PILGRIMS PRIDE CORP
Form 10-K
February 15, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 30, 2012
OR

c **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.)
1770 Promontory Circle, Greeley, Colorado (Address of principal executive offices)	80634-9038 (Zip code)

Registrant's telephone number, including area code:**(970) 506-8000**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $0.01	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 Website, 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ¨	Accelerated Filer x
Non-accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the Registrant’s Common Stock, $0.01 par value, held by non-affiliates of the Registrant as of June 24, 2012, was $459,039,553. For purposes of the foregoing calculation only, all directors, executive officers and greater than 10% beneficial owners have been deemed affiliates. Number of shares of the Registrant’s Common Stock outstanding as of February 15, 2013 was 258,999,033.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s Proxy Statement for the 2013 Annual Meeting of Stockholders are incorporated by reference into Part III of this annual report.

PILGRIM'S PRIDE CORPORATION
FORM 10-K

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PART I

Item 1. Business

Company Overview

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's," "PPC," "the Company," "we," "us," "our," or similar terms), which was incorporat Texas in 1968 and reincorporated in Delaware in 1986, is the successor to a partnership founded in 1946 as a retail feed store. We are the second-largest chicken producer in the world with operations in the United States ("U.S."), Mexico and Puerto Rico. We are primarily engaged in the production, processing, marketing and distribution of fresh, frozen and value-added chicken products to retailers, distributors and foodservice operators. We employ approximately 38,000 people and have the capacity to process more than 36 million birds per week for a total of more than 9.5 billion pounds of live chicken annually. In 2012, we generated $8.1 billion in total revenue and produced 7.9 billion pounds of chicken products.

The Company operates on the basis of a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2012) in the notes to these Consolidated Financial Statements applies to our fiscal year and not the calendar year. Fiscal 2012 was a 53-week fiscal year.

We have a broad geographic reach and we offer our diverse customer base a balanced portfolio of fresh and prepared chicken products. We have consistently provided our customers with high quality products and service with a focus on delivering higher-value, higher-quality products. As such, we have become a valuable partner to our customers and a recognized industry leader. Our sales efforts are largely targeted towards the foodservice industry, principally chain restaurants and food processors such as Yum! Brands®, Burger King® and Chick-fil-A®, distributors such as US Foods and Sysco® and retail customers including grocery store chains and wholesale clubs such as Kroger®, Wal-Mart®, Costco®, Publix® and Sam's Club®. We also export products to customers in approximately 100 countries.

Our Mexico operations generated approximately 10.7% of our net sales in 2012. We are the second-largest producer and seller of chicken in Mexico and are one of the lower-cost producers of chicken in the country. While the market for chicken products in Mexico is less developed than in the U.S., with sales attributed to fewer, more basic products, we have been successful in differentiating our products through high-quality client service and product improvements. Additionally, we are an important player in the live market, which accounts for approximately 33% of the chicken sales in Mexico. We believe that Mexican supermarket chains consider us one of the leaders in innovation for fresh products. Our strategy is to capitalize on this trend through our vast U.S. experience in products, quality and our well-known service.

As a vertically integrated company, we control every phase of the production of our products. We believe that vertical integration helps us better manage food safety and quality, as well as more effectively control margins and improve customer service. We currently operate in 12 U.S. states, Puerto Rico and Mexico. Our plants are strategically located to ensure that customers timely receive the freshest products. We operate 25 fresh processing plants, eight prepared foods cook plants, one fresh processing plant in Puerto Rico, three processing plants in Mexico, and 14 distribution centers (one in Puerto Rico and 13 in Mexico). In addition, the Company operates nine rendering facilities (six in the U.S., one in Puerto Rico and two in Mexico) and three pet food plants in the U.S. The Company has four additional processing plants that are currently idle. Combined with our global network of approximately 4,200 growers, 30 feed mills and 37 hatcheries, we believe we are well positioned to keep up with the growing demand for our products.

On December 1, 2008, Pilgrim's and six of its subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court"), seeking reorganization relief under the provisions of Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). We emerged from Chapter 11 bankruptcy proceedings on December 28, 2009. In connection with our emergence from bankruptcy, our common stock outstanding immediately prior to the emergence was cancelled and converted into the right to receive newly-issued shares of common stock of the reorganized Company based on a one-for-one exchange ratio, which constituted 36.0% of the total number of shares of our newly-issued common stock on that date. The remaining shares of our newly-issued common stock, constituting 64.0% of our total issued and outstanding common stock on December 28, 2009, were purchased for $800.0 million by JBS USA Holdings, Inc. ("JBS USA"), a wholly-owned indirect subsidiary of JBS S.A., a Brazil-based meat producer. As the result of subsequent purchases, JBS USA owned 75.5% of our total issued and outstanding common stock on December 30, 2012.

The Industry

Industry Overview

The U.S. consumes more chicken than any other protein (approximately 29.8 billion pounds projected in calendar year 2013), and chicken is the second most consumed protein globally after pork. The U.S. is the world's largest producer of chicken and is projected to produce approximately 36.9 billion pounds of ready-to-cook broiler meat in calendar year 2013, representing 20.0% of the total world production. China and Brazil produce the second and third most broiler meat, with 16.9% and 15.6% of the world market, respectively.

The U.S. is the second-largest exporter of broiler meat behind Brazil. The U.S. is projected to export 7.25 billion pounds in calendar year 2013 which would account for 31.0% of the total world exports and 19.6% of the total U.S. production. The top five exporters control over 87% of the market. The broiler export marketplace has grown at a rapid pace since the early 1990s. The growth has been driven by various geopolitical events such as the collapse of the former Soviet Union as well as changing consumer preferences. Key importers of broilers include Russia, China, the EU, Mexico and Saudi Arabia. Other export markets such as Hong Kong, Vietnam, the Middle East and Africa are projected to increase their imports of U.S. chicken.

The U.S. market is concentrated with four major chicken producers accounting for over 50% of production. The U.S. chicken industry is largely vertically integrated with major producers owning and operating feed mills, processing plants and further processing plants while contracting out breeding and broiler production to thousands of contractually bound chicken farmers. More than 90% of all chickens raised for consumption are produced by farmers under a contract with processing companies. Processing companies provide the growers with chickens, feed, vaccines and medicines required for the production of broilers. The grower supplies all systems and labor required to bring the broilers up to slaughter weight. The grower is then paid based on the weight gain exhibited by the flock.

According to the USDA, chicken production in the U.S. has increased at a compounded annual growth rate of 2.8% over the past 20 years. Similarly, per capita consumption of chicken has increased at a compounded annual growth rate of 2.1%. During this same period of time, per capita beef consumption has declined at a compounded annual growth rate of 0.6% while pork has declined at a compounded annual growth rate of 0.3%. The growth in chicken demand is attributable to (i) relative affordability compared to other proteins such as beef and pork, (ii) the increasingly health conscious nature of U.S. consumers, (iii) chicken's consistent quality and versatility and (iv) its introduction on many foodservice menus. In addition, global protein demand has remained strong, and we believe protein demand will continue to expand consistent with rising standards of living and a growing middle class in developing countries around the world.

We benefit from a shorter production lifecycle of chickens compared to other proteins. While production for beef takes approximately 28 to 30 months from breeding to slaughter and the production for pork takes 11 to 12 months, the production lifecycle for the broiler is only ten weeks. There are three key components of broilers that are sold for consumption: the breast, the wing and the leg quarters. An estimated 88% of broiler production in the U.S. is sold in separate parts, rather than as a whole bird. This is due primarily to an increase in demand associated with the white meat of the breast, as well as demand for boneless breasts and wings.

Key Industry Dynamics

Pricing. Like other commodities, changes to either the supply or demand components of the market can largely impact the profitability of key players in the industry. Specifically, given the low margins associated with the broiler industry, a change in pricing of commodity chicken products has a significant impact on the income generated by the producer. Items that impact chicken pricing in the U.S. include international demand, changes in production by other broiler exporting countries, input costs and the demand associated with substitute products such as beef and pork. While broiler producers attempt to match supply and demand, a minor change in downstream demand can impact whether the planned supply meets the market need.

Feed. Broilers are fed corn and soybean meal as well as certain vitamins and minerals. Corn and soybean meal account for approximately 65% and 24% of the feed, respectively. Broiler production is significantly more efficient from a feed perspective than cattle or hogs. Approximately 1.9 pounds of feed are required for each pound of chicken, as compared to approximately 6.5 and 3.7 pounds for cattle and hogs, respectively.

Prior to 2008, cost of feed had been largely steady, with occasional spikes resulting from externalities. These externalities often took the form of poor weather conditions, such as droughts or excessive rains leading to poor crop yields and increased demand both domestically for ethanol and globally for protein production. More recently, feed prices have been impacted by increased demand both domestically for ethanol and globally for protein production. Market prices for feed ingredients remained at historically high levels throughout 2012 and remain volatile.

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Competitive Strengths

We believe that our competitive strengths will enable us to maintain and grow our position as a leading chicken company and to capitalize on future favorable growth opportunities:

Leading market position in the growing chicken industry. We are the second-largest chicken producer in the U.S. with a 17.4% market share, based on ready-to-cook production. We believe we can maintain this leading market position as we are one of the few producers in the chicken industry that can fully supply larger retailers and foodservice companies due to our broad product offering and technical capabilities. We are a viable supplier for large integrated customers due to our ability to ensure supply, demonstrate innovation and new product development and provide competitive pricing. Our vertical integration gives us control over our supply of chicken and chicken parts. Further, our processing facilities offer a wide range of capabilities and are particularly suited for the high-volume production as well as low-volume custom production runs necessary to meet both the capacity and quality requirements of our customer base. Finally, we have established a reputation for dependable quality, highly responsive service and excellent technical support.

Experienced management team. We have a proven senior management team whose tenure in the chicken industry has spanned numerous market cycles and is among the most experienced in the industry. Our senior management team is led by William W. Lovette, our Chief Executive Officer, who has over 30 years of experience in the chicken industry. Our management team has successfully improved and realigned our business and instilled a corporate culture focused on performance and accountability. Our senior operating executives have backgrounds with leading agribusiness companies, including Tyson Foods, Inc., ConAgra Foods, Inc. and Bunge Limited, among others. We believe that this combination of backgrounds and experience will continue to provide the foundation for a focused business strategy and will enable us to maintain and strengthen long-term relationships with customers and help us grow our business in the future. We also benefit from management ideas, best practices, and talent shared with the seasoned management team at our majority stockholder, JBS USA, and its parent company, JBS S.A., who have over 50 years of combined experience operating protein processing facilities in South America, the U.S. and Australia.

Leaner, more focused enterprise since emergence from bankruptcy. Following our restructuring efforts, we are a more efficient and lean organization supported by a market-driven business strategy. Since 2008, we have closed, idled or sold ten plants and 13 distribution centers, reduced or consolidated production at other facilities, streamlined our workforce and reduced administrative and corporate expenses including moving our corporate headquarters and closing satellite headquarters as part of our becoming a majority owned subsidiary of JBS USA. In addition, we continue to make significant production improvements driven by improved yields, labor, cost savings and product mix. In the past two years, these efforts resulted in an approximate $560.0 million annualized run rate improvement in plant-related costs and product yield. As a result of these efforts, we are a financially stronger company with a more conservative balance sheet.

Blue chip and diverse customer base. We benefit from strong relationships with leading companies, including Sysco®, US Foods, Yum! Brands®, Chick-fil-A®, Burger King®, Kroger®, Wal-Mart®, Costco®, Publix®, Sam's Club®, ConAgra Foods®, and Nestle®, many of whom have been doing business with us for more than six years. We sell our products to a large and diverse customer base, with over 5,000 customers and no concentrations above 7.0% of net sales except for our largest customer, Wal-Mart Stores, Inc., which accounted for 9.7% of net sales in 2012.

Relationship with JBS USA. In addition to cost savings through the integration of certain corporate functions and the rationalization of facilities, our relationship with JBS USA allows us to enjoy several advantages given its diversified international operations and strong record in commodity risk management. We seek to leverage JBS USA's international network by expanding into untapped international markets and strengthening our presence in geographies in which we already operate. In addition, JBS USA's expertise in managing the risk associated with volatile commodity inputs will help us to further improve our operations and manage our margins.

Business Strategy

Our objectives are to (i) be a valued partner with our key customers, (ii) relentlessly pursue operational excellence and (iii) strategically grow value added exports. To achieve these goals, we plan to continue pursuing the following strategies:

Valued partner with our key customers. We are the second-largest producer of chicken products in the world. We have developed and acquired complementary markets, distributor relationships and geographic locations, establishing relationships with broad-line national distributors and retailers which have enabled us to expand our customer base and provide nationwide distribution capabilities for all of our product lines. As a result, we believe we are one of only two U.S. chicken producers that can supply the growing demand for a broad range of price competitive standard and specialized products with well-known brand names on a nationwide basis from a single-source supplier. By having the best in class quality management systems, we plan to further grow our industry position and continue being a valued partner with our key customers.

Operational excellence. As production and sales grow, we continue to focus on improving operating efficiencies by focusing on cost reductions, improving processes, training and our total quality management program. In addition, we remain focused on cost control. Specific initiatives include:

- Benchmarking live and plant costs against the industry;
- Striving to be in the top 25% of the industry for yields and costs;
- Driving accountability and ownership deeper in the organization;
- Conducting monthly performance reviews with senior management; and
- Improving sales mix and price.

Strategically grow value added exports. We will continue to focus on international opportunities and we plan to further diversify our international markets to complement our U.S. chicken operations and capitalize on attractive export markets. According to the USDA, the export of U.S. chicken products increased at an average annual growth rate of 3.9% from 2000 through 2011. We believe U.S. chicken exports will continue to grow as worldwide demand increases for high-grade, low-cost meat protein sources. Historically, we targeted international markets to generate additional demand for our dark chicken meat, which is a natural by-product of our U.S. operations given our concentration on prepared foods products and the U.S. customers' general preference for white chicken meat. As part of this initiative, we created a significant international distribution network into several markets, including Mexico, which we now utilize not only for dark chicken meat distribution, but also for various higher-margin prepared foods and other poultry products. We employ both a direct international sales force and export brokers. Our key international markets include Mexico, the Far East and countries within the CIS. Our relationship with our majority owner, JBS USA, has improved our access to markets such as Africa, the Middle East and Asia. We believe substantial opportunities exist to expand our sales to these markets by capitalizing on direct international distribution channels supplemented by our existing export broker relationships. We also believe that opportunities exist to sell more profitable products into these markets. Our export sales accounted for approximately 11.9% of our U.S. chicken sales in 2012.

Reportable Business Segment

We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale in the U.S., Puerto Rico and Mexico. We conduct separate operations in the U.S., Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico with our U.S. operations. See "Note 22. Business Segment and Geographic Reporting" of our Consolidated Financial Statements included in this annual report for additional information.

Narrative Description of Business

Products and Markets

Our primary chicken product types are fresh, prepared and export. We sell our fresh chicken products to the foodservice and retail markets. Our fresh chicken products consist of refrigerated (nonfrozen) whole or cut-up chicken, either pre-marinated or non-marinated and prepackaged case-ready chicken. Our case-ready chicken includes various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer's fresh meat counter. Our fresh chicken sales in 2012 accounted for 54.0% of our total U.S. chicken sales.

We also sell prepared chicken products, including 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. Our prepared chicken products sales in 2012 accounted for 33.7% of our total U.S. chicken sales.

Export and other chicken products primarily consist of whole chickens and chicken parts sold mostly in bulk, non-branded form either refrigerated for distributors in the U.S. or frozen for distribution to export markets. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the U.S. Department of Agriculture ("USDA") or other public price reporting services. We sell U.S.-produced chicken products for export to Mexico, the Far East, countries within the CIS and other world markets. Our export and other chicken products sales in 2012 accounted for 12.3% of our total U.S. chicken sales.

Our primary customer markets consist of the foodservice and retail channels, as well as selected export and other markets. The foodservice market principally consists of chain restaurants, food processors, broad-line distributors and certain other institutions located throughout the continental U.S. We supply chicken products ranging from portion-controlled refrigerated chicken parts to fully-cooked and frozen, breaded or non-breaded chicken parts or formed products.

Our categories within foodservice include frozen, fresh and corporate accounts. Fresh and frozen chicken products are usually pre-cut to customer specifications and are often marinated to enhance value and product differentiation. Corporate accounts include further-processed and value-added products supplied to select foodservice customers improving their ability to manage product consistency and quality in a cost efficient manner. We believe we are positioned to be the primary or secondary supplier to national and international chain restaurants who require multiple suppliers of chicken products. Additionally, we believe we are well suited to be the sole supplier for many regional chain restaurants. Regional chain restaurants often offer better margin opportunities and a growing base of business. We believe we have operational strengths in terms of full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience relative to smaller and non-vertically integrated producers. Foodservice growth is anticipated to continue, despite the effects resulting from continued weak economic conditions in the U.S.

The retail market consists primarily of grocery store chains, wholesale clubs and other retail distributors. We concentrate our efforts in this market on sales of branded, prepackaged cut-up and whole chicken and chicken parts to grocery store chains and retail distributors. For many years, we have invested in both trade and retail marketing designed to establish high levels of brand name awareness and consumer preferences. We utilize numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the Pilgrim's Pride® and Pilgrim's® brands. We believe our efforts to achieve and maintain brand awareness and loyalty help to provide more secure distribution for our products. We also believe our efforts at brand awareness generate greater price premiums than would otherwise be the case in certain markets. Additionally, we maintain an active program to identify consumer preferences. The program primarily consists of discovering and validating new product ideas, packaging designs and methods through sophisticated qualitative and quantitative consumer research techniques in key geographic markets.

The export and other chicken market consists primarily of customers who purchase for distribution in the U.S. or for export to Mexico, the Far East, countries within the CIS and other world markets. Our export and other chicken products, with the exception of our exported prepared chicken products, consist of whole chickens and chicken parts sold primarily in bulk, nonbranded form, either refrigerated or frozen.

Historically, we have targeted international markets to generate additional demand for our dark chicken meat, which is a natural by-product of our U.S. operations given our concentration on prepared chicken products and the U.S. customers' general preference for white chicken meat. We have also begun selling prepared chicken products for export to the international divisions of our U.S. chain restaurant customers. Utilizing the extensive sales network of JBS USA, we believe that we can accelerate the sales of value-added chicken products into international channels. We also believe that the history of our successful export sales and our relationship with JBS USA position us favorably to capitalize on international growth.

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The following table sets forth, for the periods beginning with 2008, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of product types.

	2012	2011	2010	Transition Period(a)	2009(a)	2008(a)
U.S. chicken:	(In thousands)					
Prepared chicken	$ 2,239,289	$ 2,135,337	$ 2,262,107	$ 535,810	$ 2,294,576	$ 2,552,065
Fresh chicken	3,583,854	3,160,429	2,834,972	663,418	3,113,062	3,591,785
Export and other chicken by-products	817,723	808,038	581,303	134,976	656,276	933,197
Total U.S. chicken	6,640,866	6,103,804	5,678,382	1,334,204	6,063,914	7,077,047
Mexico chicken	758,023	720,333	615,433	127,557	487,785	543,583
Total chicken	7,398,889	6,824,137	6,293,815	1,461,761	6,551,699	7,620,630
Other products:						
U.S.	608,619	674,923	558,675	132,500	505,738	863,495
Mexico	113,874	36,638	29,139	8,473	30,618	34,632
Total other products	722,493	711,561	587,814	140,973	536,356	898,127
Total net sales	$ 8,121,382	$ 7,535,698	$ 6,881,629	$ 1,602,734	$ 7,088,055	$ 8,518,757

(a) In December 2009, we changed our fiscal year end from the Saturday nearest September 30 of each year to the last Sunday in December of each year. The change was effective for our 2010 fiscal year, which began December 28, 2009 and ended December 26, 2010 and resulted in an approximate three-month transition period which began September 27, 2009 and ended December 27, 2009.

