

PILGRIMS PRIDE CORP
Form 10-Q
October 31, 2013

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 29, 2013
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File number 1-9273

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

Delaware
(State or other jurisdiction of
incorporation or organization)

75-1285071
(I.R.S. Employer
Identification No.)

1770 Promontory Circle,
Greeley, CO
(Address of principal executive offices)

80634-9038
(Zip code)

Registrant's telephone number, including area code: (970) 506-8000

(Former name, former address and former fiscal year, if changed since last report.)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Number of shares outstanding of the issuer's common stock, \$0.01 par value per share, as of October 31, 2013, was 259,029,033.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PILGRIM S PRIDE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 29, 2013 (Unaudited) (In thousands)	December 30, 2012
Cash and cash equivalents	\$ 330,316	\$ 68,180
Trade accounts and other receivables, less allowance for doubtful accounts	407,002	384,930
Account receivable from JBS USA, LLC	4,454	1,514
Inventories	911,086	950,296
Income taxes receivable	66,649	54,719
Prepaid expenses and other current assets	72,825	56,047
Assets held for sale	25,320	27,042
Total current assets	1,817,652	1,542,728
Deferred tax assets	59,620	97,431
Other long-lived assets	38,831	45,523
Identified intangible assets, net	33,960	38,266
Property, plant and equipment, net	1,159,358	1,189,921
Total assets	\$ 3,109,421	\$ 2,913,869
Accounts payable	\$ 370,034	\$ 312,365
Account payable to JBS USA, LLC	5,893	13,436
Accrued expenses and other current liabilities	302,095	283,540
Income taxes payable		468
Current deferred tax liabilities	80,849	104,482
Current maturities of long-term debt	396	15,886
Total current liabilities	759,267	730,177
Long-term debt, less current maturities	912,019	1,148,870
Other long-term liabilities	84,566	125,825
Total liabilities	1,755,852	2,004,872
Common stock	2,590	2,590
Additional paid-in capital	1,644,418	1,642,003
Accumulated deficit	(263,507)	(669,711)
Accumulated other comprehensive loss	(32,397)	(68,511)
Total Pilgrim s Pride Corporation stockholders' equity	1,351,104	906,371
Noncontrolling interest	2,465	2,626
Total stockholders' equity	1,353,569	908,997
Total liabilities and stockholders' equity	\$ 3,109,421	\$ 2,913,869

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

PILGRIM S PRIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 29, 2013	September 23, 2012	September 29, 2013	September 23, 2012
	(In thousands, except per share data)			
Net sales	\$ 2,142,815	\$ 2,068,478	\$ 6,363,863	\$ 5,931,720
Cost of sales	1,906,242	1,962,343	5,726,348	5,571,431
Gross profit	236,573	106,135	637,515	360,289
Selling, general and administrative expense	43,797	41,782	131,888	131,477
Administrative restructuring charges	3,658	2,647	4,622	5,921
Operating income	189,118	61,706	501,005	222,891
Interest expense, net of capitalized interest	20,413	25,260	68,199	78,430
Interest income	(571)	(256)	(1,494)	(886)
Foreign currency transaction losses (gains), net	2,682	(7,701)	4,771	(5,417)
Miscellaneous, net	(8)	413	(730)	(272)
Income before income taxes	166,602	43,990	430,259	151,036
Income tax expense (benefit)	5,578	1,049	24,216	(656)
Net income	161,024	42,941	406,043	151,692
Less: Net income (loss) attributable to noncontrolling interests	107	10	(161)	230
Net income attributable to Pilgrim s Pride Corporation	\$ 160,917	\$ 42,931	\$ 406,204	\$ 151,462
Weighted average shares of common stock outstanding:				
Basic	258,826	258,726	258,825	247,005
Effect of dilutive common stock equivalents	560	111	341	98
Diluted	259,386	258,837	259,166	247,103
Net income per share of common stock outstanding:				
Basic	\$ 0.62	\$ 0.17	\$ 1.57	\$ 0.61
Diluted	\$ 0.62	\$ 0.17	\$ 1.57	\$ 0.61

