

# Forward Pricing Program Background

## What is a Forward Pricing Contract ?

A Forward Pricing Contract is a firm agreement between the producer and Ontario Pork for delivery/receipt of an agreed number of hogs in a specific month to be priced at a contract price with a basis adjustment to be applied on date of delivery.

On each business day, that day's forward contract prices for each of 10 forward delivery months will be available by contacting Ontario Pork from 10:30 a.m. to 1:00 p.m. at 1-800-862-9001.

## Features:

- Daily price on ten forward delivery months;
- Each contract is for a minimum of one hog;
- Contracts are available through Ontario Pork between 10:30 am and 1:00 pm Mon-Fri. by calling:1-800-862-9001.

## Cost:

- The program cost is the administrative fee of \$20.00 per contract plus \$0.50 per hog.
- Basis risk is the responsibility of the producer.

## How does the program work?

- Participants for the program must sign the Forward Pricing Contract Master Agreement.
- Prices will be offered daily and will be published on Ontario Pork's website, the DTN, by fax broadcast and by contacting Ontario Pork.
- After reviewing the prices offered and deciding on a contract, the producer calls the Ontario Pork Forward Contract Desk at 1-800-862-9001.
- The producer orders a contract for a specific month and price. A confirmation report will be sent to the producer after the order is placed.
- The producer must deliver the hogs in the agreed delivery month. The contract is not transferable or tradeable.
- The producer can choose which hogs will apply against the contract. During the first fourteen days of the delivery month, the producer must notify the Forward Contract Desk 24 hours prior to sale if the producer wants delivered hogs to apply against the contract. After the fourteenth day of the month the first hogs shipped apply against the contract.
- The producer receives the forward contract price adjusted for actual basis on the day of delivery. The Basis represents the difference between the day's contract closing price and the pool or the packer/producer contract price.
- report will be sent to the producer after the order is placed.

## Payment:

- The index 100 price will be the forward contract price adjusted for basis
- The index adjustment will be calculated on the pool or the packer/producer contract price
- Service charges will be deducted from the proceeds
- The payment price shall be calculated on the day hogs are delivered. If a producer requires more than one shipment to fill the contract, the contract price for each shipment will be calculated on the delivery day.

