

**Overview of
Gatlin v. Sanderson Farms, Inc.
(No. 99-150-CV9, Second Judicial District of Jones County, Mississippi)
Issues on Appeal**

Summary

The *Gatlin v. Sanderson Farms, Inc.* case is on appeal in Mississippi and the result will affect several important issues relevant to all farmers and their contractual relationship with integrators, processors, manufacturers, and packers. The plaintiffs, Roy and Nelda Gatlin, former poultry growers, allege the defendant, Sanderson Farms, Inc. wrongfully terminated their fifteen-year contract on the basis of non-compliance to state regulations without initiating a formal administrative process with the appropriate regulatory agency. A favorable judgment would require that the appropriate regulatory agency determine non-compliance with a state or federal regulation, ensuring farmers access to a fair administrative procedure. Most importantly, it would provide needed protection of growers' contractual rights and preclude unfair contract terminations resulting in economic hardship.

Facts

In November of 1980, Roy R. Gatlin first contracted with Sanderson Farms, Inc. (Sanderson Farms) to grow chickens for the company. After numerous years growing chickens for Sanderson Farms, Roy was ranked in the top 50% of the company's growers. Relying on their on-going relationship with Sanderson Farms, Roy and Nelda Gatlin pledged their farm, including their home and four broiler houses, as security on a mortgage for more than \$250,000. Mortgaging their property was necessary to secure the money to pay for two additional broiler houses. In January 1997, Sanderson Farms presented the new Broiler Production Agreement including an arbitration agreement. Roy signed the fifteen-year agreement.

On Christmas day of 1997, Sanderson Farms contacted Roy and told him to come to the office. The next day, Sanderson Farms informed Roy it was terminating Roy's contract with fourteen years remaining. Sanderson Farms contended Roy was in violation of Mississippi Code ' 69-15-51, regulation 13(V) regarding the disposal of chicken carcasses. Sanderson Farms based its termination on the following contractual provision:

23. IMMEDIATE TERMINATION. This Agreement may immediately be terminated by Sanderson Farms at any time upon written notice for any of the following reasons:

c. The Grower fails to comply with applicable federal, state, or local laws or regulations.

Sanderson Farms never filed a complaint with the Mississippi Board of Animal Health.

Afterwards, the alleged violation was found to be untrue. A contemporaneous inspection found Roy in compliance to applicable Mississippi Board of Animal Health regulations and relevant Mississippi code sections.

Upon termination, Sanderson Farms took Roy's most recent shipment of chickens to another grower. Roy's attempts to work with other integrators failed when all refused to work with him. He was, in essence, blackballed.

Procedural History

In February 1998, Roy filed a demand for arbitration against Sanderson Farms based on the company's termination of the contract. Roy paid most of the initial fees for arbitration; however, Sanderson Farms refused to pay its share despite a contractual provision stating arbitration fees would be split equally between the parties.

In September of 1999, Roy and Nelda Gatlin filed a complaint in Circuit Court of Jones County, Mississippi. In their complaint, they allege intentional infliction of emotional distress and willful

and intentional breach of contract. Sanderson Farms filed a Motion to Dismiss. The circuit court conducted two evidentiary hearings, which resulted in the circuit court denying Sanderson Farms' motion.

Sanderson Farms filed an interlocutory appeal with the Mississippi Supreme Court regarding enforcement of the arbitration agreement. In *Sanderson Farms, Inc. v. Gatlin*, 848 So. 2d 828 (Miss. 2003). The court found the arbitration agreement was unenforceable and remanded the case to the lower court. After several adverse evidentiary and *in limine* rulings, a jury found for Sanderson Farms.

Issues on Appeal

The Gatlins filed an Amended Motion for Judgment Not Withstanding the Verdict or in the Alternative a New trial. The plaintiffs support their argument for Judgment Not Withstanding the Verdict or a new trial on the following points:

The Court erred when it did not preclude Sanderson Farms from presenting testimony or evidence involving or inferring non-compliance with Mississippi Board of Animal Health Regulation 13(V) on the basis of law of case doctrine.

The "law of case doctrine" permits a decision, judgment, opinion or ruling made on formal appeal become the "law of the case." Under the law of the case doctrine, an issue of law or fact decided on appeal may not be reexamined either by the district court on remand or by the appellate court on subsequent appeal. *Todd Shipyards Corp. v. Auto Transportation*, 763 F2d. 745, 750 (5th Cir. 1985).

In the earlier proceedings related to the Gatlin case, the Mississippi Supreme Court concluded:

Sanderson Farms justified the termination by asserting that Roy had committed one violation of Mississippi Board of Animal Health, Regulation 13(V) which addresses disposal of dead poultry. This alleged violation later was found to be untrue, and it was discovered that Roy had readily passed the Board of Animal Health inspection. In fact, no complaint was ever filed and no adjudication of guilt was ever made against Roy for the alleged violation which Sanderson Farms argues supports the broiler contract termination. (*Gatlin*, 848 So. 2d at 831)

Despite this finding by the Mississippi Supreme Court that the alleged violation was untrue, during the subsequent trial, the court allowed Sanderson Farms to introduce evidence regarding the Gatlins' non-compliance to regulation 13(v). The Gatlins' were denied the right of rebuttal.

Sanderson Farms had neither the right nor the authority to determine non-compliance with regulation 13(v) regarding the disposal of chicken carcasses.

