liability partnership. It is engaged in the production of market hogs for slaughter purposes.

5. In order to enable Farmland to process hogs at scheduled capacity, Farmland entered into a Market Hog Purchase Agreement with Agro Bauer, on or about May 18, 2001 (the "Agreement"). A true and correct copy of the Agreement is attached hereto as Exhibit A.

6. The Agreement required Agro Bauer to deliver 98% of their market hog production to Farmland. The initial term of the Agreement was to terminate on April 18, 2010. Exhibit A, ¶ 2.

7. On May 31, 2002 (the 'Petition Date"), Farmland filed its voluntary petitions for bankruptcy protection under Chapter 11, Title 11, United States Code (the "Bankruptcy Code"), and continued to operate and manage its businesses, including performance under its Agreement with Agro Bauer, as debtors-in-possession pursuant to Section 1107(a) and 1108 of the Bankruptcy Code.

8. On January 2, 2003, Agro Bauer filed its Proof of Claim ("Proof of Claim") Exhibit B. Agro Bauer's Proof of Claim stated that it was being "filed as a protective measure" because Agro Bauer did not yet know whether the Agreement would be assumed or rejected.

9. Agro Bauer amended its Proof of Claim ("Amended Proof of Claim") on August 20, 2003, whereby the Amended Proof of Claim includes liquidation claims in the amount of

$12,635,378.00 based upon Farmland's material breach of the Agreement, as further explained below.

10. Between the Petition Date and March 10, 2003, further to the Agreement, Agro Bauer performed its obligations under the Agreement by delivering at least 98% of its market hogs in accordance with delivery schedules established in the Agreement.

Farmland's Repudiation of the Agreement

11. On or about March 7, 2003, Agro Bauer received a notice dated March 4, 2003, via certified mail, (the "Repudiation Notice") from Farmland that, effective March 10, 2003, Farmland would "no longer purchase hogs" from Agro Bauer pursuant to "that certain Market Hog Purchase Agreement dated as of March 4, 2003. A true and correct copy of the Repudiation Notice is attached to this Motion as Exhibit C.

12. Despite the delivery of the Repudiation Notice to Agro Bauer and rejection of the Purchase Agreement, Farmland had not prior to serving the Repudiation Notice sought Court authorization pursuant to 11 U.S.C. § 365(d) to reject the Agreement.

13. On Friday, March 7, 2003, Agro Bauer, by and through its counsel, wrote to Farmland's counsel requesting an explanation of the Repudiation Notice. Because of the shortened time period and limited information contained in the Repudiation Notice, and the uncertainty of its impact on Agro Bauer, Agro Bauer was forced to redirect the shipment of market hogs and resell the market hogs to other packers pursuant to the terms of the Agreement and R.S. Mo. §§ 2-703 and 2-705. It was not until Monday, March 10, 2003, that Agro Bauer and its counsel spoke with Farmland.

14. On Monday, March 10, 2003, Agro Bauer (through its counsel) was advised by Farmland as follows:

A. Farmland would no longer comply with the payment terms of the Agreement previously entered into by Farmland and Agro Bauer.

B. Farmland would not accept delivery of hogs unless Agro Bauer agreed to accept a price substantially less than the price established by the Agreement.

C. Farmland would not accept delivery of the hogs then currently scheduled for delivery to Farmland plants on Monday, March 10, 2003, absent an agreement by Agro Bauer to accept a discounted price.

15. The terms sought by Farmland as set forth in Paragraph 14 were not acceptable to Agro Bauer.

16. But for receipt of the Repudiation Notice, Agro Bauer would have delivered the following market hogs to Farmland during the weeks set forth below:

Week	**Agro Bauer Hogs**
3/10/03	8,538
3/17/03	8,538
TOTAL	17,076

17. On March 11, 2003, Agro Bauer filed an Expedited Motion for Relief from Automatic Stay, requesting an order of the Court for relief from the automatic stay permitting Farmland the right to exercise its legal and contractual remedies, together with an expedited motion seeking an Order compelling Farmland to assume or reject the Agreement.

18. On March 18, 2003, Farmland and Agro Bauer entered into a Stipulation and Agreed Order ("Stipulation") whereby it was agreed that, among other things (i) Farmland asserted that the Agreement's purchase price for hogs was substantially above open market

prices, (ii) that Farmland would reject the Agreement, pursuant to 11 U.S.C. § 365, effective as of the date the Stipulation was approved and entered by the Court. The Stipulation went on to provide that Agro Bauer reserved all rights to assert administrative expense claims for any pre-rejection claims. A true and correct copy of the Stipulation is attached hereto as Exhibit D.

19. The Stipulation was approved and an Order thereto was entered by the Court.

20. Upon information and belief, since providing its Repudiation Notice to Agro Bauer, Farmland has been purchasing hogs from other producers in the ordinary course of its business, thereby benefiting from the difference between the purchase price mandated by the Agreement and the purchase price it is paying on the open market.

21. For the claim incurred post-petition [1], due to Farmland's Repudiation Notice, the Estate has benefited in the amount of $12.80 per hog, representing the difference of the purchase price established by the Agreement and that secured by Farmland on the open market. Agro Bauer estimates that for the termination of deliveries to Farmland prior to the effective date of the Stipulation namely for the period of March 10, 2003 through March 21, 2003, that the Estate has been benefited in the amount of $218,572.80.

ARGUMENT

22. A non-debtor party to an executory contract with a debtor is entitled to an administrative claim equal to the value of any postpetition benefit conferred on the estate before assumption or rejection of the contract. *See, e.g., NLRB v. Bildisco and Bildisco*, 465 U.S. 513, 531, 104 S.Ct. 1188, 1199 (1984); *U.S. on Behalf of U.S. Postal Service v. Dewey Freight System, Inc.,* 31 F.3d 620, 624 (8th Cir. 1994), *reh'g denied.* Administrative expense priority is

[1] Agro Bauer has also asserted pre-petition claims, representing the liquidated damages under its Agreement with Farmland. Agro Bauer's Amended Proof of Claim will be reduced by that amount allowed as an administrative expense.

afforded to those who aid in the preservation and administration of the estate or who aid in the debtor's rehabilitation to the benefit of all creditors. *In re Jefferson Investment Co.*, 151 B.R. 920, 922 (Bankr. E.D. Mo. 1993).

23. Agro Bauer terminated the delivery of the hogs to Farmland further to the Agreement in response to Farmland's Repudiation Notice on March 10, 2003. Thereafter the Agreement was rejected on March 21, 2003. The Estate accordingly benefited by the difference between the prices for hogs as set forth in the Agreement and the prices ultimately obtained by Farmland on the open market during this two-week period for 17,076 hogs.