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

PILGRIM S PRIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 29, 2013	September 23, 2012	September 29, 2013	September 23, 2012
	(In thousands)			
Net income	\$ 161,024	\$ 42,941	\$ 406,043	\$ 151,692
Other comprehensive income (loss):				
Net unrealized holding losses on available-for-sale securities, net of tax		(12)		(12)
Gains (losses) associated with pension and other postretirement benefits, net	313	(5,115)	36,114	(16,140)
Total other comprehensive income (loss), net of tax	313	(5,127)	36,114	(16,152)
Comprehensive income	161,337	37,814	442,157	135,540
Less: Comprehensive income (loss) attributable to noncontrolling interests	107	10	(161)	230
Comprehensive income attributable to Pilgrim s Pride Corporation	\$ 161,230	\$ 37,804	\$ 442,318	\$ 135,310

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

PILGRIM S PRIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Pilgrim s Pride Corporation Stockholders						Noncontrolling Interests	Total
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)			
	Shares (In thousands)	Amount						
Balance at December 30, 2012	258,999	\$ 2,590	\$ 1,642,003	\$ (669,711)	\$ (68,511)	\$ 2,626	\$ 908	
Comprehensive income:								
Net income (loss)				406,204		(161)	405	
Other comprehensive income, net of tax:								
Gains associated with pension and other postretirement benefit obligations, net of tax of \$0					36,114		36	
Total comprehensive income							441	
Share-based compensation plans:								
Common stock issued under compensation plans	30							
Requisite service period recognition			2,415					
Balance at September 29, 2013	259,029	\$ 2,590	\$ 1,644,418	\$ (263,507)	\$ (32,397)	\$ 2,465	\$ 1,358	
Balance at December 25, 2011	214,282	\$ 2,143	\$ 1,443,484	\$ (843,945)	\$ (46,070)	\$ 2,818	\$ 558	
Comprehensive income:								
Net income				151,462		230	152	
Other comprehensive loss, net of tax:								
Net unrealized holding losses on available-for-sale securities, net of tax of \$0					(12)			
Losses associated with pension and other postretirement benefit obligations, net of tax of \$0					(16,140)		(16)	
Total other comprehensive loss, net of tax							(16)	
Total comprehensive income							136	
Issuance of common stock	44,444	444	197,837				199	
Share-based compensation plans:								
Common stock issued under compensation plans	273	3						
Requisite service period recognition			462					
Balance at September 23, 2012	258,999	\$ 2,590	\$ 1,641,783	\$ (692,483)	\$ (62,222)	\$ 3,048	\$ 892	

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

PILGRIM S PRIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Thirty-Nine Weeks Ended	
	September 29, 2013 (In thousands)	September 23, 2012
Cash flows from operating activities:		
Net income	\$ 406,043	\$ 151,692
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	113,853	108,411
Foreign currency transaction losses (gains)	3,734	(5,620)
Accretion of bond discount	342	342
Asset impairment	3,457	1,342
Loss (gain) on property disposals	(509)	5,134
Share-based compensation	2,415	465
Changes in operating assets and liabilities:		
Restricted cash and cash equivalents		8,153
Trade accounts and other receivables	(25,458)	(3,172)
Inventories	39,421	(94,972)
Prepaid expenses and other current assets	(17,304)	(1,120)
Accounts payable, accrued expenses and other current liabilities	69,895	9,636
Income taxes	(1,818)	(14,428)
Deposits	1,898	734
Long-term pension and other postretirement obligations	(3,174)	(7,120)
Other operating assets and liabilities	3,921	(3,516)
Cash provided by operating activities	596,716	155,961
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(76,293)	(62,110)
Purchases of investment securities		(162)
Proceeds from sale or maturity of investment securities		688
Proceeds from property disposals	3,330	28,687
Cash used in investing activities	(72,963)	(32,897)
Cash flows from financing activities:		
Proceeds from revolving line of credit	505,600	595,800
Payments on revolving line of credit, long-term borrowings and capital lease obligations	(758,283)	(853,008)
Payment of note payable to JBS USA		(50,000)
Proceeds from sale of common stock		198,282
Payment of capitalized loan costs	(5,006)	
Cash used in financing activities	(257,689)	(108,926)
Effect of exchange rate changes on cash and cash equivalents	(3,928)	(717)
Increase in cash and cash equivalents	262,136	13,421
Cash and cash equivalents, beginning of period	68,180	41,609
Cash and cash equivalents, end of period	\$ 330,316	\$ 55,030