The following table sets forth, beginning with 2008, the percentage of net U.S. chicken sales attributable to each of our primary product lines and the markets serviced with those products. We based the table and related discussion on our internal sales reports and their classification of product types and customers.

	2012	2011	2010	Transition Period(a)	2009(a)	2008(a)
				(Percent)		
Prepared chicken	33.7	35.0	39.9	40.2	37.9	36.1
Fresh chicken	54.0	51.7	49.9	49.7	51.3	50.7
Export and other chicken by-products	12.3	13.3	10.2	10.1	10.8	13.2
Total U.S. chicken	100.0	100.0	100.0	100.0	100.0	100.0

(a) In December 2009, we changed our fiscal year end from the Saturday nearest September 30 of each year to the last Sunday in December of each year. The change was effective for our 2010 fiscal year, which began December 28, 2009 and ended December 26, 2010 and resulted in an approximate three-month transition period which began September 27, 2009 and ended December 27, 2009.

United States

Product Types

Fresh Chicken Overview. Fresh chicken is an important component of our sales and accounted for $3,583.9 million, or 54.0%, of our total U.S. chicken sales in 2012 and $3,591.8 million, or 50.7%, in 2008. Most fresh chicken products are sold to established customers, based upon certain weekly or monthly market prices reported by the USDA and other public price reporting services, plus a markup, which is dependent upon the customer's location, volume, product specifications and other factors. We believe our practices with respect to sales of fresh chicken are generally consistent with those of our competitors. The majority of these products are sold pursuant to agreements with varying terms that set a price according to formulas based on underlying chicken price markets, subject in many cases to minimum and maximum prices.

Prepared Chicken Overview. In 2012, $2,239.3 million, or 33.7%, of our U.S. chicken sales were in prepared chicken products to foodservice customers and retail distributors, as compared to $2,552.1 million, or 36.1%, in 2008. The production and sale in the U.S. of prepared chicken products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our U.S. cost of sales, representing approximately 46.1% of our U.S. cost of sales in 2012. The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories, demand for feed ingredients, the agricultural policies of the U.S. and foreign governments and weather patterns throughout the world. As further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

We establish prices for our prepared chicken products based primarily upon perceived value to the customer, production costs and prices of competing products. The majority of these products are sold pursuant to agreements with varying terms that either set a fixed price for short-term periods or set a price according to formulas based on an underlying commodity market such as corn and chicken price forecasts, subject in many cases to minimum and maximum prices. Many times, these prices are dependent upon the customer's location, volume, product specifications and other factors.

Export and Other Chicken Products Overview. Our export and other products consist of whole chickens and chicken parts sold primarily in bulk, nonbranded form, either refrigerated to distributors in the U.S. or frozen for distribution to export markets, and branded and nonbranded prepared chicken products for distribution to export markets. In 2012, approximately $817.7 million, or 12.3%, of our total U.S. chicken sales were attributable to U.S. chicken export and other products, as compared to $933.2 million, or 13.2%, in 2008.

Markets for Other Products

Presently, this category includes chicken by-products, which we convert into protein products and sell primarily to manufacturers of pet foods. Until November 2011, this category also included products sold through our distribution centers. In 2011, we had regional distribution centers located in Arizona, Texas and Utah that were primarily focused on distributing our own chicken products. In November 2011, we sold the distribution centers to JBS Trading International, Inc., a wholly owned subsidiary of JBS USA. See "Note 16. Related Party Transactions" of our Consolidated Financial Statements included in this annual report for additional information on the sale of the distribution centers. In addition, we marketed fresh eggs under private labels, in various sizes of cartons and flats to U.S. retail grocery and institutional foodservice customers located primarily in Texas through August 2012. In August 2012, we sold our commercial egg operation to Cal-Maine Foods, Inc. Many of our U.S. feed mills produce and sell some livestock feeds to local dairy farmers and livestock producers.

Mexico

Background

Our Mexico operations generated approximately 10.7% of our net sales in 2012. We are the second-largest producer and seller of chicken in Mexico. We believe that we are one of the lower-cost producers of chicken in Mexico.

Product Types

While the market for chicken products in Mexico is less developed than in the U.S., with sales attributed to fewer, more basic products, we have been successful in differentiating our products through high-quality client service and product improvements. Additionally, we are an important player in the live market, which accounts for approximately 33% of the chicken sales in Mexico.

Markets

We sell our chicken products primarily to wholesalers, large restaurant chains, fast food accounts, supermarket chains and direct retail distribution in selected markets. Our largest presence is by far in the central states of the country where we have been able to gain market share. Our presence in Mexico reaches 76.5% of the population.

Foreign Operations Risks

Our foreign operations pose special risks to our business and operations. A discussion of foreign operations risks is included in "Item 1A. Risk Factors."

General

Competitive Conditions

The chicken industry is highly competitive. We are the second-largest producer in the world and we believe our relationship with JBS USA enhances our competitive position. In the U.S. and Mexico, we compete principally with other vertically integrated poultry companies.

In general, the competitive factors in the U.S. chicken industry include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the U.S. retail market, we believe that product quality, brand awareness, customer service and price are the primary bases of competition. In the foodservice market, competition is based on consistent quality, product development, service and price. There is some competition with non-vertically integrated further processors in the U.S. prepared chicken business. We believe vertical integration generally provides significant, long-term cost and quality advantages over non-vertically integrated further processors.

In Mexico, where product differentiation has traditionally been limited, we believe product quality and price have been the most critical competitive factors.

Restructuring Efforts

Since January 2010, we implemented significant operational changes to reduce costs and operate more efficiently, as well as realized substantial benefits through synergies following the JBS USA acquisition. We reduced our production footprint to mitigate capacity utilization and efficiency issues created by previously enacted across-the-board production cuts. In addition, we continue to evaluate our noncore businesses, which has resulted in the sale of certain noncore businesses. Exit and disposal activities from January 2010 to present have eliminated approximately 1,500 positions and recognized net pre-tax charges totaling $96.4 million.

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, consolidating operations and functions and voluntary and involuntary employee separation programs. Any such actions may require us to obtain the pre-approval of our lenders under our credit facilities. In addition, such actions will subject the Company to additional short-term costs, which may include asset impairment charges, lease commitment costs, employee retention and severance costs and other costs. Certain of these activities may have a disproportionate impact on our income relative to the cost savings in a particular period.

Key Customers

Our two largest customers accounted for approximately 15.7% of our net sales in 2012, and our largest customer, Wal-Mart Stores Inc., accounted for 9.7% of our net sales in 2012.

Regulation and Environmental Matters

The chicken industry is subject to government regulation, particularly in the health and environmental areas, including provisions relating to the discharge of materials into the environment, by the Centers for Disease Control, the USDA, the Food and Drug Administration (“FDA”) and the Environmental Protection Agency (“EPA”) in the U.S. and by similar governmental agencies in Mexico. Our chicken processing facilities in the U.S. are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of our feed mills in the U.S. Our Mexican food processing facilities and feed mills are subject to on-site examination, inspection and regulation by a Mexican governmental agency that performs functions similar to those performed by the USDA and FDA. We believe that we are in substantial compliance with all applicable laws and regulations relating to the operations of our facilities.

Our operations are subject to extensive regulation by the EPA and other state and local authorities relating to handling and discharge of waste water, storm water, air emissions, treatment, storage and disposal of wastes, handling of hazardous substances and remediation of contaminated soil, surface water and groundwater. Our Mexican operations also are subject to extensive regulation by Mexican environmental authorities. The EPA and/or other U.S. or Mexican state and local authorities may, from time to time, adopt revisions to environmental rules and regulations, and/or changes in the terms and conditions of our environmental permits, with which we must comply. Compliance with existing or new environmental requirements, including more stringent limitations imposed or expected in recently-renewed or soon-to be renewed environmental permits, may require capital expenditures and operating expenses which may be significant.

Some of our properties have been impacted by contamination from spills or other releases, and we have incurred costs to remediate such contamination. In addition, in the past we acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than our current operations. While many of those operations have been sold or closed, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from us based on past operations or contractual indemnifications. See "Item 1A. Risk Factors" for risks associated with compliance with existing or changing environmental requirement.

We anticipate increased regulation by the USDA concerning food safety, by the FDA concerning the use of medications in feed and by the EPA and various other state agencies concerning discharges to the environment. Although we do not anticipate any regulations having a material adverse effect upon us, a material adverse effect may occur.

Employees

As of December 30, 2012, we employed approximately 33,000 persons in the U.S. and approximately 5,000 persons in Mexico. Approximately 36.3% of the Company's employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expired in 2011 or 2012 and remain open or will expire in 2013. We have not experienced any labor-related work stoppage at any location in over eight years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will be in some stage of contract negotiations with various collective bargaining units. The Company is currently in negotiations with union locals in 11 locations, and there is no assurance that agreement will be reached. While unlikely, we may be subject to labor disruption at any of these locations.

Financial Information about Foreign Operations

Our foreign operations are in Mexico. Geographic financial information is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Available Information

The Company's Internet website is www.pilgrims.com. The Company makes available, free of charge, through its Internet website, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Directors and Officers Forms 3, 4 and 5, and amendments to those reports, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the Securities and Exchange Commission. The public may read and copy any materials that the Company files with the Securities and Exchange Commission at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 and may obtain information about the operation of the Public Information Room by calling the Securities and Exchange Commission at 1-800-SEC-0330.

In addition, the Company makes available, through its Internet website, the Company's Business Code of Conduct and Ethics, Corporate Governance Guidelines and the written charter of the Audit Committee, each of which is available in print to any stockholder who requests it by contacting the Secretary of the Company at 1770 Promontory Circle, Greeley, Colorado 80634-9038. Information contained on the Company's website is not included as part of, or incorporated by reference into, this annual report.

Executive Officers

Set forth below is certain information relating to our current executive officers:

Name	Age	Positions
Wesley Mendonça Batista	42	Chairman of the Board
William W. Lovette	53	President and Chief Executive Officer
Fabio Sandri	41	Chief Financial Officer

Wesley Mendonça Batista, 42, currently serves as Chairman of the Board of Pilgrim's Pride Corporation. Mr. Batista became President and Chief Executive Officer of JBS S.A. in February 2011. Mr. Batista previously served as President and Chief Executive Officer of JBS USA for approximately four years. Mr. Batista also serves as Chairman of the Board of JBS USA and is the Vice President of JBS S.A.'s board of directors. Mr. Batista has served in various capacities at JBS S.A. since 1987. Mr. Batista is the brother of Joesley Mendonça Batista, Chairman of the Board of JBS S.A., and José Batista Júnior, a Director of the Company and a Director of JBS S.A., and is the son of José Batista Sobrinho, the founder of JBS S.A. and a member of its board of directors. Mr. Batista brings to our board significant senior leadership and industry experience. Mr. Batista has long been one of the most respected executives in Brazil's protein industry, and his reputation is now firmly established worldwide. Mr. Batista grew up in the protein industry, and it is his strategic insight and entrepreneurial spirit that has facilitated the growth of JBS S.A. through numerous acquisitions, expanding its reach across the globe. As Chairman of the Board, Mr. Batista has direct responsibility for Pilgrim's Pride's strategy and operations.

William W. Lovette, 53, joined Pilgrim's as President and Chief Executive Officer on January 3, 2011. He brings more than 30 years of industry leadership experience to Pilgrim's. He previously served two years as President and Chief Operating Officer of Case Foods, Inc. Before joining Case Foods, Inc., Mr. Lovette spent 25 years with Tyson Foods in various roles in senior management, including President of its International Business Unit, President of its Foodservice Business Unit and Senior Group Vice President of Poultry and Prepared Foods. Mr. Lovette earned a B.S. degree from Texas A&M University. In addition, he is a graduate of Harvard Business School's Advanced Management Program.

Fabio Sandri, 41, has served as the Chief Financial Officer for Pilgrim's since June 2011. He previously served as the Chief Financial Officer of Estacio Participações, the private post-secondary educational institution in Brazil since April 2010. From November 2008 until April 2010, he was the Chief Financial Officer of Imbra SA, a provider of dental services based in Sao Paolo, Brazil. Commencing in 2005 through October 2008, he was employed by Braskem S.A., a New York Stock Exchange-listed petrochemical company headquartered in Camaçari, Brazil, first from 2005 to 2007 as its strategy director and from 2007 until his departure as its corporate controller. He earned his Masters in Business Administration in 2001 from the Wharton School at the University of Pennsylvania and a degree in electrical engineering in 1993 from Escola Politécnica da Universidade de São Paulo.

Item 1A. Risk Factors

Forward Looking Statements

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made herein, in our other filings with the SEC, in press releases, and in certain other oral and written presentations.

Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words "anticipate," "believe," "estimate," "expect," "plan," "project," "imply," "intend," "foresee" and similar expressions, are forward-looking statements that reflect our current views about future event and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include those described under "Risk Factors" below and elsewhere in this annual report.

Actual results could differ materially from those projected in these forward-looking statements as a result of these factors, among others, many of which are beyond our control.

In making these statements, we are not undertaking, and specifically decline to undertake, any obligation to address or update each or any factor in future filings or communications regarding our business or results, and we are not undertaking to address how any of these factors may have caused changes in information contained in previous filings or communications. The risks described below are not the only risks we face, and additional risks and uncertainties may also impair our business operations. The occurrence of any one or more of the following or other currently unknown factors could materially adversely affect our business and operating results.

Risk Factors

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this annual report on Form 10-K. Any of the following risks could materially adversely affect our business, operations, industry or financial position or our future financial performance. While we believe we have identified and discussed below all risk factors affecting our business that we believe are material, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future.

Industry cyclicality can affect our earnings, especially due to fluctuations in commodity prices of feed ingredients and chicken.

Profitability in the chicken industry is materially affected by the commodity prices of feed ingredients and chicken, which are determined by supply and demand factors. As a result, the chicken industry is subject to cyclical earnings fluctuations.

The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories and demand for feed ingredients, the agricultural policies of the U.S. and foreign governments and weather patterns throughout the world. In particular, weather patterns often change agricultural conditions in an unpredictable manner. A significant change in weather patterns could affect supplies of feed ingredients, as well as both the industry's and our ability to obtain feed ingredients, grow chickens or deliver products. More recently, feed prices have been impacted by increased demand both domestically for ethanol and globally for protein production.

Market prices for feed ingredients remained at historically high levels throughout 2012. Market prices for feed ingredients remain volatile. Consequently, there can be no assurance that the price of corn or soybean meal will not continue to rise as a result of, among other things, increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production.

High feed ingredient prices have had, and may continue to have, a materially adverse effect on our operating results, which has resulted in, and may continue to result in, additional noncash expenses due to impairment of the carrying amounts of certain of our assets. We periodically seek, to the extent available, to enter into advance purchase commitments or financial derivative contracts for the purchase of feed ingredients in an effort to manage our feed ingredient costs. The use of these instruments may not be successful. In addition, we have not designated the derivative financial instruments that we have purchased to mitigate commodity purchase exposures as cash flow hedges. Therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. Unexpected changes in the fair value of these instruments could adversely affect the results of our operations.

Outbreaks of livestock diseases in general and poultry diseases in particular, including avian influenza, can significantly affect our ability to conduct our operations and demand for our products.

We take precautions designed to ensure that our flocks are healthy and that our processing plants and other facilities operate in a sanitary and environmentally-sound manner. However, events beyond our control, such as the outbreaks of disease, either in our own flocks or elsewhere, could significantly affect demand for our products or our ability to conduct our operations. Furthermore, an outbreak of disease could result in governmental restrictions on the import and export of our fresh chicken or other products to or from our suppliers, facilities or customers, or require us to destroy one or more of our flocks. This could also result in the cancellation of orders by our customers and create adverse publicity that may have a material adverse effect on our ability to market our products successfully and on our business, reputation and prospects.

During the first half of 2006, there was substantial publicity regarding a highly pathogenic strain of avian influenza, known as H5N1, which has been affecting Asia since 2002 and which has also been found in Europe and Africa. It is widely believed that H5N1 is being spread by migratory birds, such as ducks and geese. There have also been some cases where H5N1 is believed to have passed from birds to humans as humans came into contact with live birds that were infected with the disease.

Although highly pathogenic H5N1 has not been identified in North America, there have been outbreaks of low pathogenic strains of avian influenza in North America, and in Mexico outbreaks of both high and low-pathogenic strains of avian influenza are a fairly common occurrence. Historically, the outbreaks of low pathogenic avian influenza have not generated the same level of concern, or received the same level of publicity or been accompanied by the same reduction in demand for poultry products in certain countries as that associated with the highly pathogenic H5N1 strain. Accordingly, even if the highly pathogenic H5N1 strain does not spread to North or Central America, there can be no assurance that it will not materially adversely affect demand for North or Central American produced poultry internationally and/or domestically, and, if it were to spread to North or Central America, there can be no assurance that it would not significantly affect our ability to conduct our operations and/or demand for our products, in each case in a manner having a material adverse effect on our business, reputation and/or prospects.

If our poultry products become contaminated, we may be subject to product liability claims and product recalls.

Poultry products may be subject to contamination by disease-producing organisms, or pathogens, such as *Listeria monocytogenes*, *Salmonella* and generic *E.coli*. These pathogens are generally found in the environment, and, as a result, there is a risk that they, as a result of food processing, could be present in our processed poultry products. These pathogens can also be introduced as a result of improper handling at the further processing, foodservice or consumer level. These risks may be controlled, although not eliminated, by adherence to good manufacturing practices and finished product testing. We have little, if any, control over proper handling once the product has been shipped. Illness and death may result if the pathogens are not eliminated at the further processing, foodservice or consumer level. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies and may have a material adverse effect on our business, reputation and prospects.

Product liability claims or product recalls can adversely affect our business reputation, expose us to increased scrutiny by federal and state regulators and may not be fully covered by insurance.

The packaging, marketing and distribution of food products entail an inherent risk of product liability and product recall and the resultant adverse publicity. We may be subject to significant liability if the consumption of any of our products causes injury, illness or death. We could be required to recall certain products in the event of contamination or damage to the products. In addition to the risks of product liability or product recall due to deficiencies caused by our production or processing operations, we may encounter the same risks if any third party tampers with our products. We cannot assure you that we will not be required to perform product recalls, or that product liability claims will not be asserted against us, in the future. Any claims that may be made may create adverse publicity that would have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations.

If our poultry products become contaminated, we may be subject to product liability claims and product recalls. There can be no assurance that any litigation or reputational injury associated with product recalls will not have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations.

We currently maintain insurance with respect to certain of these risks, including product liability insurance, property insurance, workers compensation insurance, business interruption insurance and general liability insurance, but in many cases such insurance is expensive, difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses we incur in connection with such events. Additionally, in the past, two of our insurers encountered financial difficulties and were unable to fulfill their obligations under the insurance policies as anticipated and, separately, two of our other insurers contested coverage with respect to claims covered under policies purchased, forcing us to litigate the issue of coverage before we were able to collect under these policies.

Competition in the chicken industry with other vertically integrated poultry companies may make us unable to compete successfully in these industries, which could adversely affect our business.

