PILGRIMS PRIDE CORP
Form 10-Q
May 07, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 28, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File number 1-9273

PILGRIM'S PRIDE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-1285071 (I.R.S. Employer Identification No.)
4845 US Hwy 271 N, Pittsburg, TX (Address of principal executive offices)	75686-0093 (Zip code)

Registrant's telephone number, including area code: (903) 434-1000

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Index
Pilgrim's Pride Corporation
March 28, 2009

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filerx Accelerated Filer o
Non-accelerated Filero(Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares outstanding of the issuer's common stock, as of May 7, 2009, was 74,055,733.

Index
Pilgrim's Pride Corporation
March 28, 2009

INDEX

PILGRIM’S PRIDE CORPORATION AND SUBSIDIARIES

Index
Pilgrim's Pride Corporation
March 28, 2009

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PILGRIM'S PRIDE CORPORATION
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 28, 2009	September 27, 2008
Assets:	(In thousands)	
Cash and cash equivalents	$ 44,956	$ 61,553
Restricted cash and cash equivalents	6,664	—
Investment in available-for-sale securities	8,126	10,439
Trade accounts and other receivables, less allowance for doubtful accounts	311,471	144,156
Inventories	825,520	1,036,163
Income taxes receivable	22,753	21,656
Current deferred income taxes	67,767	54,312
Prepaid expenses and other current assets	49,595	105,071
Assets held for sale	52,057	17,370
Total current assets	1,388,909	1,450,720
Investment in available-for-sale securities	55,500	55,854
Other assets	85,233	51,768
Identified intangible assets, net	62,271	67,363
Property, plant and equipment, net	1,573,496	1,673,004
	$ 3,165,409	$ 3,298,709
Liabilities and stockholders' equity:		
Liabilities not subject to compromise:		
Accounts payable	264,456	378,887
Accrued expenses	319,595	448,823
Short-term notes payable	89,792	—
Current maturities of long-term debt	—	1,874,469
Other current liabilities	1,600	10,783
Total current liabilities	675,443	2,712,962
Long-term debt, less current maturities	38,950	67,514
Deferred income taxes	88,558	80,755
Other long-term liabilities	88,540	85,737
Total liabilities not subject to compromise	891,491	2,946,968
Liabilities subject to compromise	2,208,893	—

Common stock		740		740
Additional paid-in capital		646,824		646,922
Accumulated deficit		(604,156)		(317,082)
Accumulated other comprehensive income		21,617		21,161
Total stockholders’ equity		65,025		351,741
	$	3,165,409	$	3,298,709

The accompanying notes are an integral part of these Consolidated Financial Statements.

4

Index
Pilgrim's Pride Corporation
March 28, 2009

PILGRIM’S PRIDE CORPORATION AND SUBSIDIARIES
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(In thousands, except share and per share data)			
Net sales	$ 1,698,102	$ 2,100,794	$ 3,575,093	$ 4,148,147
Cost of sales	1,600,378	2,124,173	3,560,247	4,066,423
Asset impairment	—	12,022	—	12,022
Gross profit (loss)	97,724	(35,401)	14,846	69,702
Selling, general and administrative expenses	77,879	102,559	170,793	206,992
Restructuring items, net	(435)	5,669	1,987	5,669
Total costs and expenses	1,677,822	2,244,423	3,733,027	4,291,106
Operating income (loss)	20,280	(143,629)	(157,934)	(142,959)
Other expense (income):				
Interest expense	46,444	33,772	86,012	63,712
Interest income	(2,824)	(446)	(3,355)	(954)
Miscellaneous, net	(2,252)	(1,161)	(3,676)	(4,024)
Total other expense, net	41,368	32,165	78,981	58,734
Loss from continuing operations before reorganization items and income taxes	(21,088)	(175,794)	(236,915)	(201,693)
Reorganization items	35,355	—	48,605	—
Loss from continuing operations before income taxes	(56,443)	(175,794)	(285,520)	(201,693)
Income tax expense (benefit)	2,347	(64,293)	2,625	(57,026)
Loss from continuing operations	(58,790)	(111,501)	(288,145)	(144,667)
Income (loss) from operation of discontinued business, net of tax	25	(850)	599	(13)
	—	903	—	903

Gain on sale of discontinued business, net of tax				
Net loss	$ (58,765)	$ (111,448)	$ (287,546)	$ (143,777)
Income (loss) per common share—basic and diluted:				
Continuing operations	$ (0.79)	$ (1.67)	$ (3.89)	$ (2.17)
Discontinued business	—	—	0.01	0.01
Net loss	$ (0.79)	$ (1.67)	$ (3.88)	$ (2.16)
Dividends declared per common share	$ —	$ 0.0225	$ —	$ 0.0450
Weighted average shares outstanding	74,055,733	66,555,733	74,055,733	66,555,733

The accompanying notes are an integral part of these Consolidated Financial Statements.

5

Index
Pilgrim's Pride Corporation
March 28, 2009

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	March 28, 2009	March 29, 2008
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (287,546)	$ (143,777)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	120,671	116,296
Asset impairment	—	12,022
Gain on property disposals	(6,414)	(1,570)
Deferred income tax expense (benefit)	—	(56,082)
Changes in operating assets and liabilities:		
Accounts and other receivables	(161,703)	36,879
Inventories	238,313	(154,874)
Prepaid expenses and other current assets	22,373	(33,699)
Accounts payable and accrued expenses	(67,612)	(18,224)
Income taxes receivable, net	(1,924)	(14,723)
Other	(19,158)	11,977
Cash used in operating activities	(163,000)	(245,775)
Cash flows for investing activities:		
Acquisitions of property, plant and equipment	(48,359)	(70,216)
Purchases of investment securities	(12,116)	(18,466)
Proceeds from sale or maturity of investment securities	8,797	13,969
Change in restricted cash and cash equivalents	(6,664)	—
Proceeds from property disposals	8,396	18,717
Cash used in investing activities	(49,946)	(55,996)
Cash flows from financing activities:		
Proceeds from short-term notes payable	376,117	—
Payments on short-term notes payable	(286,325)	—
Proceeds from long-term debt	830,736	810,516
Payments on long-term debt	(719,599)	(498,932)
Change in outstanding cash management obligations	(3,562)	24,168
Cash dividends paid	—	(2,995)
Other	(123)	—
Cash provided by financing activities	197,244	332,757

Effect of exchange rate changes on cash and cash equivalents		(895)		41
Increase (decrease) in cash and cash equivalents		(16,597)		31,027
Cash and cash equivalents, beginning of period		61,553		66,168
Cash and cash equivalents, end of period	$	44,956	$	97,195

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE A—CHAPTER 11 PROCEEDINGS

Chapter 11 Bankruptcy Filings

On December 1, 2008 (the "Petition Date"), Pilgrim’s Pride Corporation and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court"). The cases are being jointly administered under Case No. 08-45664. The Company’s operations in Mexico and certain operations in the United States (“US”) were not included in the filing (the “Non-filing Subsidiaries”) and will continue to operate outside the Chapter 11 process.

Subject to certain exceptions under the Bankruptcy Code, the Debtors’ Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay.

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes reclassifications of $1,872.1 million to reflect as current certain long-term debt under the Company’s credit facilities that, absent the stay, would have become automatically and immediately due and payable. Because of the bankruptcy petition, most of the Company’s pre-petition long-term debt is included in liabilities subject to compromise at March 28, 2009. The Company classifies pre-petition liabilities subject to compromise as a long-term liability because management does not believe the Company will use existing current assets or create additional current liabilities to fund these obligations.

Chapter 11 Process

The Debtors are currently operating as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, as debtors-in-possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and certain of its subsidiaries consisting of PPC Transportation Company, PFS Distribution Company, PPC Marketing, Ltd., and Pilgrim's Pride Corporation of West Virginia, Inc. (collectively, the "US Subsidiaries"), and To-Ricos, Ltd. and To-Ricos Distribution, Ltd. (collectively with the US Subsidiaries, the "Subsidiaries") to enter into that certain Post-Petition Credit Agreement (the "Initial DIP Credit Agreement") among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent (the "DIP Agent"), and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the Initial DIP Credit Agreement, subject to final approval of the Bankruptcy Court. On December 30, 2008, the Bankruptcy Court granted final approval authorizing the Company and the Subsidiaries to enter into an Amended and Restated Post-Petition Credit Agreement dated December 31, 2008 (the "DIP Credit Agreement") among the Company, as borrower, the Subsidiaries, as guarantors, the DIP Agent, and the lenders party thereto.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The commitment includes a $25 million sub-limit for swingline loans and a $20 million sub-limit for standby letters of credit. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP Agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The weighted average interest rate for the three and six months ended March 28, 2009 was 11.25% and 11.47%, respectively. The loans under the Initial DIP Credit Agreement were used to repurchase all receivables sold under the Company's Amended and Restated Receivables Purchase Agreement dated September 26, 2008, as amended (the “RPA”). Loans under the DIP Credit Agreement may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Note G—Trade Accounts and Other Receivables.

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by (i) pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, (ii) administrative and professional expenses incurred in connection with the bankruptcy proceedings, and (iii) the amount owed by the Company and the Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. The DIP Credit Agreement provides that the Company may not incur capital expenditures in excess of $150 million. The Company must also meet minimum monthly levels of EBITDAR. Under the DIP Credit Agreement, "EBITDAR" means, generally, net income before interest, taxes, depreciation, amortization, writedowns of goodwill and other intangibles, asset impairment charges and other specified costs, charges, losses and gains. The DIP Credit Agreement also provides for certain other covenants, various representations and warranties, and events of default that are customary for transactions of this nature. As of March 28, 2009, the applicable borrowing base was $335.8 million and the amount available for borrowings under the DIP Credit Agreement was $246.0 million. As of May 6, 2009, the applicable borrowing base was $365.7 million, the amount available for borrowings under the DIP Credit Agreement was $322.7 million and outstanding borrowings under the DIP Credit Agreement totaled $43.0 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

The DIP Credit Agreement allows the Company to provide advances to the Non-filing Subsidiaries of up to approximately $25 million at any time outstanding. Management believes that all of the Non-filing Subsidiaries, including the Company’s Mexican subsidiaries, will be able to operate within this limitation.