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Business

Pilgrim's Pride Corporation (referred to herein as Pilgrim's, PPC, the Company, we, us, our, or similar terms) is one of the large producers in the world, with operations in the United States (U.S.), Mexico and Puerto Rico. Pilgrim's products are sold to foodservice, retail and frozen entrée customers. The Company's primary distribution is through retailers, foodservice distributors and restaurants throughout the United States and Puerto Rico and in the northern and central regions of Mexico. Additionally, the Company exports chicken products to approximately 100 countries. Pilgrim's fresh chicken products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated. 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. Pilgrim's has approximately 37,500 employees and has the capacity to process 35.6 million birds per week for a total of approximately 10.1 billion pounds of live chicken annually. Approximately 4,100 contract growers supply poultry for the Company's operations. As of September 29, 2013, JBS USA Holdings, Inc. (JBS USA), a wholly owned indirect subsidiary of Brazil-based JBS S.A., beneficially owned 75.5% of the Company's outstanding common stock.

Consolidated Financial Statements

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments unless otherwise disclosed) considered necessary for a fair presentation have been included. Operating results for the thirteen and thirty-nine weeks ended September 29, 2013 are not necessarily indicative of the results that may be expected for the year ending December 29, 2013. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 30, 2012.

Pilgrim's operates on 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, 2013) in the notes to these Condensed Consolidated Financial Statements applies to our fiscal year and not the calendar year.

The Condensed Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Company measures the financial statements of its Mexico subsidiaries as if the U.S. dollar were the functional currency. Accordingly, we remeasure assets and liabilities, other than non-monetary assets, of the Mexico subsidiaries at current exchange rates. We remeasure non-monetary assets using the historical exchange rate in effect on the date of each asset's acquisition, with the exception of inventories that are remeasured using an exchange rate based on inventory turnover. We remeasure income and expenses at average exchange rates in effect during the period. Currency exchange gains or losses are included in the line item *Foreign currency transaction losses (gains)* in the Condensed Consolidated Statements of Income.

Reportable Segment

We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale.

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.

Book Overdraft

The majority of the Company's disbursement bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are classified as accounts payable and the change in the related balance is reflected in operating activities on the Condensed Consolidated Statements of Cash Flows.

Reclassifications

We have made certain reclassifications to the 2012 Consolidated Financial Statements with no impact to reported net income in order to conform to the 2013 presentation.

2. FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities measured at fair value must be categorized into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or
- Level 3 Unobservable inputs, such as discounted cash flow models or valuations.

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

As of September 29, 2013 and December 30, 2012, the Company held certain items that were required to be measured at fair value on a recurring basis. These included derivative assets and liabilities and deferred compensation plan assets. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity and foreign currency derivative instruments. The Company maintains nonqualified deferred compensation plans for executives and other highly compensated employees. Investments are maintained within a trust and include money market funds, mutual funds and life insurance policies. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The following items were measured at fair value on a recurring basis:

	September 29, 2013			
	Level 1 (In thousands)	Level 2	Level 3	Total
Derivative assets - commodity futures instruments	\$ 1,394	\$	\$	\$ 1,394
Derivative assets - commodity options instruments		1,822		1,822
Derivative assets - foreign currency futures instruments	238			238
Deferred compensation plan assets	7,440			7,440
Derivative liabilities - commodity futures instruments	(3,545)			(3,545)

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	December 30, 2012			
	Level 1 (In thousands)	Level 2	Level 3	Total
Derivative assets - commodity futures instruments	\$ 1,821	\$	\$	\$ 1,821
Deferred compensation plan assets	7,591			7,591
Derivative liabilities - commodity futures instruments	(1,530)			(1,530)

The valuation of financial assets and liabilities classified in Level 1 is determined using a market approach, taking into account current interest rates, creditworthiness, and liquidity risks in relation to current market conditions, and is based upon unadjusted quoted prices for identical assets in active markets. The valuation of financial assets and liabilities in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for substantially the full term of the financial instrument. The valuation of financial assets in Level 3 is determined using an income approach based on unobservable inputs such as discounted cash flow models or valuations.