The chicken industry is highly competitive. In both the U.S. and Mexico, we primarily compete with other vertically integrated chicken companies.

In general, the competitive factors in the U.S. chicken industry include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, we believe that competition is based on product quality, brand awareness, customer service and price. Further, there is some competition with non-vertically integrated further processors in the prepared chicken business. In Mexico, where product differentiation has traditionally been limited, we believe product quality and price have been the most critical competitive factors.

The loss of one or more of our largest customers could adversely affect our business.

Our two largest customers accounted for approximately 15.7% of our net sales in 2012, and our largest customer, Wal-Mart Stores, Inc., accounted for 9.7% of our net sales in 2012. Our business could suffer significant setbacks in revenues and operating income if we lost one or more of our largest customers, or if our customers' plans and/or markets should change significantly.

Our foreign operations pose special risks to our business and operations.

We have significant operations and assets located in Mexico and may participate in or acquire operations and assets in other foreign countries in the future. Foreign operations are subject to a number of special risks such as currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and changes in laws and policies, including tax laws and laws governing foreign-owned operations.

Currency exchange rate fluctuations have adversely affected us in the past. Exchange rate fluctuations or one or more other risks may have a material adverse effect on our business or operations in the future.

Our operations in Mexico are conducted through subsidiaries organized under the laws of Mexico. Claims of creditors of our subsidiaries, including trade creditors, will generally have priority as to the assets of our subsidiaries over our claims. Additionally, the ability of our Mexican subsidiaries to make payments and distributions to us may be limited by the terms of our Mexico credit facility and will be subject to, among other things, Mexican law. In the past, these laws have not had a material adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions. However, laws such as these may have a material adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions in the future.

Disruptions in international markets and distribution channels could adversely affect our business.

Historically, we have targeted international markets to generate additional demand for our products. In particular, given U.S. customers' general preference for white meat, we have targeted international markets for the sale of dark chicken meat, specifically leg quarters, which are a natural by-product of our U.S. operations' concentration on prepared chicken products. As part of this initiative, we have created a significant international distribution network into several markets in Mexico, the Far East and countries within the CIS. Our success in these markets may be, and our success in recent periods has been, adversely affected by disruptions in chicken export markets. For example, China imposed anti-dumping and countervailing duties on the U.S. chicken producers in 2010 which can be expected to deter Chinese importers from purchases of U.S.-origin chicken products. Additionally, from time to time Russia has restricted the importation of U.S. poultry products for the protection of their domestic poultry producers and in cases of allegations of consumer health issues.

A significant risk is disruption due to import restrictions and tariffs, other trade protection measures, and import or export licensing requirements. In addition, disruptions may be caused by outbreaks of disease such as avian influenza, either in our flocks or elsewhere in the world, and resulting changes in consumer preferences.

One or more of these or other disruptions in the international markets and distribution channels could adversely affect our business.

Regulation, present and future, is a constant factor affecting our business.

Our operations will continue to be subject to federal, state and local governmental regulation, including in the health, safety and environmental areas. We anticipate increased regulation by various agencies concerning food safety, the use of medication in feed formulations and the disposal of chicken by-products and wastewater discharges. Also, changes in laws or regulations or the application thereof may lead to government enforcement actions and the resulting litigation by private litigants, such as various wage and hour and environmental issues.

On December 8, 2011, the USDA's Grain Inspection, Packers and Stockyards Administration issued new regulations under the Packers and Stockyards Act that would apply to all stages of a live poultry dealer's poultry grow-out. The new regulations significantly impact the relationship between integrated poultry processors, like us, and their independent growers. Among other things, the new regulations substantially limit our and our independent contract growers' freedom of contract, and affect the way we pay our independent contract growers. Many of the new regulations are, in our view, unclear, vague and will likely require litigation to determine their scope and impact. Such litigation could be costly to our industry and us. The new regulations could also lead to increased enforcement activity and private litigation against integrated poultry producers that could have a material adverse effect on our operations and financial operating results. Additionally, the new regulations could increase the cost of doing business or change the way in which we do business.

In addition, unknown matters, new laws and regulations, or stricter interpretations of existing laws or regulations may also materially affect our business or operations in the future.

New immigration legislation or increased enforcement efforts in connection with existing immigration legislation could cause the costs of doing business to increase, cause us to change the way we conduct our business or otherwise disrupt our operations.

Immigration reform continues to attract significant attention in the public arena and the U.S. Congress. If new federal immigration legislation is enacted or if states in which we do business enact immigration laws, such laws may contain provisions that could make it more difficult or costly for us to hire U.S. citizens and/or legal immigrant workers. In such case, we may incur additional costs to run our business or may have to change the way we conduct our operations, either of which could have a material adverse effect on our business, operating results and financial condition. Also, despite our past and continuing efforts to hire only U.S. citizens and/or persons legally authorized to work in the U.S., we may be unable to ensure that all of our employees are U.S. citizens and/or persons legally authorized to work in the U.S. For example, U.S. Immigration and Customs Enforcement has investigated identity theft within our workforce. With our cooperation, during 2008 U.S. Immigration and Customs Enforcement arrested approximately 300 employees believed to have engaged in identity theft at five of our facilities. No assurances can be given that further enforcement efforts by governmental authorities will not disrupt a portion of our workforce or operations at one or more facilities, thereby negatively impacting our business. Also, no assurance can be given that further enforcement efforts by governmental authorities will not result in the assessment of fines that could adversely affect our financial position, operating results or cash flows.

Loss of essential employees could have a significant negative impact on our business.

Our success is largely dependent on the skills, experience, and efforts of our management and other employees. The loss of the services of one or more members of our senior management or of numerous employees with essential skills could have a negative effect on our business, financial condition and results of operations. If we are not able to retain or attract talented, committed individuals to fill vacant positions when needs arise, it may adversely affect our ability to achieve our business objectives.

Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs due to our compliance with labor laws could adversely affect our business.

As of December 30, 2012, we employed approximately 33,000 persons in the U.S. and approximately 5,000 persons in Mexico. Approximately 36.3% of the Company's employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expired in 2011 or 2012 and remain subject to ongoing negotiations or will expire in 2013. We have not experienced any labor-related work stoppage at any location in over eight years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will be in some stage of contract negotiations with various collective bargaining units. The Company is currently in negotiations with union locals in 11 locations, and there is no assurance that agreement will be reached or, if reached, will be on the terms that are favorable to the Company. In the absence of an agreement, we may become subject to labor disruption at any of these locations, which could have an adverse effect on our financial results.

Extreme weather, natural disasters or other events beyond our control could negatively impact our business.

Bioterrorism, fire, pandemic, extreme weather or natural disasters, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of our flocks, production or availability of feed ingredients, or interfere with our operations due to power outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors could have an adverse effect on our financial results.

We may face significant costs for compliance with existing or changing environmental requirements and for potential environmental obligations relating to current or discontinued operations.

Compliance with existing or changing environmental requirements, including more stringent limitations imposed or expected to be imposed in recently-renewed or soon-to be renewed environmental permits, will require capital expenditures for installation of new or upgraded pollution control equipment at some of our facilities.

In the past, we have acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than our current operations. While many of those operations have been sold or closed, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from us based on past operations or contractual indemnifications.

New environmental requirements, stricter interpretations of existing environmental requirements, or obligations related to the investigation or clean-up of contaminated sites, may materially affect our business or operations in the future.

JBS USA holds a majority of our common stock and has the ability to control the vote on most matters brought before the holders of our common stock.

JBS USA holds a majority of the shares and voting power of our common stock and is entitled to appoint a majority of the members of our board of directors. As a result, JBS USA will, subject to restrictions on its voting power and actions in a stockholders agreement between us and JBS USA and our organization documents, have the ability to control our management, policies and financing decisions, elect a majority of the members of our board of directors at the annual meeting and control the vote on most matters coming before the holders of our common stock.

Under the stockholders agreement between us and JBS USA, JBS USA has the ability to elect up to six members of our board of directors and the other holders of our common stock have the ability to elect up to two members of our board of directors. If the percentage of our outstanding common stock owned by JBS USA exceeds 80%, then JBS USA would have the ability to elect one additional member of our board of directors while the other holders of our common stock would have the ability to elect one less member of our board of directors.

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Our operations are subject to general risks of litigation.

We are involved on an on-going basis in litigation with our independent contract growers or arising in the ordinary course of business or otherwise. Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims relating to commercial, labor, employment, antitrust, securities or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty and adverse litigation trends and outcomes could adversely affect our financial results.

We depend on contract growers and independent producers to supply us with livestock.

We contract primarily with independent contract growers to raise the live chickens processed in our poultry operations. If we do not attract and maintain contracts with growers or maintain marketing and purchasing relationships with independent producers, our production operations could be negatively affected.

Changes in consumer preference could negatively impact our business.

The food industry in general is subject to changing consumer trends, demands and preferences. Trends within the food industry change often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand and price reductions for our products, and could have an adverse effect on our financial results.

The consolidation of customers could negatively impact our business.

Our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years, and consolidation is expected to continue throughout the U.S. and in other major markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing, increased promotional programs and specifically tailored products. These customers also may use shelf space currently used for our products for their own private label products. Because of these trends, our volume growth could slow or we may need to lower prices or increase promotional spending for our products, any of which would adversely affect our financial results.

Our future financial and operating flexibility may be adversely affected by our significant leverage.

We have substantial indebtedness, which could adversely affect our financial condition. On a consolidated basis, as of December 30, 2012, we had approximately $667.5 million in secured indebtedness, $497.3 million of unsecured indebtedness and had the ability to borrow approximately $529.9 million under our credit agreements. Significant amounts of cash flow will be necessary to make payments of interest and repay the principal amount of such indebtedness.

The degree to which we are leveraged could have important consequences because:

- It could affect our ability to satisfy our obligations under our credit agreements;
- A substantial portion of our cash flow from operations is required to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- Our ability to obtain additional financing and to fund working capital, capital expenditures and other general corporate requirements in the future may be impaired;
- We may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- Our flexibility in planning for, or reacting to, changes in our business may be limited;
- It may limit our ability to pursue acquisitions and sell assets; and
- It may make us more vulnerable in the event of a continued or new downturn in our business or the economy in general.

Our ability to make payments on and to refinance our debt, including our credit facilities, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to various business factors (including, among others, the commodity prices of feed ingredients and chicken) and general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control.

There can be no assurance that we will be able to generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in an amount sufficient to enable us to pay our debt obligations, including obligations under our credit facilities, or to fund our other liquidity needs. We may need to refinance all or a portion of their debt on or before maturity. There can be no assurance that we will be able to refinance any of their debt on commercially reasonable terms or at all.

Media campaigns related to food production present risks.

Individuals or organizations can use new social media platforms to publicize inappropriate or inaccurate stories or perceptions about the food production industry or our Company. Such practices could cause damage to the reputations of the Company and/or the food production industry in general. This damage could adversely affect our financial results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Operating Facilities

Our main operating facilities are as follows:

	Operating	Idled	Capacity[(a)(b)]	Average Capacity Utilization[(b)]
U.S. Chicken Facilities				
Fresh processing plants	25	4	32.8 million head	91.5%
Prepared foods cook plants	8		18.9 million pounds	94%
Feed mills	25	2	11.9 million tons	76.0%
Hatcheries	30	4	2,285.6 million eggs	83.5%
Rendering	6	1	9,000 tons	57.1%
Pet food processing	3		1,500 tons	56.0%
Puerto Rico Facilities				
Fresh processing plant	1		350,000 head	94.3%
Feed mill	1		112,000 tons	71.5%
Hatcheries	1		27.0 million eggs	78.9%
Rendering	1		84 tons	79.1%
Distribution centers	1		N/A	N/A
Mexico Facilities				
Processing plants	3		2.7 million head	85.2%
Feed mills	4		1.15 million tons	76.0%
Hatcheries	6		240.3 million eggs	94.0%
Rendering	2		26,000 tons	64.2%
Distribution centers	13		N/A	N/A

(a) Capacity is based on a five day week.

(b) Capacity and utilization numbers do not include idled facilities.

Other Facilities and Information

Our corporate offices share a building with JBS USA in Greeley, Colorado. We own a partially automated distribution freezer located outside of Pittsburg, Texas, which includes 125,000 square feet of storage area. We own a building in Richardson, Texas, which houses our computer data center; and an office building in Broadway, Virginia, which houses additional sales and marketing, research and development, and support activities. We own an office building in Mexico City, which houses our Mexican marketing office and we lease an office building in Querétaro, Mexico, which houses our Mexican administrative functions. In addition, we own administrative office buildings in Pittsburg, Texas and Atlanta, Georgia that we are currently marketing for sale.

Most of our domestic property, plant and equipment are pledged as collateral on our long-term debt and credit facilities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 3. Legal Proceedings

Grower Claims and Proceedings

Ricky Arnold et al. v. Pilgrim's Pride Corp., et al. On September 10, 2008, a lawsuit styled "Ricky Arnold, et al. v. Pilgrim's Pride Corp., et al." was filed against our Company and two of its representatives. In this lawsuit, filed in the Circuit Court of Van Buren County, Arkansas, nearly 100 contract poultry growers and their spouses assert claims of fraud and deceit, constructive fraud, fraud in the inducement, promissory estoppel, and violations of the Arkansas Livestock and Poultry Contract Protection Act relating to the idling of our Clinton, Arkansas processing plant. The total amount of damages sought by the contract poultry growers is unliquidated and unknown at this time. We filed a Notice of Suggestion of Bankruptcy. The Court has not issued an order in response to it. The plaintiffs filed proofs of claim in the Bankruptcy Court, and we filed objections to the proofs of claim. The plaintiffs in the Arnold case, and a number of other growers from the Clinton, Arkansas facility filed proofs of claim in the bankruptcy case. We anticipate that the Arnold case will be resolved as a part of the claim resolution process in the Bankruptcy Court. We express no opinion as to the likelihood of an unfavorable outcome or the amount or range of any possible loss to us.

Sheila Adams, et al. v. Pilgrim's Pride Corporation. On June 1, 2009, approximately 555 former and current independent contract broiler growers, their spouses and poultry farms filed an adversary proceeding against us in the Bankruptcy Court styled "Sheila Adams, et al. v. Pilgrim's Pride Corporation." In the adversary proceeding, the plaintiffs assert claims against us for: (i) violations of Sections 202(a), (b) and (e), 7 US C. § 192 of the Packers and Stockyards Act of 1921 (the "PSA"); (ii) intentional infliction of emotional distress; (iii) violations of the Texas Deceptive Trade Practices Act ("DTPA"); (iv) promissory estoppel; (v) simple fraud; and (vi) fraud by nondisclosure. The case relates to our Farmerville, Louisiana; Nacogdoches, Texas; and the De Queen and Batesville, Arkansas complexes. The plaintiffs also filed a motion to withdraw the reference of the adversary proceeding from the Bankruptcy Court to the U.S District for the Eastern Court of Texas ("Marshall Court"). The motion was filed with the U.S. District Court for the Northern District of Texas-Fort Worth Division (the "Fort Worth Court"). The Bankruptcy Court recommended the reference be withdrawn, but that the Fort Worth Court retain venue over the action to ensure against forum shopping. The Fort Worth Court granted the motion to withdraw the reference and consolidated this action with the City of Clinton proceeding described below. We filed a motion to dismiss the plaintiffs' claims. The Fort Worth Court granted in part and denied in part our motion, dismissing the following claims and ordering the plaintiffs to file a motion to amend their lawsuit and re-plead their claims with further specificity or the claims would be dismissed with prejudice: (i) intentional infliction of emotional distress; (ii) promissory estoppel; (iii) simple fraud and fraudulent nondisclosure; and (iv) DTPA claims with respect to growers from Oklahoma, Arkansas, and Louisiana. The plaintiffs filed a motion for leave to amend on October 7, 2009. Plaintiffs' motion for leave was granted and the plaintiffs filed their Amended Complaint on December 7, 2009. Subsequent to the Fort Worth Court granting in part and denying in part our motion to dismiss, the plaintiffs filed a motion to transfer venue of the proceeding from the Fort Worth Court to the Marshall Court. We filed a response to the motion, but the motion to transfer was granted on December 17, 2009. On December 29, 2009, we filed our answer to plaintiffs' Amended Complaint with the Marshall Court. A bench trial commenced on June 16, 2011. The trial concluded as to the El Dorado growers on August 25, 2011. On September 30, 2011, the Marshall Court issued its Findings of Facts and Conclusions of Law and Judgment finding in favor of the Company on each of the grower claims with exception of claims under 7 U.S.C. §192(e), and awarding damages to plaintiffs in the aggregate of approximately $25.8 million. Afterward, the Company filed post-judgment motions attacking the trial court's findings of fact and conclusions of law, which, on December 28, 2011, were granted in part and resulted in a reduction of the damages award from $25.8 million to $25.6 million. On January 19, 2012, the Company appealed the findings of fact and conclusions of law and decision concerning the post-judgment motions to the United States Fifth Circuit Court of Appeals. Oral argument occurred on December 3, 2012. The appeal has been submitted for a decision, but there is no deadline set for the Fifth Circuit Court of Appeals to issue a decision. As for the remaining claims, the bench trials relating to the allegations asserted by the plaintiffs from the Farmerville, Louisiana complex began on July 16, 2012. That bench trial concluded on August 2, 2012. The Marshall Court has not issued a decision. Additionally, the bench trials relating to the claims asserted by the plaintiffs from the Nacogdoches, Texas complex began on September 12, 2012. The trial has not concluded. However, at this time, the Nacogdoches, Texas bench trial is scheduled to resume on April 22, 2013. The remaining bench trial for the plaintiffs from the De Queen and Batesville, Arkansas complexes was scheduled for October 29, 2012, but that trial date was canceled. The Marshall Court has not scheduled new dates for that bench trial. The Company intends to vigorously pursue its appellate rights and defend against the underlying judgment. While the outstanding judgment is reasonably possible, the Company has recorded an estimated probable loss that is less than the outstanding judgment. The Company intends to vigorously defend against these claims. Although the likelihood of financial loss related to the remaining growers' claims is reasonably possible, an estimate of potential loss cannot be determined at this time because of now conflicting legal authority, the factual nature of the various growers' individual claims, and a new judge who will preside over the remaining bench trials. There can be no assurances that other similar claims may not be brought against the Company.

Grower Proofs of Claim. Approximately 161 former independent contract broiler growers, their spouses and poultry farms filed proofs of claim against us relating to the idling of the Company's El Dorado, Arkansas; Douglas, Georgia; Siler City and Sanford, North Carolina; and Athens, Alabama processing facilities. Eight of the growers also filed administrative claims against us. The growers' claims include: (i) fraud; (ii) fraudulent inducement; (iii) violations of the Packers & Stockyards Act; (iv) breach of fiduciary duty; (v) promissory estoppel; (vi) equitable estoppel; (vii) restitution; and (viii) deceptive trade practices. The claims relate to the growers' allegations that they were required to spend significant amounts improving their poultry farms in order to continue their contractual relationship with our Company and predecessor companies. On December 17, 2009, we filed objections to the proofs of claim and administrative claims. The parties have engaged in discovery. Since discovery commenced, we announced that we are reopening the Douglas, Georgia complex. Consequently, we circulated new poultry grower contracts with releases to those growers that own and/or operate poultry farms within or near Douglas, Georgia. Because numerous growers signed the poultry grower agreement that contained the release of their claims, approximately 133 of the 161 growers in this consolidated claims administration proceeding withdrew their proofs of claim and motions for administrative expense claims. There are currently approximately 48 growers in this proceeding. After engaging in discovery motion practice and a trial, the majority of the 48 growers' claims were dismissed. The Company subsequently settled the remaining claims.