For additional information on the DIP Credit Agreement, see Note L—Short-Term Notes Payable and Long-Term Debt.

The Bankruptcy Court has approved payment of certain of the Debtors' pre-petition obligations, including, among other things, employee wages, salaries and benefits, and the Bankruptcy Court has approved the Company's payment of vendors and other providers in the ordinary course for goods and services ordered pre-petition but received from and after the Petition Date and other business-related payments necessary to maintain the operation of our businesses. The Debtors have retained, subject to Bankruptcy Court approval, legal and financial professionals to advise the Debtors on the bankruptcy proceedings and certain other "ordinary course" professionals. From time to time, the Debtors may seek Bankruptcy Court approval for the retention of additional professionals.

Shortly after the Petition Date, the Debtors began notifying all known current or potential creditors of the Chapter 11 filing. Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Texas (the "US Trustee") appointed an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. In addition, on April 30, 2009, the Bankruptcy Court ordered the US Trustee to appoint an official committee of equity holders (the "Equity Committee") to represent the interests of Pilgrim's Pride's equity holders in the Debtors' bankruptcy cases. There can be no assurance that the Creditors' Committee or the Equity Committee will support the Debtors' positions on matters to be presented to the Bankruptcy Court in the future or on any plan of reorganization, once proposed. Disagreements between the Debtors and the Creditors' Committee or the Equity Committee could protract the Chapter 11 proceedings, negatively impact the Debtors' ability to operate and delay the Debtors' emergence from the Chapter 11 proceedings.

Under Section 365 and other relevant sections of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this report, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under Section 365 of the Bankruptcy Code.

In order to successfully exit Chapter 11, the Debtors will need to propose and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would, among other things, resolve the Debtors' pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

On March 26, 2009, the Bankruptcy Court issued an order extending the period during which the Debtors have the exclusive right to file a plan of reorganization. Pursuant to this order, the Debtors have the exclusive right, through September 30, 2009, to file a plan for reorganization, and if we file a plan by that date, we will have until November 30, 2009 to obtain the necessary acceptances of our plan. We may file one or more motions to request further extensions of these time periods. If the Debtors' exclusivity period lapses, any party in interest would be able to file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective.

The timing of filing a plan of reorganization by us will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. There can be no assurance at this time that a plan of reorganization will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully.

We have incurred and will continue to incur significant costs associated with our reorganization. The amount of these costs, which are being expensed as incurred commencing in November 2008, are expected to significantly affect our results of operations.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must generally be satisfied in full before stockholders are entitled to receive any distribution or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 cases to each of these constituencies or what types or amounts of distributions, if any, they would receive. A plan of reorganization could result in holders of our liabilities and/or securities, including our common stock, receiving no distribution on account of their interests and cancellation of their holdings. Because of such possibilities, the value of our liabilities and securities, including our common stock, is highly speculative. Appropriate caution should be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors. At this time there is no assurance we will be able to restructure as a going concern or successfully propose or implement a plan of reorganization.

On February 11, 2009, the Bankruptcy Court issued an order granting the Company's motion to impose certain restrictions on trading in shares of the Company's common stock in order to preserve valuable tax attributes. This order established notification procedures and certain restrictions on transfers of common stock or options to purchase the common stock of the Company. The trading restrictions apply retroactively to January 17, 2009, the date the motion was filed, to investors beneficially owning at least 4.75% of the outstanding shares of common stock of Pilgrim's Pride Corporation. For these purposes, beneficial ownership of stock is determined in accordance with special US tax rules that, among other things, apply constructive ownership concepts and treat holders acting together as a single holder. In addition, in the future, the Company may request that the Bankruptcy Court impose certain trading restrictions on certain debt of, and claims against, the Company.

Going Concern Matters

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, there is substantial doubt about the Company’s ability to continue as a going concern based on the factors previously discussed. The Consolidated Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon, among other things, the ability of the Company to return to historic levels of profitability and, in the near term, restructure its obligations in a manner that allows it to obtain confirmation of a plan of reorganization by the Bankruptcy Court.

Management is addressing the Company’s ability to return to profitability by conducting profitability reviews at certain facilities in an effort to reduce inefficiencies and manufacturing costs. In April 2009, the Company reduced headcount by approximately 115 non-production employees and announced the upcoming closure of a processing complex in Dalton, Georgia that will reduce headcount by approximately 280 production employees. During the second quarter of 2009, the Company (1) announced the upcoming closures of processing complexes in Douglas, Georgia; El Dorado, Arkansas; Farmerville, Louisiana and Franconia, Pennsylvania, (2) closed a distribution center in Houston, Texas and (3) reduced or consolidated production at various facilities throughout the US. These actions will ultimately result in a headcount reduction of approximately 3,560 production employees. During the first quarter of 2009, the Company reduced headcount by approximately 265 non-production employees and announced an upcoming reduction in production at its processing complex in Live Oak, Florida that will result in a headcount reduction of approximately 220 production employees. During 2008, the Company closed processing complexes in Bossier City, Louisiana and Clinton, Arkansas and reduced production at its operating complex in El Dorado, Arkansas. These actions resulted in a headcount reduction of approximately 2,300 production employees.

Index
Pilgrim's Pride Corporation
March 28, 2009

On November 7, 2008, the Board of Directors appointed a Chief Restructuring Officer (“CRO”) for the Company. The appointment of a CRO was a requirement included in the waivers received from the Company’s lenders on October 27, 2008. The CRO assists the Company with cost reduction initiatives, restructuring plans development and long-term liquidity improvement. The CRO reports to the Board of Directors of the Company.

In order to emerge from bankruptcy, the Company will need to obtain alternative financing to replace the DIP Credit Agreement and to satisfy the secured claims of its pre-bankruptcy creditors.

Condensed Combined Financial Information of Debtors

The following unaudited condensed combined financial information is presented for the Debtors as of March 28, 2009 or for the six months then ended (in thousands):

Balance Sheet Information:	
Current assets	$ 1,447,889
Identified intangible assets	62,271
Investment in subsidiaries	170,856
Property, plant and equipment, net	1,444,672
Other assets	89,165
Total assets	$ 3,214,863
Current liabilities	$ 564,211
Long-term liabilities	340,250
Liabilities not subject to compromise	904,461
Liabilities subject to compromise	2,208,893
Total liabilities	3,113,354
Stockholders’ equity	101,509
Total liabilities and stockholders’ equity	$ 3,214,863
Statement of Operations Information:	
Net sales	$ 3,249,502
Gross loss	(6,998)
Operating loss	(165,356)
Reorganization items	48,605
Income from equity affiliates	713
Net loss	(287,546)
Statement of Cash Flows Information:	
Cash used in operating activities	$ (97,613)
Cash used in investing activities	(43,518)
Cash provided by financing activities	122,857

13

NOTE B—BASIS OF PRESENTATION

Consolidated Financial Statements

The accompanying unaudited consolidated financial statements of Pilgrim’s Pride Corporation (referred to herein as “Pilgrim’s,” “the Company,” “we,” “us,” “our” or similar terms) have been prepared in accordance with accounting princip generally accepted in the US for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the US Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the US for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments unless otherwise disclosed) considered necessary for a fair presentation have been included. Operating results for the three and six months ended March 28, 2009 are not necessarily indicative of the results that may be expected for the year ending September 26, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in Pilgrim’s Annual Report on Form 10-K for the year ended September 27, 2008.

The Company operates on the basis of a 52/53-week fiscal year that ends on the Saturday closest to September 30. The reader should assume any reference we make to a particular year (for example, 2009) in this report applies to our fiscal year and not the calendar year.

As a result of sustained losses and our Chapter 11 proceedings, the realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty. Given this uncertainty, there is substantial doubt about our ability to continue as a going concern.

The accompanying Consolidated Financial Statements do not purport to reflect or provide for the consequences of our Chapter 11 proceedings. In particular, the financial statements do not purport to show (i) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (ii) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (iii) as to shareowners’ equity accounts, the effect of any changes that may be made in our capitalization; or (iv) as to operations, the effect of any changes that may be made to our business.

In accordance with accounting principles generally accepted in the United States ("GAAP"), we have applied American Institute of Certified Public Accountants' Statement of Position ("SOP") 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code, in preparing the Consolidated Financial Statements. SOP 90-7 requires that the financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred in the bankruptcy proceedings are recorded in reorganization items on the accompanying Consolidated Statements of Operations. In addition, pre-petition obligations that may be impacted by the bankruptcy reorganization process have been classified on the Consolidated Balance Sheet at March 28, 2009 in Liabilities subject to compromise. These liabilities are reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts. For information on the bankruptcy reorganization process, see Note A—Chapter 11 Proceedings.

While operating as debtors-in-possession under Chapter 11 of the Bankruptcy Code, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, in amounts other than those reflected in the Consolidated Financial Statements. Moreover, a plan of reorganization could materially change the amounts and classifications in the historical Consolidated Financial Statements.

The consolidated financial statements include the accounts of Pilgrim's Pride Corporation and its majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Company re-measures the financial statements of its Mexican subsidiaries as if the US dollar were the functional currency. Accordingly, we translate assets and liabilities, other than non-monetary assets, of the Mexican subsidiaries at current exchange rates. We translate non-monetary assets using the historical exchange rate in effect on the date of each asset's acquisition. We translate income and expenses at average exchange rates in effect during the period. Currency exchange gains or losses are included in the line item Other Expenses (Income) in the Consolidated Statements of Operations.

Quality of Investments

The Company and certain retirement plans that it sponsors invest in a variety of financial instruments. In response to the continued turbulence in global financial markets, we have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded because of this turbulence, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, auction rate securities, collateralized debt obligations, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. Certain postretirement funds in which the Company participates hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

Recently Adopted Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and was effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position ("FSP") FAS157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, which excluded SFAS No. 13, Accounting for Leases, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. In February 2008, the FASB also issued FSP FAS157-2, Effective Date of FASB Statement No. 157, which delayed the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008.

