Q.B.G. No. 1461 of 2009

C A N A D A)
PROVINCE OF SASKATCHEWAN)

IN THE QUEEN'S BENCH
JUDICIAL CENTRE OF SASKATOON

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE CREDITORS OF BIG SKY FARMS INC., DRYCAST SYSTEMS INC. and BIG SKY MANAGEMENT CONSULTING CORP.

NINTH SUPPLEMENTARY AFFIDAVIT OF CANUTE TAGSETH

I, **CANUTE TAGSETH**, of the City of Saskatoon, in the Province of Saskatchewan, Chartered Accountant, **MAKE OATH AND SAY THAT**:

1. I am employed as the Chief Financial Officer of the Applicant, Big Sky Farms Inc., such that I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based upon information and belief, and where so stated I do verily believe the same to be true.

2. I make this Ninth Supplementary Affidavit to supplement the Affidavit sworn by me on October 29, 2009; the Supplementary Affidavit sworn by me on November 2, 2009; the Second Supplementary Affidavit sworn by me on December 4, 2009; the Third Supplementary Affidavit sworn by me on December 8, 2009; the Fourth Supplementary Affidavit sworn by me on December 16, 2009; the Fifth Supplementary Affidavit sworn by me on December 29, 2009; the Sixth Supplementary Affidavit sworn by me on February 7, 2010; the Seventh Supplementary Affidavit sworn by me on March 8, 2010 and the Eighth Supplementary Affidavit sworn by me on March 15, 2010, each of which Affidavits have been filed on behalf of Big Sky Farms Inc., Drycast Systems Inc. and Big Sky Management Consulting Corp. (collectively, "**Big Sky**") in support of these proceedings.

3. I have reviewed the Supplementary Affidavit of John Beckton sworn on March 10, 2010 (the "Beckton Supplementary Affidavit") and filed on behalf of Big Sky Finishers (No. 1) Inc. ("Finishers") in support of its application for relief more particularly described in the Notice of Motion of Finishers dated February 18, 2010 (the "Finishers Motion"). I make this Ninth Supplementary Affidavit in reply to the Beckton Supplementary Affidavit.

Allegations Regarding Recovery of Manure Removal Costs

4. In paragraph 10 of the Beckton Supplementary Affidavit, it is alleged that Big Sky Farms Inc. receives approximately one-half of the manure removal cost of $9.75 per pig space (i.e. - $4.88) by selling the manure to farmers near the barns. In reply to this allegation, the actual amount of manure removal costs recovered by Big Sky Farms Inc. from the sale of manure to farmers near the barns is the equivalent of approximately $1.00 to $1.50 per hog space equivalent, the particulars of which are as follows:

2009 Manure Application at Bacon and Iverson

Land Location	Gallons	Acres	Total due 12/31/9
SW 17-8-22-2	1,468,085	150	$3,000
SE 7-8-22-2	1,353,868	155	$3,100
SE 17-8-22 W2	1,341,606	157	$3,140
W1/2 18-8-22 W2	1,490,169	150	$3,000
NE 17-8-22-2	1,122,365	125	$2,500
NW 17-8-22 W2	1,491,417	158	$3,160
SW 16-8-22 W2	1,187,441	130	$2,600
	9,454,951	**1,025**	**$20,500**
S 1/2- 12-8-22 -W2	3,138,555	320	$6,400
NW 2-8-22 W2	1,304,269	145	$1,450
N 1/2 3-8-22W2	2,608,538	290	$2,900
	7,051,362	**755**	**$10,750**
Combined Totals	**16,506,313**	**1,780**	**$31,250**

Iowa State University Livestock Enterprise Budget

5. At paragraphs 11 and 12 of the Beckton Supplementary Affidavit, reference is made to a two-page excerpt from a publication of Iowa State University entitled "Livestock Enterprise Budgets For Iowa – 2009". This two-page excerpt from this publication comprises Exhibit "A" to the Beckton Supplementary Affidavit.

6. Attached and marked as Exhibit "A" to this Affidavit is a true copy of the complete 22-page publication of Iowa State University entitled "Livestock Enterprise Budgets For Iowa – 2009" which is referred to in the Beckton Supplementary Affidavit.

7. Attached and marked as Exhibit "B" to this Affidavit is a true copy of the complete 22-page publication of Iowa State University entitled "Livestock Enterprise Budgets For Iowa – 2010" which is an updated and more recent version of the 2009 document comprising Exhibit "A" to the Beckton Supplementary Affidavit.