Numerous former independent contract growers located in our Clinton, Arkansas complex filed proofs of claim against us relating to the Arnold litigation referenced above. The claims include: (i) fraud and deceit; (ii) constructive fraud; (iii) fraud in the inducement; (iv) promissory estoppel; (v) a request for declaratory relief; and (vi) violations of the Arkansas Livestock and Poultry Contract Protection Act, and relate to the growers' allegations that they were required to spend significant amounts improving their poultry farms in order to continue their contractual relationship with our Company and predecessor companies prior to us idling our Clinton processing facility. Most of the growers in this consolidated claims administration proceeding were named plaintiffs in the case styled, "Ricky Arnold, et al. v. Pilgrim's Pride Corporation, et al." discussed above. On November 30, 2009, we filed objections to the proofs of claim. On August 2, 2010, we filed numerous motions for summary judgment requesting the Bankruptcy Court to dismiss each grower's causes of action against our Company. In response to the dispositive motions, the growers conceded that their numerous fraud and statutory claims lacked merit; consequently, the parties recently submitted agreed orders dismissing these claims with prejudice. The sole remaining cause of action alleged by the growers against us is promissory estoppel. The hearing on our motions for summary judgment with respect to the promissory estoppel claims occurred on October 19, 2010. On December 15, 2010, the Bankruptcy Court granted the Company's summary judgment motion on 106 of the 107 growers' promissory estoppel claims. The Company settled with the grower whose claims were not dismissed for an immaterial amount. The growers whose claims were dismissed appealed the decision to the District Court, which, on December 19, 2011, affirmed the Bankruptcy Court's decision. On January 17, 2012, the growers appealed the District Court's decision to the United States Fifth Circuit of Court of Appeals. The parties submitted appellate briefs and are awaiting a decision. The appeal has been submitted for a decision without oral argument, but there is no deadline set for the Fifth Circuit Court of Appeals to issue a decision. The Company intends to defend vigorously against the merits of the growers' appeal. We express no opinion as to the likelihood of an unfavorable outcome or the amount or range of any possible loss to us.

Securities Litigation

On October 29, 2008, Ronald Acaldo filed suit in the U.S. District Court for the Eastern District of Texas, Marshall Division, against us and individual defendants Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, J. Clinton Rivers, Richard A. Cogdill and Clifford E. Butler. The Complaint alleged that our Company and the individual defendants violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder.

On November 13, 2008, Chad Howes filed suit in the U.S. District Court for the Eastern District of Texas, Marshall Division, against us and individual defendants Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, J. Clinton Rivers, Richard A. Cogdill and Clifford E. Butler. The allegations in the Howes Complaint are identical to those in the Acaldo Complaint, as are the class allegations and relief sought. The defendants were never served with the Howes Complaint.

On May 14, 2009, the Court consolidated the Acaldo and Howes cases and renamed the style of the case, "In re: Pilgrim's Pride Corporation Securities Litigation." On May 21, 2009, the Court granted the Pennsylvania Public Fund Group's Motion for Appointment of Lead Plaintiff. Thereafter, on June 26, 2009, the lead plaintiff filed a Consolidated (and amended) Complaint. The Consolidated Complaint dismissed the Company and Clifford E. Butler as Defendants. In addition, the Consolidated Complaint added the following directors as Defendants: Charles L. Black, Key Coker, Blake D. Lovette, Vance C. Miller, James G. Vetter, Jr., Donald L. Wass, Linda Chavez, and Keith W. Hughes. The Consolidated Complaint alleges four causes of action: violations of Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder solely against Lonnie "Bo" Pilgrim, Clint Rivers, and Richard A. Cogdill (the "Officer Defendants"). Those claims assert that, during the Class Period of May 5, 2008 through October 28, 2008, the defendants, through various financial statements, press releases and conference calls, made material misstatements of fact and/or omitted to disclose material facts by purportedly failing to completely impair the goodwill associated with the Gold Kist acquisition. The Consolidated Complaint also asserts claims under Section 11 of the Securities Act of 1933 against all defendants, asserting that, statements made in a registration statement in connection with the May 14, 2008 secondary offering of our common stock were materially false and misleading for their failure to completely impair the goodwill associated with the Gold Kist acquisition. Finally, the Consolidated Complaint asserts a violation of Section 15 of the Securities Act of 1933 against the Officer Defendants only, claiming that the Officer Defendants were controlling persons of the Company and the other defendants in connection with the Section 11 violation. By the Consolidated Complaint, the lead plaintiff seeks certification of the Class, undisclosed damages, and costs and attorneys' fees.

On July 27, 2009, defendants filed a Motion to Dismiss the Consolidated Complaint for its failure to adequately plead, as to the Sections 10(b) and 20(a) claims, scienter and loss causation and, as to the Sections 11 and 15 claims, for its failure to adequately plead misrepresentations and omissions. Defendants requested that the Consolidated Complaint be dismissed with prejudice.

On August 17, 2010, the Court issued its Memorandum Opinion and Order on the motion to dismiss, granting in part and denying in part, the defendants' motion. The Court dismissed without prejudice the plaintiffs' claims alleging securities fraud under Section 10(b) of the Exchange Act and Rule 10b-5 and for controlling person liability under Section 20(a) of the Exchange Act. The Court denied defendants' motion to dismiss with respect to the plaintiffs' claim for negligent misrepresentation under Section 11 of the Securities Act and for controlling person liability under Section 15 of the Securities Act. The plaintiffs were granted leave to amend their complaint but elected not to do so. The defendants filed their Original Answer to the Complaint on November 15, 2010.

On May 9, 2011, the Court issued an Order setting a class certification hearing for February 7, 2012 and ordering the parties to confer and file a Docket Control Order by May 26, 2011. Thereafter, as per the Court's Order, the parties negotiated a proposed Docket Control Order, which was signed by the Court on May 31, 2011.

The parties reached an agreement to settle this matter for $1.5 million, subject to Court approval. A Stipulation of Settlement was filed on November 14, 2011. On January 23, 2012, the Court issued an order Preliminarily Approving Settlement, in which the Court set a hearing date for the final approval of settlement for May 1, 2012. On May 2, 2012 the Court issued an order of final approval of the settlement and dismissed the case with prejudice in accordance with the terms of the settlement agreement.

ERISA Claims and Proceedings

On December 17, 2008, Kenneth Patterson filed suit in the U.S. District Court for the Eastern District of Texas, Marshall Division, against Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Clifford E. Butler, J. Clinton Rivers, Richard A. Cogdill, Renee N. DeBar, our Compensation Committee and other unnamed defendants (the "Patterson action"). On January 2, 2009, a nearly identical suit was filed by Denise M. Smalls in the same court against the same defendants (the "Smalls action"). The complaints in both actions, brought pursuant to section 502 of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 US C. § 1132, alleged that the individual defendants breached fiduciary duties to participants and beneficiaries of the Pilgrim's Pride Stock Investment Plan (the "Stock Plan"), as administered through the Pilgrim's Pride Retirement Savings Plan (the "RSP"), and the To-Ricos, Inc. Employee Savings and Retirement Plan (the "To-Ricos Plan") (collectively, the "Plans") by failing to sell the common stock held by the Plans before it declined in value in late 2008, based on factual allegations similar to the allegation made in the Acaldo securities case discussed above. Patterson and Smalls further alleged that they purported to represent a class of all persons or entities who were participants in or beneficiaries of the Plans at any time between May 5, 2008 through the present and whose accounts held our common stock or units in our common stock. Both complaints sought actual damages in the amount of any losses the Plans suffered, to be allocated among the participants' individual accounts as benefits due in proportion to the accounts' diminution in value, attorneys' fees, an order for equitable restitution and the imposition of constructive trust, and a declaration that each of the defendants have breached their fiduciary duties to the Plans' participants.

On July 20, 2009, the Court entered an order consolidating the Smalls and Patterson actions. On August 12, 2009, the Court ordered that the consolidated case will proceed under the caption "In re Pilgrim's Pride Stock Investment Plan ERISA Litigation, No. 2:08-cv-472-TJW."

Patterson and Smalls filed a consolidated amended complaint ("Amended Complaint") on March 2, 2010. The Amended Complaint names as defendants the Pilgrim's Pride Board of Directors, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Charles L. Black, Linda Chavez, S. Key Coker, Keith W. Hughes, Blake D. Lovette, Vance C. Miller, James G. Vetter, Jr., Donald L. Wass, J. Clinton Rivers, Richard A. Cogdill, the Pilgrim's Pride Pension Committee, Robert A. Wright, Jane Brookshire, Renee N. DeBar, the Pilgrim's Pride Administrative Committee, Gerry Evenwel, Stacey Evans, Evelyn Boyden, and "John Does 1-10." The Amended Complaint purports to assert claims on behalf of persons who were participants in or beneficiaries of the RSP or the To-Ricos Plan at any time between January 29, 2008 through December 1, 2008 ("the alleged class period"), and whose accounts included investments in the Company's common stock.

Like the original Patterson and Smalls complaints, the Amended Complaint alleges that the defendants breached ERISA fiduciary duties to participants and beneficiaries of the RSP and To-Ricos Plan by permitting both Plans to continue investing in the Company's common stock during the alleged class period. The Amended Complaint also alleges that certain defendants were "appointing" fiduciaries who failed to monitor the performance of the defendant-fiduciaries they appointed. Further, the Amended Complaint alleges that all defendants are liable as co-fiduciaries for one another's alleged breaches. Plaintiffs seek actual damages in the amount of any losses the RSP and To-Ricos Plan attributable to the decline in the value of the common stock held by the Plans, to be allocated among the participants' individual accounts as benefits due in proportion to the accounts' alleged diminution in value, costs and attorneys' fees, an order for equitable restitution and the imposition of constructive trust, and a declaration that each of the defendants have breached their ERISA fiduciary duties to the RSP and To-Ricos Plan's participants.

The defendants filed a motion to dismiss the Amended Complaint on May 3, 2010. The plaintiffs responded to that motion on July 2, 2010, dropping plaintiff Smalls from the case and adding an additional plaintiff, Stanley Sylvestros. On December 20, 2011, the case was reassigned to Judge Rodney Gilstrap, and on January 25, 2012, Judge Gilstrap referred the proceedings to Magistrate Roy S. Payne. The court has not yet ruled on the motion to dismiss. The was subsequently reassigned to District Judge Folsom, but remained assigned to Magistrate Payne for pretrial proceedings. On August 9, 2012, the Magistrate issued a Report and Recommendation denying the motion to dismiss without ruling on the merits. The Report and Recommendation was subsequently adopted by the District Court. The Magistrate scheduled briefing on class certification, which has been completed, and a hearing is scheduled for February 28, 2013. Defendants oppose class certification.

Tax Claims and Proceedings

The United States Department of Treasury, Internal Revenue Service ("IRS") filed an amended proof of claim in the Bankruptcy Court pursuant to which the IRS asserted claims that total $74.7 million. We filed in the Bankruptcy Court (i) an objection to the IRS' amended proof of claim and (ii) a motion requesting the Bankruptcy Court to determine our U.S. federal tax liability pursuant to Sections 105 and 505 of the Bankruptcy Code. The objection and motion asserted that the Company has no liability for the additional U.S. federal taxes that have been asserted for pre-petition periods by the IRS. The IRS responded in opposition to our objection and motion. On July 8, 2010, the Bankruptcy Court granted our unopposed motion requesting that the Bankruptcy Court abstain from determining our federal tax liability. As a result, we have worked with the IRS through the normal processes and procedures that are available to all taxpayers outside of bankruptcy (including the United States Tax Court ("Tax Court") proceedings discussed below) to resolve the IRS' amended proof of claim. On December 12, 2012 we entered into two Stipulation of Settled Issues ("Stipulation" or "Stipulations") with the IRS. The first Stipulation relates to the Company's 2003, 2005, and 2007 tax years and resolves all of the material issues in the case. The second Stipulation relates to the Company as the successor in interest to Gold Kist's for the tax years ended June 30, 2005 and September 30, 2005, and resolves all substantive issues in the case. These Stipulations account for approximately $29.3 million of the amended proof of claim and should result in no additional tax due.

In connection with the amended proof of claim, on May 26, 2010, we filed a petition in Tax Court in response to a Notice of Deficiency that was issued to the Company as the successor in interest to Gold Kist. The Notice of Deficiency and the Tax Court proceeding relate to a loss that Gold Kist claimed for its tax year ended June 30, 2004. This proceeding accounts for approximately $45.4 million of the amended proof of claim and the Company is still working with the IRS through the normal processes and procedures to resolve this portion of the IRS' amended proof of claim.

We express no opinion as to the likelihood of an unfavorable outcome or the amount or range of any possible loss to us related to the above Tax Court case related to Gold Kist's tax year ended June 30, 2004. If adversely determined, the outcome could have a material effect on the Company's operating results and financial position.

Other Claims and Proceedings

We are subject to various other legal proceedings and claims, which arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the NASDAQ Global Select Market ("NASDAQ") under the symbol "PPC." Until December 27, 2012, our common stock was listed on the New York Stock Exchange, Inc. ("NYSE") under the symbol "PPC." High and low prices of the Company's common stock for 2012 and 2011 are as follows:

	2012 Prices		2011 Prices	
Quarter	**High**	**Low**	**High**	**Low**
First	$ 7.49	$ 4.28	$ 8.40	$ 6.59
Second	$ 7.52	$ 4.54	$ 7.71	$ 4.05
Third	$ 8.56	$ 6.59	$ 5.46	$ 2.96
Fourth	$ 7.73	$ 5.17	$ 6.30	$ 3.69

Holders

The Company estimates there were approximately 26,000 holders (including individual participants in security position listings) of the Company's common stock as of February 15, 2013.

Dividends

The Company did not pay dividends in 2012 or 2011. Our U.S. credit facility prohibits us from paying dividends on our common stock. Further, the indenture governing our 7 % senior notes due 2018 (the "2018 Notes") restricts, but does not prohibit, the Company from declaring dividends.

Issuer Purchases of Equity Securities in 2012

The Company did not repurchase any of its equity securities in 2012.

Equity Compensation Plan Information

The following table provides certain information about our common stock that may be issued under the Long Term Incentive Plan (the "LTIP"), as of December 30, 2012. For additional information concerning terms of the LTIP, see "Note 18. Incentive Compensation" of our Consolidated Financial Statements included in this annual report.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Option, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by securities holders			6,615,393
Equity compensation plans not approved by securities holders			
Total			6,615,393

Total Return on Registrant's Common Equity

The following graph compares the performance of the Company with that of the Russell 2000 composite index and a peer group of companies for the period from December 29, 2009 to December 30, 2012, with the investment weighted on market capitalization. Data for periods prior to December 29, 2009 is not shown because we were in bankruptcy prior to that date and financial results before and after December 29, 2009 are not comparable. The total cumulative return on investment (change in the year-end stock price plus reinvested dividends) for each of the periods for the Company, the Russell 2000 composite index and the peer group is based on the stock price or composite index at the beginning of the applicable period. Companies in the peer group index include Sanderson Farms Inc., Hormel Foods Corp., Smithfield Foods Inc. and Tyson Foods Inc.

The graph covers the period from December 29, 2009 to December 30, 2012, and reflects the performance of the Company's single class of common stock. The stock price performance represented by this graph is not necessarily indicative of future stock performance.

	12/29/09	12/31/09	01/31/10	02/28/10	03/31/10	04/30/10	05/31/10	06/30/10	07/31/10	08/31/10	09/30/10	10/31/10	11/30/10	12/31/10
PPC	$ 100.00	$ 95.50	$ 95.17	$ 96.78	$ 114.17	$ 125.11	$ 85.62	$ 70.49	$ 73.50	$ 67.17	$ 60.30	$ 65.45	$ 71.25	$ 76.07
Russell 2000	100.00	98.78	95.14	99.43	107.52	113.60	104.99	96.85	103.51	95.84	107.78	112.20	116.09	125.30
Peer Group	100.00	97.72	102.59	116.36	127.94	125.81	117.67	111.67	115.76	115.11	116.75	116.88	122.79	131.48

	01/31/11	02/28/11	03/31/11	04/30/11	05/31/11	06/30/11	07/31/11	08/31/11	09/30/11	10/31/11	11/30/11	12/25/11
PPC	$ 74.89	$ 82.73	$ 82.73	$ 63.09	$ 53.33	$ 58.05	$ 51.50	$ 37.34	$ 45.82	$ 54.08	$ 61.59	$ 64.27
Russell 2000	124.98	131.83	135.25	138.82	136.22	133.08	128.27	117.11	103.98	119.72	119.28	121.13
Peer Group	127.24	142.75	147.10	152.11	145.73	149.62	143.40	139.00	135.90	150.85	156.85	157.13

	01/31/12	02/29/12	03/31/12	04/30/12	05/31/12	06/30/12	07/31/12	08/31/12	09/30/12	10/31/12	11/30/12	12/30/12
PPC	$ 60.25	$ 70.21	$ 83.54	$ 79.96	$ 91.94	$ 80.07	$ 52.07	$ 59.57	$ 57.22	$ 63.05	$ 79.96	$ 80.52
Russell 2000	128.55	131.63	135.00	132.92	124.12	130.31	128.51	132.80	137.16	134.18	134.90	136.86
Peer Group	147.80	149.05	150.80	146.22	149.88	150.56	130.10	136.09	138.67	142.83	155.33	152.67

Item 6. Selected Financial Data

(In thousands, except ratios and per share data)	2012	2011(a)	2010(a)	Three Months Ended Dec 27, 2009(a)	Three Months Ended Dec 27, 2008	2009(a)(b)	200
Income Statement Data:							
Net sales	$ 8,121,382	$ 7,535,698	$ 6,881,629	$ 1,602,734	$ 1,876,991	$ 7,088,055	$ 8
Gross profit (loss)(c)	435,832	(141,537)	460,993	68,753	(100,142)	310,803	
Goodwill impairment							
Operating income (loss)(c)	250,342	(373,591)	185,427	7,589	(178,241)	67,327	(1
Interest expense, net	103,529	110,067	101,748	44,193	39,569	157,543	
Loss on early extinguishment of debt			11,726				
Reorganization items, net			18,541	32,726	13,250	87,275	
Income (loss) from continuing operations before income taxes(c)	153,062	(487,126)	66,488	(68,446)	(229,091)	(173,849)	(1
Income tax expense (benefit)(d)	(20,980)	8,564	(23,838)	(102,371)	278	(21,586)	
Income (loss) from continuing operations(c)	174,042	(495,690)	90,326	33,925	(229,369)	(152,263)	
Net income (loss) attributable to noncontrolling interest	(192)	1,082	3,185	312	(13)	(82)	
Net income (loss)(c)	174,234	(496,772)	87,141	33,613	(228,782)	(151,582)	
Ratio of earnings to fixed charges(e)	2.34 x	(h)	1.49 x	(h)	(h)	(h)	
Per Common Diluted Share Data:							
Income (loss) from continuing operations	$ 0.70	$ (2.20)	$ 0.40	$ 0.15	$ (1.02)	$ (0.68)	$
Net income (loss)	0.70	(2.21)	0.39	0.15	(1.02)	(0.67)	
Cash dividends							
Book value	3.50	2.59	5.01	2.58	1.75	2.04	
Balance Sheet Summary:							
Working capital surplus (deficit)(f)	812,551	747,020	971,830	675,256	757,862	858,030	(1
Total assets	2,913,869	2,879,545	3,218,898	3,209,463	3,215,135	3,060,504	3
Notes payable and current maturities of long-term debt(g)	15,886	15,611	58,144	221,195			1
Long-term debt, less current maturities(g)	1,148,870	1,408,001	1,281,160	1,876,277	41,521	41,062	
Total stockholders' equity	908,997	558,430	1,072,663	191,952	129,420	150,920	
Cash Flow Summary:							
Cash flows from operating activities	$ 199,624	$ (128,991)	$ 14,605	$ (4,057)	$ (168,674)	$ 64,934	$
Depreciation and amortization(h)	147,414	209,061	231,045	56,705	60,158	236,005	
Impairment of goodwill and other assets	2,770	22,895	26,484			5,409	
Purchases of investment securities	(162)	(4,596)	(17,201)	(6,024)	(5,629)	(19,958)	
Proceeds from sale or maturity of investment securities	688	15,852	68,100	4,511	4,591	18,946	
Acquisitions of property, plant and equipment	(90,327)	(135,968)	(179,332)	(30,463)	(29,028)	(88,193)	
Cash flows from financing activities	(111,029)	126,850	(29,480)	48,250	223,595	101,153	
Other Data:							
EBITDA(i)	$ 393,942	$ (174,801)	$ 384,484	$ 31,015	$ (130,906)	$ 212,911	$
Adjusted EBITDA(i)	402,583	(147,014)	481,906	64,947	(115,221)	314,719	
Key Indicators (as a percent of net sales):							
Gross profit (loss)(c)	5.4%	(1.9)%	6.7%	4.3%	(5.3)%	4.4%	
Selling, general and administrative expenses	2.2%	2.7%	3.0%	3.9%	3.9%	3.4%	
Operating income (loss)(c)	3.1%	(5.0)%	2.7%	0.5%	(9.5)%	0.9%	
Interest expense, net	1.3%	1.5%	1.5%	2.8%	2.1%	2.2%	
Income (loss) from continuing operations(c)	2.1%	(6.6)%	1.3%	2.1%	(12.2)%	(2.1)%	
Net income (loss)(c)	2.1%	(6.6)%	1.3%	2.1%	(12.2)%	(2.1)%	

(a) In December 2009, we changed our fiscal year end from the Saturday nearest September 30 of each year to the last Sunday in December of each year. The change was effective for our 2010 fiscal year, which began December 28, 2009 and ended December 26, 2010 and resulted in an approximate three-month transition period which began September 27, 2009 and ended December 27, 2009, which we sometimes refer to as the Transition Period. The reader should assume any reference we make to a particular year (for example, 2012) in this annual report applies to our fiscal year and not the calendar year.

