

The Registrant conducts its prepared chicken business through its wholly-owned subsidiary, Sanderson Farms, Inc. (Foods Division), which has a facility in Flowood, Mississippi. This facility is engaged in the processing, marketing and distribution of approximately 130 processed and minimally prepared chicken items, which it sells nationally and regionally, principally to distributors and national food service accounts. The facility is managed by the same senior management team that manages our Processing Division.

Products

The Registrant has the ability to produce a wide range of processed chicken products and prepared chicken items.

Processed chicken is first salable as an ice-packed, whole chicken. The Registrant adds value to its ice-packed, whole chickens by removing the giblets, weighing, packaging and labeling the product to specific customer requirements and cutting and deboning the product based on customer specifications. The additional processing steps of giblet removal, close tolerance weighing and cutting increase the value of the product to the customer over whole, ice-packed chickens by reducing customer handling and cutting labor and capital costs, reducing the shrinkage associated with cutting, and ensuring consistently sized portions.

The Registrant adds additional value to the processed chicken by deep chilling and packaging whole chickens in bags or combinations of fresh chicken parts, including boneless product, in various sized, individual trays under the Registrant's brand name, which then may be weighed and pre-priced, based on each customer's needs. This chill-pack process increases the value of the product by extending shelf life, reducing customer weighing and packaging labor, and providing the customer with a wide variety of products with uniform, well designed packaging, all of which enhance the customer's ability to merchandise chicken products.

To satisfy some customers' merchandising needs, the Registrant freezes the chicken product, which adds value by meeting the customers' handling, storage, distribution and marketing needs and by permitting shipment of product overseas where transportation time may be as long as 60 days.

The following table sets forth, for the periods indicated, the contribution, as a percentage of net sales dollars, of each of the Registrant's major product lines.

	Fiscal Year Ended October 31,				
	2019	2018	2017	2016	2015
Registrant processed chicken:					
Value added:					
Fresh vacuum-sealed	38.3 %	35.2 %	39.8 %	37.6 %	35.2 %
Fresh chill-packed	32.9	35.6	31.0	34.7	36.9
Fresh bulk-packed	14.4	15.1	16.4	15.1	13.9
Frozen	6.2	6.5	6.7	5.1	6.3
Subtotal	91.8	92.4	93.9	92.5	92.3
Non-value added:					
Fresh ice-packed	1.2	1.2	1.0	0.9	1.0
Subtotal	1.2	1.2	1.0	0.9	1.0
Total Company processed chicken	93.0	93.6	94.9	93.4	93.3
Minimally prepared chicken	7.0	6.4	5.1	6.6	6.7
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Markets and Pricing

The three largest customer markets in the fresh and frozen chicken industry are food service customers that purchase fresh, bulk-packed products produced from a relatively big bird, retail grocery store customers that purchase fresh, tray-packed products produced from a medium-sized bird, and quick-serve food service customers that purchase products produced from relatively small birds.