Allegations Regarding Transportation Costs

8. At paragraphs 16 and 17 of the Beckton Supplementary Affidavit, allegations are made to the effect that the cost of transporting weanling pigs from the Saskatchewan sow barns (or nursery barns) of Big Sky Farms Inc. to finisher barn locations in Iowa would be "at least $7.00 per pig". In actual fact, when all associated transportation costs in Canada and the U.S. are taken account of, the additional net transportation cost of transporting weanling pigs from the Saskatchewan sow barns (or nursery barns) of Big Sky Farms Inc. to finisher barn locations in Iowa is only approximately $1.75 per pig, as more particularly described below in paragraph 9 hereof.

9. The costs of transporting weanling pigs from the Saskatchewan sow barns (or nursery barns) of Big Sky Farms Inc. to finisher barn locations in Iowa is offset by the reduced cost of transporting finished hogs from finisher barn locations in Iowa to nearby packing plants and other market facilities conveniently located

"close to the farm" in Iowa, particulars of which are as follows:

Transportation Cost

Canada	
Nursery to Finisher	$ 0.75
Finisher to Market	$ 8.20
	$ 8.95
USA	
Canadian Nursery to Finisher	$ 8.19
Finisher to Market	$ 2.51
	$ 10.70

Allegations Regarding Reluctance of U.S. Finished Hog Purchasers to Buy Canadian Hogs

10. At paragraph 21 of the Supplementary Beckton Affidavit, allegations are made to the effect that a reluctance by U.S. purchasers of finished hogs to buy hogs born outside of the United States results in a significant discounting in the price paid for finished hogs that have originated in Canada. In reply to these allegations, it is instructive to examine the actual price per kilogram received by Big Sky Farms Inc. for its finished hogs between December 13, 2009 and January 9, 2010 at two pork packers located in Canada (Maple Leaf in Brandon, Manitoba and Olymel in Red Deer, Alberta) and two pork packers located in the U.S.A. (Sioux-Preme and Prime Pork), as more particularly described below in paragraph 11. hereof.

11. The actual price per kilogram received by Big Sky Farms Inc. for its finished hogs between December 13, 2009 and January 9, 2010 was $1.39 and $1.37 per kilogram at Canadian pork packing facilities (Maple Leaf and Olymel, respectively) and $1.36 per kilogram at Sioux-Preme and Prime Pork, calculated as follows:

a.

Packer Summary				
Packer	# of Hogs	Ave Dressed Wt (Can)	Gross $/Hog	$/Kg Dressed
Maple Leaf	23,421	94.3	$ 130.61	$ 1.39
Olymel	23,754	94.0	$ 129.16	$ 1.37
Sioux-Preme	10,324	92.8	$ 126.03	$ 1.36
Prime Pork	379	92.3	$ 125.91	$ 1.36

Allegations Regarding Similarity of Markets in 2010 and 2003

12. At paragraph 40 of the Beckton Supplementary Affidavit, allegations are made to the effect that, in recent months, feed costs have dropped significantly and hog prices have risen significantly to levels which are levels similar to those in effect when Big Sky Farms Inc. and Finishers entered into the Subject Agreements in 2003. In reply to these allegations, I note that markets have gone up and down over the history of Big Sky Farms Inc. The suggestion that today's hog industry market conditions are equivalent to hog industry market conditions in 2003 is not supportable and overlooks or ignores the fact that the Canadian dollar averaged $0.70 US Dollars in 2003.

Allegations Regarding The Impact of The Subject Agreements Upon The Ability of Big Sky To Implement The Plan

13. At paragraphs 47 and 48 of the Beckton Supplementary Affidavit, allegations are made to the effect that a continuation of the Subject Agreements will not jeopardize the ability of Big Sky Farms Inc. to implement its Amended & Restated Plan of Compromise & Arrangement (the "Plan"). In reply to those allegations, I note that, if the Option Agreement is not disclaimed, the Put Option contained therein will permit Finishers to require Big Sky Farms Inc. to purchase the Project from Finishers at the depreciated book value of the Project, or approximately $4,833,207.00 today (as described in paragraph 35 of my

Seventh Supplementary Affidavit). This amount is far in excess of the fair market value of the Project today (which is calculated at $1,200,000.00 in paragraph 42 of my Seventh Supplementary Affidavit).