(b) In March 2008, the Company sold certain assets of its turkey business. We are reporting our operations with respect to this business as a discontinued operation for all periods presented.

(c) Gross profit, operating income and net income include the following nonrecurring recoveries, restructuring charges and other unusual items for each of the years presented:

	2012	2011	2010	Three Months Ended Dec 27, 2009	Three Months Ended Dec 27, 2008	2009	2008
Effect on gross profit and operating income:				(In millions)			
Operational restructuring charges	$	$ (2.0)	$ (4.3)	$ (2.9)	$	$ (12.5)	$ (28.0)
Additional effect on operating income:							
Goodwill impairment							(501.4)
Administrative restructuring charges	(8.4)	(26.9)	(66.0)	1.4	(2.4)	(2.0)	(16.2)

(d) Income tax benefit in 2012 resulted primarily from a decrease in valuation allowance and a decrease in reserves for unrecognized tax benefits. Income tax expense in 2011 resulted primarily from an increase in valuation allowance and an increase in reserves for unrecognized tax benefits. Income tax benefit in 2010 resulted primarily from the benefit on the deconsolidation for tax purposes of the Mexico operations and a decrease in valuation allowance. The deconsolidation for tax purposes of the Mexico operations was in response to changes in the Mexican tax laws that became effective January 1, 2010. The deconsolidation reduces the accrued taxes that had been previously recognized under the consolidated filing status as it eliminates recapturing certain taxes required under the new consolidation laws. Income tax benefit for the Transition Period resulted primarily from the release of valuation allowance because of new provisions that increased U.S. federal net operating loss carry backs net of tax expense for new Mexico tax legislation. Income tax expense for the thirteen weeks ended December 27, 2008 resulted primarily from an increase in valuation allowance. Income tax benefit in 2009 resulted primarily from a decrease in reserves for unrecognized tax benefits. Income tax benefit in 2008 resulted primarily from significant net operating losses incurred in 2008.

(e) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges (excluding capitalized interest). Fixed charges consist of interest (including capitalized interest) on all indebtedness, amortization of capitalized financing costs and that portion of rental expense that we believe to be representative of interest. Earnings were inadequate to cover fixed charges by $490.6 million, $69.5 million, $229.8 million, $176.5 million, and $1,191.2 million in 2011, the Transition Period, the three months ended December 27, 2008, 2009, and 2008, respectively.

(f) We experienced a working capital deficit in 2008. Upon the filing of the Chapter 11 petitions, certain of our 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, included reclassifications of $1,872.1 million to reflect as current certain long-term debt under the Company's credit facilities that was accelerated.

(g) The Company had current maturities of pre-petition long-term debt totaling $4.2 million and pre-petition long-term debt totaling $1,999.8 million at September 26, 2009, that were included in *Liabilities subject to compromise*.

(h) Includes amortization of capitalized financing costs of approximately $10.1 million, $9.5 million, $14.8 million, $1.4 million, $1.5 million, $6.8 million and $4.9 million in 2012, 2011, 2010, the Transition Period, the three months ended December 27, 2008, 2009 and 2008, respectively.

(i) "EBITDA" is defined as the sum of income (loss) from continuing operations plus interest, taxes, depreciation and amortization. "Adjusted EBITDA" is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that we believe are not indicative of our ongoing operating performance consisting of: (i) income (loss) attributable to noncontrolling interests in the period from 2008 through 2012 and the Transition Period, (ii) goodwill impairment in 2008, (iii) restructuring charges in 2012, 2011, 2010, 2009 and 2008, (iv) reorganization items in 2010 and 2009 and (v) losses on early extinguishment of debt in 2010. EBITDA is presented because it is used by us and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with GAAP, to compare the performance of companies. We believe investors would be interested in our Adjusted EBITDA because this is how our management analyzes EBITDA from continuing operations. We also believe that Adjusted EBITDA, in combination with our financial results calculated in accordance with GAAP, provides investors with additional perspective regarding the impact of certain significant items on EBITDA and facilitates a more direct comparison of its performance with its competitors. EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under GAAP. Some of the limitations of these measures are:

- They do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are noncash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- They are not adjusted for all noncash income or expense items that are reflected in our statements of cash flows;
- EBITDA does not reflect the impact of earnings or charges attributable to noncontrolling interests;
- They do not reflect the impact of earnings or charges resulting from matters we consider to not be indicative of our ongoing operations; and
- They do not reflect limitations on or costs related to transferring earnings from our subsidiaries to us.

In addition, other companies in our industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with GAAP. You should compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally.

A reconciliation of income (loss) from continuing operations to EBITDA and Adjusted EBITDA is as follows:

	2012	2011	2010	Three Months Ended Dec 27, 2009	Three Months Ended Dec 27, 2008	2009	2008
				(In thousands)			
Income (loss) from continuing operations	$ 174,042	(495,690)	$ 90,326	$ 33,925	$ (229,367)	$ (152,263)	$ (990,988)
Add:							
Interest expense, net [a]	103,529	110,067	101,748	44,193	39,569	157,543	131,627
Income tax expense (benefit)	(20,980)	8,564	(23,838)	(102,371)	278	(21,586)	(194,921)
Depreciation and amortization of continuing operations[b]	147,414	211,780	231,045	56,705	60,158	236,005	240,305
Minus:							
Amortization of capitalized financing costs[c]	10,063	9,522	14,797	1,437	1,544	6,788	4,947
EBITDA	393,942	(174,801)	384,484	31,015	(130,906)	212,911	(818,924)
Add:							
Goodwill impairment [d]							501,446
Restructuring charges [e]	8,449	28,869	70,340	1,518	2,422	14,451	44,146
Reorganization items, net [f]			18,541	32,726	13,250	87,275	
Loss on early extinguishment of debt[g]			11,726				
Minus:							
Net income (loss) attributable to noncontrolling interest	(192)	1,082	3,185	312	(13)	(82)	1,184
Adjusted EBITDA	$ 402,583	$ (147,014)	$ 481,906	$ 64,947	$ (115,221)	$ 314,719	$ (274,516)

(a) Interest expense, net, consists of interest expense less interest income.

(b) 2011 includes $2.7 million of asset impairments not included in restructuring charges.

(c) Amortization of capitalized financing costs is included in both interest expense, net and depreciation and amortization above.

(d) Goodwill impairment includes costs recognized to write off the carrying amount of goodwill recognized in our acquisition of Gold Kist Inc.

(e) Restructuring charges includes tangible asset impairment, severance and change-in-control compensation costs, and losses incurred on both the sale of unneeded broiler eggs and flock depletion.

(f) Reorganization items, net, includes professional fees directly related to our reorganization, the elimination of unamortized loan costs associated with certain of our terminated borrowing arrangements, the recognition in earnings of a previously unrealized gain on a derivative instrument purchased to hedge interest rate risk related to certain of our terminated borrowing arrangements, expenses related to the execution of a borrowing arrangement during our reorganization, costs related to post-petition facility closures, gains recognized on the sales of a processing facility and undeveloped land and a loss recognized on the sale of our interest in a hog farming joint venture.

(g) Loss on early extinguishment of debt includes premiums paid and the elimination of unamortized loan costs related to the pre-petition retirement of certain of our unsecured notes.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Description of the Company

We are the second-largest chicken producer in the world with operations in the U.S., Mexico and Puerto Rico. We are primarily engaged in the production, processing, marketing and distribution of fresh, frozen and value-added chicken products to retailers, distributors and foodservice operators. Our primary product types are fresh chicken products, prepared chicken products and export chicken products. We sell our fresh chicken products to the foodservice and retail markets. We sell our prepared food products to foodservice customers and retail distributors. We also export products to customers in approximately 100 countries, including Mexico. 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 12 U.S. states, Puerto Rico and Mexico. We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale. Our fresh chicken products consist of refrigerated (nonfrozen) whole or cut-up chicken, either pre-marinated or non-marinated, and prepackaged 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 have a broad geographic reach and we offer our diverse customer base a balanced portfolio of fresh and prepared chicken products. We have consistently provided our customers with high quality products and service with a focus on delivering higher-value, higher-quality products. As such, we have become a valuable partner to our customers and a recognized industry leader. Our sales efforts are largely targeted towards the foodservice industry, principally chain restaurants, food processors and broad-line distributors. In 2012, we sold 7.6 billion pounds of dressed chicken and generated net sales of $8.1 billion. Our U.S. operations, including Puerto Rico, accounted for 89.3% of our net sales in 2012. Our Mexico operations generated the remaining 10.7% of our net sales in 2012.

We operate on the basis of a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2012) in this annual report applies to our fiscal year and not the calendar year.

Executive Summary

We reported net income attributable to Pilgrim's Pride Corporation of $174.2 million, or $0.70 per common share, for 2012. These operating results included a gross profit of $435.8 million. During 2012, we generated $199.6 million of cash from operations. At December 30, 2012, we had cash and cash equivalents totaling $68.2 million.

Market prices for feed ingredients remained at historically high levels throughout the third and fourth quarter of 2012 as a direct result of low supply caused by a drought across North America. Market prices for feed ingredients remain volatile. Consequently, there can be no assurance that our feed ingredient prices will not continue to increase materially. 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 current year and previous two years:

	Corn Highest Price	Lowest Price	Soybean Meal Highest Price	Lowest Price
2012:				
Fourth Quarter	$ 8.46	$ 6.88	$ 518.00	$ 393.00
Third Quarter	8.49	5.70	541.80	407.50
Second Quarter	6.77	5.51	437.50	374.30
First Quarter	6.79	5.93	374.50	299.00
2011:				
Fourth Quarter	6.66	5.72	332.20	273.50
Third Quarter	7.65	6.17	382.20	325.80
Second Quarter	7.99	6.40	378.50	338.00
First Quarter	7.35	5.95	391.00	340.00
2010:				
Fourth Quarter	6.15	4.56	364.90	283.20
Third Quarter	5.24	3.25	321.50	293.00
Second Quarter	3.79	3.36	296.50	260.60
First Quarter	4.26	3.44	321.00	249.60

Market prices for chicken products are currently at levels sufficient to offset the higher costs of feed ingredients. Many producers within the industry, including Pilgrim's Pride, cut production in 2011 in an effort to correct the general oversupply of chicken in the U.S. market. Production has generally remained at these reduced levels throughout 2012. 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 in the export market as a result of weakness in world economies and restrictive credit markets.

We purchase derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs such as corn, soybean meal, sorghum and natural gas. In addition, our Mexico operations will sometimes purchase foreign currency derivative financial instruments to mitigate foreign currency transaction exposure on U.S. dollar-denominated purchases. At December 30, 2012, the fair values of commodity derivative assets and commodity derivative liabilities totaled $1.8 million and $1.5 million, respectively. Our counterparties require that we post cash collateral for changes in the net fair value of the derivative contracts. At December 30, 2012, we owed $0.2 million of cash collateral to our counterparties to secure our open positions. We do not designate derivative financial instruments that we purchase to mitigate commodity purchase exposures as cash flow hedges; therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. We recognized $8.3 million, $63.8 million and $69.2 million in net gains related to changes in the fair value of its derivative financial instruments during 2012, 2011 and 2010, respectively. At December 30, 2012, we held short positions on 584 corn contracts and 269 soybean meal contracts with an aggregate fair value of $1.5 million.

From time to time, we incur costs to implement exit or disposal efforts for specific operations. These exit or disposal plans focus on various aspects of operations, including closing and consolidating certain processing facilities, rationalizing headcount and aligning operations in the most strategic and cost-efficient structure. During 2012, we recognized total costs of $8.7 million, which included asset impairment costs of $2.8 million, inventory valuation costs of $0.1 million, employee-related costs of $0.1 million and other costs of $5.7 million, related to exit or disposal efforts. During 2011, we recognized total costs of $29.2 million, which included asset impairment costs of $22.9 million, employee-related costs of $1.1 million and other costs of $5.2 million, related to exit or disposal efforts. We expect to incur additional costs related to ongoing exit or disposal efforts, which we estimate will be approximately $3.0 million.

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, consolidating operations and functions, employee relocation and voluntary and involuntary employee separation programs. Any such actions may require us to obtain the pre-approval of the lenders under our credit facilities. In addition, such actions will subject us to additional short-term costs, which may include asset impairment charges, lease commitment costs, employee retention and severance costs and other costs. Certain of these activities may have a disproportionate impact on our income relative to the cost savings.

Trade authorities in Mexico, the top international market for U.S. chicken in recent years, recently completed the investigation of U.S. producers over dumping complaints lodged by certain Mexican chicken processors. These Mexican chicken processors alleged U.S. producers sold chicken legs and thighs on the Mexican market below their cost of production in 2010. On August 6, 2012, the Mexican government issued final resolutions imposing duties on Pilgrim's and certain other U.S. chicken producers. Mexico will impose a duty of approximately 25% on chicken legs and thighs exported by Pilgrim's and three other U.S. exporters and duties of approximately 127% on chicken legs and thighs exported by all other U.S. companies from the U.S. to Mexico. However, the Mexican government has postponed the imposition of these duties until conditions in Mexico's domestic chicken market resulting from the outbreak of H7N3 avian influenza in the Mexican state of Jalisco are normalized. On September 3, 2012, Pilgrim's and certain other U.S. producers filed a request with the NAFTA Secretariat for a panel review of Mexico's decision. Management does not believe that these duties, when imposed, will materially impact Pilgrim's financial position, results of operations or cash flow.

Business Segment and Geographic Reporting

We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale in the U.S., Puerto Rico and Mexico. We conduct separate operations in the U.S., Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico with our U.S. operations. Corporate expenses are allocated to Mexico based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S.

Results of Operations

2012 Compared to 2011

Net sales. Net sales for 2012 increased $585.7 million, or 7.8%, from 2011. The following table provides additional information regarding net sales:

Source of net sales	2012	Change from 2011 Amount	Change from 2011 Percent	
	(In thousands, except percent data)			
United States	$ 7,249,485	$ 470,758	6.9%	(a)
Mexico	871,897	114,926	15.2%	(b)
Total net sales	$ 8,121,382	$ 585,684	7.8%	

(a) U.S. sales generated in 2012 increased $470.8 million, or 6.9%, from U.S. sales generated in 2011, primarily because of an increase in the net revenue per pound sold partially offset by a decrease in pounds sold. Increased net revenue per pound sold, which resulted primarily from an increase in market prices, contributed $499.6 million, or 7.4 percentage points, to the revenue increase. The decrease in pounds sold, which resulted in part from the fourth quarter 2011 disposals of our distribution and pork businesses, partially offset the increase in revenue per pound sold by $28.8 million, or 0.4 percentage points. The disposed distribution and pork businesses generated net sales of $332.4 million during 2011. Included in U.S. sales generated during 2012 and 2011 were sales to JBS USA, LLC totaling $206.7 million and $117.9 million, respectively.

(b) Mexico sales generated in 2012 increased $114.9 million, or 15.2%, from Mexico sales generated in 2011. An increase in unit sales volume, which resulted primarily from higher customer demand, contributed $60.0 million, or 7.9 percentage points, to the revenue increase. The increase in sales price, due to reduced supply resulting from production cuts, contributed $54.9 million, or 7.3 percentage points.

Gross profit. Gross profit increased by $577.4 million, or 407.9%, in 2012 from a gross loss of $141.5 million incurred in 2011 to a gross profit of $435.8 million generated in 2012. The following tables provide gross profit information:

Components of gross profit	2012	Change from 2011 Amount	Change from 2011 Percent	Percent of Net Sales 2012	Percent of Net Sales 2011	
	(In thousands, except percent data)					
Net sales	$ 8,121,382	$ 585,684	7.8%	100.0%	100.0%	
Cost of sales	7,685,550	10,273	0.1%	94.6%	101.9%	(a) (b)
Operational restructuring charges		(1,958)	(100.0)%			(c)
Gross profit	$ 435,832	$ 577,369	407.9%	5.4%	(1.9)%	

Sources of gross profit	2012	Change from 2011 Amount	Percent	
	(In thousands, except percent data)			
United States	$ 332,611	$ 492,811	307.6%	
Mexico	103,221	84,558	453.1%	
Total gross profit	$ 435,832	$ 577,369	407.9%	

Sources of cost of sales	2012	Change from 2011 Amount	Percent	
	(In thousands, except percent data)			
United States	$ 6,916,874	$ (20,096)	(0.3)%	(a)
Mexico	768,676	30,369	4.1%	(b)
Total cost of sales	$ 7,685,550	$ 10,273	0.1%	

Sources of operational restructuring charges	2012	Change from 2011 Amount	Percent	
	(In thousands, except percent data)			
United States	$	$ (1,958)	(100.0)%	(c)
Total operational restructuring charges	$	$ (1,958)	(100.0)%	

(a) Cost of sales incurred by the U.S. operations during 2012 decreased $20.1 million, or 0.3%, from cost of sales incurred by the U.S. operations during 2011. The disposal of the distribution and pork businesses contributed $295.2 million, or 4.3 percentage points, to the decrease in cost of sales. The closing of our Dallas, Texas plant contributed $62.0 million, or 0.9 percentage points, to the decrease in cost of sales. Decreased depreciation contributed $59.2 million, or 0.9 percentage points, to the decrease in cost of sales. The disposal of the commercial egg business contributed $12.0 million, or 0.2 percentage points, to the decrease in cost of sales. Decreased fleet expenses contributed $11.0 million, or 0.2 percentage points, to the decrease in cost of sales. The decrease in cost of sales was partially offset by higher live production costs, which increased primarily because of higher feed ingredient costs, derivative net gain and packaging and ingredients costs. Feed ingredients costs contributed $365.0 million, or 5.3 percentage points, to the increase in cost of sales. Net gains recognized on both settled and outstanding derivative instruments contributed $54.0 million, or 0.8 percentage points, to the increase in cost of sales. Packaging and ingredients costs contributed $4.0 million, or 0.1 percentage points, to the increase in cost of sales. Other factors affecting cost of sales were immaterial.