On September 28, 2008, the Company adopted the portion of SFAS No. 157 that was not delayed, and since the Company's existing fair value measurements are consistent with the guidance of SFAS No. 157, the partial adoption of SFAS No. 157 did not have a material impact on the Company's consolidated financial statements. The adoption of the deferred portion of SFAS No. 157 on September 27, 2009 is not expected to have a material impact on the Company's consolidated financial statements.

In October 2008, the FASB issued FSP FAS157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active, which clarified the application of SFAS No. 157 when the market for a financial asset was not active. FSP FAS157-3 was effective upon issuance, including reporting for prior periods for which financial statements had not been issued. The adoption of FSP FAS157-3 for the Company's interim reporting period ending on December 27, 2008 did not have a material impact on the Company's consolidated financial statements.

See Note F—Fair Value Measurements for expanded disclosures about fair value measurements.

Accounting Pronouncements Issued But Not Yet Adopted

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. This Statement improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects by establishing principles and requirements for how the acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company must apply prospectively SFAS No. 141(R) to business combinations for which the acquisition date occurs during or subsequent to the first quarter of 2010. The impact that adoption of SFAS No. 141(R) will have on the Company's financial condition, results of operations and cash flows is dependent upon many factors. Such factors would include, among others, the fair values of the assets acquired and the liabilities assumed in any applicable business combination, the amount of any costs the Company would incur to effect any applicable business combination, and the amount of any restructuring costs the Company expected but was not obligated to incur as the result of any applicable business combination. Thus, we cannot accurately predict the effect SFAS No. 141(R) will have on future acquisitions at this time.

In December 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51. This Statement improves the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for how that reporting entity (i) identifies, labels and presents in its consolidated statement of financial position the ownership interests in subsidiaries held by parties other than itself, (ii) identifies and presents on the face of its consolidated statement of operations the amount of consolidated net income attributable to itself and to the noncontrolling interest, (iii) accounts for changes in its ownership interest while it retains a controlling financial interest in a subsidiary, (iv) initially measures any retained noncontrolling equity investment in a subsidiary that is deconsolidated, and (v) discloses other information about its interests and the interests of the noncontrolling owners. The Company must apply prospectively the accounting requirements of SFAS No. 160 in the first quarter of 2010. The Company should also apply retroactively the presentation and disclosure requirements of the Statement for all periods presented at that time. The Company does not expect the adoption of SFAS No. 160 will have a material impact on its financial position, financial performance or cash flows.

In April 2008, the FASB issued FSP FAS142-3, Determination of the Useful Life of Intangible Assets. FSP FAS142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets. FSP FAS142-3 must be applied prospectively to intangible assets acquired after the effective date. The Company will apply the guidance of this FSP to intangible assets acquired after September 26, 2009.

In December 2008, the FASB issued FSP FAS132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets. FSP FAS132(R)-1 amends SFAS No. 132(R), Employers' Disclosures about Pensions and Other Postretirement Benefits, to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan, including disclosures about investment policies and strategies, categories of plan assets, fair value measurements of plan assets and significant concentrations of risk. The Company will apply the guidance of this FSP to its postretirement benefit plan assets effective September 27, 2009.

In April 2009, the FASB issued three separate Staff Positions in response to the current economic downturn in the United States. FSP FAS157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, provides additional guidance for estimating fair value in accordance with SFAS No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS115-2 and FAS124-2, Recognition and Presentation of Other-Than-Temporary Impairments, amends the other-than-temporary impairment guidance in US GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP FAS107-1 and APB28-1, Interim Disclosures about Fair Value of Financial Instruments, amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. The Company will apply the guidance of these Staff Positions in its interim financial reporting period ending on June 27, 2009. The Company does not expect the adoption of these Staff Positions will have a material impact on its financial position, financial performance or cash flows.

Index
Pilgrim's Pride Corporation
March 28, 2009

NOTE C—REORGANIZATION ITEMS

SOP 90-7 requires separate disclosure of reorganization items such as realized gains and losses from the settlement of pre-petition liabilities, provisions for losses resulting from the reorganization and restructuring of the business, as well as professional fees directly related to the process of reorganizing the Debtors under Chapter 11. The Debtors' reorganization items for the three and six months ended March 28, 2009 consist of the following:

	Three Months Ended March 28, 2009	Six Months Ended March 28, 2009
	(In thousands)	
Professional fees directly related to reorganization (a)	$ 14,716	$ 20,120
DIP Credit Agreement related expenses	4,500	11,375
Other (b)	16,139	17,110
Total reorganization items	$ 35,355	$ 48,605

(a) Professional fees directly related to the reorganization include post-petition fees associated with advisors to the Debtors, the statutory committee of unsecured creditors and certain secured creditors. Professional fees are estimated by the Debtors and will be reconciled to actual invoices when received.

(b) Other expenses includes (1) severance, live flock impairment and inventory disposal costs related to the upcoming closures of facilities in Douglas, Georgia; El Dorado, Arkansas; Farmerville, Louisiana and Franconia, Pennsylvania, (2) severance costs related to the closed distribution center in Houston, Texas, the Operations management reduction-in-force action in February 2009 and reduced or consolidated production at various facilities throughout the US and (3) fees associated with the termination of the RPA on December 3, 2008.

Net cash paid for reorganization items for the three and six months ended March 28, 2009 totaled $11.7 million and $19.3 million, respectively. For the three months ended March 28, 2009, this represented payment of professional fees directly related to reorganization totaling $6.7 million, DIP Credit Agreement related expenses totaling $4.5 million and severance payments totaling $0.5 million. For the six months ended March 28, 2009, this represented payment of DIP Credit Agreement related expenses totaling $11.4 million, professional fees directly related to the reorganization totaling $6.7 million, fees associated with the termination of the RPA totaling $0.7 million and severance payments of $0.5 million.

In April 2009, the Company reduced headcount by approximately 115 non-production employees and announced the upcoming closure of a processing complex in Dalton, Georgia that will reduce headcount by approximately 280 production employees.

For additional information on costs related to (1) the upcoming closures of our facilities in Douglas, Georgia; El Dorado, Arkansas; Farmerville, Louisiana and Franconia, Pennsylvania and (2) severance costs related to the closed distribution center in Houston, Texas, the Operations management reduction-in-force action in February 2009 and reduced or consolidated production at various facilities throughout the US, see Note E—Restructuring Activities.

NOTE D—DISCONTINUED BUSINESS

The Company sold certain assets of its turkey business for $18.6 million and recorded a gain of $1.5 million ($0.9 million, net of tax) during the second quarter of 2008. This business was composed of substantially our entire former turkey segment. The results of this business are included in the line item Income from operation of discontinued business, net of tax in the Consolidated Statements of Operations for all periods presented.

For a period of time, we continued to generate operating results and cash flows associated with our discontinued turkey business. These activities were transitional in nature. We entered into a short-term co-pack agreement with the acquirer of the discontinued turkey business under which they processed turkeys for sale to our customers through the end of 2008. We had no remaining turkey inventories as of March 28, 2009 and do not expect to recognize additional operating results related to our discontinued turkey business. For the period of time until we have collected funds on the sale of these turkeys and settled liabilities, we will continue to report cash flows associated with our discontinued turkey business, although at a substantially reduced level.

Neither our continued involvement in the distribution and sale of these turkeys or the co-pack agreement conferred upon us the ability to influence the operating and/or financial policies of the turkey business under its new ownership.

No debt was assumed by the acquirer of the discontinued turkey business or required to be repaid as a result of the disposal transaction. We elected to allocate to the discontinued turkey operation other consolidated interest that was not directly attributable to or related to other operations of the Company based on the ratio of net assets to be sold or discontinued to the sum of the total net assets of the Company plus consolidated debt. Interest allocated to the discontinued business in the three and six months ended March 29, 2008 totaled $0.2 million and $0.6 million, respectively. We did not allocate interest to the discontinued business in the three and six months ended March 28, 2009.

Index
Pilgrim's Pride Corporation
March 28, 2009

The following amounts related to our turkey business were segregated from continuing operations and included in the line item Income from operation of discontinued business, net of tax in the Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(In thousands)			
Net sales (sales deductions)	$ —	$ 10,154	$ 25,788	$ 56,012
Income (loss) from operation of discontinued business before income taxes	$ 40	$ (1,366)	$ 962	$ (22)
Income tax expense (benefit)	(15)	(516)	(363)	9
Income (loss) from operation of discontinued business, net of tax	$ 25	$ (850)	$ 599	$ (13)
Gain on sale of discontinued business before income taxes	$ —	$ 1,450	$ —	$ 1,450
Income tax expense	—	547	—	547
Gain on sale of discontinued business, net of tax	$ —	$ 903	$ —	$ 903

The following assets and liabilities related to our turkey business have been segregated and included in Prepaid expenses and other current assets and Other current liabilities, as appropriate, in the consolidated balance sheets as of March 28, 2009 and September 27, 2008.

	March 28, 2009	September 27, 2008
	(In thousands)	
Trade accounts and other receivables, less allowance for doubtful accounts	$ 204	$ 5,881
Inventories	—	27,638
Current assets of discontinued business	$ 204	$ 33,519
Accounts payable	$ 49	$ 7,737
Accrued expenses	1,551	3,046
Current liabilities of discontinued business	$ 1,600	$ 10,783

Index
Pilgrim's Pride Corporation
March 28, 2009

NOTE E—RESTRUCTURING ACTIVITIES

Through the second quarter of 2009 and in 2008, the Company completed the following restructuring activities:

Second Quarter 2009

- Announced the upcoming closures of processing complexes in Douglas, Georgia; El Dorado, Arkansas and Franconia, Pennsylvania,
- Announced the upcoming closure of a processing complex in Farmerville, Louisiana, subject to a potential sale of the complex,
- Closed a distribution center in Houston, Texas, and
- Reduced or consolidated production at various facilities throughout the US.

First Quarter 2009

- Reduced its workforce by approximately 265 non-production employees, including the resignations of the former Chief Executive Officer and former Chief Operating Officer.

Fourth Quarter 2008

- Closed a processing complex in Clinton, Arkansas,
- Idled a processing complex in Bossier City, Louisiana, and
- Closed a distribution center in El Paso, Texas.

Third Quarter 2008

- Transferred certain operations previously performed at a processing complex in El Dorado, Arkansas to other complexes, and
- Closed an administrative office building in Duluth, Georgia.

