

raise debt or equity capital on terms and at costs satisfactory to the Company, and the effect of such opportunities on the Company's balance sheet, are critical considerations in any such evaluation.

#### Revolving Credit Facility

The Company is a party to a revolving credit facility dated March 21, 2019, with a maximum available borrowing capacity of \$1.0 billion. Under the credit facility, the Company may not exceed a maximum debt to total capitalization ratio of 50%. The Company has a one-time right, at any time during the term of the agreement, to increase the maximum debt to total capitalization ratio then in effect by five percentage points in connection with the construction of a new poultry complex for the four fiscal quarters beginning on the first day of the fiscal quarter during which the Company gives written notice of its intent to exercise this right. The Company has not exercised this right. The facility also sets a minimum net worth requirement that at October 31, 2019, was \$998.6 million. The credit is unsecured and, unless extended, will expire on March 21, 2024. As of October 31, 2019, the Company had borrowed \$55.0 million under the facility, and had approximately \$21.6 million outstanding in letters of credit, leaving \$923.4 million of borrowing capacity available under the facility. As of December 18, 2019, the Company had borrowed \$85.0 million under the facility and had approximately \$23.1 million outstanding in letters of credit, leaving \$891.9 million of borrowing capacity available under the facility. For more information about the facility, see Item 1.01 of our Current Report on Form 8-K filed March 27, 2019.

#### Contractual Obligations

Obligations under long-term debt; non-cancelable operating leases; purchase obligations relating to feed grains, other feed ingredients and packaging supplies; construction contracts and claims payable relating to the Company's workers' compensation insurance policy at October 31, 2019, were as follows:

<u>Contractual Obligations</u>	<u>Payments Due By Period (in thousands)</u>				
	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
Operating leases	\$ 47,774	\$ 15,363	\$ 22,919	\$ 9,382	\$ 110
Long-term debt	55,000	—	—	55,000	—
Purchase obligations:					
Feed grains, feed ingredients and packaging supplies	199,097	199,097	—	—	—
Construction contracts and other	8,996	8,996	—	—	—
Claims payable	20,587	9,687	10,900	—	—
<b>Total</b>	<b>\$ 331,454</b>	<b>\$ 233,143</b>	<b>\$ 33,819</b>	<b>\$ 64,382</b>	<b>\$ 110</b>

#### Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements material to our financial position or results of operations as of October 31, 2019.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions, and the differences could be material. Descriptions of accounting estimates the Company considers critical follow.

#### Inventories

Processed and prepared inventories and inventories of feed, eggs, medication and packaging supplies are stated at the lower of cost (average method) or net realizable value. When market prices for poultry are low and feed grains are high, the Company may be required to write down the carrying values of processed poultry and live inventories to net realizable value, which would increase the Company's cost of sales.