(b) Cost of sales incurred by the Mexico operations during 2012 increased $30.4 million, or 4.1%, from cost of sales incurred by the Mexico operations during 2011. Increased feed costs contributed $108.7 million, or 14.7 percentage points and increased sales volume contributed $48.3 million, or 6.5 percentage points, to the increase in cost of sales. Decreased overhead costs and foreign currency translation partially offset the increase by $81.6 million and $44.9 million, respectively. Other factors affecting cost of sales were immaterial.

(c) Operational restructuring charges incurred by the U.S. operations during 2012 decreased $2.0 million, or 100.0%, from operational restructuring charges incurred by the U.S. operations during 2011. Operational restructuring charges for 2011 of $2.0 million represented impairment expense recognized to reduce the carrying amount of certain assets located at our commercial egg operations in Texas to fair value.

Operating income. Operating income increased $623.9 million, or 167.0%, in 2012 from an operating loss of $373.6 million incurred for 2011 to operating income of $250.3 million generated for 2012. The following tables provide operating income information:

		Change from 2011		Percent of Net Sales		
Components of operating income	**2012**	**Amount**	**Percent**	**2012**	**2011**	
	(In thousands, except percent data)					
Gross profit	$ 435,832	$ 577,369	407.9%	5.4%	(1.9)%	
SG&A expenses	177,041	(28,102)	(13.7)%	2.2%	2.7%	(a)(b)
Administrative restructuring charges	8,449	(18,462)	(68.6)%	0.1%	0.4%	(c)
Operating income	$ 250,342	$ 623,933	167.0%	3.1%	(5.0)%	

		Change from 2011	
Source of operating income	**2012**	**Amount**	**Percent**
	(In thousands, except percent data)		
United States	$ 164,750	$ 538,018	144.1 %
Mexico	85,592	85,915	26,599.1 %
Total operating income	$ 250,342	$ 623,933	167.0 %

		Change from 2011		
Sources of SG&A expenses	**2012**	**Amount**	**Percent**	
	(In thousands, except percent data)			
United States	$ 159,412	$ (26,745)	(14.4)%	(a)
Mexico	17,629	(1,357)	(7.1)%	(b)
Total SG&A expense	$ 177,041	$ (28,102)	(13.7)%	

		Change from 2011		
Sources of administrative restructuring charges	**2012**	**Amount**	**Percent**	
	(In thousands, except percent data)			
United States	$ 8,449	$ (18,462)	(68.6)%	(c)
Total administrative restructuring charges	$ 8,449	$ (18,462)	(68.6)%	

(a) SG&A expenses incurred by the U.S. operations during 2012 decreased $26.7 million, or 14.4%, from SG&A expenses incurred by the U.S. operations during 2011 primarily because of (i) a decrease in outside services and professional fees of $7.1 million, (ii) a decrease in transactional tax expenses of $3.1 million , (iii) a decrease in brokerage expenses of $3.0 million , (iv) a decrease in depreciation and amortization of $2.4 million, (v) a decrease in marketing and development expenses of $2.2 million and (vi) a decrease in payroll and related benefit expenses $1.5 million. Other factors affecting SG&A expense were immaterial.

(b) SG&A expense incurred by the Mexico operations during 2012 decreased $1.4 million, or 7.1%, from SG&A expense incurred by the Mexico operations during 2011. Foreign exchange translation accounted for a decrease of $1.1 million of the decrease in SG&A expense. Other factors affecting SG&A expense were immaterial.

(c) Administrative restructuring charges incurred during 2012 decreased $18.5 million, or 68.6%, from administrative restructuring charges incurred during 2011. During 2012, we incurred administrative restructuring charges composed of (i) flock rationalization costs of $3.7 million related to our Dallas, Texas plant closure, (ii) impairment costs of $2.8 million and (iii) a loss resulting from the disposal of certain unused assets of $2.0 million. During 2011, the Company incurred administrative restructuring charges composed of (i) impairment charges of $20.9 million, (ii) flock rationalization costs of $5.2 million related to the closure of the Dallas, Texas plant and (iii) severance costs of $0.7 million.

Interest expense. Consolidated interest expense decreased 5.9% to $104.9 million in 2012 from $111.5 million in 2011 primarily because of decreased average borrowings of $1,242.2 million in 2012 compared to $1,483.0 million in 2011 partially offset by an increase in the weighted average interest rate to 7.0% in 2012 from 6.7% in 2011. As a percent of net sales, interest expense in 2012 and 2011 was 1.3% and 1.5%, respectively.

Income taxes. The Company's consolidated income tax benefit in 2012 was $21.0 million, compared to a tax expense of $8.6 million in 2011. The income tax benefit in 2012 resulted primarily from a decrease in valuation allowance and a decrease in reserves for unrecognized tax benefits. The income tax expense in 2011 resulted primarily from an increase in valuation allowance and an increase in reserves for unrecognized tax benefits. See "Note 13. Income Taxes" to the Consolidated Financial Statements.

2011 Compared to 2010

Net sales. Net sales for 2011 increased $654.1 million, or 9.5%, from 2010. The following table provides additional information regarding net sales:

Source of net sales	2011	Change from 2010 Amount	Change from 2010 Percent	
	(In thousands, except percent data)			
United States	$ 6,778,727	$ 541,670	8.7%	(a)
Mexico	756,971	112,399	17.4%	(b)
Total net sales	$ 7,535,698	$ 654,069	9.5%	

(a) U.S. sales generated in 2011 increased $541.7 million, or 8.7%, from U.S. sales generated in 2010, which resulted from higher domestic sales of $5,986.4 million compared to $5,671.3 million in 2010 and higher export sales of $792.3 million compared to $565.7 million in 2010. An increase in unit sales volume, which resulted primarily from higher demand and the Company's focused inventory reduction efforts during 2011 contributed $596.4 million, or 9.6 percentage points, to the period's revenue increase. A decrease in net revenue per pound sold, which resulted primarily from a less favorable product mix sold in 2011 as compared to 2010, partially offset the positive impact that increased unit sales volume had on the period's revenue comparison by $54.7 million, or 0.9 percentage points. Included in U.S. sales generated during 2011 and 2010 were sales to JBS USA, LLC totaling $117.9 million and $5.4 million, respectively.

(b) Mexico sales generated in 2011 increased 17.4% from Mexico sales generated in 2010. Sales volume in 2011 increased $92.6 million, or 14.3 percentage points, from 2010 because of increased demand. Net revenue per pound sold in 2011 increased $19.8 million, or 3.1 percentage points, from 2010 primarily because of fluctuations in the Mexican peso against the U.S. dollar in 2011 and an increase in live chicken market prices.

Gross profit (loss). Gross profit decreased by $602.5 million, or 130.7%, in 2011 from a gross profit of $461.0 million generated in 2010 to a gross loss of $141.5 million incurred in 2011. The following tables provide gross loss information:

Components of gross profit (loss)	2011	Change from 2010 Amount	Change from 2010 Percent	Percent of Net Sales 2011	Percent of Net Sales 2010	
	(In thousands, except percent data)					
Net sales	$ 7,535,698	$ 654,069	9.5%	100.0%	100.0%	
Cost of sales	7,675,277	1,258,959	19.6%	101.9%	93.2%	(a)(b)
Operational restructuring charges	1,958	(2,360)	(54.7)%		0.1%	(c)
Gross profit (loss)	$ (141,537)	$ (602,530)	(130.7)%	(1.9)%	6.7%	

Sources of gross profit (loss)	2011	Change from 2010 Amount	Change from 2010 Percent
	(In thousands, except percent data)		
United States	$ (160,200)	$ (527,583)	(143.6)%
Mexico	18,663	(74,947)	(80.1)%
Total gross profit (loss)	$ (141,537)	$ (602,530)	(130.7)%

Sources of cost of sales	2011	Change from 2010 Amount	Percent	
	(In thousands, except percent data)			
United States	$ 6,936,970	$ 1,071,614	18.3%	(a)
Mexico	738,307	187,345	34.0%	(b)
Total cost of sales	$ 7,675,277	$ 1,258,959	19.6%	

Sources of operational restructuring charges	2011	Change from 2010 Amount	Percent	
	(In thousands, except percent data)			
United States	$ 1,958	$ (2,360)	(54.7)%	(c)
Total operational restructuring charges	$ 1,958	$ (2,360)	(54.7)%	

(a) Cost of sales incurred by the U.S. operations during 2011 increased $1,071.6 million from cost of sales incurred by the U.S. operations during 2010. Live production costs, which increased primarily because of higher feed ingredient costs, contributed $773.1 million, or 11.1 percentage points, to the increase in cost of sales. The Company's focused inventory reduction efforts during 2011, which resulted in increased sales, contributed $215.2 million, or 3.1 percentage points, to the increase in costs of sales. Higher freight, storage and handling costs contributed $29.9 million, or 0.4 percentage points, to the increase in cost of sales. Cost of sales incurred by our distribution, protein conversion and other operations, which increased due to higher unit sales volume, contributed $72.8 million, or 1.1 percentage points to the increase in cost of sales. The contribution to the increase in cost of sales resulting from a decrease in the amount of net gains recognized on both settled and outstanding derivative instruments of $5.4 million, or 0.1 percentage points. A decrease in utility, maintenance and other complex costs of $27.6 million or 0.4 percentage points, partially offset the increase in cost of sales. Included in the costs listed above are losses on egg sales and flock depletion expense of $18.5 million, product recall expenses of $7.9 million, and uninsured loss related to the Marshville, North Carolina facility of $1.9 million. Other factors affecting cost of sales were immaterial.

(b) Cost of sales incurred by the Mexico operations during 2011 increased $187.3 million, or 34.0%, from cost of sales incurred by the Mexico operations during 2010. Increased sales volume contributed $79.2 million, or 14.4 percentage points, and foreign currency translation contributed $35.5 million, or 6.4 percentage points, to the increase in cost of sales. The remaining $72.6 million, or 13.2 percentage points, of the increase in cost of sales resulted primarily from higher feed ingredient costs.

(c) Operational restructuring charges incurred by the U.S. operations during 2011 decreased $2.4 million, or 54.7%, from operational restructuring charges incurred by the U.S. operations during 2010. Operational restructuring charges for 2011 of $2.0 million represented impairment expense recognized to reduce the carrying amount of certain assets located at our commercial egg operations in Texas to fair value. Operational restructuring charges for 2010 represented impairment expense of $1.0 million recognized to reduce the carrying amount of certain assets located in our closed processing facility in Georgia and hatchery in North Carolina to fair value and relocation expenses of $3.3 million related to the integration with JBS USA.

Operating income (loss). Operating income decreased $559.0 million, or 301.5%, in 2011 from operating income of $185.4 million generated for 2010 to an operating loss of $373.6 million incurred for 2011. The following tables provide operating income(loss) information:

		Change from 2010		Percent of Net Sales		
Components of operating income (loss)	**2011**	**Amount**	**Percent**	**2011**	**2010**	
	(In thousands, except percent data)					
Gross profit	$ (141,537)	$ (602,530)	(130.7)%	(1.9)%	6.7%	
SG&A expenses	205,143	(4,401)	(2.1)%	2.7%	3.0%	(a)(b)
Administrative restructuring charges	26,911	(39,111)	(59.2)%	0.4%	0.1%	(c)
Operating income (loss)	$ (373,591)	$ (559,018)	(301.5)%	(5.0)%	2.7%	

		Change from 2010	
Source of operating income (loss)	**2011**	**Amount**	**Percent**
	(In thousands, except percent data)		
United States	$ (373,268)	$ (485,414)	(432.8)%
Mexico	(323)	(73,604)	(100.4)%
Total operating income (loss)	$ (373,591)	$ (559,018)	(301.5)%

		Change from 2010		
Sources of SG&A expenses	**2011**	**Amount**	**Percent**	
	(In thousands, except percent data)			
United States	$ 186,157	$ (3,058)	(1.6)%	(a)
Mexico	18,986	(1,343)	(6.6)%	(b)
Total SG&A expense	$ 205,143	$ (4,401)	(2.1)%	

		Change from 2010		
Sources of administrative restructuring charges	**2011**	**Amount**	**Percent**	
	(In thousands, except percent data)			
United States	$ 26,911	$ (39,111)	(59.2)%	(c)
Total administrative restructuring charges	$ 26,911	$ (39,111)	(59.2)%	

(a) SG&A expenses incurred by the U.S. operations during 2011 decreased $3.1 million, or 1.6%, from SG&A expenses incurred by the U.S. operations during 2010 primarily because of (i) a $3.0 million decrease from the prior period in payroll and related benefit expenses, (ii) a decrease of $3.4 million in depreciation and losses on asset disposals, (iii) a decrease of $2.2 million related to sales programs and (iv) a decrease of $1.3 million in lease expenses. These decreases were partially offset by (i) a $3.7 million increase in expenses related to the Company's insurance costs, (ii) a $1.7 million increase in property tax expense and (iii) a $1.5 million increase in outside services. Other factors affecting SG&A expense were immaterial.

(b) SG&A expense incurred by the Mexico operations during 2011 decreased $1.3 million, or 6.6%, from SG&A expense incurred by the Mexico operations during 2010 primarily because of increased freight and storage costs of $1.0 million that were partially offset by a $0.9 million decrease in costs related to employee relations and a $1.4 million decrease in outside services related expenses.

(c) During 2011, the Company incurred administrative restructuring charges composed of (i) impairment charges of $20.9 million, (ii) flock rationalization costs of $5.2 million related to the closure of the Dallas, Texas plant and (iv) severance costs of $0.7 million. During 2010, the Company incurred administrative restructuring charges composed of (i) impairment charges of $25.5 million, (ii) change-in-control compensation costs of $18.2 million, (iii) severance costs of $13.0 million, (iv) relocation charges of $7.2 million related to the integration with JBS USA and (v) other facility closure costs of $2.1 million.

Interest expense. Consolidated interest expense increased 5.7% to $111.5 million in 2011 from $105.6 million in 2010 primarily because of increased average borrowings of $1,483.0 million in 2011 compared to $1,215.7 million in 2010. In addition, the weighted average interest rate increased to 6.7% in 2011 from 6.4% in 2010. As a percent of net sales, interest expense in 2011 and 2010 remained the same at 1.5%.

Early extinguishment of debt. The Company did not recognize any expense related to the early extinguishment of debt in 2011. The Company incurred expenses of $11.7 million related to the early extinguishment of debt in 2010. These expenses included costs associated with the elimination of unamortized capitalized finance charges related to the Term A loan and a portion of the Term B loan of the U.S. Credit Facility.

Reorganization items. The Company did not recognize any reorganization costs in 2011. The Company incurred reorganization costs of $18.5 million in 2010. These expenses included (i) costs associated with the elimination of unamortized capitalized finance charges related to our pre-petition secured credit facilities, the 7 % senior notes due 2015 and the 8 % senior subordinated notes due 2017, (ii) professional fees charged for post-petition reorganization services and (iii) severance and other costs related to post-petition facility closures and reduction-in-force actions. These reorganization costs were partially offset by the recognition during the three months ended March 28, 2010 of a previously unrealized gain totaling $4.1 million on a derivative financial instrument designated as a cash flow hedge related to public debt extinguished on December 28, 2009.

Income taxes. The Company's consolidated income tax expense in 2011 was $8.6 million, compared to a tax benefit of $23.8 million in 2010. The income tax expense in 2011 resulted primarily from an increase in valuation allowance and an increase in reserves for unrecognized tax benefits. The income tax benefit in 2010 resulted primarily from the deconsolidation for tax purposes of the Mexico operations and a decrease in the valuation allowance, offset by an increase in reserves for unrecognized tax benefits. See "Note 13. Income Taxes" to the Consolidated Financial Statements.

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of December 30, 2012:

Source of Liquidity	Facility Amount	Amount Outstanding	Available
	(In millions)		
Cash and cash equivalents	$	$	$ 68.2
Debt facilities:			
U.S. Credit Facility	700.0	103.6	529.9 (a)
Mexico Credit Facility	42.8		42.8 (b)

(a) Actual borrowings by the Company under the U.S. Credit Facility (as defined below) are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base in effect on December 30, 2012 was $658.1 million. Availability under the U.S. Credit Facility is also reduced by the Company's outstanding standby letters of credit. Standby letters of credit outstanding at December 30, 2012 totaled $24.6 million.

(b) Under the Mexico Credit Facility (as defined below), if (i) any default or event of default has occurred and is continuing or (ii) the quotient of the borrowing base divided by the outstanding loans and letters of credit (the "Collateral Coverage Ratio") under the Mexico Credit Facility is less than 1.25 to 1.00, the loans and letters of credit under the Mexico Credit Facility will be subject to, and cannot exceed, a borrowing base. The borrowing base is a formula based on accounts receivable, inventory, prepaid assets, net cash under the control of the administrative agent and up to 150.0 million Mexican pesos of fixed assets of the loan parties. The borrowing base formula will be reduced by trade payables of the loan parties. If the Collateral Coverage Ratio falls below 1.25 to 1.00, the borrowing base requirement would terminate upon the earlier of (i) the Collateral Coverage Ratio exceeding 1.25 to 1.00 as of the latest measurement period for 60 consecutive days or (ii) the borrowing availability under the Mexico Credit Facility being equal to or greater than the greater of 20% of the revolving commitments under the Mexico Credit Facility and 100.0 million Mexican pesos for a period of 60 consecutive days.

Debt Obligations

Senior and Subordinated Notes. At December 30, 2012, the Company had an aggregate principal balance of $500.0 million of 7 % senior notes due 2018 (the “2018 Notes”) outstanding that are registered under the Securities Act of 1933. The 2018 Notes are unsecured obligations of the Company and are guaranteed by one of the Company’s subsidiaries. Interest is payable on December 15 and June 15 of each year, commencing on June 15, 2011. The indenture governing the 2018 Notes contains various covenants that may adversely affect our ability, among other things, to incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with JBS USA and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. Additionally, we have an aggregate principal balance of $3.9 million of 7 % senior unsecured notes, 8 % senior subordinated unsecured notes and 9 ¼% senior unsecured notes outstanding at December 30, 2012.