Second Quarter 2008

- Closed a processing complex in Siler City, North Carolina, and
- Closed six distribution centers in Pompano Beach, Florida; Plant City, Florida; Oskaloosa, Iowa; Jackson, Mississippi; Cincinnati, Ohio and Nashville, Tennessee.

Index
Pilgrim's Pride Corporation
March 28, 2009

Significant actions that occurred in the second quarter of 2009 were approved by the Bankruptcy Court, when required under the Bankruptcy Code, as part of the Company’s reorganization efforts. These actions began in January 2009 and are expected to be completed in June 2009. Significant actions that occurred from the second quarter of 2008 through the first quarter of 2009 were approved by the Company’s Board of Directors as part of a plan intended to curtail losses amid record-high costs for corn, soybean meal and other feed ingredients and an oversupply of chicken in the US. These actions began in March 2008 and were completed in March 2009. The affected processing complexes and distribution centers employed approximately 6,080 individuals. Virtually all of these production employees, along with the approximately 265 non-production employees mentioned above, were impacted by the restructuring activities.

Results of operations for the three and six months ended March 28, 2009 included restructuring charges totaling $7.5 million and $11.6 million, respectively, related to these actions. All of these restructuring charges, with the exception of certain lease continuation costs, have resulted in cash expenditures or will result in cash expenditures within one year. Results of operations for the three and six months ended March 28, 2009 also included adjustments totaling $3.8 million and $5.1 million, respectively, that reduced the accrued costs. These adjustments included the elimination of accrued severance costs in excess of actual severance costs incurred for several of the 2008 restructuring actions during both the first and second quarters of 2009, the assumption of the Duluth, Georgia lease obligation by an outside party during the second quarter of 2009 and the elimination of accrued other restructuring costs in excess of actual other restructuring costs incurred for several of the 2008 restructuring actions during the second quarter of 2009.

The following table sets forth restructuring activity that occurred during the six months ended March 28, 2009:

	Accrued Lease Obligation	Accrued Severance and Employee Retention	Accrued Other Restructuring Costs	Restructuring-Related Inventory Reserves	Total
			(In thousands)		
September 27, 2008	$ 4,466	$ 2,694	$ 5,651	$ 1,212	$ 14,023
Accruals	372	3,647	60	—	4,079
Payment	(330)	(4,288)	(705)	(715)	(6,038)
Adjustments	—	(1,269)	—	—	(1,269)
December 27, 2008	4,508	784	5,006	497	10,795
Accruals	—	7,484	—	4,937	12,421
Payment	(98)	(129)	(309)	(285)	(821)
Adjustments	(2,574)	(446)	(790)	(212)	(4,022)
March 28, 2009	$ 1,836	$ 7,693	$ 3,907	$ 4,937	$ 18,373

Costs incurred in the second quarter of 2009 are classified as reorganization items. Consistent with the Company's previous practice and because management believes costs incurred in the first quarter of 2009 are related to ceasing production at previously announced facilities and not directly related to the Company's ongoing production, they are classified as a component of operating income (loss) below gross profit.

23

The Company recognized impairment charges totaling $12.0 million during the second quarter of 2008 to reduce the carrying amounts of certain property, plant, equipment and other assets located at or related to facilities closed in 2008 to their estimated fair values. Consistent with our previous practice and because management believes the realization of the carrying amounts of the affected assets was directly related to the Company's production activities, the charges were reported as a component of gross profit (loss).

In April 2009, the Company reduced headcount by approximately 115 non-production employees and announced the upcoming closure of a processing complex in Dalton, Georgia that will reduce headcount by approximately 280 production employees.

We continue to review and evaluate various restructuring and other alternatives to streamline our operations, improve efficiencies and reduce costs. Such initiatives may include selling assets, idling facilities, consolidating operations and functions, relocating or reducing production and voluntary and involuntary employee separation programs. Any such actions may require us to obtain the pre-approval of our lenders under our DIP Credit Agreement and the Bankruptcy Court. In addition, such actions will subject the Company to additional short-term costs, which may include facility shutdown costs, asset impairment charges, lease commitment costs, employee retention and severance costs and other closing costs.

NOTE F—FAIR VALUE MEASUREMENTS

Effective September 28, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. This standard established a framework for measuring fair value and required enhanced disclosures about fair value measurements. SFAS No. 157 clarified that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 also required disclosure about how fair value was determined for assets and liabilities and established a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities;

Level 2 Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 Unobservable inputs, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Index
Pilgrim's Pride Corporation
March 28, 2009

As of March 28, 2009, the Company held certain items that are required to be measured at fair value on a recurring basis. These included cash equivalents, short-term investments in available-for-sale securities and long-term investments in available-for-sale securities. Cash equivalents, with the exception of one Level 3 fund-of-funds investment, consist of short-term, highly liquid, income-producing investments such as money market funds and other funds that have maturities of 90 days or less which are traded in active markets. Short-term investments in available-for-sale securities consist of short-term, highly liquid, income-producing investments such as municipal debt securities that have maturities of greater than 90 days but less than one year which are traded in active markets. Long-term investments in available-for-sale securities consist of income-producing investments such as municipal debt securities, corporate debt securities and equity securities that have maturities of greater than one year which are traded in active markets.

The following items are measured at fair value on a recurring basis at March 28, 2009:

	Level 1	Level 2	Level 3	Total
		(In thousands)		
Cash equivalents	$ 14,078	$ —	$ 1,004	$ 15,082
Restricted cash equivalents	6,664	—	—	6,664
Short-term investments in available-for-sale securities	8,126	—	—	8,126
Long-term investments in available-for-sale securities	55,500	—	—	55,500

The following table presents the Company's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in SFAS No. 157 for the three and six months ended March 28, 2009:

	Fund of Funds	Auction Rate Securities	Total
		(In thousands)	
Balance at September 27, 2008	$ 1,197	$ 2,425	$ 3,622
Included in other comprehensive income	(210)	—	(210)
Balance at December 27, 2008	$ 987	$ 2,425	$ 3,412
Sale of securities	—	(2,425)	(2,425)
Included in other comprehensive income	17	—	17
Balance at March 28, 2009	1,004	—	1,004

Index
Pilgrim's Pride Corporation
March 28, 2009

NOTE G—TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts and other receivables, less allowance for doubtful accounts, consisted of the following components:

	March 28, 2009	September 27, 2008
	(In thousands)	
Trade accounts receivable	$ 300,534	$ 135,003
Other receivables	17,437	13,854
Receivables, gross	317,971	148,857
Allowance for doubtful accounts	(6,500)	(4,701)
Receivables, net	$ 311,471	$ 144,156

In connection with the Company's Amended and Restated Receivables Purchase Agreement dated September 26, 2008, as amended, the Company sold, on a revolving basis, certain of its trade receivables to a special purpose entity ("SPE") wholly owned by the Company, which in turn sold a percentage ownership interest to third parties. The SPE was a separate corporate entity and its assets were available first and foremost to satisfy the claims of its creditors. The gross proceeds resulting from the sales were included in cash flows from operating activities in the Consolidated Statements of Cash Flows. On December 3, 2008, the RPA was terminated and all receivables thereunder were repurchased with proceeds of borrowings under the DIP Credit Agreement. The loss recognized on the sold receivables during the six months ended March 28, 2009 was not material.

NOTE H—INVENTORIES

Inventories consisted of the following components:

	March 28, 2009	September 27, 2008
	(In thousands)	
Chicken:		
Live chicken and hens	$ 310,847	$ 385,511
Feed and eggs	211,267	265,959
Finished chicken products	283,586	365,123
Total chicken inventories	805,700	1,016,593
Other products:		
Commercial feed, table eggs, retail farm store and other	$ 17,112	$ 13,358
Distribution inventories (other than chicken products)	2,708	6,212
Total other products inventories	19,820	19,570
Total inventories	$ 825,520	$ 1,036,163

Inventories included a lower-of-cost-or-market allowance of $5.4 million and $26.6 million at March 28, 2009 and September 27, 2008, respectively.

Index
Pilgrim's Pride Corporation
March 28, 2009

NOTE I—IDENTIFIED INTANGIBLE ASSETS

Identified intangible assets, net consisted of the following components:

	Useful Life (Years)	Original Cost	Accumulated Amortization	Carrying Amount
			(In thousands)	
March 28, 2009:				
Trade names	3–15	$ 39,271	$ (19,248)	$ 20,023
Customer relationships	13	51,000	(8,827)	42,173
Non-compete agreement	3	300	(225)	75
Total		$ 90,571	$ (28,300)	$ 62,271
September 27, 2008:				
Trade names		$ 39,271	$ (16,168)	$ 23,103
Customer relationships		51,000	(6,865)	44,135
Non-compete agreement		300	(175)	125
Total		$ 90,571	$ (23,208)	$ 67,363

We recognized amortization expense of $2.5 million during both the three months ended March 28, 2009 and March 29, 2008. We recognized amortization expense of $5.1 million during both the six months ended March 28, 2009 and March 29, 2008.

We test intangible assets subject to amortization for impairment and estimate their fair values using the same assumptions and techniques we employ on property, plant and equipment. For information on possible future impairment of identified intangible assets carrying amounts, see Note J—Property, Plant and Equipment.

NOTE J—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consisted of the following components:

	March 28, 2009	September 27, 2008
	(In thousands)	
Land	$ 111,085	$ 111,567
Buildings, machinery and equipment	2,468,902	2,465,608
Autos and trucks	61,149	64,272
Construction-in-progress	55,975	74,307
Property, plant and equipment, gross	2,697,111	2,715,754
Accumulated depreciation	(1,123,615)	(1,042,750)
Property, plant and equipment, net	$ 1,573,496	$ 1,673,004

We recognized depreciation expense related to our continuing operations of $55.7 million and $56.4 million during the three months ended March 28, 2009 and March 29, 2008, respectively.

We recognized depreciation expense related to our continuing operations of $111.8 million and $108.4 million during the six months ended March 28, 2009 and March 29, 2008, respectively. We also recognized depreciation charges related to our discontinued turkey business of $0.3 million and $0.7 million during the three and six months ended March 29, 2008, respectively. We did not incur depreciation charges related to our discontinued turkey business in the three and six months ended March 28, 2009.