24. Agro Bauer's claim meets the general criteria for the allowance and payment of an administrative expense claim pursuant to 11 U.S.C. § 503(b).

CONCLUSION

WHEREFORE, Agro Bauer respectfully requests that this Court enter an order:

(a) Granting it an administrative expense claim for the benefit it provided to the Estate, post-petition, pursuant to Farmland's Repudiation Notice and Agro Bauer's ceasing of deliveries, in the total amount of $218,572.80, plus interest and other charges (the "Allowed Administrative Expense Claim") and such amounts as may accrue up to the date of the hearing;

(b) Directing Farmland to make immediate payment to Agro Bauer of the full amount of the Allowed Administrative Expense Claim; and

(c) Reducing the amount of Agro Bauer's total claim, as reflected in its Amended Proof of Claim, by the amount of the Allowed Administrative Expense Claim; and

(d) Granting such other relief as the Court deems proper.

Dated: August 21, 2003

Respectfully submitted,

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Michael S. Dove #214310
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NULIB:139289.1

MARKET HOG PURCHASE AGREEMENT

This Agreement is entered into as of the 18th day of **May, 2001,** by and between Farmland Industries Inc. ("Farmland"), at PO Box 20121, Kansas City, MO 64195-0121 and **Agro Bauer Pork, LLP,** PO Box 244, Jackson, MN 56143, producer of market hogs ("Producer").

PREMISES

Farmland desires to purchase high quality market hogs suitable for processing from competent independent pork producers. Producer has access to the necessary land, facilities, equipment, labor, feed and genetics for the purposes of fulfilling Producer's obligations under this Agreement.

AGREEMENTS

NOW, THEREFORE, the parties hereto agree as follows:

1. **SALE OF QUALIFYING MARKET HOGS.** During the term of this Agreement, Farmland shall purchase from Producer and Producer shall sell to Farmland the Qualifying Market Hogs and Nonqualifying Market Hogs produced by Producer at the Facilities according to the terms and conditions set forth in this Agreement. At no time during the term of this Agreement shall Producer have any obligation to sell Breeding Stock, Breeding Animals, or Off-Grade Hogs to Farmland.

2. **TERM OF AGREEMENT.** This initial term of this Agreement shall end on April 18, 2010, and shall be automatically renewed for successive two-year terms after the end of the initial term; provided that, the initial term of this Agreement shall not end prior to April 18, 2010. Notwithstanding the foregoing, beginning on and after April 19, 2008, either of Producer or Farmland shall be entitled at any time during this Agreement to terminate this Agreement by providing notice of termination (the "Termination Notice") to the other party hereto with such termination being effective on the date that is two years after the date of the Termination Notice. Upon either party sending a Termination Notice to the other party, all the provisions of this Agreement shall remain in full force and effect for the two-year period immediately after the date of the Termination Notice, and on and after the date that is two years after the date of the Termination Notice, Producer's obligation to sell Qualifying Market Hogs and Nonqualifying Market Hogs to Farmland hereunder, and Farmland's obligation to purchase Qualifying Market Hogs and Nonqualifying Market Hogs hereunder, shall cease to exist.

3. **BREEDING STOCK.** The Breeding Stock used to produce the Qualifying Market Hogs and Nonqualifying Market Hogs delivered under this Agreement shall not fall below a minimum inventory of 25,200 sows and shall not exceed a maximum inventory of 35,200 sows, except by mutual agreement of Farmland and Producer. The Breeding Stock shall be maintained at the following location, or any other location as designated by Producer provided that Producer notifies Farmland in writing of any such other location prior to locating Breeding Stock at such other location:

Location		Breeding Stock Sow Inventories Minimum – Maximum
NFP West (Albin, WY)		7,000 – 8,200
IC Pork (Steinbach, Manitoba)	(until January 1, 2004)	7,000 – 14,000
	(on and after January 1, 2004)	13,000 – 14,000
NFP of Iowa (Corning, IA)		5,800 – 6,400
NFP of Iowa (Round Lake, MN)		2,700 – 3,300
NFP of Iowa (Wahldorf, MN)		2,700 – 3,300

Farmland may allow Producer to increase Producer's inventory of Breeding Stock used to produce Qualifying Market Hogs and Nonqualifying Market Hogs beyond the 35,200 sows described above, subject to Farmland's availability of capacity to slaughter additional Qualifying Market Hogs and Nonqualifying Market Hogs and subject to Farmland's approval.

4. DELIVERY SCHEDULE. Producer shall use commercially reasonable efforts to make regular deliveries of Qualifying Market Hogs and Nonqualifying Market Hogs to Farmland. Based on the best information presently available, Producer estimates that the total number of Qualifying Market Hogs and Nonqualifying Market Hogs available for delivery each calendar quarter is as follows:

ESTIMATED QUARTERLY DELIVERIES (Head)

Year	1st Quarter (Jan-Mar)	2nd Quarter (Apr-Jun)	3rd Quarter (July-Sept)	4th Quarter (Oct-Dec)
2001	N/A	32,000	32,000	32,000
2002	63,000 – 69,000	63,000 – 69,000	63,000 – 69,000	77,000 – 85,000
2003	105,000 – 111,000	118,000 – 130,000	127,000 – 140,000	131,000 – 145,000
2004	131,000 – 145,000	131,000 – 145,000	143,000 – 158,000	143,000 – 158,000
2005 and thereafter	143,000 – 158,000	143,000 – 158,000	143,000 – 158,000	143,000 – 158,000

(a) Farmland and Producer acknowledge that the production of swine is subject to interruptions in production as a result of being a process of mating, farrowing and growing live animals and that Producer's actual production of Qualifying Market Hogs and Nonqualifying Market Hogs may vary substantially on a quarter-to-quarter basis from the estimated quarterly deliveries set forth in this Section 4.

(b) Producer shall contact Farmland by Thursday of each week and Farmland and Producer shall designate the: (i) dates within the following week on which deliveries are to be made; and (ii) the approximate number of Qualifying Market Hogs and Nonqualifying Market Hogs that will be delivered to each Slaughter Facility (as defined in Section 7 hereof) on each such date.

(c) Producer shall make deliveries to the designated Slaughter Facility on or before the time designated on Exhibit A, or at such other times as mutually agreed by Farmland and Producer.

(d) Producer and Farmland both recognize and acknowledge that use of Breeding Animals for Producer's production of Breeding Stock and sales of Breeding Animals by Producer to Triumph Pork Group LLC or to one or more individuals or entities approved by Triumph Pork Group LLC, will influence the estimated quarterly deliveries of Qualifying Market Hogs and Nonqualifying Market Hogs to Farmland.

