

Target Pricing Information

How the program works:

- Producers will sign a new Forward Contract Master Agreement
- A producer can offer a set amount of hogs for a specific price and delivery period by calling 1-800-862-9001
- If the target price is reached, a forward contract is generated and the producer is obligated to deliver the hogs during the pre-determined delivery period
- If the target price is not reached, the agreement expires
- Since target pricing is an enhancement of the Forward Pricing program, basis will be applied to the producer's settlement price

Benefits to the producer:

- Producers do not have to follow the future markets on a daily basis
- No additional cost to producer

Example of Target Pricing:

On August 1st, a producer offers 75 hogs for the delivery period of September 16th – October 14th, 2003 at a target price of \$158.00 to be reached between August 4th and 29th, 2003. A Target Price Confirmation Report is sent to the producer. One of the following two scenarios will take place.

Scenario 1:

During August 4th – 29th, 2003 the target price of \$158.00 for the delivery period of September 16th – October 14th *is not* attained. The agreement expires; the producer does not need to deliver the hogs.

Scenario 2:

During August 4th – 29th, 2003 the target price of \$158.00 for the delivery period of September 16th – October 14th *is* attained. A Forward Pricing Contract confirmation report at a price of \$158.00 or higher will be sent to the producer. The producer is then required to deliver 75 hogs during the September 16th – October 14th, 2003 delivery period at the price listed on the Forward Pricing Contract confirmation report. Basis will be applied to the producer's settlement price.