At the present time, the Company's forecasts indicate that it can recover the carrying value of its operating assets based on the projected cash flows of the operations. A key assumption in management's forecast is that the Company's sales volumes will generate historical margins as supply and demand between commodities and chicken and other animal-based proteins become more balanced. However, the exact timing of the return to historical margins is not certain, and if the return to historical margins is delayed, impairment charges could become necessary in the future.

The Company currently classifies certain assets related to its processing complex in Farmerville, Louisiana and its distribution centers in El Paso, Texas and Plant City, Florida as assets held for sale. At March 28, 2009 and September 27, 2008, the Company reported assets held for sale totaling $52.1 million and $17.4 million, respectively, on its Consolidated Balance Sheets. The Company has received an offer to purchase the processing complex in Farmerville, Louisiana for $80.0 million, subject to a price adjustment for associated inventory and other reimbursements.

The Company closed its processing complexes in Bossier City, Louisiana and Clinton, Arkansas in the first quarter of 2009 and announced plans in the second quarter of 2009 to close its processing complexes in Douglas, Georgia; El Dorado, Arkansas, and Franconia, Pennsylvania in the subsequent quarter. Although the Company plans to conduct an auction of each of these assets at this time, management is not certain whether any bids acceptable to the Company will be received or that the Board of Directors would determine that divestiture of these assets is in the best interest of the bankruptcy estate. Management is therefore not certain that it can or will divest of these assets within one year and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. At March 28, 2009, the carrying amount of these idled assets was $97.6 million based on depreciable value of $149.7 million and accumulated depreciation of $52.1 million.

Management does not believe that the aggregate carrying amount of the assets held for sale or the assets in the process of being idled is significantly impaired at the present time. However, should the carrying amounts of these assets exceed the bids received, if any, in the upcoming auctions, impairment charges could become necessary.

In April 2009, the Company announced the upcoming closure of its processing complex in Dalton, Georgia. The Company will recognize the carrying amount of the property, plant and equipment related to this complex as idled assets during third quarter of 2009.

Index
Pilgrim's Pride Corporation
March 28, 2009

NOTE K—ACCRUED EXPENSES

Accrued expenses not subject to compromise consisted of the following components:

	March 28, 2009	September 27, 2008
	(In thousands)	
Compensation and benefits	$ 114,699	$ 118,803
Interest and debt maintenance	12,898	35,488
Self insurance	99,656	170,787
Other	92,342	123,745
Total accrued expenses	$ 319,595	$ 448,823

For information on accrued restructuring costs, see Note E—Restructuring Activities. For information on accrued expenses subject to compromise, see Note M—Liabilities Subject to Compromise.

NOTE L—SHORT-TERM NOTES PAYABLE AND LONG-TERM DEBT

Short-term notes payable and long-term debt consisted of the following components:

	Maturity	March 28, 2009	September 27, 2008
		(In thousands)	
Short-term notes payable:			
Post-petition credit facility with notes payable at 8.00% plus the greatest of the facility agent's prime rate, the average federal funds rate plus 0.50%, or LIBOR plus 1.00%	2009	$ 89,792	$ —
Long-term debt:			
Senior unsecured notes, at 7 5/8%	2015	$ 400,000	$ 400,000
Senior subordinated unsecured notes, at 8 3/8%	2017	250,000	250,000
Secured revolving credit facility with notes payable at LIBOR plus 1.25% to LIBOR plus 2.75%	2013	216,247	181,900
Secured revolving credit facility with notes payable at LIBOR plus 1.65% to LIBOR plus 3.125%	2011	38,950	51,613
Secured revolving/term credit facility with four notes payable at LIBOR plus a spread, one note payable at 7.34% and one note payable at 7.56%	2016	1,126,398	1,035,250
Other	Various	33,861	23,220
Long-term debt		2,065,456	1,941,983
Current maturities of long-term debt		—	(1,874,469)
Long-term debt subject to compromise		(2,026,506)	—

Long-term debt, less current maturities	$	38,950	$	67,514

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes reclassifications of $1,872.1 million to reflect as current certain long-term debt under the Company's credit facilities that, absent the stay, would have become automatically and immediately due and payable. Because of the bankruptcy petition, most of the Company's pre-petition long-term debt is included in liabilities subject to compromise at March 28, 2009. The Company classifies pre-petition liabilities subject to compromise as a long-term liability because management does not believe the Company will use existing current assets or create additional current liabilities to fund these obligations.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and the US Subsidiaries to enter into the Initial DIP Credit Agreement with the DIP Agent and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the Initial DIP Credit Agreement, subject to final approval of the Bankruptcy Court. On December 30, 2008, the Bankruptcy Court granted final approval authorizing the Company and the Subsidiaries to enter into the DIP Credit Agreement dated December 31, 2008 among the Company, as borrower, the Subsidiaries, as guarantors, the DIP Agent, and the lenders party thereto.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The commitment includes a $25 million sub-limit for swingline loans and a $20 million sub-limit for standby letters of credit. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP Agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The weighted average interest rate for the three and six months ended March 28, 2009 was 11.25% and 11.47%, respectively. The loans under the Initial DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA. Loans under the DIP Credit Agreement may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Note G—Trade Accounts and Other Receivables.

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by (i) pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, (ii) administrative and professional expenses incurred in connection with the bankruptcy proceedings, and (iii) the amount owed by the Company and the Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. The DIP Credit Agreement provides that the Company may not incur capital expenditures in excess of $150 million. The Company must also meet minimum monthly levels of EBITDAR. Under the DIP Credit Agreement, "EBITDAR" means, generally, net income before interest, taxes, depreciation, amortization, writedowns of goodwill and other intangibles, asset impairment charges and other specified costs, charges, losses and gains. The DIP Credit Agreement also provides for certain other covenants, various representations and warranties, and events of default that are customary for transactions of this nature. As of March 28, 2009, the applicable borrowing base was $335.8 million and the amount available for borrowings under the DIP Credit Agreement was $246.0 million. As of May 6, 2009, the applicable borrowing base was $365.7 million, the amount available for borrowings under the DIP Credit Agreement was $322.7 million and outstanding borrowings under the DIP Credit Agreement totaled $43.0 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

Under the terms of the DIP Credit Agreement and applicable bankruptcy law, the Company may not pay dividends on the common stock while it is in bankruptcy. Any payment of future dividends and the amounts thereof will depend on our emergence from bankruptcy, our earnings, our financial requirements and other factors deemed relevant by our Board of Directors at the time.

During the first six months of 2009, the Company borrowed $616.7 million and repaid $525.6 million under the secured revolver/term credit agreement expiring in 2016, borrowed $214.1 million and repaid $179.7 million under the secured revolving credit facility expiring in 2013, borrowed $376.1 million and repaid $286.3 million under the DIP Credit Agreement and repaid $14.4 million under other facilities.

On November 30, 2008, certain non-Debtor Mexico subsidiaries of the Company (the "Mexico Subsidiaries") entered into a Waiver Agreement and Second Amendment to Credit Agreement (the "Waiver Agreement") with ING Capital LLC, as agent (the "Mexico Agent"), and the lenders signatory thereto (the "Mexico Lenders"). Under the Waiver Agreement, the Mexico Agent and the Mexico Lenders waived any default or event of default under the Credit Agreement dated as of September 25, 2006, by and among the Company, the Mexico Subsidiaries, the Mexico Agent and the Mexico Lenders, the administrative agent, and the lenders parties thereto (the "ING Credit Agreement"), resulting from the Company's filing of its bankruptcy petition with the Bankruptcy Court. Pursuant to the Waiver Agreement, outstanding amounts under the ING Credit Agreement, which expires in 2011, now bear interest at a rate per annum equal to: the LIBOR Rate, the Base Rate, or the TIIE Rate, as applicable, plus the Applicable Margin (as those terms are defined in the ING Credit Agreement). While the Company is operating in Chapter 11, the Waiver Agreement provides for an Applicable Margin for LIBOR loans, Base Rate loans, and TIIE loans of 6.0%, 4.0%, and 5.8%, respectively. The Waiver Agreement further amended the ING Credit Agreement to require the Company to make a mandatory prepayment of the revolving loans, in an aggregate amount equal to 100% of the net cash proceeds received by any Mexico Subsidiary, as applicable, in excess of thresholds specified in the ING Credit Agreement (i) from the occurrence of certain asset sales by the Mexico Subsidiaries; (ii) from the occurrence of any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceedings of, any property or asset of any Mexico Subsidiary; or (iii) from the incurrence of certain indebtedness by a Mexico Subsidiary. Any such mandatory prepayments will permanently reduce the amount of the commitment under the ING Credit Agreement. In connection with the Waiver Agreement, the Mexico Subsidiaries pledged substantially all of their receivables, inventory, and equipment and certain fixed assets. The Mexico Subsidiaries are excluded from the US bankruptcy proceedings.

The filing of the bankruptcy petitions constituted an event of default under the secured credit agreement expiring in 2013 and the secured revolver/term credit agreement expiring in 2016 (together, the “Secured Debt”) as well as the 7 5/8% Senior Notes due 2015, the 8 3/8% Senior Subordinated Notes due 2017 and the 9 1/4% Senior Subordinated Notes due 2013 (together, the “Unsecured Debt”). The aggregate principal amount owed under these credit agreements and notes was approximately $1,999.6 million as of March 28, 2009. As a result of such event of default, all obligations under these agreements became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result of the Company's Chapter 11 filing, after December 1, 2008, the Company accrued interest incurred on the Secured Debt at the default rate, which is two percent above the interest rate otherwise applicable under the associated credit agreements. Although the agreements related to the Unsecured Debt call for the accrual of interest after December 1, 2008 at a default rate that is two percent above the interest rate otherwise applicable under the associated note agreements, the Company has elected to accrue interest incurred on the Unsecured Debt, for accounting purposes, at the interest rate otherwise applicable under the associated note agreements until such time, if any, that the Bankruptcy Court approves the payment of interest or default interest incurred on the Unsecured Debt. Had the Company accrued interest incurred on the Unsecured Debt at the default rate, it would have recognized additional interest expense totaling $3.3 million and $4.4 million in the three and six months ended March 28, 2009.