5. TRANSPORTATION OF QUALIFYING MARKET HOGS. Producer shall provide transportation at Producer's expense from Producer's Facility designated on the attached Exhibit A to the corresponding Slaughter Facility designated on Exhibit A. In the event Farmland sells or closes a Slaughter Facility or requests that one or more deliveries hereunder be made from a Facility of Producer to a slaughter facility other than set forth on Exhibit A, and such event results in increased overall transportation costs for Producer, then Farmland shall reimburse Producer for the increase in overall transportation costs attributable to transporting the hogs described in Section 4 to the slaughter facility designated by Farmland as compared to the cost of transporting the same number and weight of hogs from Producer's Facility to the corresponding Slaughter Facility set forth on Exhibit A. In the event that Farmland sells or closes a Slaughter Facility or requests that one or more deliveries hereunder be made from a Facility of Producer to a slaughter facility other than the corresponding Slaughter Facility set forth on Exhibit A, and such event results in decreased overall transportation costs for Producer, then Producer shall credit Farmland for the decrease in overall transportation costs attributable to transporting the hogs described in Section 4 to the slaughter facility designated by Farmland as compared to the costs of transporting the same number and weight of hogs from Producer's Facility to the corresponding Slaughter Facility set forth on Exhibit A. Notwithstanding the foregoing, Farmland may at any time and from time to time elect to designate either Crete, Nebraska, or Denison, Iowa as the "Designated Slaughter Facility" for any of the Producer's Facilities set forth on Exhibit A, and in the event Farmland makes any such designation, there shall be no adjustment

to the transportation cost attributable to the delivery of hogs to such facility, such that Farmland shall incur no additional transportation cost as a result of such designation.

6. PURCHASE PRICE. During the term of this Agreement, Farmland shall pay to Producer the "Purchase Price" set forth below multiplied by the total weight (determined on a scalded carcass weight basis) of the Qualifying Market Hogs, Nonqualifying Market Hogs and Off-Grade Hogs delivered to Farmland, as follows:

(a) **QUALIFYING MARKET HOGS.** The Purchase Price per cwt. for Qualifying Market Hogs shall be: (i) the Base Price (determined in the manner set forth on Exhibit B); plus or minus (ii) the Lean Value Premium and Sort Discount (as defined in Section 6(d)). On or before February 1 of each year, either party may request in writing an adjustment to the formula for the Base Price if changes have occurred in the applicable USDA price reporting information or if changes have occurred in the relationship between industry pork primal market values and the applicable pork primal prices reported in the applicable USDA price reporting information. For example, for purposes of illustration and not of limitation, either party may request in writing an adjustment to the formula for the Base Price if the USDA begins reporting price information for pork primals used in determining the Base Price using a new weight or trim specification. If the parties mutually agree to adjust the Base Price formula upon such a written request, then the Base Price formula as agreed to by the parties shall become effective on March 1 of the year in which the written request was received by the other party. If the parties do not mutually agree to make an adjustment to the Base Price formula by March 1 of the year in which the written request was received by the other party, the parties will submit the dispute to binding arbitration pursuant to the arbitration provisions of Section 31 of this Agreement. The decision of the binding arbitration will be effective retroactive to March 1 of the year in which the written request was received, regardless of when the decision of the arbitrators is actually issued.

(b) **NONQUALIFYING MARKET HOGS.** The Purchase Price per cwt. for Nonqualifying Market Hogs shall be: the Base Price less the $1.25 per cwt. add on (i.e., the Purchase Price shall be the Derived Cutout price); and plus or minus the Lean Value Premium and Sort Discount. The Base Price for purposes of determining the Purchase Price of Nonqualifying Market Hogs shall be subject to the same adjustment to the Base Price as described in Section 6(a).

(c) **OFF-GRADE HOGS.** The Purchase Price for Off-Grade Hogs shall be the then current price paid by Farmland for hogs of like kind and grade.

(d) **CARCASS MERIT PROGRAM.** The Purchase Price paid per cwt. for Qualifying Market Hogs and Nonqualifying Market Hogs (as described in Sections 6(a) and 6(b), above) shall be increased for lean value premiums and decreased for lean value and weight discounts, which increase or decrease will be determined according to the Carcass Merit Program schedule on the attached Exhibit C and Exhibit C-1 (the "Lean Value Premium and Sort Discount"). The Carcass Merit Program schedule on the attached Exhibit C shall be the schedule for determining Lean Value Premium and Sort Discount for purposes of this Agreement through July 15, 2001. The Carcass Merit Program schedule on the attached Exhibit C-1 shall be the schedule for determining Lean Value Premium and Sort Discount for purposes of this Agreement beginning July 16, 2001. Beginning on and after July 17, 2001, if, at any time or times subsequent to such date, Farmland changes the Carcass Merit Program schedule used under Farmland's America's Best Pork food chain system program ("America's Best Pork Program") and the amounts or ranges set forth on such Carcass Merit Program schedule (a "New Carcass Merit Schedule") differ from the amounts or ranges set forth on the schedule then in effect for purposes of determining the Lean Value Premium and Sort Discount, then Farmland shall be entitled to have the New Carcass Merit Schedule replace the schedule for determining Lean Value Premium and Sort Discount then in effect under this Agreement on the condition that: (i) Farmland shall notify Producer at least ninety (90) days prior to the date that the New Carcass Merit Schedule will become effective as the Lean Value Premium and Sort Discount for purposes of this Agreement; (ii) that on the effective date of the New Carcass Merit Schedule, the New Carcass Merit Schedule at a Slaughter Facility is the Carcass Merit Program schedule used by Farmland to purchase from producers (the "New CMP Producers") more than fifty percent (50%) (determined without including hogs sold by Producer to Farmland) of the hogs purchased under the America's Best Pork Program at a Slaughter Facility; and (iii) if Farmland

has made an adjustment to the base price formula used to purchase market hogs from the New CMP Producers, then Farmland shall make an equivalent adjustment to the formula for determining Base Price for Qualifying Market Hogs and to the formula for determining Base Price for Nonqualifying Market Hogs, which equivalent adjustment shall be effective on the same day that the New Carcass Merit Schedule is effective as the Lean Value Premium and Sort Discount hereunder. Any adjustments made pursuant to the preceding sentence shall be subject to binding arbitration under Section 31 of this Agreement.

(e) **SCALDED CARCASS WEIGHT BASIS.** For purposes of this Agreement, all prices, pricing premiums and sort discounts shall be determined on a scalded carcass weight basis.

