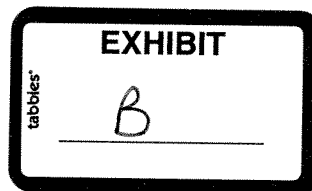


AFFIDAVIT OF PHILLIP H. TAYLOR, PhD

My name is Phillip H. Taylor and I joined the faculty of the University of Arkansas in 1966 and, among other things, served as the Director of the Bureau of Business and Economic Research for twenty years. My primary teaching area was statistics. I have also authored statistics textbooks and numerous research reports. I retired from the Department of Information Systems in the Walton College of Business at the University of Arkansas, Fayetteville in 2003 with the rank of University Professor. I have served on the Arkansas Governor's Council of Economic Advisors since its inception and was its Chairman for twenty-five years. In addition to my duties at the University, I have also maintained an economics and statistics consulting practice for approximately forty years. I obtained my PhD from the University of Arkansas in 1966. I also obtained Bachelor and Masters degrees in Business Administration.

Poultry production generates revenues from two sources: 1) the service of the grow-out of broilers, pullets and breeders and 2) the value of the litter. (It seems reasonable to believe that when litter is used by the poultry grower to fertilize his or her own crops, it must have at least the value it would otherwise have if sold to others.) The costs incurred by the claimant poultry growers can be categorized into variable and fixed costs. Variable costs are those the growers incur when they grow broilers, pullets and/or breeders. The variable costs include, among others, such expenses as propane for heating the houses; supplies needed for operations, telephone charges, repairs and hired labor. Fixed costs are those that continue largely unchanged regardless of the quantity of poultry products serviced, and in this instance include depreciation, insurance costs, interest on outstanding loans and taxes. For purposes of computing annual grower losses, revenue from the growers poultry production efforts less the variable costs associated with such production is defined as the contribution margin and litter value is the estimated value of the litter resulting from the grow-out activities. The loss incurred by a grower claimant is the present value of the lost contribution margin plus litter value for a period of ten years from the termination of the relationship with Pilgrim's Pride.



Losses have been computed as the sum of losses of the following groups: 1) Georgia broiler growers (104 growers with a total of 558 houses), 2) North Carolina broiler growers (27 growers with a total of 116 houses), 3) Arkansas and Alabama poultry growers (6 broiler growers, 2 breeder growers and 1 pullet grower with a total of 42 houses), 4) Georgia pullet growers (6 claimants with 22 houses), and 5) Georgia breeder egg growers (12 growers with 34 houses).

Since the available time did not permit conducting a census, in each instance losses are based on a sample of the claimants in that group and the actual contribution margin of the growers in the samples. The sample size for the North Carolina broiler growers is 106 houses distributed across 24 growers. That for Georgia broiler growers is 100 houses and 20 growers. The samples for Georgia breeder growers and pullet growers are 10 and 12, respectively and in each case the number of growers was four. The Alabama and Arkansas grower sample size was the 19 houses of four growers. The actual contribution margins of the growers in each sample frame were calculated utilizing information contained in the growers' Federal income tax returns with input from the growers and/or their accountants in determining the portion of variable expenses related to poultry production. Using the sample data for each group, a 90% confidence interval estimate was made for the arithmetic mean annual contribution margin per poultry house. The per house quantities were then multiplied by the number of houses in each group to generate an annual total of that group's contribution margins. The ten-year stream of annual values was reduced to their present value utilizing the 10-year Federal government bond yield rate on October 1, 2009.¹ The value of the litter is based on per house averages. The resulting confidence interval estimates for each group are presented in the table below.

**TOTAL ANNUAL CONTRIBUTION MARGINS PLUS LITTER VAUE
90% CONFIDENCE INTERVAL ESTIMATES**

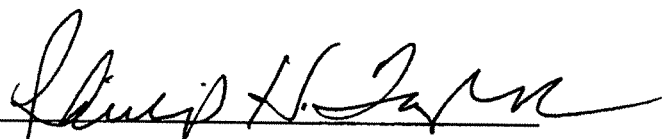
¹ For North Carolina claimants it is assumed that the losses began on November 1, 2008. For all other claimants, the beginning date is assume to be March 1, 2009.

	Lower Limit	Mean	Upper Limit
North Carolina Broiler Growers	\$2,866,603	\$2,896,382	\$2,926,160
Georgia Broiler Growers	\$11,728,341	\$12,187,702	\$12,647,064
Georgia Breeder Growers	\$1,601,553	\$1,768,657	\$1,935,761
Georgia Pullet Growers	\$476,045	\$505,174	\$534,303
Alabama and Arkansas Growers	\$1,107,599	\$1,154,220	\$1,200,841
	<u>\$17,780,140</u>	<u>\$18,512,135</u>	<u>\$19,244,129</u>

The 10-year Federal government bond yield on October 1, 2009, was 3.21%.
 Using that discount rate, the present value of the 10-year stream of contribution margins plus litter values is as follows.

**PRESENT VALUE
 TEN YEAR STREAM OF TOTAL CONTRIBUTIONS PLUS LITTER**

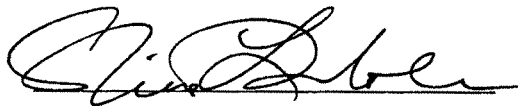
	Lower Limit	Mean	Upper Limit
North Carolina Growers	\$ 24,904,590	\$ 25,163,300	\$ 25,422,010
All Others	\$ 127,209,636	\$ 133,199,409	\$ 139,189,182
Total	\$ 152,114,226	\$ 158,362,709	\$ 164,611,192


 Phillip H. Taylor, PhD

State of ARKANSAS

County of PULASKI

The foregoing instrument was acknowledged before me this 13th day of October, 2009 by Phillip H. Taylor PhD. He is personally known to me or has produced driver's license as identification



Notary Public

4/16/17

My Commission Expires