In June 1999, the Camp County Industrial Development Corporation issued $25 million of variable-rate environmental facilities revenue bonds supported by letters of credit obtained by us under our secured revolving credit facility expiring in 2013. The revenue bonds become due in 2029. Prior to our bankruptcy filing, the proceeds were available for the Company to draw from over the construction period in order to construct new sewage and solid waste disposal facilities at a poultry by-products plant in Camp County, Texas. The original proceeds from the issuance of the revenue bonds continue to be held by the trustee of the bonds until we draw on the proceeds for the construction of the facility. We had not drawn on the proceeds or commenced construction of the facility prior to our bankruptcy filing. The filing of the bankruptcy petitions constituted an event of default under these bonds. As a result of the event of default, the trustee has the right to accelerate all obligations under the bonds such that they become immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. In December 2008, the holders of the bonds tendered the bonds for remarketing, which was not successful. As a result, the trustee, on behalf of the holders of the bonds, drew upon the letters of credit supporting the bonds. The resulting reimbursement obligation was converted to borrowings under the secured revolving credit facility expiring in 2013 and secured by our domestic chicken inventories. On January 29, 2009, we obtained approval from the Bankruptcy Court to use the original proceeds of the bond offering held by the trustee to repay and cancel the revenue bonds. We received the proceeds of the bond offering from the trustee in March 2009 and immediately repaid and cancelled the revenue bonds.

NOTE M—LIABILITIES SUBJECT TO COMPROMISE

Liabilities subject to compromise refers to both secured and unsecured obligations that will be accounted for under a plan of reorganization. Generally, actions to enforce or otherwise effect payment of pre-Chapter 11 liabilities are stayed. SOP 90-7 requires pre-petition liabilities that are subject to compromise to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. These liabilities represent the estimated amount expected to be allowed on known or potential claims to be resolved through the Chapter 11 process, and remain subject to future adjustments arising from negotiated settlements, actions of the Bankruptcy Court, rejection of executory contracts and unexpired leases, the determination as to the value of collateral securing the claims, proofs of claim, or other events. Liabilities subject to compromise also include certain items that may be assumed under the plan of reorganization, and as such, may be subsequently reclassified to liabilities not subject to compromise. The Company has included secured debt as a liability subject to compromise as management believes that there remains uncertainty to the terms under a plan of reorganization since the filing recently occurred. At hearings held in December 2008, the Court granted final approval of many of the Debtors' "first day" motions covering, among other things, human capital obligations, supplier relations, insurance, customer relations, business operations, certain tax matters, cash management, utilities, case management and retention of professionals. Obligations associated with these matters are not classified as liabilities subject to compromise.

In accordance with SOP 90-7, debt issuance costs should be viewed as valuations of the related debt. When the debt has become an allowed claim and the allowed claim differs from the net carrying amount of the debt, the recorded amount should be adjusted to the amount of the allowed claim (thereby adjusting existing debt issuance costs to the extent necessary to report the debt at this allowed amount). Through May 2, 2009, the Bankruptcy Court had not classified any of the Debtors' outstanding debt as allowed claims. Therefore, the Company has classified the Debtors' outstanding debt as Liabilities subject to compromise on the Consolidated Balance Sheet. The Company has not adjusted debt issuance costs, totaling $22.6 million at March 28, 2009, related to the Debtors' outstanding debt. The Company may be required to expense these amounts or a portion thereof as reorganization items if the Bankruptcy Court ultimately determines that a portion of the debt is subject to compromise.

Index
Pilgrim's Pride Corporation
March 28, 2009

The Debtors have rejected certain pre-petition executory contracts and unexpired leases with respect to the Debtors' operations with the approval of the Bankruptcy Court and may reject additional ones in the future. Damages resulting from rejection of executory contracts and unexpired leases are generally treated as general unsecured claims and will be classified as liabilities subject to compromise. Holders of pre-petition claims are required to file proofs of claims by the "general bar date" of June 1, 2009. A bar date is the date by which certain claims against the Debtors must be filed if the claimants wish to receive any distribution in the Chapter 11 cases. Creditors were notified of the general bar date and the requirement to file a proof of claim with the Bankruptcy Court. Differences between liability amounts estimated by the Debtors and claims filed by creditors will be investigated and, if necessary, the Bankruptcy Court will make a final determination of the allowable claim. The determination of how liabilities will ultimately be treated cannot be made until the Bankruptcy Court approves a Chapter 11 plan of reorganization. Accordingly, the ultimate amount or treatment of such liabilities is not determinable at this time.

Liabilities subject to compromise consisted of the following:

	March 28, 2009
	(In thousands)
Accounts payable	$ 52,697
Accrued expenses	129,689
Secured long-term debt	1,369,511
Unsecured long-term debt	656,996
Total liabilities subject to compromise	$ 2,208,893

Liabilities subject to compromise includes trade accounts payable related to pre-petition purchases, all of which were not paid. As a result, the Company's cash flows from operations were favorably affected by the stay of payment related to these accounts payable.

NOTE N—INCOME TAXES

The Company recorded income tax expense of $2.6 million, a (1%) effective tax rate, for the six months ended March 28, 2009, compared to an income tax benefit of $57.0 million, a 28% effective tax rate, for the six months ended March 29, 2008. The income tax benefit decreased from the prior year as a result of the Company's decision to record a valuation allowance against net deferred tax assets, including net operating losses and credit carryforwards, in the US and Mexico.

The Company maintains valuation allowances when it is more likely than not that all or a portion of a deferred tax asset may not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. We evaluate the recoverability of our deferred income tax assets by assessing the need for a valuation allowance on a quarterly basis. If we determine that it is more likely than not that our deferred income tax assets will be recovered, the valuation allowance will be reduced.

Index
Pilgrim's Pride Corporation
March 28, 2009

With few exceptions, the Company is no longer subject to US federal, state or local income tax examinations for years prior to 2003 and is no longer subject to Mexico income tax examination for years prior to 2005. We are currently under audit by the Internal Revenue Service for the tax years 2003 through 2006. While we expect certain claims made by US federal, state or local taxing authorities will be allowed, it is not practicable at this time to estimate the amount of significant payments, if any, to be made within the next 12 months.

NOTE O—COMPREHENSIVE LOSS

Components of comprehensive loss include:

	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(In thousands)			
Net loss	$ (58,765)	$ (111,448)	$ (287,546)	$ (143,777)
Unrealized gain (loss) on securities, net of income tax impact	280	(518)	457	(686)
Comprehensive loss	$ (58,485)	$ (111,966)	$ (287,089)	$ (144,463)

Unrealized gain (loss) on securities is presented net of deferred income tax liability of approximately $149,000 and $245,000 for the three and six months ended March 28, 2009, respectively and net of deferred income tax benefit of approximately $281,000 and $373,000 for the three and six months ended March 29, 2008, respectively.

NOTE P—DERIVATIVE FINANCIAL INSTRUMENTS

In October 2008, the Company suspended the use of derivative financial instruments in response to its current financial condition. We immediately settled all outstanding derivative financial instruments and recognized losses in the first quarter of 2009 totaling $21.4 million that were recorded through cost of sales.

Index
Pilgrim's Pride Corporation
March 28, 2009

NOTE Q—RELATED PARTY TRANSACTIONS

Lonnie “Bo” Pilgrim, the Senior Chairman, and certain entities related to Mr. Pilgrim are, collectively, the major stockholder of the Company (the “major stockholder”).

Cash transactions with the major stockholder or related entities are summarized below.

	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(In thousands)			
Loan guaranty fees	$ —	$ 1,165	$ 1,473	$ 2,127
Contract grower pay	$ 303	$ 260	$ 482	$ 520
Lease payments on commercial egg property	$ 187	$ 188	$ 375	$ 375
Other sales to major stockholder	$ 141	$ 190	$ 341	$ 353
Lease payments and operating expenses on airplane	$ —	$ 123	$ 68	$ 235

Pilgrim Interests, Ltd., an entity related to Lonnie “Bo” Pilgrim, guarantees a portion of the Company's debt obligations. In consideration of such guarantees, the Company has paid Pilgrim Interests, Ltd. a quarterly fee equal to 0.25% of one-half of the average aggregate outstanding balance of such guaranteed debt. Pursuant to the terms of the DIP Credit Agreement, the Company may no longer pay any loan guarantee fees without the consent of the lenders party thereto. At March 28, 2009, the Company had classified accrued loan guaranty fees totaling $3.5 million as Liabilities subject to compromise.

The Company leased an airplane from its major stockholder under an operating lease agreement that was renewable annually. On November 18, 2008, we cancelled this aircraft lease.

NOTE R—COMMITMENTS AND CONTINGENCIES

We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these indemnities as based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on our financial condition, results of operations and cash flows.

At March 28, 2009, the Company was party to outstanding standby letters of credit totaling $68.8 million that affected the amount of funds available for borrowing under the secured revolving credit facility expiring in 2013. At the same date, the Company was not a party to any outstanding letters of credit that would have affected the amount of funds available for borrowing under the DIP Credit Agreement.

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company’s opinion, it has made appropriate and adequate accruals for claims where necessary; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company.

On December 1, 2008, the Debtors filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The cases are being jointly administered under Case No. 08-45664. The Debtors continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As of the date of the Chapter 11 filing, virtually all pending litigation against the Company (including the actions described below) is stayed as to the Company, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, also subject to certain exceptions, to recover on pre-petition claims against the Debtors. At this time it is not possible to predict the outcome of the Chapter 11 filings or their effect on our business. Below is a summary of the most significant claims outstanding against the Company. The Company believes it has substantial defenses to the claims made and intends to vigorously defend these cases.

Among the claims presently pending are two identical claims brought against certain executive officers and employees of the Company and the Pilgrim’s Pride Compensation Committee seeking unspecified damages under section 502 of the Employee Retirement Income Security Act of 1974 (“ERISA”), 29 U.S.C. § 1132. Each of these actions was brought by individual participants in the Pilgrim’s Pride Stock Investment Plan, individually and on behalf of a putative class, alleging that the individual defendants breached fiduciary duties to plan participants and beneficiaries. Although the Company is not a named defendant in these actions, our bylaws require us to indemnify our current and former directors and officers from any liabilities and expenses incurred by them in connection with actions they took in good faith while serving as an officer or director. The likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company cannot be determined at this time.