JBS Subordinated Loan Agreement. On June 23, 2011, the Company entered into a Subordinated Loan Agreement with JBS USA (the “Subordinated Loan Agreement”), which provided an aggregate commitment of $100.0 million. On June 23, 2011, JBS USA made a term loan to the Company in the principal amount of $50.0 million. Pursuant to the terms of the Subordinated Loan Agreement, we also agreed to reimburse JBS USA up to $56.5 million for draws upon any letters of credit issued for JBS USA’s account that support certain obligations of the Company or its subsidiaries. On December 16, 2011, the Company and JBS USA executed an amendment to the Subordinated Loan Agreement that, among other things, provided that if the Company consummated a stock rights offering (the “Rights Offering”) that allowed stockholders of record as of January 17, 2012 to purchase an aggregate 44,444,444 shares of the Company’s common stock on or before March 24, 2012, the loan commitment under the Subordinated Loan Agreement would be terminated. The Company consummated the Rights Offering on February 29, 2012. Further, under the U.S. Credit Facility (as defined below), following the consummation of the Rights Offering, (i) the Company, at its option, was permitted to prepay the outstanding $50.0 million term loan under the Subordinated Loan Agreement and (ii) the existing commitment of JBS USA to make an additional $50.0 million term loan to the Company under the Subordinated Loan Agreement would be terminated. On March 7, 2012, the Company repaid the outstanding $50.0 million term loan under the Subordinated Loan Agreement, plus accrued interest, with proceeds received from the Rights Offering and the remaining commitment of JBS USA to make loans under the Subordinated Loan Agreement was terminated.

JBS USA agreed to arrange for letters of credit to be issued on its account in the amount of $56.5 million to an insurance company serving the Company in order to allow that insurance company to return cash it held as collateral against potential workers compensation, auto and general liability claims. In return for providing this letter of credit, the Company has agreed to reimburse JBS USA for the letter of credit costs the Company would otherwise incur under its U.S. Credit Facility. The total amounts paid by the Company in 2012 and 2011 to reimburse JBS USA for letter of credit costs, were $2.2 million and $0.4 million, respectively. As of December 30, 2012, the Company has accrued an obligation of $0.2 million to reimburse JBS USA for letter of credit costs incurred on its behalf.

U.S. Credit Facility. Pilgrim’s and certain of its subsidiaries have entered into a credit agreement (the “U.S. Credit Facility”) with CoBank ACB, as administrative agent and collateral agent, and other lenders party thereto, which currently provides a $700.0 million revolving credit facility and a Term B facility. The U.S. Credit Facility also includes an accordion feature that allows us, at any time, to increase the aggregate revolving loan commitment by up to an additional $100.0 million and to increase the aggregate Term B loans commitment by up to an additional $400.0 million, in each case subject to the satisfaction of certain conditions, including obtaining the lenders’ agreement to participate in the increase and an aggregate limit on all commitments under the U.S. Credit Facility of $1.85 billion. On April 22, 2011, we increased the amount of the sub-limit for swingline loans under the U.S. Credit Facility to $100.0 million. The revolving loan commitment and the Term B loans will mature on December 28, 2014.

On December 28, 2009, the Company paid loan costs totaling $50.0 million related to the U.S. Credit Facility that it recognized as an asset on its balance sheet. The Company amortizes these capitalized costs to interest expense over the life of the U.S. Credit Facility.

Subsequent to the end of each fiscal year, a portion of our cash flow must be used to repay outstanding principal amounts under the Term B loans. With respect to 2012, the Company estimates that it will be required to pay approximately $141.0 million of its cash flow toward the outstanding principal under the Term B loans, which the Company expects to pay on April 29, 2013. The Company did not have excess cash flow from 2011 to be applied toward the outstanding principal under the Term B loans. In April 2011, the Company paid approximately $46.3 million of its excess cash flow from 2010 toward the outstanding principal under the Term B loans. The excess cash flow payments have been and will continue to be applied to installments of the Term B loans ratably in accordance with the then outstanding amounts thereof. The U.S. Credit Facility also requires us to use the proceeds we receive from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility. The cash proceeds received by the Company from the Rights Offering were not subject to this requirement. On December 30, 2012, a principal amount of $559.1 million under the Term B loans commitment was outstanding.

Actual borrowings by the Company under the revolving credit commitment component of the U.S. Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of CoBank ACB. As of December 30, 2012, the applicable borrowing base was $658.1 million, the amount available for borrowing under the revolving loan commitment was $529.9 million and outstanding borrowings and letters of credit under the revolving loan commitment were $103.6 million and $24.6 million, respectively.

The U.S. Credit Facility contains financial covenants and various other covenants that may adversely affect our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS USA and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. On June 23, 2011 and December 16, 2011, the Company entered into amendments to the U.S. Credit Facility, which, among other things, (i) temporarily suspended the requirement for the Company to comply with the fixed charge coverage ratio and senior secured leverage ratio financial covenants until the quarter ended December 30, 2012, (ii) modified the fixed charge coverage ratio financial covenant so that when the requirement to comply with this covenant resumes in the quarter ended December 30, 2012, the Company can calculate the fixed charge coverage ratio based upon a specified number of fiscal quarters selected by the Company, (iii) reduced the minimum allowable consolidated tangible net worth to the sum of $450 million plus 50% of the cumulative net income (excluding any losses) of the Company from December 16, 2011 through such date of calculation and (iv) increased the maximum allowable senior secured leverage ratio, determined for any period of four consecutive fiscal quarters ending on the last day of each fiscal quarter, to be no greater than 4.0 to 1.0 for periods calculated from September 24, 2012 and thereafter. The Company is currently in compliance with these financial covenants.

The U.S. Credit Facility provides that the Company may not incur capital expenditures in excess of $175.0 million in either 2011 or 2012 and $350.0 million each fiscal year thereafter. The U.S. Credit Facility contains various other covenants that may adversely affect our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS USA and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets.

All obligations under the U.S. Credit Facility are unconditionally guaranteed by certain of the Company’s subsidiaries and are secured by a first priority lien on (i) the accounts receivable and inventories of the Company and its non-Mexico subsidiaries, (ii) 65% of the equity interests in the Company’s direct foreign subsidiaries and 100% of the equity interests in the Company’s other subsidiaries, (iii) substantially all of the personal property and intangibles of the borrowers and guarantors under the U.S. Credit Facility and (iv) substantially all of the real estate and fixed assets of the Company and the guarantor subsidiaries under the U.S. Credit Facility.

Mexico Credit Facility. On October 19, 2011, Avícola Pilgrim’s Pride de México, S.A. de C.V. , Pilgrim’s Pride S. de R.L. de C.V. and certain Mexican subsidiaries entered into an amended and restated credit agreement (the “Mexico Credit Facility”) with ING Bank (México), S.A. Institución de Banca Múltiple, ING Grupo Financiero, as lender and ING Capital LLC, as administrative agent. The Mexico Credit Facility has a final maturity date of September 25, 2014. The Mexico Credit Facility is secured by substantially all of the assets of the Company’s Mexico subsidiaries. As of December 30, 2012, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was $42.8 million. There were no outstanding borrowings under the Mexico Credit Facility at December 30, 2012.

Under the Mexico Credit Facility, if (i) any default or event of default has occurred and is continuing or (ii) the quotient of the borrowing base divided by the outstanding loans and letters of credit (the “Collateral Coverage Ratio”) under the Mexico Credit Facility is less than 1.25 to 1.00, the loans and letters of credit under the Mexico Credit Facility will be subject to, and cannot exceed, a borrowing base. The borrowing base is a formula based on accounts receivable, inventory, prepaid assets, net cash under the control of the administrative agent and up to 150.0 million Mexican pesos of fixed assets of our Mexico subsidiaries party to the Mexico Credit Facility. The borrowing base formula will be reduced by trade payables of those Mexico subsidiaries. If the Collateral Coverage Ratio falls below 1.25 to 1.00, the borrowing base requirement would terminate upon the earlier of (i) the Collateral Coverage Ratio exceeding 1.25 to 1.00 as of the latest measurement period for 60 consecutive days or (ii) the borrowing availability under the Mexico Credit Facility being equal to or greater than the greater of 20% of the revolving commitments under the Mexico Credit Facility and 100.0 million Mexican pesos for a period of 60 consecutive days.

Avicola may pay dividends or make other restricted payments to the Company in an amount not to exceed in the aggregate 250.0 million Mexican pesos during the term of the Mexico Credit Facility if certain conditions are satisfied, including a condition that availability is at least 100% of the revolving loan commitment under the Mexico Credit Facility, less any letter of credit liability under the Mexico Credit Facility. However, the Company deems its earnings from Mexico as of December 30, 2012 to be permanently reinvested. As such, U.S. deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and U.S. income taxes would be provided.

Collateral

Substantially all of our domestic inventories and domestic fixed assets are pledged as collateral to secure the obligations under the U.S. Credit Facility. The Mexico Credit Facility is secured by substantially all of the assets of the Company's Mexico subsidiaries.

Off-Balance Sheet Arrangements

We maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to ten years. We estimate the maximum potential amount of the residual value guarantees is approximately $8.4 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable, and the fair value of the guarantees is immaterial. We historically have not experienced significant payments under similar residual guarantees.

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**.**

Capital Expenditures

We anticipate spending approximately $107.0 million on the acquisition of property, plant and equipment in 2013. Capital expenditures will primarily be incurred to improve efficiencies and reduce costs. We expect to fund these capital expenditures with cash flow from operations and proceeds from the revolving lines of credit under our various debt facilities.

Indefinite Reinvestment of Mexico Subsidiaries' Undistributed Earnings

We have determined that the undistributed earnings of our Mexico subsidiaries will be indefinitely reinvested and not distributed to the U.S. The undistributed earnings of our Mexico subsidiaries totaled $208.6 million at December 30, 2012.

Contractual Obligations

In addition to our debt commitments at December 30, 2012, we had other commitments and contractual obligations that obligate us to make specified payments in the future. The following table summarizes the total amounts due as of December 30, 2012, under all debt agreements, commitments and other contractual obligations. The table indicates the years in which payments are due under the contractual obligations.

	Payments Due By Period				
Contractual Obligations[e]	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(In thousands)				
Long-term debt[a]	$ 1,166,587	$ 156,762	$ 506,308	$ 3,517	$ 500,000
Interest[b]	343,120	89,190	133,186	80,574	40,170
Capital leases[c]	1,145	194	510	349	92
Operating leases	12,650	7,450	5,200		
Derivative liabilities	1,530	1,530			
Purchase obligations[d]	230,850	230,265	585		
Total	$ 1,755,882	$ 485,391	$ 645,789	$ 84,440	$ 540,262

(a) Long-term debt includes an unaccreted discount of $2.7 million and excludes $24.6 million in letters of credit outstanding related to normal business transactions. Pursuant to the U.S. Credit Facility, subsequent to the end of each fiscal year, a portion of our cash flow must be used to repay outstanding principal amounts under the Term B loans. The Company is required to pay approximately $141.0 million with respect to 2012.

(b) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings under our credit facilities as of December 30, 2012.

(c) Capital leases includes $0.3 million in interest expense.

(d) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

(e) The total amount of PPC's unrecognized tax benefits at December 30, 2012 was $16.6 million. We did not include this amount in the contractual obligations table above as reasonable estimates cannot be made at this time of the amounts or timing of future cash outflows. The table above does not include estimated funding of our unfunded pension and other postretirement benefits obligations totaling approximately $104.0 million at December 30, 2012 as discussed in "Note 14. Pension and Other Postretirement Benefits" to the Consolidated Financial Statements.

Historical Flow of Funds

Fiscal Year 2012

Cash provided by operating activities was $199.6 million for 2012 and cash used in operating activities was $129.0 million for 2011. The increase in cash flows provided by operating activities was primarily from net income of $174.0 million for 2012 as compared to a net loss of $495.7 million for 2011 and changes in working capital (excluding the impacts as a result of changes in foreign currency exchange rates).

Our net working capital position, which we define as current assets less current liabilities, increased $65.5 million to a surplus of $812.5 million and a current ratio of 2.11 at December 30, 2012 compared to a surplus of $747.0 million and a current ratio of 2.04 at December 25, 2011. The increase in working capital was caused by the generation of cash from operations.

Trade accounts and other receivables, including accounts receivable from JBS USA, increased $16.0 million, or 4.3%, to $386.4 million at December 30, 2012 from $370.4 million at December 25, 2011. The change in trade accounts and other receivables resulted primarily from increased sales prices.

Inventories increased $71.2 million, or 8.1%, to $950.3 million at December 30, 2012 from $879.1 million at December 25, 2011. The change in inventories was primarily due to increased costs for live chicken products and feed, eggs and other inventory items.

Prepaid expenses and other current assets increased $3.7 million, or 7.1%, to $56.0 million at December 30, 2012 from $52.3 million at December 25, 2011. This change resulted primarily from a $9.8 million increase in value-added tax receivables and an increase of $12.0 million in prepaid insurance. These increases were partially offset by a decrease of $14.2 million in prepaid grain purchases and a decrease of $4.3 million in open derivative positions.

Accounts payable, including accounts payable to JBS USA, decreased $14.7 million, or 4.3%, to $325.8 million at December 30, 2012 from $340.5 million at December 25, 2011. This change resulted from the timing of payments disbursed to vendors at December 25, 2011.

Accrued expenses increased $1.7 million, or 0.6%, to $283.5 million at December 30, 2012 from $281.8 million at December 25, 2011. This change resulted primarily from a $5.3 million increase in compensation, benefits and other employee-related accruals and a $4.5 million increase in accrued property taxes. These increases were partially offset by a decrease of $3.9 million in market development fund accruals, a $2.3 million decrease in accrued interest, a $1.1 million decrease in brokerage accrued expenses and a $1.0 million decrease in outstanding derivative liabilities.

Cash used in investing activities was $60.4 million and $58.2 million in 2012 and 2011, respectively. We incurred capital expenditures of $90.3 million and $136.0 million for 2012 and 2011, respectively. In 2012, capital expenditures were primarily incurred for the routine replacement of equipment and to improve efficiencies and reduce costs. In 2011, capital expenditures were primarily incurred for the reopening of the Douglas, Georgia facility and for the routine replacement of equipment and to improve efficiencies and reduce costs. Capital expenditures for 2012 could not exceed $175 million under the terms of the U.S. Credit Facility. Cash was used to purchase investment securities totaling $0.2 million and $4.6 million in 2012 and 2011, respectively. Cash proceeds in 2012 and 2011 from the sale or maturity of investment securities were $0.7 million and $15.9 million, respectively. Cash proceeds from property disposals in 2012 and 2011 were $29.4 million and $29.0 million, respectively. Cash proceeds from business dispositions in 2011 totaled $37.5 million.

Cash used in financing activities was $111.0 million in 2012. Cash provided by financing activities was $126.9 million in 2011. Cash was used in 2012 to repay the note payable to JBS USA totaling $50.0 million. Cash proceeds in 2011 from notes payable to JBS USA were $50.0 million. Cash proceeds in 2012 and 2011 from long-term debt were $851.4 million and $965.7 million, respectively. Cash was used to repay long-term debt totaling $1,110.7 million and $881.8 million in 2012 and 2011, respectively. Cash proceeds in 2012 from the sale of common stock were $198.3 million. Cash was used to pay capitalized loan costs totaling $4.4 million in 2011. Cash used to purchase the remaining interest in a subsidiary we did not already own totaled $2.5 million in 2011. Cash was used for other financing activities totaling $0.1 million in 2011.

Fiscal Year 2011

Cash used in operating activities was $129.0 million for 2011 and cash provided by operating activities was $14.6 million for 2010. The increase in cash flows used in operating activities was primarily from reductions in net working capital as well as a net loss of $495.7 million for 2011 as compared to a net income of $90.3 million for 2010.

Our net working capital position, which we define as current assets less current liabilities, decreased $224.8 million to a surplus of $747.0 million and a current ratio of 2.04 at December 25, 2011 compared to a surplus of $971.8 million and a current ratio of 2.32 at December 26, 2010. Key contributors to the reduction in net working capital included decreases in cash and cash equivalents, restricted cash, inventories and prepaid expenses and other current assets and an increase in current deferred tax liabilities, partially offset by an increase in trade accounts and other receivables and a decreases in current maturities of long-term debt, accrued expenses and income taxes payable.

Restricted cash decreased $53.3 million, or 87.4%, to $7.7 million at December 25, 2011 from $61.0 million at December 26, 2010. The change in restricted cash resulted from the release of cash held in our captive insurance companies.

Trade accounts and other receivables, including accounts receivable from JBS USA, increased $48.6 million, or 15.1%, to $370.4 million at December 25, 2011 from $321.8 million at December 26, 2010. The change in trade accounts and other receivables resulted primarily from increased sales recognized towards the latter part of the current period as well as an increase of $20.7 million in receivables from JBS USA.

Inventories decreased $150.2 million, or 14.6%, to $879.1 million at December 25, 2011 from $1,029.3 million at December 26, 2010. The change in inventories was primarily due to a decrease in finished products resulting from the Company's concerted efforts to reduce inventory during 2011.

Prepaid expenses and other current assets decreased $28.9 million, or 35.6%, to $52.4 million at December 25, 2011 from $81.3 million at December 26, 2010. This decrease occurred primarily because of a $30.5 million reduction in open derivative positions, offset by a $2.1 million increase in prepaid grain purchases.

Accounts payable increased $3.5 million, or 1.0%, to $340.5 million at December 25, 2011 from $337.0 million at December 26, 2010. This increase occurred primarily because of a $4.4 million increase in accounts payable to JBS USA.

Accrued expenses decreased $16.1 million, or 5.4%, to $281.8 million at December 25, 2011 from $297.9 million at December 26, 2010. This decrease resulted primarily from a $13.7 million reduction in derivative liabilities and a $11.4 million reduction in employee related expenses. This was partially offset by a $6.8 million increase in the accrued balances for sales programs and a $2.3 million increase in grain commitments.

Cash used in investing activities was $58.2 million and $113.7 million in 2011 and 2010, respectively. Capital expenditures of $136.0 million and $179.3 million for 2011 and 2010, respectively, were primarily incurred for the reopening of the Douglas, Georgia facility and for the routine replacement of equipment and to improve efficiencies and reduce costs. Capital expenditures for 2011 could not exceed $175 million under the terms of the Exit Credit Facility. Cash was used to purchase investment securities totaling $4.6 million and $17.2 million in 2011 and 2010, respectively. Cash proceeds in 2011 and 2010 from the sale or maturity of investment securities were $15.9 million and $68.1 million, respectively. Cash proceeds from property disposals in 2011 and 2010 were $29.0 million and $14.7 million, respectively. Cash proceeds from business dispositions in 2011 totaled $37.5 million.

Cash provided by financing activities was $126.9 million in 2011. Cash used in financing activities was $29.5 million in 2010. Cash proceeds for 2011 from notes payable to JBS USA were $50.0 million. Cash proceeds in 2011 and 2010 from long-term debt were $965.7 million and $2,438.9 million, respectively. Cash was used to repay long-term debt totaling $881.8 million and $3,197.4 million in 2011 and 2010, respectively. Cash proceeds in 2010 from the sale of common stock were $800.0 million. Cash was used to pay capitalized loan costs totaling $4.4 million and $62.8 million in 2011 and 2010. Cash used to purchase the remaining interest in a subsidiary we did not already own totaled $2.5 million and $7.6 million in 2011 and 2010. Cash was used for other financing activities totaling $0.1 million and $0.5 million in 2011 and 2010, respectively.