In addition to the fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require interim disclosures regarding the fair value of all of the Company's financial instruments. The methods and significant assumptions used to estimate the fair value of financial instruments and any changes in methods or significant assumptions from prior periods are also required to be disclosed. The carrying amounts and estimated fair values of financial assets and liabilities recorded in the Condensed Consolidated Balance Sheets consisted of the following:

	September 29, 2013		December 30, 2012		Note Reference
	Carrying Amount	Fair Value (In thousands)	Carrying Amount	Fair Value	
Derivative assets - commodity futures instruments	\$ 1,394	\$ 1,394	\$ 1,821	\$ 1,821	5
Derivative assets - commodity options instruments	1,822	1,822			5
Derivative assets - foreign currency futures instruments	238	238			5
Deferred compensation plan assets	7,440	7,440	7,591	7,591	
Derivative liabilities - commodity futures instruments	(3,545)	(3,545)	(1,530)	(1,530)	5
Long-term debt and other borrowing arrangements	(912,415)	(973,089)	(1,164,756)	(1,208,730)	8

Derivative assets were recorded at fair value based on quoted market prices and are included in the line item *Prepaid expenses and other current assets* on the Condensed Consolidated Balance Sheet. Deferred compensation plan assets were recorded at fair value based on quoted market prices and are included in the line item *Other assets* in the Condensed Consolidated Balance Sheets. Derivative liabilities were recorded at fair value based on quoted market prices and are included in the line item *Accrued expenses and other current liabilities* on the Condensed Consolidated Balance Sheet. The fair values of the Company's long-term debt and other borrowing arrangements were estimated by calculating the net present value of future payments for each debt obligation or borrowing by: (i) using a risk-free rate applicable for an instrument with a life similar to the remaining life of each debt obligation or borrowing plus the current estimated credit risk spread for the Company or (ii) using the quoted market price at September 29, 2013 or December 30, 2012, as applicable.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges when required by U.S. GAAP. Certain long-lived assets held for sale with a carrying amount of \$25.5 million were written down to their fair value of \$22.4 million, resulting in a loss of \$3.1 million recorded in earnings during the thirty-nine weeks ended September 29, 2013. These assets are classified as Level 2 assets because their fair value can be corroborated based on observable market data.

3. TRADE ACCOUNTS AND OTHER RECEIVABLES

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

	September 29, 2013 (In thousands)	December 30, 2012
Trade accounts receivable	\$ 399,290	\$ 381,747
Account receivable from JBS USA, LLC	4,454	1,514
Employee receivables	22	48
Other receivables	12,827	6,892
Receivables, gross	416,593	390,201
Allowance for doubtful accounts	(5,137)	(3,757)
Receivables, net	\$ 411,456	\$ 386,444

4. INVENTORIES

Inventories consisted of the following:

	September 29, 2013 (In thousands)	December 30, 2012
Live chicken and hens	\$ 420,644	\$ 405,335
Feed, eggs and other	244,250	307,500
Finished chicken products	245,939	237,159
Total chicken inventories	910,833	949,994
Commercial feed and other	253	302
Total inventories	\$ 911,086	\$ 950,296

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes various raw materials in its operations, including corn, soybean meal, soybean oil, sorghum, natural gas, electricity and diesel fuel, which are all considered commodities. The Company considers these raw materials generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company purchases derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for approximately the next 12 months. The Company may purchase longer-term derivative financial instruments on particular commodities if deemed appropriate. The Company will sometimes take a short position on a derivative instrument to minimize the impact of a commodity's price volatility on its operating results. The Company will also occasionally purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of its Mexico operations that are denominated in Mexican pesos. The fair value of derivative assets is included in the line item *Prepaid expenses and other current assets* on the Condensed Consolidated Balance Sheets while the fair value of derivative liabilities is included in the line item *Accrued expenses and other current liabilities* on the same statements. Our counterparties require that we post cash collateral for changes in the net fair value of the derivative contracts.

We have not designated the derivative financial instruments that we have purchased to mitigate commodity purchase transaction exposures or fluctuations in foreign currency as cash flow hedges. Therefore, we recognized changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Condensed Consolidated Statements of Income. The Company recognized net gains of \$8.0 million and \$5.9 million related to changes in the fair value of its derivative financial instruments during the thirteen weeks ended September 29, 2013 and September 23, 2012, respectively. We also recognized net gains of \$21.9 million and \$3.7 million related to changes in the fair value of our derivative financial instruments during the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. Information regarding the Company's outstanding derivative instruments and cash collateral posted with (owed to) brokers are included in the following table:

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	September 29, 2013 (Fair values in thousands)	December 30, 2012
Fair values:		
Commodity derivative assets, gross	\$ 3,216	\$ 1,821
Commodity derivative liabilities, gross	(3,545)	(1,530)
Cash collateral posted with (owed to) brokers	9,423	(166)
Foreign currency derivative assets, gross	238	
Derivatives Coverage^(a):		
Corn	(0.3)%	%
Soybean meal	(2.4)%	%
Period through which stated percent of needs are covered:		
Corn	December 2014	December 2013
Soybean meal	March 2014	December 2013

- (a) Derivatives coverage is the percent of anticipated commodity needs covered by outstanding derivative instruments through a specified date.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E), net consisted of the following:

	September 29, 2013 (In thousands)	December 30, 2012
Land	\$ 65,341	\$ 63,788
Buildings	1,083,288	1,081,059
Machinery and equipment	1,535,378	1,498,280
Autos and trucks	58,379	58,526
Construction-in-progress	48,263	47,927
PP&E, gross	2,790,649	2,749,580
Accumulated depreciation	(1,631,291)	(1,559,659)
PP&E, net	\$ 1,159,358	\$ 1,189,921

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The Company recognized depreciation expense of \$34.3 million and \$32.5 million during the thirteen weeks ended September 29, 2013 and September 23, 2012, respectively. We also recognized depreciation expense of \$102.3 million and \$96.7 million during the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively.

During the thirteen and thirty-nine weeks ended September 29, 2013, the Company sold certain PP&E for cash of \$0.4 million and \$3.3 million, respectively, and recognized net gains on these sales of \$53,000 and \$2.0 million, respectively. PP&E sold in 2013 included vehicle maintenance centers in Arkansas, Texas and Georgia, an idled hatchery in North Carolina, excess land in Texas and miscellaneous equipment. During the thirteen and thirty-nine weeks ended September 23, 2012, the Company sold certain PP&E for cash of \$16.2 million and \$28.7 million, respectively, and recognized net losses on these sales of \$1.9 million and \$1.4 million, respectively. PP&E sold in 2012 included a commercial egg operation in Texas, a vacant office building in Texas, an idled processing plant in Georgia, an idled feed mill in Arkansas, idled hatcheries in Alabama, Arkansas and Georgia, an idled distribution center in Louisiana, various broiler and breeder farms in Texas, both developed and undeveloped land in Texas and miscellaneous processing equipment.

The Company scrapped certain unused or obsolete PP&E recognizing net losses of \$0.3 million and \$2.6 million, during the thirteen weeks ended September 29, 2013 and September 23, 2012, respectively. We also recognized net losses of \$1.5 million and \$3.7 million during the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively.

Management has committed to the sale of certain properties and related assets, including, but not limited to, processing plants and an office building, which no longer fit into the operating plans of the Company. The Company is actively marketing these properties and related assets for immediate sale and believes a sale of each property can be consummated within the next 12 months. At September 29, 2013 and December 30, 2012, the Company reported properties and related assets totaling \$25.3 million and \$27.0 million, respectively, in the line item *Assets held for sale* on its Condensed Consolidated Balance Sheets. For the thirty-nine weeks ended September 29, 2013 and September 23, 2012, the Company recognized impairment expense on certain of these assets of \$3.1 million and \$1.3 million, respectively.

As part of the exit or disposal activities discussed in Note 13. Exit or Disposal Activities, the Company closed or idled various processing complexes, processing plants, hatcheries and broiler farms throughout the U.S. Neither the Board of Directors nor JBS USA has determined if it would be in the best interest of the Company to divest any of these idled assets. Management is therefore not certain that it can or will divest any of these assets within one year, is not actively marketing these assets and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. At September 29, 2013, the carrying amount of these idled assets was \$55.0 million based on depreciable value of \$149.4 million and accumulated depreciation of \$94.4 million.

The Company last tested the recoverability of its long-lived assets held and used in December 2012. At that time, the Company determined that the carrying amount of its long-lived assets held and used was recoverable over the remaining life of the primary asset in the group and that long-lived assets held and used passed the Step 1 recoverability test under ASC 360-10-35, *Impairment or Disposal of Long-Lived Assets*. There were no indicators present during the thirteen weeks ended September 29, 2013 that required the Company to test its long-lived assets held and used, other than the long-lived assets related to the Batesville, Arkansas complex, for recoverability.

On October 25, 2013, we sold our smallest processing complex, located in Batesville, Arkansas, to a producer in a niche chicken market in which we do not compete. During the thirteen weeks ended September 29, 2013, the company recognized impairment expense of \$0.4 million related to this complex. We view this transaction as a constructive step forward in aligning our facilities to our long-term growth strategy.

