

## **Forward Pricing Pilot Program Fact Sheet and Disclosure Statement**

**Agricultural Marketing Service, U.S. Department of Agriculture**

1. The Forward Pricing Pilot Program is a voluntary program that allows dairy farmers and handlers buying their milk to enter into forward contracts for that portion of milk that the handler uses for nonfluid milk products. Dairy farmers are under no obligation to participate in this program and may continue to have their milk priced under the order's minimum payment provisions. If a handler pressures a dairy farmer to sign a forward contract, this should be reported to the market administrator immediately.
2. By entering into a forward contract with a handler, a dairy farmer gives up the right to receive the minimum Federal order prices for the amount of their milk under contract.
3. The first forward contract involving a dairy farmer or cooperative association that is participating in the pilot program for the first time is restricted to 12 months. Thereafter, subsequent contracts may be of unlimited duration provided that they do not extend beyond the pilot program termination date, December 31, 2004.
4. Dairy farmers entering into a forward contract should understand all of the terms of the contract, including how their milk will be priced, the length of the contract, and any charges or deductions that will be made. If a formula will be used to price your milk, you should understand how the formula works and what factors affect its movement. You should understand what will happen if you cannot fulfill the terms of the contract. What may you be liable for? You should also understand what remedies are available to you if the processor defaults on the contract.
5. The terms and conditions of a contract must be in writing. If you and the handler to whom you deliver your milk renegotiate or modify any terms of the contract, the changes must be put in writing as an amendment to the contract and submitted to the market administrator. The contract should contain a clause explaining how disagreements will be settled.
6. Market administrators will continue to be responsible for verifying the accuracy of the weights and tests of your milk on the same basis as if your milk was subject to Federal order pricing. If you should choose to price components of your milk that are not tested for and priced under the order in which your milk is pooled, you will have to arrange for private testing of your milk to verify the buying handler's weights and tests.
7. The following disclosure statement must be signed by each dairy farmer that enters into a forward contract with a handler under the pilot program. The disclosure statement must be attached to each contract submitted to the market administrator. Contracts that are submitted without the disclosure statement will be considered to be invalid for the purpose of exempting a handler from an order's minimum pricing provisions. Forward contracts must be signed by the producer and handler prior to the first day of the month for which they are effective and must be in the possession of the market administrator by the 15<sup>th</sup> day of that month.

## **Disclosure Statement**

I am voluntarily entering into a forward contract with \_\_\_\_\_ (handler's name). I have been given a copy of the contract and I have received the USDA's Pilot Program Fact Sheet to which this disclosure statement was attached. By signing this form, I understand that I am forfeiting my right to receive the order's minimum prices for that portion of my milk that is under contract for the duration of the contract. I also understand that my milk will be priced in accordance with the terms and conditions of the contract.

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

Producer No. \_\_\_\_\_