Among the claims presently pending against the Company are two identical claims seeking unspecified damages, each brought by a stockholder, individually and on behalf of a putative class, alleging violations of certain antifraud provisions of the Securities Exchange Act of 1934. The Company intends to defend vigorously against the merits of these actions. The likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company cannot be determined at this time.

Other claims presently pending against the Company are claims seeking unspecified damages brought by current and former employees seeking compensation for the time spent donning and doffing clothing and personal protective equipment. We are aware of an industry-wide investigation by the Wage and Hour Division of the US Department of Labor to ascertain compliance with various wage and hour issues, including the compensation of employees for the time spent on activities such as donning and doffing clothing and personal protective equipment. Due, in part, to the government investigation and the recent US Supreme Court decision in IBP, Inc. v. Alvarez, it is possible that we may be subject to additional employee claims. We intend to assert vigorous defenses to the litigation. Nonetheless, there can be no assurances that other similar claims may not be brought against the Company.

US Immigration and Customs Enforcement ("ICE") recently investigated allegations of identity theft within our workforce. With our cooperation, ICE arrested approximately 350 of our employees in 2008 believed to have engaged in identity theft at five of our facilities. No assurances can be given that further enforcement efforts by governmental authorities against our employees or the Company will not disrupt a portion of our workforce or our operations at one or more of our facilities, thereby negatively impacting our business.

Index
Pilgrim's Pride Corporation
March 28, 2009

NOTE S—BUSINESS SEGMENTS

Subsequent to the sale of our turkey operations, we operate in two reportable business segments as (1) a producer and seller of chicken products and (2) a seller of other products. The following table presents certain information regarding our segments:

	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(In thousands)			
Net sales to customers:				
Chicken:				
United States	$ 1,476,292	$ 1,722,967	$ 3,063,257	$ 3,451,109
Mexico	109,066	127,312	245,117	248,310
Total chicken	1,585,358	1,850,279	3,308,374	3,699,419
Other Products:				
United States	105,583	243,907	250,367	434,296
Mexico	7,161	6,608	16,352	14,432
Total other products	112,744	250,515	266,719	448,728
	$ 1,698,102	$ 2,100,794	$ 3,575,093	$ 4,148,147
Operating income (loss):				
Chicken:				
United States	$ 10,929	$ (156,562)	$ (167,707)	$ (175,656)
Mexico	11,804	(3,720)	3,854	(7,812)
Total chicken	22,733	(160,282)	(163,853)	(183,468)
Other products:				
United States	(4,739)	33,464	4,174	56,235
Mexico	1,851	880	3,732	1,965
Total other products	(2,888)	34,344	7,906	58,200
Asset impairment	—	(12,022)	—	(12,022)
Restructuring items, net	435	(5,669)	(1,987)	(5,669)
	$ 20,280	$ (143,629)	$ (157,934)	$ (142,959)
Depreciation and amortization(a)(b)(c)				
Chicken:				
United States	$ 54,349	$ 53,875	$ 107,958	$ 104,332
Mexico	2,387	2,618	4,824	5,244

Total chicken	56,736	56,493	112,782	109,576
Other products:				
United States	3,722	3,501	7,776	5,900
Mexico	55	63	113	125
Total other products	3,777	3,564	7,889	6,025
	$ 60,513	$ 60,057	$ 120,671	$ 115,601

(a) Includes amortization of capitalized financing costs of $1.8 million, $1.1 million, $3.3 million and $2.1 million recognized in the second quarter of 2009, the second quarter of 2008, the first six months of 2009 and the first six months of 2008, respectively.

(b) Includes amortization of intangible assets of $2.5 million, $2.5 million, $5.1 million and $5.1 million recognized in the second quarter of 2009, the second quarter of 2008, the first six months of 2009 and the first six months of 2008, respectively.

(c) Excludes depreciation costs incurred by our discontinued turkey business of $0.3 million and $0.7 million during the three and six months ended March 29, 2008, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Description of the Company

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's Pride," "the Company," "we," "us," "our," or similar terms) is the largest chicken companies in the United States ("US"), Mexico and Puerto Rico. Our fresh chicken retail line is sold in the southeastern, central, southwestern and western regions of the US, throughout Puerto Rico, and in the northern and central regions of Mexico. Our prepared chicken products meet the needs of some of the largest customers in the food service industry across the US. Additionally, the Company exports commodity chicken products to 80 countries. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 US states, Puerto Rico and Mexico. Pilgrim's Pride operates in two business segments—Chicken and Other Products.

Our fresh chicken products consist of refrigerated (non-frozen) whole or cut-up chicken, either pre-marinated or non-marinated, and pre-packaged chicken in various combinations of freshly refrigerated, whole chickens and chicken parts. Our prepared chicken products include portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated.

We operate on the basis of a 52/53-week fiscal year that ends on the Saturday closest to September 30. The reader should assume any reference we make to a particular year (for example, 2009) in this report applies to our fiscal year and not the calendar year.

Executive Summary

The Company continued to face an extremely challenging business environment in the second quarter of 2009. We reported a net loss of $58.8 million, or $0.79 per common share, for the quarter, which included a positive gross margin of $97.7 million, and a net loss of $287.5 million, or $3.88 per common share, for the first six months of 2009, which included a positive gross margin of $14.8 million. As of March 28, 2009, the Company's accumulated deficit aggregated $604.1 million. During the first six months of 2009, the Company used $93.8 million of cash in operations. At March 28, 2009, we had cash and cash equivalents totaling $45.0 million. In addition, the Company incurred reorganization costs of $35.4 million in the second quarter of 2009 and $48.6 million in the first six months of 2009. These costs included (i) financing fees associated with the Amended and Restated Post-Petition Credit Agreement (the "DIP Credit Agreement") among the Company, as borrower, the Subsidiaries, as guarantors, the DIP Agent, and the lenders party thereto, (ii) professional fees charged for post-petition reorganization services and (iii) fees related to the termination of the Company's Amended and Restated Receivables Purchase Agreement dated September 26, 2008, as amended (the "RPA").

Index
Pilgrim's Pride Corporation
March 28, 2009

Market prices for feed ingredients decreased in the first six months of 2009 after reaching unprecedented levels in the last half of 2008. Market prices for feed ingredients remain volatile, however, and there can be no assurance that they will not increase materially. Pursuant to a covenant in the DIP Credit Agreement, we agreed that we would not enter into any hedging arrangements or other derivative financial instruments without the prior written approval of lenders holding more than 50% of the commitments under the DIP Credit Agreement, except for commodity derivative instruments entered into at the request or direction of a customer, and in any case, only with financial institutions in connection with bona fide activities in the ordinary course of business and not for speculative purposes.

The following table compares the highest and lowest prices reached on nearby futures for one bushel of corn and one ton of soybean meal during the past four years, for each quarter in 2008 and for the second and first quarters of 2009:

	Corn		Soybean Meal	
	Highest Price	Lowest Price	Highest Price	Lowest Price
2009:				
Second Quarter	$ 4.28	$ 3.38	$ 326.00	$ 264.80
First Quarter	5.24	2.90	302.00	237.00
2008:				
Fourth Quarter	7.50	4.86	455.50	312.00
Third Quarter	7.63	5.58	427.90	302.50
Second Quarter	5.70	4.49	384.50	302.00
First Quarter	4.57	3.35	341.50	254.10
2007	4.37	2.62	286.50	160.20
2006	2.68	1.86	204.50	155.80
2005	2.63	1.91	238.00	146.60

Market prices for chicken products have stabilized since the end of 2008 but remain below historic levels and have not yet improved sufficiently to offset the costs of feed ingredients. Many producers within the industry, including Pilgrim's Pride, cut production in 2008 in an effort to correct the general oversupply of chicken in the US, and this has had and continues to have a positive effect on prices for chicken products. Despite these production cuts, there can be no assurance that chicken prices will not decrease due to such factors as weakening demand for breast meat from food service providers and lower prices for chicken leg quarters for the export market as a result of weakness in world economies and restrictive credit markets.

We continue to review and evaluate various restructuring and other alternatives to streamline our operations, improve efficiencies and reduce costs. Such initiatives may include selling assets, idling facilities, consolidating operations and functions, relocating or reducing production and voluntary and involuntary employee separation programs. Any such actions may require us to obtain the pre-approval of our lenders under our DIP Credit Agreement and the Bankruptcy Court. In addition, such actions will subject the Company to additional short-term costs, which may include facility shutdown costs, asset impairment charges, lease commitment costs, employee retention and severance costs and other closing costs. Certain of these restructuring activities will result in reduced capacities and sales volumes and may have a disproportionate impact on our income relative to the cost savings.

On January 27, 2009, the Bankruptcy Court approved the employment agreement between the Company and Don Jackson. Dr. Jackson now serves as the Company's President and Chief Executive Officer and as a member of the Company's Board of Directors. In connection with his appointment, on January 27, 2009, Dr. Jackson was granted an equity award of 3,085,656 shares of the Company's common stock, which are subject to vesting requirements, and a sign-on bonus of $3,000,000, which may be subject to repayment, each as provided in his employment agreement.

Chapter 11 Bankruptcy Filings

On December 1, 2008 (the "Petition Date"), Pilgrim's Pride Corporation and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court"). The cases are being jointly administered under Case No. 08-45664. The Company's operations in Mexico and certain operations in the US were not included in the filing (the "Non-filing Subsidiaries") and will continue to operate outside of the Chapter 11 process.

Effective December 1, 2008, the New York Stock Exchange delisted our common stock as a result of the Company's filing of its Chapter 11 petitions. Our common stock is now quoted on the Pink Sheets Electronic Quotation Service under the ticker symbol "PGPDQ.PK."

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes reclassifications of $1,872.1 million to reflect as current certain long-term debt under the Company's credit facilities that, absent the stay, would have become automatically and immediately due and payable. Because of the bankruptcy petition, most of the Company's pre-petition long-term debt is included in liabilities subject to compromise at March 28, 2009. The Company classifies pre-petition liabilities subject to compromise as a long-term liability because management does not believe the Company will use existing current assets or create additional current liabilities to fund these obligations.