7. CURRENT LIABILITIES

Current liabilities, other than income taxes and current maturities of long-term debt, consisted of the following components:

	September 29, 2013	December 30, 2012
	(In thousands)	
Accounts payable:		
Trade accounts	\$ 294,131	\$ 252,644
Book overdrafts	74,911	58,066
Other payables	992	1,655
Total accounts payable	370,034	312,365
Accounts payable to JBS USA, LLC	5,893	13,436
Accrued expenses and other current liabilities:		
Compensation and benefits	83,107	77,376
Interest and debt-related fees	17,560	10,740
Insurance and self-insured claims	117,119	108,806
Commodity derivative liabilities:		
Futures	3,545	1,530
Other accrued expenses	80,764	85,088
Total accrued expenses and other current liabilities	302,095	283,540
	\$ 678,022	\$ 609,341

8. LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt and other borrowing arrangements consisted of the following components:

	Maturity	September 30, 2013 (In thousands)	December 30, 2012
Senior notes, at 7 %, net of unaccreted discount	2018	\$ 497,643	\$ 497,301
U.S. Credit Facility (defined below):			
Term B-1 note payable at 2.44% and 4.75%	2014	204,880	275,443
Term B-2 note payable at 9.00%	2014	205,219	283,647
Revolving note payable on which the Company had funds borrowed at 4.25% at December 30, 2012	2018		103,600
Mexico Credit Facility (defined below) with notes payable at THIE Rate plus 2.25% or Equilibrium Interbank Interest Rate plus 4.5%	2014		
Other	Various	4,673	4,765
Long-term debt		912,415	1,164,756
Less: Current maturities of long-term debt		(396)	(15,886)
Long-term debt, less current maturities		\$ 912,019	\$ 1,148,870

Senior and Subordinated Notes

At September 29, 2013, the Company had an aggregate principal balance outstanding of \$500.0 million of 7 % Senior Notes due 2018 (the 2018 Notes) 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, the Company had 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 September 29, 2013.

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 under the Subordinated Loan Agreement. Pursuant to the terms of the Subordinated Loan Agreement, the Company has also agreed to reimburse JBS USA up to \$56.5 million for potential draws upon letters of credit issued on 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 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 agreed to reimburse JBS USA for the letter of credit costs the Company would otherwise incur under its U.S. Credit Facility (as defined below). During the thirteen and thirty-nine weeks ended September 29, 2013, the Company reimbursed JBS USA \$0.6 million and \$1.8 million, respectively, for letter of credit costs. As of September 29, 2013, the Company has accrued an obligation of \$0.1 million to reimburse JBS USA for letter of credit costs incurred on its behalf.

U.S. Credit Facility

Pilgrims and certain of its subsidiaries 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 was amended and restated on August 7, 2013. The U.S. Credit Facility currently provides for a \$700.0 million revolving credit facility, a Term B facility of approximately \$410.1 million and a delayed draw term loan commitment of up to \$400 million (the "Delayed Draw Term Loans"). The Company can draw upon the Delayed Draw Term Loan commitment, in one or more advances, between May 1, 2014 and December 28, 2014. 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 \$250.0 million and to increase the aggregate Delayed Draw Term Loan commitment by up to an additional \$500.0 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. The U.S. Credit Facility also provides for a \$100 million sub-limit for swingline loans and a \$200 million sub-limit for letters of credit. The Term B Loans mature on December 28, 2014 with all principal and unpaid interest due at maturity. The revolving loan commitment under the U.S. Credit Facility matures on August 7, 2018. Any Delayed Draw Term Loans would be payable in quarterly installments beginning in fiscal year 2015 equal to 1.875% of the principal outstanding as of December 28, 2014, with all remaining principal and interest due at maturity on August 7, 2018.

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. On August 7, 2013, the Company paid loan costs totaling \$5.0 million related to the amendment and restatement to the U.S. Credit Facility that is 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 was required to pay approximately \$141.2 million of its cash flow toward the outstanding principal under the Term B loans, which the Company paid on April 29, 2013. 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 September 29, 2013, a principal amount of \$410.1 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 September 29, 2013, the applicable borrowing base was \$700.0 million, the amount available for borrowing under the revolving loan commitment was \$670.4 million. The Company had letters of credit of \$29.6 million and no outstanding borrowings under the revolving loan commitment as of September 29, 2013.