14. If Big Sky Farms Inc. were required to purchase the Project from Finishers for today's depreciated book value of the Project of $4,833,207.00, given its current financial status, Big Sky Farms Inc. would be unable to finance such a transaction. In that event, the continued financial viability of Big Sky Farms Inc. would very clearly be in doubt and its ability to implement the Plan would be severely compromised.

Allegations Regarding The Impact of The Subject Agreements Upon The Profitability of Big Sky Farms Inc.

15. At paragraph 49 of the Beckton Supplementary Affidavit, it is alleged that continuation of the Contract Finishing Agreement will require Big Sky Farms Inc. to pay to Finishers an amount that is only 0.9% of the total gross annual revenue of Big Sky Farms Inc. It is therefore alleged in paragraph 49 of the Beckton Supplementary Affidavit that continuation of the Contract Finishing Agreement will not have a material impact on the cost reduction efforts or profitability of Big Sky Farms Inc. For reasons described below in paragraphs 16 and 17 hereof, these comparisons of the costs of the Contract Finishing Agreement to the gross annual revenues of Big Sky Farms Inc. are unhelpful and misleading.

16. In my experience as a chartered accountant, the gross annual revenues of an enterprise are seldom used as a metric (or "measuring stick") for the profitability of that enterprise. A much more relevant metric (or "measuring stick") for the profitability of an enterprise is the amount of its "earnings before interest, taxes, depreciation and amortization" (or "EBITDA").

17. Subsequent to the conclusion of these CCAA proceedings, the normalized EBITDA of Big Sky Farms Inc. is expected to amount to approximately

$15,000,000 annually. As noted in paragraph 27 of the Sixth Monitor's Report, the cost to Big Sky Farms Inc. of maintaining the Contract Finishing Agreement (in preference to purchasing hog finishing services at market rates) is approximately $672,000.00 annually – which amounts to approximately 4.5% of the anticipated normalized EBITDA of Big Sky Farms Inc. subsequent to its emergence from these CCAA proceedings. The 4.5% impairment of the normalized EBITDA of Big Sky Farms Inc. which would result from the continuation of the Contract Finishing Agreement would be very significant and would significantly erode the profitability and financial viability of Big Sky Farms Inc.

Additional Allegations in the Beckton Supplementary Affidavit

18. At paragraph 55 of the Beckton Supplementary Affidavit, it is noted that the water system to one of the barns of Finishers is interconnected with the water systems to the facilities of Big Sky Farms Inc. and is vital to Finishers. In reply to this information, I note that, throughout its discussions with Finishers regarding the future of the Subject Agreements, Big Sky Farms Inc. has recognized the importance of the water issue to both Finishers and Big Sky Farms Inc. and has indicated its willingness to take steps (as part of the arrangements for the termination of the Subject Agreements) to ensure an uninterrupted water supply to the barns of Finishers at minimal cost to Finishers. Big Sky Farms Inc. continues to be willing to achieve that outcome (as part of the arrangements for the termination of the Subject Agreements).

19. At paragraph 62 of the Beckton Supplementary Affidavit, it is alleged that Finishers' position is unique because it is the only entity involved in these CCAA proceedings whose very existence was established and promoted by Big Sky Farms Inc. In reply to this allegation, I note that the transaction between Big Sky Farms Inc. and Prairie Hog Production Limited Partnership ("PHPLP") which is described in paragraph 48 of my Seventh Supplementary Affidavit was structured in a manner similar to the transactions between Big Sky Farms Inc.

and Finishers. The transaction between Big Sky Farms Inc. and PHPLP pertained to a finisher barn and two nursery barns. This transaction involves a lease of hog finishing facilities and nursery barns and does not involve a hog finishing contract.

20. PHPLP was willing and able to re-negotiate the terms of its lease arrangements with Big Sky Farms Inc. by recognizing the reduced fair market value of the facilities at issue (in light of current market conditions) and took steps to alter its affairs to mitigate adverse financial impacts from the reduced payments by Big Sky to reflect current hog industry market conditions. To my knowledge, Finishers has done neither of these things.

21. I make this Ninth Supplementary Affidavit in reply to the Finishers Motion.

SWORN BEFORE ME at the City of)
Saskatoon, in the Province of)
Saskatchewan, this 15 day of)
March, 2010.)
Caroline Spencer)
A Commissioner For Oaths in and for the
Province of Saskatchewan. My appt.
~~Being a Solicitor~~ expires November 30, 2013.

CANUTE TAGSETH

This Affidavit was delivered by:

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