The Mississippi Board of Animal Health has the exclusive authority to determine non-compliance with appropriate rules and regulations as well as to establish fair and orderly procedures for handling complaints. In *Everitt v. Lovitt*, 192 So.2d 422 (Miss.1966), the Mississippi Supreme Court held that "administrative agencies have exclusive, original jurisdiction of particular matters" (matters the agency was created to regulate). Sanderson Farms could not legitimately assume the authority to conclude the Gatlins were non-compliant and then justify their termination of the contract.

On that basis, Sanderson Farms did not attempt to exhaust all legal remedies and Sanderson Farms completely disregarded the legal administrative process to determine non-compliance.

Recent Mississippi Supreme Court decisions reiterated the importance of administrative remedies and the need to exhaust such remedies before seeking court action. See *Georgia Pacific Corp., Inc v. Mooney*, (Miss. 2005). In order for Sanderson Farms to legally terminate the agreement per the contractual provision number 23, the Animal Health Board would need to cite Plaintiffs with non-compliance after affording them due process through administrative law procedures. Betty Roberts, epidemiologist for the Board who regularly monitored the Gatlins' farm, inspected the farm and determined that the finding of non-compliance was not warranted;

and there was no reason to warrant commencement of the complaint process with the Mississippi Board of Animal Health.

Sanderson Farms failed to file a formal complaint because Sanderson Farms knew that there would not be a finding of non-compliance

If Sanderson Farms wished to cite the Gatlins for improper disposal of chicken carcasses and the contract had been reasonably interpreted, Sanderson Farms should have cited the Gatlins with a Farm Management Deficiency as provided in the contract.

Sanderson Farms did not base its actions on paragraph 22(d) of the Broiler Production Agreement which establishes criteria for termination of contract. Sanderson Farms refused to cite Gatlin for “Farm Management Deficiency” on the allegation of improper disposal of chickens as required in paragraph H of the Broiler Growing Program. It states: “failure to follow the written instructions of the Broiler Supervisor of the Culling and Dead Bird Disposal Program will result in a Farm Management Deficiency.”

Instead, Sanderson Farms chose to base its actions on the unproven allegations that Gatlin improperly disposed of his birds. Sanderson Farms wrongfully relied on paragraph 23(c) by stating that Gatlin had violated the law and was susceptible to immediate termination.

The Court would not allow the Gatlins to question the Sanderson Farms’ witnesses or introduce any evidence dealing with Sanderson Farms’ lack purpose of demonstrating the defendant’s double standard of compliance with Regulation 13(V) of the Mississippi Board of Animal Health for the evidentiary.

The Gatlins had a videotape of Sanderson Farms trucks permitting chickens to fall off onto the highway and being left on the side of the road. This action specifically violates Regulation 13(V). It states: “No dead poultry, carcasses, off all or any parts of any dead poultry shall be

disposed of by throwing or leaving along public roads.” This is very same regulation Sanderson Farms alleged the Gatlins violated and used as the basis for its termination of Gatlin’s contract.

The court erred by granting the Defendant’s jury instructions and refusing the Plaintiffs’ jury instructions, particularly 4, 5, and 21, and the denial of such was highly prejudicial to the Plaintiffs and virtually guaranteed a verdict for Sanderson Farms.

Plaintiff’s jury instruction number 4 instructed the jury that the Broiler Production Agreement includes general terms, whereas the terms of Paragraph H, B & C of the Broiler Growing Program are specific terms that control the disposal of dead birds and penalties imposed for improper disposal of dead birds. (Note: Paragraph H detailed the process of issuing a “Farm Management Deficiency”)

Plaintiffs’ jury instruction number 5 states in part, “The court further instructs you that the proper procedure under its contract with Roy Gatlin was for Sanderson Farms to issue a Farm Management Deficiency to Roy Gatlin.”

Plaintiffs’ jury instruction number 21 defined adhesion contracts as a drafted unilaterally by the dominant party and then presented on a take-it-or-leave-it basis to the weaker party who has no real opportunity to bargain about its terms. Such contracts are usually prepared in printed form, and frequently at least some of the provisions are in extremely small print.

The Court erred by not properly answering the Jury’s questions and instructing them as to the law.

The jury’s questions to the court indicated its confusion regarding the Broiler Production Agreement and the attached Broiler Growing Program which was attached to the Agreement at the time the Gatlins’ signed the contract. As a matter of law, the court should have informed the jury that the contract in its entirety consisted of both the Broiler Production Agreement and the attached Broiler Growing Program. Instead, the court mistakenly answered the jury’s questions

by stating, “There’s not but two contracts.” There was only one contract consisting of the Broiler Production Agreement and the attached Broiler Growing Program.

Conclusions

Sanderson Farms avoided filing a complaint and permitting the appropriate regulatory agency to determine if there was a violation of Mississippi Code ' 69-15-51, regulation 13(V). In addition, Sanderson Farms violated the terms of its own contract when it failed to cite Roy with a Farm Management Deficiency when it believed Roy had wrongly disposed of the dead birds.

Sanderson Farms wrongfully terminated Roy’s fifteen-year contract.

The legal effect of a positive judgment in the Roy and Nelda Gatlin’s favor will protect the contractual rights of farmers from unreasonable contract terminations and increase the scrutiny of the contracts integrators, manufacturers, packers and processors impose. A favorable judgment will require integrators to file formal complaints with the appropriate regulatory agencies and it will disallow the arbitrary termination of contracts because of unproven regulatory violations.