Recently Adopted Accounting Pronouncements

On December 26, 2011, the Company adopted Accounting Standards Update ("ASU") No. 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Disclosure Requirements in the U.S. GAAP and IFRS*. The amendment clarifies the FASB's intent about the application of existing fair value measurement and disclosure requirements (ASC Topic 820) and improves consistency in wording to ensure that U.S. GAAP and International Financial Reporting Standards ("IFRS") are described the same way. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption did not have a material impact on the Company's consolidated financial statements.

Critical Accounting Policies and Estimates

General. Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, customer programs and incentives, allowance for doubtful accounts, inventories, income taxes and product recall accounting. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition. We recognize revenue when all of the following circumstances are satisfied: (i) persuasive evidence of an arrangement exists, (ii) price is fixed or determinable, (iii) collectability is reasonably assured and (iv) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer's purchase order or sales agreement. Revenue is recorded net of estimated incentive offerings including special pricing agreements, promotions and other volume-based incentives. Revisions to these estimates are charged back to net sales in the period in which the facts that give rise to the revision become known.

Inventory. Live chicken inventories are stated at the lower of cost or market and breeder hens at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hens are accumulated up to the production stage and amortized over their productive lives using the unit-of-production method. Finished poultry products, feed, eggs and other inventories are stated at the lower of cost (average) or market. We record valuations and adjustments for our inventory and for estimated obsolescence at or equal to the difference between the cost of inventory and the estimated market value based upon known conditions affecting inventory obsolescence, including significantly aged products, discontinued product lines, or damaged or obsolete products. We allocate meat costs between our various finished chicken products based on a by-product costing technique that reduces the cost of the whole bird by estimated yields and amounts to be recovered for certain byproduct parts. This primarily includes leg quarters, wings, tenders and offal, which are carried in inventory at the estimated recovery amounts, with the remaining amount being reflected as our breast meat cost. Generally, the Company performs an evaluation of whether any lower of cost or market adjustments are required at the country level based on a number of factors, including: (i) pools of related inventory, (ii) product continuation or discontinuation, (iii) estimated market selling prices and (iv) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required.

Property, Plant and Equipment. The Company records impairment charges on long-lived assets held for use when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The impairment charge is determined based upon the amount by which the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (i) future cash flows estimated to be generated by these assets, which are based on additional assumptions such as asset utilization, remaining length of service and estimated salvage values, (ii) estimated fair market value of the assets, and (iii) determinations with respect to the lowest level of cash flows relevant to the respective impairment test, generally groupings of related operational facilities. Given the interdependency of the Company's individual facilities during the production process, which operate as a vertically integrated network, and the fact that the Company does not price the transfers of inventory between its vertically integrated facilities at market prices, it evaluates impairment of assets held for use at the country level (i.e., the U.S. and Mexico) within each segment. Management believes this is the lowest level of identifiable cash flows for its assets that are held for use in production activities. At the present time, the Company's forecasts indicate that it can recover the carrying value of its assets held for use based on the projected undiscounted cash flows of the operations.

The Company records impairment charges on long-lived assets held for sale when the carrying amount of those assets exceeds their fair value less appropriate selling costs. Fair value is based on amounts documented in sales contracts or letters of intent accepted by the Company, amounts included in counteroffers initiated by the Company, or, in the absence of current contract negotiations, amounts determined using a sales comparison approach for real property and amounts determined using a cost approach for personal property. Under the sales comparison approach, sales and asking prices of reasonably comparable properties are considered to develop a range of unit prices within which the current real estate market is operating. Under the cost approach, a current cost to replace the asset new is calculated and then the estimated replacement cost is reduced to reflect the applicable decline in value resulting from physical deterioration, functional obsolescence and economic obsolescence. Appropriate selling costs includes reasonable broker's commissions, costs to produce title documents, filing fees, legal expenses and the like. We estimate appropriate closing costs as 4% to 6% of asset fair value. This range of rates is considered reasonable for our assets held for sale based on historical experience. The Company recognized impairment charges related to assets held for sale of $2.8 million and $24.7 million during 2012 and 2011, respectively.

Litigation and Contingent Liabilities. The Company is subject to lawsuits, investigations and other claims related to employment, environmental, product, and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. The Company estimates the amount of reserves required for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. The Company expenses legal costs related to such loss contingencies as they are incurred. With respect to our environmental remediation obligations, the accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to changes in the Company's assumptions, the effectiveness of strategies, or other factors beyond the Company's control.

Accrued Self Insurance. Insurance expense for casualty claims and employee-related health care benefits are estimated using historical and current experience and actuarial estimates. Stop-loss coverage is maintained with third-party insurers to limit the Company's total exposure. Certain categories of claim liabilities are actuarially determined. The assumption used to arrive at periodic expenses is reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.

Income Taxes. Starting in 2011, the Company follows the provisions of ASC 740-10-30-27 in the Expenses-Income Taxes topic with regards to members of a group that file a consolidated tax return but issue separate financial statements. The Company files its own U.S. federal tax return, but is included in certain state consolidated returns with JBS USA. The income tax expense of the Company is computed using the separate return method. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date. The Company recognizes potential interest and penalties related to income tax positions as a part of the income tax provision.

Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, potential for carry back of tax losses, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances have been established primarily for net operating loss carry forwards. See "Note 13. Income Taxes" to the Consolidated Financial Statements.

Indefinite Reinvestment in Foreign Subsidiaries. The Company deems its earnings from Mexico as of December 30, 2012 to be permanently reinvested. As such, U.S. deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and U.S. income taxes would be provided. For activity after 2008, the Company did not permanently reinvest its earnings in Puerto Rico. Therefore, net earnings generated in Puerto Rico have U.S. taxes provided as if the earnings were distributed.

Accounting for Uncertainty in Income Taxes. The Company follows the provisions under ASC 740-10-25 that provides a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date. See "Note 13. Income Taxes" to the Consolidated Financial Statements.

Pension and Other Postretirement Benefits. The Company's pension and other postretirement benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, salary growth, long-term return on plan assets and other factors. The Company bases the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. The salary growth assumptions reflect our long-term actual experience and future or near-term outlook. Long-term return on plan assets is determined based on historical portfolio results and management's expectation of the future economic environment. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the projected benefit obligation or the fair market value of plan assets, amortized over either (i) the estimated average future service period of active plan participants if the plan is active or (ii) the estimated average future life expectancy of all plan participants if the plan is frozen.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk-Sensitive Instruments and Positions

The risk inherent in our market risk-sensitive instruments and positions is primarily the potential loss arising from adverse changes in the price of feed ingredients, foreign currency exchange rates, interest rates and the credit quality of available-for-sale securities as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions our management may take to mitigate our exposure to such changes. Actual results may differ.

Feed Ingredients. We purchase certain commodities, primarily corn and soybean meal, for use as ingredients in the feed we either sell commercially or consume in our live operations. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. In the past, we have from time to time attempted to minimize our exposure to the changing price and availability of such feed ingredients using various techniques, including, but not limited to, (i) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (ii) purchasing or selling derivative financial instruments such as futures and options.

Market risk is estimated as a hypothetical 10% increase in the weighted-average cost of our primary feed ingredients as of December 30, 2012. Based on our feed consumption during 2012, such an increase would have resulted in an increase to cost of sales of approximately $324.7 million, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10% change in ending feed ingredients inventories at December 30, 2012 would be $10.7 million, excluding any potential impact on the production costs of our chicken inventories. A 10% change in corn and soybean meal prices on December 30, 2012 would have resulted in an approximate $12,500 change in the fair value of our net commodity derivative asset position as of that date.

Foreign Currency. Our earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexican subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position. We are also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. However, we currently anticipate that the future cash flows of our Mexican subsidiaries will be reinvested in our Mexican operations. In addition, the Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations in several ways, including potential economic recession in Mexico because of devaluation of their currency. The impact on our financial position and results of operations resulting from a hypothetical change in the exchange rate between the U.S. dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange gains and losses, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, was a gain of $4.9 million in 2012, a loss of $12.6 million in 2011 and a gain of $0.1 million in 2010. The average exchange rates for 2012, 2011 and 2010 were 13.16 Mexican pesos to 1 U.S. dollar, 12.39 Mexican pesos to 1 U.S. dollar and 12.65 Mexican pesos to 1 U.S. dollar, respectively. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

Interest Rates. Our earnings are also affected by changes in interest rates due to the impact those changes have on our variable-rate debt instruments. We had variable-rate debt instruments representing approximately 32.5% of our total debt at December 30, 2012. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by $0.9 million for 2012. These amounts are determined by considering the impact of the hypothetical interest rates on our variable-rate debt at December 30, 2012.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in interest rates of 10%. Using a discounted cash flow analysis, a hypothetical 10% decrease in interest rates would have increased the fair value of our fixed rate debt by approximately $4.6 million as of December 30, 2012.

Available-for-Sale Securities. Certain retirement plans that we sponsor invest in a variety of financial instruments. In response to the continued turbulence in global financial markets, we have analyzed the portfolios of plan investments and, to the best of our knowledge, none of the plan investments, including money market funds units, commercial paper and municipal securities, have been downgraded because of this turbulence, and neither the plans nor any fund in which they participate hold significant amounts of structured investment vehicles, mortgage backed securities, collateralized debt obligations, auction-rate securities, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities.

Impact of Inflation. Due to low to moderate inflation in the U.S. and Mexico and our rapid inventory turnover rate, the results of operations have not been significantly affected by inflation during the past three-year period.

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Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Pilgrim's Pride Corporation

We have audited the accompanying consolidated balance sheet of Pilgrim's Pride Corporation (the "Company") as of December 30, 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the fifty-three weeks ended December 30, 2012. In connection with our audit of the consolidated financial statements, we have also audited financial statement schedule II, Valuation and Qualifying Accounts, as of and for the fifty-three weeks ended December 30, 2012. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pilgrim's Pride Corporation as of December 30, 2012, and the consolidated results of its operations and its cash flows for the fifty-three weeks ended December 30, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited the retrospective adjustments applied to earnings per share in the 2011 and 2010 consolidated financial statements as described in "Note 15. Stockholder's Equity" under the section "Rights Offering." In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 and 2010 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2011 and 2010 consolidated financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pilgrim's Pride Corporation's internal control over financial reporting as of December 30, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 15, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
February 15, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Pilgrim's Pride Corporation

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting described in "Note 15. Stockholder's Equity," the accompanying consolidated balance sheet of Pilgrim's Pride Corporation (the "Company") as of December 25, 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the years ended December 25, 2011 and December 26, 2010 (the 2011 and 2010 consolidated financial statements before the effects of the adjustments discussed in "Note 15. Stockholders' Equity" are not presented herein). Our audits also include the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements, before the effects of the adjustments to retrospectively apply the change in accounting described in "Note 15. Stockholder's Equity," present fairly, in all material respects, the consolidated financial position of Pilgrim's Pride Corporation at December 25, 2011, and the consolidated results of its operations and its cash flows for the years ended December 25, 2011 and December 26, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting described in "Note 15. Stockholder's Equity," and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by KPMG LLP.

/s/ Ernst & Young LLP

Denver, Colorado
February 17, 2012

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 30, 2012	December 25, 2011
	(In thousands, except shares and per share data)	
Assets:		
Cash and cash equivalents	$ 68,180	$ 41,609
Restricted cash and cash equivalents		7,680
Investment in available-for-sale securities		157
Trade accounts and other receivables, less allowance for doubtful accounts	384,930	349,222
Accounts receivable from JBS USA, LLC	1,514	21,198
Inventories	950,296	879,094
Income taxes receivable	54,719	59,067
Prepaid expenses and other current assets	56,047	52,350
Assets held for sale	27,042	53,816
Total current assets	1,542,728	1,464,193
Investment in available-for-sale securities		497
Deferred tax assets	97,431	71,099
Other long-lived assets	45,523	57,921
Identified intangible assets, net	38,266	44,083
Property, plant and equipment, net	1,189,921	1,241,752
Total assets	$ 2,913,869	$ 2,879,545
Liabilities and stockholders' equity:		
Accounts payable	$ 312,365	$ 328,864
Accounts payable to JBS USA, LLC	13,436	11,653
Accrued expenses and other current liabilities	283,540	281,797
Income taxes payable	468	
Current deferred tax liabilities	104,482	79,248
Current maturities of long-term debt	15,886	15,611
Total current liabilities	730,177	717,173
Long-term debt, less current maturities	1,148,870	1,408,001
Note payable to JBS USA Holdings, Inc.		50,000
Other long-term liabilities	125,825	145,941
Total liabilities	2,004,872	2,321,115
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 50,000,000 shares authorized; no shares issued		
Common stock, $.01 par value, 800,000,000 shares authorized; 258,999,033 and 214,281,914 shares issued and outstanding at year-end 2012 and 2011, respectively.	2,590	2,143
Additional paid-in capital	1,642,003	1,443,484
Accumulated deficit	(669,711)	(843,945)
Accumulated other comprehensive loss	(68,511)	(46,070)
Total Pilgrim's Pride Corporation stockholders' equity	906,371	555,612
Noncontrolling interest	2,626	2,818
Total stockholders' equity	908,997	558,430
Total liabilities and stockholders' equity	$ 2,913,869	$ 2,879,545

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fifty-Three Weeks Ended December 30, 2012	Fifty-Two Weeks Ended December 25, 2011	Fifty-Two Weeks Ended December 26, 2010
	(In thousands, except per share data)		
Net sales	$ 8,121,382	$ 7,535,698	$ 6,881,629
Costs and expenses:			
Cost of sales	7,685,550	7,675,277	6,416,318
Operational restructuring charges, net		1,958	4,318
Gross profit (loss)	435,832	(141,537)	460,993
Selling, general and administrative expense	177,041	205,143	209,544
Administrative restructuring charges, net	8,449	26,911	66,022
Total costs and expenses	7,871,040	7,909,289	6,696,202
Operating income (loss)	250,342	(373,591)	185,427
Other expenses (income):			
Interest expense	104,926	111,532	105,553
Interest income	(1,397)	(1,465)	(3,805)
Foreign currency transaction losses (gains)	(4,810)	12,601	212
Loss on early extinguishment of debt			11,726
Miscellaneous, net	(1,439)	(9,133)	(13,288)
Total other expenses	97,280	113,535	100,398
Income (loss) from continuing operations before reorganization	153,062	(487,126)	85,029
Reorganization items, net			18,541
Income (loss) from continuing operations before income taxes	153,062	(487,126)	66,488
Income tax expense (benefit)	(20,980)	8,564	(23,838)
Net income (loss)	174,042	(495,690)	90,326
Less: Net income (loss) attributable to noncontrolling interest	(192)	1,082	3,185
Net income (loss) attributable to Pilgrim's Pride Corporation	$ 174,234	$ (496,772)	$ 87,141
Net income (loss) per basic common share attributable to Pilgrim's Pride Corporation common stockholders	$ 0.70	$ (2.21)	$ 0.39
Net income (loss) per diluted common share attributable to Pilgrim's Pride Corporation common stockholders	$ 0.70	$ (2.21)	$ 0.39

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

	Fifty-Three Weeks Ended December 30, 2012	Fifty-Two Weeks Ended December 25, 2011	Fifty-Two Weeks Ended December 26, 2010
	(In thousands, except per share data)		
Weighted average shares outstanding:			
Basic	250,101	224,996	224,996
Effect of dilutive common stock equivalents	115		
Diluted	250,216	224,996	224,996

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Fifty-Three Weeks Ended December 30, 2012	Fifty-Two Weeks Ended December 25, 2011	Fifty-Two Weeks Ended December 26, 2010
	(In thousands)		
Net income (loss)	$ 174,042	$ (495,690)	$ 90,326
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities, net of tax	(12)	(1,160)	(226)
Recognition in earnings of a previously unrecognized gain on a derivative instrument designated as a cash flow hedge, net of tax	—	—	(2,565)
Gains (losses) associated with pension and other postretirement benefits, net of tax	(22,429)	(21,273)	6,420
Total other comprehensive income (loss), net of tax	(22,441)	(22,433)	3,629
Comprehensive income (loss)	151,601	(518,123)	93,955
Less: Comprehensive income (loss) attributable to noncontrolling interests	(192)	1,082	3,185
Comprehensive income (loss) attributable to Pilgrim's Pride Corporation	$ 151,793	$ (519,205)	$ 90,770

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

PILGRIM'SPRIDE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS'EQUITY

		Pilgrim's Pride Corporation Stockholders			
	Total (In thousands)	Comprehensive Income	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Shares
Balance at December 27, 2009	$ 192,808		$ (435,794)	$ (27,266)	77,141
Comprehensive income (loss):					
Net income	90,326	87,141	87,141		
Other comprehensive income (loss), net of tax:					
Net unrealized holding gains on available-for-sale securities, net of tax	(226)	(226)		(226)	
Recognition in earnings of previously unrealized gains on a derivative instrument designated as a cash flow hedge, net of tax	(2,565)	(2,565)		(2,565)	
Gains associated with pension and other postretirement benefits, net of tax	6,420	6,420		6,420	
Total other comprehensive income	3,629	3,629			
Total comprehensive income	93,955	90,770			
Common stock issued	800,000				137,141
Other activity	(8,167)				
Balance at December 26, 2010	$ 1,078,596		$ (348,653)	$ (23,637)	214,282

PILGRIM'SPRIDE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS'EQUITY (CONTINUED)

		Pilgrim's Pride Corporation Stockholders				
	Total (In thousands)	Comprehensive Income	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Shares	Commo Stock
Balance at December 26, 2010	$ 1,078,596		$ (348,653)	$ (23,637)	214,282	$ 2,
Comprehensive income (loss):						
Net income (loss)	$ (495,690)	$ (496,772)	$ (496,772)			
Other comprehensive loss, net of tax:						
Net unrealized holding losses on available-for-sale securities, net of tax	(1,160)	(1,160)		(1,160)		
Losses associated with pension and other postretirement benefits, net of tax	(21,273)	(21,273)		(21,273)		
Total other comprehensive loss	(22,433)	(22,433)				
Total comprehensive loss	(518,123)	(519,205)				
Share-based compensation	567					
Other activity	(2,610)		1,480			
Balance at December 25, 2011	$ 558,430		$ (843,945)	$ (46,070)	214,282	$ 2,
Comprehensive income (loss):						
Net Income (loss)	174,042	174,234	174,234			
Other comprehensive loss, net of tax:						
Net unrealized holding losses on available-for-sale securities, net of tax	(12)	(12)		(12)		
Losses associated with pension and other postretirement benefits, net of tax	(22,429)	(22,429)		(22,429)		
Total other comprehensive loss	(22,441)	(22,441)				
Total comprehensive income	151,601	151,793				
Issuance of common stock	198,281				44,444	
Share-based compensation plans:						
Common stock issued under compensation plans	3				273	
Requisite service period recognition	682					
Balance at December 30, 2012	$ 908,997		$ (669,711)	$ (68,511)	258,999	$ 2,

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fifty-Three Weeks Ended December 30, 2012	Fifty-Two Weeks Ended December 25, 2011	Fifty-Two Weeks Ended December 26, 2010
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	$ 174,042	$ (495,690)	$ 90,326
Adjustments to reconcile net income (loss) attributable to Pilgrim's Pride Corporation to cash provided by (used in) operating activities:			
Depreciation and amortization	147,414	209,061	231,045
Asset impairment	2,770	22,895	26,484
Foreign currency transaction losses (gains)	(5,261)	9,980	(1,111)
Noncash loss on early extinguishment of debt recognized as a component of other expense			11,726
Noncash loss on early extinguishment of debt recognized as a reorganization item			13,654
Accretion of bond discount			