(f) **REVIEW OF GRADING AND LEAN EVALUATION PROCEDURES.** Producer or a representative designated by Producer and approved by Farmland shall have the right to review and analyze once every three months the sorting, weighing, grading, and lean evaluation procedures being conducted by Farmland on Producer's slaughter animals at each Slaughter Facility.

7. DEFINITIONS. The following capitalized words and terms used in this Agreement shall have the following meanings:

(a) "Breeding Animal" shall mean a male or female swine that is offspring of Breeding Stock, which swine will be used other than as a slaughter animal including, without limitation, animals commonly referred to as parent animals, grandparent animals, great-grandparent animals, production nucleus animals and genetic nucleus animals.

(b) "Breeding Stock" shall mean adult sows and boars in Producer's breeding, gestation and farrowing facilities, and artificial insemination (AI) studs, that are owned or used by the Producer in the Herd for the purpose of producing offspring suitable for use as Qualifying Market Hogs or as Breeding Animals.

(c) "Facilities" shall mean the land, buildings, and equipment owned, leased, or contracted by Producer that are listed on the attached Exhibit A and are used in connection with the housing, care, and feeding of the Herd.

(d) "Herd" shall mean the Breeding Stock and the offspring thereof at a location listed in Section 3 or located at a Facility listed on the attached Exhibit A.

(e) "Lot" shall mean a group of one or more hogs bearing the same tattoo number, which tattoo number shall be affixed by Farmland to each slaughter animal upon delivery of slaughter animals under this Agreement by Producer to Farmland.

(f) "Nonqualifying Market Hogs" shall mean hogs designated by Producer as slaughter animals (specifically excluding Breeding Animals and Breeding Stock) that would have met the criteria to be classified as Qualifying Market Hogs (as defined below) except that such hogs do not conform to the requirements for Qualifying Market Hogs as a result of not conforming with the requirements set forth in Sections 7(h)(1) or 7(h)(2).

(g) "Off-Grade Hogs" shall mean hogs designated by the Producer as slaughter animals (specifically excluding Breeding Animals and Breeding Stock) that do not conform to the requirements for Qualifying Market Hogs as a result of not conforming with the requirements set forth in Section 7(h)(3).

(h) "Qualifying Market Hogs" shall mean hogs designated by Producer as slaughter animals (specifically excluding Breeding Animals and Breeding Stock) that conform to the following:

1) All genetic material entering the Herd from which Qualifying Market Hogs are produced must be Triumph Genetics, if available, or if not available at commercially reasonable prices, then such other commercially available genetics able to produce an average minimum of at least 51% lean on a per Lot basis determined by using the Fat-O-Meater System;

2) Have a scalded carcass weight of at least 170 pounds up to 214 pounds average per Lot; and

3) Be free of the following defects: (i) uncastrated males; (ii) freshly castrated males; (iii) tail bites; (iv) ruptures; (v) abscesses; (vi) freshly cut or unhealed wounds; or (vii) any material defect that would result in a downgrade of the animal's carcass.

(i) "Slaughter Facility" shall mean a slaughter facility owned, operated or controlled by Farmland or its subsidiaries or affiliates, which as of the date of this agreement consists of three facilities located at Crete, Nebraska, Denison, Iowa, and Monmouth, Illinois (each of which are processing hogs using the scalded carcass method).

(j) "Triumph Genetics" shall mean genetics approved by Triumph Pork Group LLC.

(k) "Business Day" shall mean any day other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Kansas City, Missouri.

8. **OWNERSHIP OF HOGS.** Producer represents and warrants that Producer, or a joint venture controlled by or affiliated with Producer, will be the owner of the Qualifying Market Hogs and Nonqualifying Market Hogs delivered under this Agreement, and no other producer, joint venture, individual or entity will own or have previously owned any portion or percentage of the Qualifying Market Hogs and Nonqualifying Market Hogs delivered under this Agreement.

9. **HERD CARE AND MANAGEMENT.** Producer, or a contract farm arrangement between Producer and a third party, 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 industry standards of good animal husbandry.

10. **VETERINARY SERVICES.** Producer acknowledges that proper management of the Herd by Producer shall include normal veterinary care, which will include normal and regular veterinary review of the management and care of the Herd. With respect to any medications, vaccines or other animal health care products that are subject to USDA or FDA approval, such products will be used at levels consistent with good management practices.

11. **USDA INSPECTION.** All Qualifying Market Hogs 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 downgraded or not unconditionally approved by USDA inspectors.

12. **CARCASS YIELD.** Carcass yield for scalded carcasses will be determined after removing the head, hanging tenders, spinal cord, aorta, diaphragm, giblet, pizzle cords, all internal and external female reproductive organs, lactating mammary tissue, digestive system organs and tissue, ingesta, thyroid glands, toenails, lungs, kidneys, liver, trachea, leaf fat, any loose fat hanging on the carcass, and hair, and after trim loss due to health reasons, abscesses, carcass defects, bruises, blood clots from stick wounds, scald water contamination, external burnt areas, and any other reasonable trimming or harvesting procedures conducted by Farmland as is applicable under generally accepted U.S. pork industry harvesting procedures or as required to pass USDA inspection.

13. **WEIGHING CONDITIONS.** All shipments will be weighed at state-inspected scales maintained by Farmland at a Slaughter Facility, unless a different arrangement is mutually agreed to by the parties hereto. A copy of all scale tickets will be provided to Producer.

14. **METHOD OF PAYMENT.** Farmland shall make all required payments to Producer for all hogs provided by Producer by using the Automated Clearing House payment system (the "ACH System") or, if the ACH System is not available, then by means of a check that meets the deposit criteria set forth in the following sentence. Farmland shall process any payments required hereunder so that such payments are on deposit in the account designated by Producer on or before three (3) Business Days after the date that a Lot of slaughter animals delivered by Producer hereunder are slaughtered at a Slaughter Facility. In the event there are one or more payments required with respect to a Breach (e.g., a cure payment with respect to a Breach) or there are one or more payments required under this Agreement by a party hereto to the other party hereto (and the method for making such payments are not otherwise described in the prior sentences of this Section), then such payments shall be made by check in a manner such that the payment will be available for use in the account deposited by the recipient of the payment on or before three (3) Business Days after the payment is deposited by the recipient of the payment. Producer and

Farmland shall have thirty (30) Business Days after receipt of payment by Producer for a Lot to provide notice to the other party of any dispute or claim with regard to the determination of the amount paid for a Lot and thereafter the parties hereto shall work to resolve such dispute or claim regarding the amount paid for such Lot.