Chapter 11 Process

The Debtors are currently operating as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, as debtors-in-possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and certain of its subsidiaries consisting of PPC Transportation Company, PFS Distribution Company, PPC Marketing, Ltd., and Pilgrim's Pride Corporation of West Virginia, Inc. (collectively, the "US Subsidiaries"), and To-Ricos, Ltd. and To-Ricos Distribution, Ltd. (collectively with the US Subsidiaries, the "Subsidiaries") to enter into a Post-Petition Credit Agreement (the "Initial DIP Credit Agreement") among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the Initial DIP Credit Agreement, subject to final approval of the Bankruptcy Court. On December 30, 2008, the Bankruptcy Court granted final approval authorizing the Company and the Subsidiaries to enter into the DIP Credit Agreement dated December 31, 2008.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The commitment includes a $25 million sub-limit for swingline loans and a $20 million sub-limit for standby letters of credit. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP Agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The weighted average interest rate for the three and six months ended March 28, 2009 was 11.25% and 11.47%, respectively. The loans under the Initial DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA. Loans under the DIP Credit Agreement may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see "Liquidity and Capital Resources."

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by (i) pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, (ii) administrative and professional expenses incurred in connection with the bankruptcy proceedings, and (iii) the amount owed by the Company and the Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. The DIP Credit Agreement provides that the Company may not incur capital expenditures in excess of $150 million. The Company must also meet minimum monthly levels of EBITDAR. Under the DIP Credit Agreement, "EBITDAR" means, generally, net income before interest, taxes, depreciation, amortization, writedowns of goodwill and other intangibles, asset impairment charges and other specified costs, charges, losses and gains. The DIP Credit Agreement also provides for certain other covenants, various representations and warranties, and events of default that are customary for transactions of this nature. As of March 28, 2009, the applicable borrowing base was $335.8 million and the amount available for borrowings under the DIP Credit Agreement was $246.0 million. As of May 6, 2009, the applicable borrowing base was $365.7 million, the amount available for borrowings under the DIP Credit Agreement was $322.7 million and outstanding borrowings under the DIP Credit Agreement totaled $43.0 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

The DIP Credit Agreement allows the Company to provide advances to the Non-filing Subsidiaries of up to approximately $25 million at any time outstanding. Management believes that all of the Non-filing Subsidiaries, including the Company’s Mexican subsidiaries, will be able to operate within this limitation.

For additional information on the DIP Credit Agreement, see "Liquidity and Capital Resources."

The Bankruptcy Court has approved payment of certain of the Debtors’ pre-petition obligations, including, among other things, employee wages, salaries and benefits, and the Bankruptcy Court has approved the Company's payment of vendors and other providers in the ordinary course for goods and services ordered pre-petition but received from and after the Petition Date and other business-related payments necessary to maintain the operation of our businesses. The Debtors have retained, subject to Bankruptcy Court approval, legal and financial professionals to advise the Debtors on the bankruptcy proceedings and certain other "ordinary course" professionals. From time to time, the Debtors may seek Bankruptcy Court approval for the retention of additional professionals.

Shortly after the Petition Date, the Debtors began notifying all known current or potential creditors of the Chapter 11 filing. Subject to certain exceptions under the Bankruptcy Code, the Debtors’ Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Texas (the "US Trustee") appointed an official committee of unsecured creditors (the "Creditors’ Committee"). The Creditors’ Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. In addition, on April 30, 2009, the Bankruptcy Court ordered the US Trustee to appoint an official committee of equity holders (the "Equity Committee") to represent the interests of Pilgrim's Pride's equity holders in the Debtors' bankruptcy cases. There can be no assurance that the Creditors’ Committee or the Equity Committee will support the Debtors’ positions on matters to be presented to the Bankruptcy Court in the future or on any plan of reorganization, once proposed. Disagreements between the Debtors and the Creditors’ Committee or the Equity Committee could protract the Chapter 11 proceedings, negatively impact the Debtors’ ability to operate and delay the Debtors’ emergence from the Chapter 11 proceedings.

Under Section 365 and other relevant sections of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this report, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under Section 365 of the Bankruptcy Code.

In order to successfully exit Chapter 11, the Debtors will need to propose and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would, among other things, resolve the Debtors’ pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

On March 26, 2009, the Bankruptcy Court issued an order extending the period during which the Debtors have the exclusive right to file a plan of reorganization. Pursuant to this order, the Debtors have the exclusive right, through September 30, 2009, to file a plan for reorganization, and if we file a plan by that date, we will have until November 30, 2009 to obtain the necessary acceptances of our plan. We may file one or more motions to request further extensions of these time periods. If the Debtors' exclusivity period lapses, any party in interest would be able to file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective.

The timing of filing a plan of reorganization by us will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. There can be no assurance at this time that a plan of reorganization will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully.

We have incurred and will continue to incur significant costs associated with our reorganization. The amount of these costs, which are being expensed as incurred commencing in November 2008, are expected to significantly affect our results of operations.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must generally be satisfied in full before stockholders are entitled to receive any distribution or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 cases to each of these constituencies or what types or amounts of distributions, if any, they would receive. A plan of reorganization could result in holders of our liabilities and/or securities, including our common stock, receiving no distribution on account of their interests and cancellation of their holdings. Because of such possibilities, the value of our liabilities and securities, including our common stock, is highly speculative. Appropriate caution should be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors. At this time there is no assurance we will be able to restructure as a going concern or successfully propose or implement a plan of reorganization.

On February 11, 2009, the Bankruptcy Court issued an order granting the Company's motion to impose certain restrictions on trading in shares of the Company's common stock in order to preserve valuable tax attributes. This order established notification procedures and certain restrictions on transfers of common stock or options to purchase the common stock of the Company. The trading restrictions apply retroactively to January 17, 2009, the date the motion was filed, to investors beneficially owning at least 4.75% of the outstanding shares of common stock of Pilgrim's Pride Corporation. For these purposes, beneficial ownership of stock is determined in accordance with special US tax rules that, among other things, apply constructive ownership concepts and treat holders acting together as a single holder. In addition, in the future, the Company may request that the Bankruptcy Court impose certain trading restrictions on certain debt of, and claims against, the Company.

Going Concern Matters

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, there is substantial doubt about the Company’s ability to continue as a going concern based on the factors previously discussed. The Consolidated Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon, among other things, the ability of the Company to return to historic levels of profitability and, in the near term, restructure its obligations in a manner that allows it to obtain confirmation of a plan of reorganization by the Bankruptcy Court.

Management is addressing the Company’s ability to return to profitability by conducting profitability reviews at certain facilities in an effort to reduce inefficiencies and manufacturing costs. In April 2009, the Company reduced headcount by approximately 115 non-production employees and announced the upcoming closure of a processing complex in Dalton, Georgia that will reduce headcount by approximately 280 production employees. During the second quarter of 2009, the Company (1) announced the upcoming closures of processing complexes in Douglas, Georgia; El Dorado, Arkansas; Farmerville, Louisiana and Franconia, Pennsylvania, (2) closed a distribution center in Houston, Texas and (3) reduced or consolidated production at various facilities throughout the US. These actions will ultimately result in a headcount reduction of approximately 4,450 production employees. During the first quarter of 2009, the Company reduced headcount by approximately 265 non-production employees and announced an upcoming reduction in production at its processing complex in Live Oak, Florida that will result in a headcount reduction of approximately 220 production employees. During 2008, the Company closed processing complexes in Bossier City, Louisiana and Clinton, Arkansas and reduced production at its operating complex in El Dorado, Arkansas. These actions resulted in a headcount reduction of approximately 2,300 production employees.

On November 7, 2008, the Board of Directors appointed a Chief Restructuring Officer (“CRO”) for the Company. The appointment of a CRO was a requirement included in the waivers received from the Company’s lenders on October 27, 2008. The CRO assists the Company with cost reduction initiatives, restructuring plans development and long-term liquidity improvement. The CRO reports to the Board of Directors of the Company.

In order to emerge from bankruptcy, the Company will need to obtain alternative financing to replace the DIP Credit Agreement and to satisfy the secured claims of its pre-bankruptcy creditors.

Index
Pilgrim's Pride Corporation
March 28, 2009

Business Segments

Subsequent to the sale of our turkey operations, we operate in two reportable business segments as (1) a producer and seller of chicken products and (2) a seller of other products. The following table presents certain information regarding our segments:

	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(In thousands)			
Net sales to customers:				
Chicken:				
United States	$ 1,476,292	$ 1,722,967	$ 3,063,257	$ 3,451,109
Mexico	109,066	127,312	245,117	248,310
Total chicken	1,585,358	1,850,279	3,308,374	3,699,419
Other Products:				
United States	105,583	243,907	250,367	434,296
Mexico	7,161	6,608	16,352	14,432
Total other products	112,744	250,515	266,719	448,728
	$ 1,698,102	$ 2,100,794	$ 3,575,093	$ 4,148,147
Operating income (loss):				
Chicken:				
United States	$ 10,929	$ (156,562)	$ (167,707)	$ (175,656)
Mexico	11,804	(3,720)	3,854	(7,812)
Total chicken	22,733	(160,282)	(163,853)	(183,468)
Other products:				
United States	(4,739)	33,464	4,174	56,235
Mexico	1,851	880	3,732	1,965
Total other products	(2,888)	34,344	7,906	58,200
Asset impairment	—	(12,022)	—	(12,022)
Restructuring items, net	435	(5,669)	(1,987)	(5,669)
	$ 20,280	$ (143,629)	$ (157,934)	$ (142,959)
Depreciation and amortization(a)(b)(c)				
Chicken:				
United States	$ 54,349	$ 53,875	$ 107,958	$ 104,332
Mexico	2,387	2,618	4,824	5,244
Total chicken	56,736	56,493	112,782	109,576

Other products:				
United States	3,722	3,501	7,776	5,900
Mexico	55	63	113	125
Total other products	3,777	3,564	7,889	6,025
	$ 60,513	$ 60,057	$ 120,671	$ 115,601