

## 2. Disaggregation of Revenue

The following table disaggregates our net sales by product category (in millions):

| <b>Product Category</b>      | <b>Fiscal Year 2019</b> | <b>Fiscal Year 2018</b> | <b>Fiscal Year 2017</b> |
|------------------------------|-------------------------|-------------------------|-------------------------|
| Fresh, vacuum-sealed chicken | \$ 1,310.2              | \$ 1,139.3              | \$ 1,339.1              |
| Fresh, chill-packed chicken  | 1,137.7                 | 1,158.3                 | 1,044.7                 |
| Fresh, ice-packed chicken    | 511.5                   | 503.6                   | 547.1                   |
| Prepared chicken             | 240.8                   | 207.6                   | 170.8                   |
| Frozen chicken               | 213.0                   | 211.5                   | 223.9                   |
| Other                        | 27.1                    | 15.7                    | 16.6                    |
| <b>Total net sales</b>       | <b>\$ 3,440.3</b>       | <b>\$ 3,236.0</b>       | <b>\$ 3,342.2</b>       |

## 3. Inventories

Inventories consisted of the following:

|   | <b>October 31,</b>    |                   |
|---|-----------------------|-------------------|
|   | <b>2019</b>           | <b>2018</b>       |
|   | <b>(In thousands)</b> |                   |
| Live poultry-broilers (net of reserve) and breeders | \$ 179,870            | \$ 150,980        |
| Feed, eggs and other                                | 47,417                | 37,965            |
| Processed poultry                                   | 35,121                | 30,973            |
| Prepared chicken                                    | 20,032                | 13,591            |
| Packaging materials                                 | 7,488                 | 6,547             |
| <b>Total inventories</b>                            | <b>\$ 289,928</b>     | <b>\$ 240,056</b> |

Texas facility as it increased production during fiscal 2019, as well as the value at which the Company's live poultry inventories of broilers are recorded. In periods where the Company estimates that the cost to grow live birds in inventory to a marketable age and then process and distribute those birds will be lower in the aggregate than the anticipated sales proceeds, the Company values the broiler inventories on hand at cost and accumulates costs as the birds are grown to a marketable age subsequent to the balance sheet date. In periods where the Company estimates that the cost to grow live birds in inventory to a marketable age and then process and distribute those birds will be higher in the aggregate than the anticipated sales proceeds, the Company will make an adjustment to lower the value of live birds in inventory to the net realizable value. The significant judgments that management makes in order to assess the net realizable value of its broiler inventory include estimating future selling prices of finished products and the related cost of sales to complete. The Company recorded a charge of \$2.8 million at October 31, 2019 and of \$9.6 million at October 31, 2018 to reduce the values of live broiler inventories on hand at those dates from cost to net realizable value.

ackaging materials inventories are also attributable to an

The increase in prepared chicken inventory is attributable to the mix of the different finished products in inventory at October 31, 2019, as compared to October 31, 2018, as well as an increase in production volume at the Company's prepared chicken facility in Flowood, Mississippi. During fiscal 2019, the facility processed approximately 129.1 million pounds of prepared chicken products, as compared to approximately 107.6 million pounds during fiscal 2018. Approximately 1.2 million pounds of that increase was in inventory at October 31, 2019, representing an approximately 12% increase in inventory volume.