15. INVENTORY AND ACCESS TO RECORDS. Producer commits to deliver, and Farmland commits to accept delivery of, 98% of the Qualifying Market Hogs and Nonqualifying Market Hogs produced at the Facilities. For purposes of determining whether a party has met its obligations under this Agreement, each party shall have the right to designate an independent certified public accountant (an "Accountant") and such Accountant will, upon written request, be given access to all relevant records of a party to this Agreement upon request and at reasonable times, as the Accountant believes, in his or her discretion, are necessary to determine whether a party to this Agreement has met one or more of its obligations under this Agreement. The access granted to an Accountant under this provision will include access to all financial and hog production and transportation information, but will specifically not include access to confidential information of the parties hereto or any information that is not reasonably necessary for the Accountant to determine whether a party to this Agreement has met its obligations under this Agreement.

16. BREACH AND REMEDIES. If a party hereto (the "Defaulting Party") breaches or violates this Agreement or fails to perform any of its respective obligations hereunder (a "Default"), the other party hereto (the "Nondefaulting Party") shall have the right to give the Defaulting Party a notice of default (a "Notice of Default"). The Notice of Default shall set forth the nature of the Default.

(a) Not Failure To Pay Money. If such Default: (i) is not a failure to pay money as set forth in Section 16(b), and (ii) is not a Major Breach (as defined in Section 16(d)), and, if within the 60-day period following receipt of the Notice of Default the Defaulting Party in good faith commences to perform such obligation and cure such Default and thereafter prosecutes to completion with diligence and continuity the curing thereof and cures such Default within a reasonable time, it shall be deemed that the Notice of Default was not given and the Defaulting Party shall lose no rights hereunder. In the event that the Default by the Defaulting Party is a "Major Breach" as defined in Section 16(d), then the Nondefaulting Party shall be entitled to the remedies set forth in Section 16(d).

(b) Failure To Pay Money. If such Default results from a failure to pay money, and if such sums of money are paid within five (5) Business Days after receipt of the Notice of Default with respect thereto, it shall be deemed that such Notice of Default was not given and the Defaulting Party shall lose no rights hereunder. If such failure to pay money by the Defaulting Party is a "Major Breach" as defined in Section 16(d), then the Nondefaulting Party shall be entitled to the remedies set forth in Section 16(d).

(c) Breaches Other Than Major Breaches. Any breach of this Agreement other than a "Major Breach" as defined in Section 16(d) shall not be a Major Breach as defined herein and instead shall be a "Minor Breach" of this Agreement. In the event of a Minor Breach of this Agreement: (i) there shall be no termination of this Agreement; (ii) parties hereto shall work in good faith to resolve any such Default; (iii) the Defaulting Party shall take all commercially reasonable efforts to cure the Default within a reasonable period of time; and (iv) in the event that damages (of the nature described below that may be awarded by the arbitration panel) to the Nondefaulting Party exceed $150,000, then the Nondefaulting Party shall have the right to initiate with respect to such Minor Breach an arbitration pursuant to the provisions of Section 31 of this Agreement where the Nondefaulting Party may seek compensatory damages, and the arbitration panel shall have the authority to award compensatory damages to the Nondefaulting Party for the Minor Breach, provided that, the arbitration panel shall not have any authority to award consequential or other indirect damages, punitive damages, or exemplary damages to the Nondefaulting Party as a result of a Minor Breach.

(d) Definition Of, And Remedies For, Major Breach. As used in this Section, the term "Major Breach" means that: (i) a Defaulting Party has failed to cure (as set forth in Section 16(b)) one or more failures to pay money as set forth in Section 16(b); (ii) Farmland has failed to accept from Producer delivery of at least 98% of the Qualifying Market Hogs and Nonqualifying Market Hogs produced at the Facilities and are ready during a calendar month for delivery at the weight range

specified in Section 7(h)(2) (with weights being determined on an average per Lot basis); or (iii) the Producer has failed to deliver at least 98% of the Qualifying Market Hogs and Nonqualifying Market Hogs produced at the Facilities and are ready during a calendar month for delivery at the weight range specified in Section 7(h)(2) (with weights being determined on an average per Lot basis). Any other breach (i.e., other than those set forth in the prior sentence) shall not be a "Major Breach" as defined in this Agreement. In the event that a Default constituting a "Major Breach" has not been cured, then: (i) regardless of who was the Defaulting Party, Farmland shall pay Producer the amount due Producer for the performance of Producer's obligations hereunder for hogs delivered to Farmland up to the date that hogs are no longer delivered to Farmland hereunder; (ii) as of the date of the failure to cure the Major Default the parties hereto shall have no further obligations to purchase or sell Qualifying Market Hogs or Nonqualifying Market Hogs to the other party pursuant to this Agreement; (iii) the parties hereby agree that any remedy at law would be inadequate and it would be impracticable and extremely difficult to determine the actual damage resulting to the Nondefaulting Party from the Major Breach; and (iv) the Defaulting Party shall pay the Nondefaulting Party the liquidated damages set forth below. Accordingly, if: (i) Farmland is the Defaulting Party, (ii) the Default constitutes a Major Breach, and (iii) the Default has not been cured as described in this Section, then Farmland shall make a monthly payment to Producer as liquidated damages for the breach hereof for each calendar month through the date that is two (2) years after the date of the Major Default equal to any positive difference between: (x) the amount that Producer would have received during that calendar month if Producer had sold the same weight of hogs represented by Producer's Monthly Qualified Hog Sales (as defined below) to Farmland at the Purchase Price, minus (y) the actual amount received by Producer during such month from selling the same weight of hogs represented by weight of Qualifying Market Hogs and Nonqualifying Market Hogs sold by Producer in such month ("Producer's Monthly Qualified Hog Sales"). However, if: (i) Producer is the Defaulting Party, (ii) the Default constitutes a Major Breach, and (iii) the Default has not been cured as described in this Section, then Producer shall make a monthly payment to Farmland as liquidated damages for the breach hereof for each calendar month through the date that is two (2) years after the date of the Major Default equal to any positive difference between: (x) the amount that Farmland would have paid during that calendar month if Farmland had purchased the same weight of hogs represented by Producer's Monthly Qualified Hog Sales at the average direct cost paid per cwt. by Farmland of acquiring all hogs processed during such calendar month from non-related third parties (for example, for purposes of illustration and not of limitation, excluding for purposes of determining such average direct cost any hogs purchased from affiliates of, or cooperatives associated with, Farmland); minus (y) the amount that Farmland would have paid Producer during that calendar month if Producer had sold the same weight of hogs represented by Producer's Monthly Qualified Hog Sales to Farmland at the Purchase Price. For purposes of determining the liquidated damages: (i) the Purchase Price per cwt. for Qualifying Market Hogs and Nonqualifying Market Hogs shall be determined in accordance with the provisions of Sections 6(a) and 6(b) hereof (including, without limitation, the adjustments as set forth therein), except that: (a) for purposes of determining the Lean Value Premium and Sort Discount, the Lean Value Premium and Sort Discount used when calculating the Purchase Price for purposes of determining liquidated damages under this Section shall be the mathematical average of the Lean Value Premium and Sort Discount per cwt. (including, any changes therein as a result of the provisions set forth in Section 6(d)) paid per Lot to Producer during the six (6) months immediately prior to the date of the uncured Default (the "Six Month Average Lean Value Premium and Sort Discount"), and (b) for purposes of determining the ratio between Qualifying Market Hogs and Nonqualifying Market Hogs when determining the "Producer's Monthly Qualified Hog Sales" for purposes of determining liquidated damages under this Section the ratio between Qualifying Market Hogs and Nonqualifying Market Hogs for a given calendar month shall be the mathematical average of the ratio of the scalded carcass weight of Qualifying Market Hogs to Nonqualifying Market Hogs per Lot delivered by Producer during the six (6) months immediately prior to the date of the uncured Default; and (ii) Producer shall inform Farmland of the actual amount received in a calendar month for Producer's Monthly Qualified Hog Sales and the number and weight of Producer's Monthly Qualified Hog Sales for such calendar month within fifteen (15) days after the end of such calendar month and payment shall be made by the Defaulting Party to the Nondefaulting Party within five (5) Business Days after Producer shall

have reported the information described in this clause (ii) regarding Producer's Monthly Qualified Hog Sales for such month.

17. FARMLAND DISCLAIMER. FARMLAND EXPRESSLY DISCLAIMS THE MAKING OF, AND PRODUCER ACKNOWLEDGES THAT PRODUCER HAS NOT RECEIVED OR RELIED UPON, ANY WARRANTY OR GUARANTY, EITHER EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AS TO THE GENETICS, BREEDING STOCK, FEED, MEDICATION OR FEEDING PROGRAM PRESCRIBED UNDER THIS AGREEMENT, OR ANY POTENTIAL PROFITS OR SUCCESS OF THE TRANSACTIONS ADDRESSED IN THIS AGREEMENT. PRODUCER SHOULD DISREGARD ANY UNAUTHORIZED INFORMATION, WHETHER ORAL OR WRITTEN, FROM ANY REPRESENTATIVE OF FARMLAND CONCERNING THE VOLUME, PROFITABILITY, OR CHANCE OF SUCCESS OF THE TRANSACTIONS REPRESENTED BY THIS AGREEMENT. PRODUCER RECOGNIZES AND ACCEPTS THE RISKS AND HAZARDS INHERENT IN OR ASSOCIATED WITH LIVESTOCK PRODUCTION.

18. PRODUCER DISCLAIMER. PRODUCER MAKES NO WARRANTIES, EITHER EXPRESSED OR IMPLIED INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OF FITNESS FOR A PARTICULAR PURPOSE, TO FARMLAND OTHER THAN AS MAY BE SPECIFICALLY SET FORTH HEREIN.

19. FORCE MAJEURE; DISCONTINUANCE. Either party to this Agreement shall be relieved of its responsibilities and obligations hereunder when performance becomes impossible because of reasons beyond such party's control including, but not limited to, fire, explosion, strike, riot, disease, governmental regulation or intervention or acts of God.

20. ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

21. SURVIVAL. All obligations and disclaimers which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

22. INDEPENDENT CONTRACTOR. It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that Producer is an independent contractor, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, enterprise or servant of the other party for any purpose whatsoever. Each party hereto acknowledges that nothing in this Agreement authorizes a party hereto to make any contract, agreement, warranty, or representation on behalf of the other party hereto.

23. NO WAIVER. No failure of either party hereto to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by the other party hereto with any obligation or condition hereunder, and no custom or practice by the parties at variance with the terms hereof, shall constitute a waiver or estoppel of a party's right to demand exact compliance with any of the terms herein. Waiver by a party of any particular default by the other party shall not affect or impair a party's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of a party to exercise any power or right arising out of any breach or default by any other party hereto constitute a waiver by a party of any right hereunder, or the right to declare any subsequent breach or default or to terminate this Agreement prior to the expiration of its term.

24. ENTIRE AGREEMENT AND MODIFICATION. This Agreement constitutes the entire agreement between the parties and can be modified only in writing signed by all parties hereto.

25. TERMINATION OF PRIOR AGREEMENT. This Agreement terminates all rights and obligations of the parties under the Market Hog Purchase Agreement dated the 11th day of September, 2000.

26. NOTICES. All notices, requests, demands and other communications hereunder shall be deemed to be duly given if delivered by hand or if mailed by certified or registered mail, postage prepaid, at the addresses set forth in the heading of this Agreement.

27. APPLICABLE LAW. This Agreement shall be construed in accordance with the laws of the State of Missouri, without reference to the conflict of laws principles of such state.

28. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

29. HEADINGS. The headings used in this Agreement are for convenience only and shall not constitute a part of this Agreement.

30. EXHIBITS. All of the exhibits attached hereto, which exhibits consist of Exhibits A, B, B-1, C and C-1 are incorporated herein and made a part of this Agreement.

31. ARBITRATION. Any dispute, controversy or claim arising out of or relating to this Agreement shall be settled by arbitration conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA") by a panel of three arbitrators made up of individuals with at least fifteen (15) years business experience in the pork industry who are not attorneys and who have no business affiliation with a party to this Agreement within the two (2) years prior to the date that an arbitration proceeding under this Section is initiated. Either party to this Agreement can initiate an arbitration proceeding by providing written notice (the "Initiating Notice") to the other party to this Agreement. The Initiating Notice shall: (i) set forth the nature of any dispute, controversy or claim arising out of or relating to this Agreement; (ii) state the name of one arbitrator meeting the criteria set forth in the first sentence of this Section; and (iii) confirm that the party sending the Initiating Notice has submitted the matter to the AAA and paid all necessary fees to the AAA. Within thirty (30) days after the date of receipt of the Initiating Notice, the recipient of the Initiating Notice will send a notice (the "Responding Notice") to the party sending the Initiating Notice containing the name of one arbitrator (who is not the same as the arbitrator named in the Initiating Notice) meeting the criteria set forth in the first sentence of this Section. The two arbitrators selected by the parties shall then have ten (10) days after the date of selection of the last of the two arbitrators to select a third arbitrator. In the event that a party does not select an arbitrator by naming an arbitrator in the Initiating Notice or the Responding Notice, then the selection of such arbitrator shall be made for that party by the AAA. All three arbitrators shall be designated as neutrals in such arbitration and the arbitration proceeding shall be conducted in accordance with the Commercial Arbitration Rules in effect on the date the proceeding is submitted to the AAA. Any award made by the arbitration panel shall be binding on the parties and judgment thereon may be entered in any court having jurisdiction over a party from whom damages are payable or any remedy has been imposed by the arbitration panel. The cost of the arbitration proceeding shall be borne equally by the parties, provided that each party shall pay for and bear the costs of its own experts, evidence, legal counsel and other costs unless otherwise agreed in writing. Any amounts owed by one party to another party shall be paid within sixty (60) days after the arbitration panel has rendered its final decision.

32. THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION THAT MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

FARMLAND INDUSTRIES, INC.

By: _____

Name: Robert W. Honse

Title: President & CEO

By: _____

Name: William Fielding

Title: Executive Vice President

AGRO BAUER PORK, LLP

By: _____

Name: Brad Freking

Title: Managing Partner

By: _____

Name: Myrl Mortenson

Title: Partner

NFP WEST, RLLP

By: _____

Name: Brad Freking

Title: Managing Partner

IC PORK, LLP

By: _____

Name: Brad Freking

Title: Managing Partner

NFP OF IOWA, LLP

By: _____

Name: Brad Freking

Title: Managing Partner

EXHIBIT B

BASE PRICE FORMULA

For purposes of this Agreement, the "Base Price" on a given kill date for hogs means the Derived Cutout (as defined below) plus one dollar and twenty-five cents ($1.25).

The "Pork Cut Price", "Adjustment Factor on Pork Cut Price" and the "Derived Cut % Factor" for each of the fresh pork cuts shown below in the first column (each a "Fresh Pork Cut") shall be as follows:

Fresh Pork Cut	Pork Cut Price	Adjustment Factor on Pork Cut Price	Derived Cut % Factor
Loins, Bone-In	Topside	minus $6.00 per cwt.	20.5%
Boston Butt	Topside	minus $4.00 per cwt.	7.0%
Sparerib	Topside	minus $7.00 per cwt.	4.0%
20-23 Bone-In Hams	Topside	-0-	8.0%
23-27 Bone-In Hams	Topside	-0-	16.5%
Belly, Seedless	Topside	-0-	15.0%
Boneless Picnic Meat	Topside	-0-	7.5%

The "Derived Cutout" shall mean the price per cwt. established by multiplying: (a) the Pork Cut Price shown below for each of the Fresh Pork Cuts shown above and adding or subtracting therefrom the amounts shown in the column labeled "Adjustment Factor on Pork Cut Price" (as determined on a scalded carcass weight basis), by (b) the percentage in column headed "Derived Cut % Factor", in the manner shown in the schedule attached hereto as Exhibit B-1, and then rounding the sum of those amounts to the nearest one-hundredth following the decimal.

For purposes of calculating the "Derived Cutout", the terms used in the above table shall mean the following:

"Pork Cut Price" shall mean the price as shown in the USDA NATIONAL CARLOT PORK REPORT as reported at:
www.ams.usda.gov/mnreports/nw%5Fls500.txt
(the "USDA Carlot Pork Report") for each of the Fresh Pork Cuts set forth above.

"Topside" shall mean the highest price shown on the USDA Carlot Pork Report in the price range shown for a Fresh Pork Cut set forth above.

"Loins, Bone-In" shall mean the Fresh Pork Cut shown on the USDA Carlot Pork Report under the heading "LOINS, BONE-IN" on the line item designated as "1/4" Trim 21# DN-LGT".

"Boston Butt" shall mean the Fresh Pork Cut shown on the USDA Carlot Pork Report under the caption "BOSTON BUTT" on the line item designated "1/4" Trim 5-10#".

"Sparerib" shall mean the Fresh Pork Cut shown on the USDA Carlot Pork Report under the caption "SPARERIB" on the line item designated "3 BAG/3 PCVAC 4.25# /DN-L".

"20-23 Bone-In Hams" shall mean the Fresh Pork Cut shown on the USDA Carlot Pork Report under the caption "SKINNED HAM" and under the sub-caption "BONE-IN, TRIMMED" on the line designated as "20-23# Trim Spec 1".

"23-27 Bone-In Hams" shall mean the Fresh Pork Cut shown on the USDA Carlot Pork Report under the caption "SKINNED HAM" and under the sub-caption "BONE-IN, TRIMMED" on the line designated as "23-27# Trim Spec 1".

"Belly, Seedless" shall mean the Fresh Pork Cut shown in the USDA Carlot Pork Report under the caption "BELLY, SEEDLESS", and under the sub-caption "SKIN-ON, TRIMMED" and on the line item designated as "Fresh 14-16#".

"Boneless Picnic Meat" shall mean the Fresh Pork Cut shown on the USDA Carlot Pork Report under the caption "PORK TRIMMINGS/BONELESS PROCESSING PORK (CHEMICAL LEAN)", and under the sub-caption "BONELESS PICNIC MEAT", on the line item "Combo 72% Fresh".

For purposes of determining the Base Price on any given kill date, the prices shown for the report issued as of 3:00 p.m. on the immediately preceding trading day for which market prices are reported for any of the Fresh Pork Cuts shall be used as the prices for determining the Derived Cutout. For example, if all Fresh Pork Cuts for determining the Derived Cutout are reported on the trading day shown below, then the prices used for determining the Derived Cutout for a given kill date shall be the prices reported in the USDA Carlot Pork Report issued as of 3:00 p.m. on the calendar days set forth below:

If Kill Date Is:	Use Prices From The 3:00 p.m. Report On Trading Date Of:
Monday	Prior Friday
Tuesday	Monday
Wednesday	Tuesday
Thursday	Wednesday
Friday	Thursday
Saturday	Friday
Sunday	Friday
Day after a Holiday	The immediately preceding day on which the USDA Carlot Pork Report was issued.

For example, if the kill date of Qualified Market Hogs is Monday, April 16, 2001, then the USDA Carlot Pork Report prices reported as of the 3:00 p.m. report on Friday, April 13, 2001, would be used for purposes of determining the Derived Cutout in the manner set forth on the attached Exhibit B-1, using the prices set forth on the USDA Carlot Pork Report dated April 13, 2001.

In the event that one of the Fresh Pork Cuts was not reported on a trading day for which prices are required for purposes of determining the Derived Cutout, then the price used for that Fresh Pork Cut shall be the price last reported for that Fresh Pork Cut in the USDA Carlot Pork Report.

EXHIBIT B-1

MARKET HOG PURCHASE AGREEMENT

PRICING EXAMPLE

Type of Hog: Qualifying Market Hogs
Closing Prices for: **4/13/01**
Kill Date of: **4/16/01**

Fresh Pork Cut	Spec	Weight Range (lbs.)	USDA Closing Price	Less: Adj. Factor	Sub-total	Derived Cut % Factor	Pork Cut Prices
Loins, Bone-In	1/4" trim	21# DN	**118.00**	(6.00)	112.00	20.50%	22.96
Boston Butt	1/4" trim	5-10	**87.00**	(4.00)	83.00	7.00%	5.81
Sparerib	3 Bag/ 3 PCVAC	4.25# DN	**167.00**	(7.00)	150.00	4.00%	6.00
Skinned Ham	Trim spec 1	20-23	**54.00**		54.00	8.00%	4.32
Skinned Ham	Trim spec 1	23-27	**53.00**		53.00	16.50%	8.75
Belly, Seedless	Fresh, Skin-on	14-16	**96.00**		96.00	15.00%	14.40
Boneless Picnic Meat	Combo, 72%, Fresh		**71.50**		71.50	7.50%	5.36
						78.50%	

Derived Cutout (i.e., total of pork cut prices) = 67.60
Plus Adjustment = 1.25
68.85

EXHIBIT A

PRODUCER'S FACILITIES AND DESIGNATED SLAUGHTER FACILITIES

Producer's "Facilities" (as defined in Section 7)	City, State	Designated Slaughter Facility
Minnesota Facilities: Hogs that are offspring of sows at locations listed in Section 3 and that are finished in Minnesota in facilities owned by Producer or in facilities under contract or lease with Producer.	Round Lake, MN Wahldorf, MN Jackson, MN	Crete, NE
Iowa Facilities: Hogs that are offspring of sows at locations listed in Section 3 and that are finished in Northwest Iowa in facilities owned by Producer or in facilities under contract or lease with Producer.	Near Sioux Center, IA	Crete, NE
A maximum of 900 head (five loads) of hogs per week that are offspring of sows listed in Section 3 and that are finished near Jewell, Iowa, by finishers under contract or lease with Producer.	Near Jewell, IA	Denison, IA

Notwithstanding the foregoing, Farmland may at any time and from time to time elect to designate either Crete, Nebraska, or Denison, Iowa as the "Designated Slaughter Facility" for any of the Producer's Facilities set forth on this Exhibit A, and in the event Farmland makes any such designation, there shall be no adjustment to the transportation cost attributable to the delivery of hogs to such facility, such that Farmland shall incur no additional transportation cost as a result of such designation.

With regard to Finishers designated as being under contract or lease with Producer (whether or not such Finishers are managed by Producer), Producer shall have the right during the term of this Agreement to add or subtract Finishers within a group of Finishers at the discretion of Producer provided that such addition or subtraction of Finishers within such Finisher groups does not materially change the number of hogs in a Finisher group.

Slaughter Facility Delivery Times:

Crete, Nebraska, Slaughter Facility Delivery Time – Producer shall make delivery of hogs to the Crete, Nebraska, Slaughter Facility from 1:00 p.m. to 4:00 p.m. on the day prior to the day for slaughter of the hogs, or from 7:00 a.m. to 12:00 p.m. on the day for slaughter of the hogs or at such delivery times as may be mutually agreed to by Farmland and Producer.

Denison, Iowa, Slaughter Facility Delivery Time – Producer shall make delivery of hogs to the Denison, Iowa, Slaughter Facility from 1:00 p.m. to 3:00 p.m. on the day prior to the day for slaughter of the hogs, or from 7:00 a.m. to 11:00 a.m. on the day for slaughter of the hogs or at such delivery times as may be mutually agreed to by Farmland and Producer.

EXHIBIT C

Carcass Merit Program

Scalded Carcass

Effective May 18, 2001

CARCASS LEAN SCHEDULE
(per scalded carcass cwt.)

Fat-O-Meater Percent Lean	Lean Premium or (Discount)
59% - higher	$2.00
57-58.9%	$2.90
55-56.9%	$2.50
53-54.9%	$1.25
51-52.9%	BASE PRICE
49-50.9%	($1.25)
47-48.9%	($2.50)
45-46.9%	($5.00)
43-44.9%	($7.50)
41-42.9%	($10.00)
39-40.9%	($10.00)
37-38.9%	($10.00)
35-36.9%	($10.00)
34.9%-down	($10.00)

CARCASS WEIGHT SCHEDULE
(per scalded carcass cwt.)

Estimated Live Weight Range	Actual Hot Carcass Weight Range	"Sort Loss" (Discount)
Under 190	under 140*	($9.46)
191-200	141-148*	($9.46)
201-210	149-155*	($6.76)
211-220	156-163*	($4.05)
221-229	164-169	($1.35)
230-240	170-177	BASE PRICE
241-250	178-185	BASE PRICE
251-260	186-192	BASE PRICE
261-270	193-200	BASE PRICE
271-280	201-207	BASE PRICE
281-290	208-214	($0.68)
291-300	215-222	($2.03)
301-310	223-229	($3.38)
311-320	230-237*	($6.08)
Over 320	over 237*	($8.78)

*** Indicates no Lean Premium paid in this hot carcass weight range**

EXHIBIT C-1

Carcass Merit Program

Scalded Carcass

Effective 7/16/01

CARCASS LEAN SCHEDULE
(per scalded carcass cwt.)

Fat-O-Meater Percent Lean	Lean Premium or (Discount)
59% - higher	$2.00
57-58.9%	$2.90
55-56.9%	$2.50
53-54.9%	$1.25
51-52.9%	BASE PRICE
49-50.9%	($1.25)
47-48.9%	($2.50)
45-46.9%	($5.00)
43-44.9%	($7.50)
41-42.9%	($10.00)
39-40.9%	($10.00)
37-38.9%	($10.00)
35-36.9%	($10.00)
34.9%-down	($10.00)

CARCASS WEIGHT SCHEDULE
(per scalded carcass cwt.)

Estimated Live Weight Range	Actual Hot Carcass Weight Range	"Sort Loss" (Discount)
Under 190	under 140*	($13.50)
191-200	141-148*	($13.50)
201-210	149-155*	($9.76)
211-220	156-163*	($6.00)
221-229	164-169	($1.26)
230-240	170-177	BASE PRICE
241-250	178-185	BASE PRICE
251-260	186-192	BASE PRICE
261-270	193-200	BASE PRICE
271-280	201-207	BASE PRICE
281-290	208-214	BASE PRICE
291-300	215-222	($3.00)
301-310	223-229	($5.26)
311-320	230-237*	($10.00)
Over 320	over 237*	($14.76)

*** Indicates no Lean Premium paid in this hot carcass weight range**