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. The U.S. Credit Facility requires the Company to comply with a minimum level of tangible net worth covenant. The Company is currently in compliance with this financial covenant. All other financial covenants were eliminated in connection with the August 7, 2013 amendment and restatement to the U.S. Credit Facility. The U.S. Credit Facility also provides that the Company may not incur capital expenditures in excess of \$350.0 million in any fiscal year.

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 and (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 other 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 September 29, 2013, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was \$42.4 million. There were no outstanding borrowings under the Mexico Credit Facility at September 29, 2013.

9. INCOME TAXES

The Company recorded income tax expense of \$24.2 million, a 5.6% effective tax rate, for the thirty-nine weeks ended September 29, 2013, compared to an income tax benefit of \$0.7 million, a (0.4)% effective tax rate, for the thirty-nine weeks ended September 23, 2012. The income tax expense recognized for the thirty-nine weeks ended September 29, 2013 was primarily the result of the tax expense recorded on the Company's year-to-date income, offset by a decrease in valuation allowance as a result of year-to-date earnings.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment. As of September 29, 2013, the Company does not believe it has sufficient positive evidence to conclude that realization of its federal, state and a portion of its foreign net deferred tax assets is more likely than not to be realized.

For the thirty-nine weeks ended September 29, 2013 and September 23, 2012, there is no tax effect reflected in other comprehensive income because the Company has a valuation allowance.

With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations for years prior to 2008 and is no longer subject to Mexico income tax examinations for years prior to 2008.

The Company is currently working with the Internal Revenue Service (IRS) through the normal processes and procedures that are available to all taxpayers outside of bankruptcy to resolve the IRS' proof of claim. In connection with such claim, the Company has filed various petitions in the United States Tax Court (Tax Court) in response to the Notices of Deficiency that were issued to the Company. On December 12, 2012, the Company entered into two Stipulation of Settled Issues (Stipulation or Stipulations) with the IRS that resolved a portion of the IRS' proof of claim. The Company is still working with the IRS to resolve the portion of the IRS' amended proof of claim relating to the tax year ended June 30, 2004 for Gold Kist Inc. (Gold Kist), a company purchased by Pilgrim's in 2007. There has been no significant change in the resolution of the IRS' claim relating to Gold Kist since December 30, 2012. See Note 15. Commitments and Contingencies for additional information.

On September 13, 2013, the Internal Revenue Service (IRS) issued the final, revised Tangible Property Repair Regulations for Internal Revenue Code (IRC) Sections 162(a) and 263(a) which modify and supersede the Temporary Regulations that were issued on December 23, 2011. In addition, the IRS released new proposed regulations for dispositions of tangible property under IRC Section 168. These final and proposed regulations are effective for tax years beginning January 1, 2014. The Company is assessing the applicability of the regulations to the

Company's tax fixed assets. The Company plans to complete this analysis during the fourth quarter of 2013.

10. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans, nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan and defined contribution retirement savings plans. Expenses recognized under all of these retirement plans in the thirteen weeks ended September 29, 2013 and September 23, 2012 totaled \$1.9 million and \$2.0 million, respectively. Expenses recognized under all of these retirement plans in the thirty-nine weeks ended September 29, 2013 and September 23, 2012 totaled \$5.7 million and \$6.0 million, respectively.

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Net defined benefit pension and other postretirement costs included the following components:

	Thirteen Weeks Ended September 29, 2013		September 23, 2012		Thirty-Nine Weeks Ended September 29, 2013		September 23, 2012	
	Pension Benefits (In thousands)	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Service cost	\$ (20)	\$	\$ 13	\$	\$	\$	\$ 38	\$
Interest cost	1,988	20	2,147	25	5,965	59	6,204	72
Estimated return on plan assets	(1,349)		(2,126)		(4,048)		(4,997)	
Amortization of net loss (gain)	250		(483)	(1)	751		348	(2)
Net costs	\$ 869	\$ 20	\$ (449)	\$ 24	\$ 2,668	\$ 59	\$ 1,593	\$ 70

During the thirteen and thirty-nine weeks ended September 29, 2013, the Company contributed \$3.3 million and \$6.4 million, respectively, to its defined benefit plans.

The Company remeasures both plan assets and obligations on a quarterly basis. The fair value of plan assets increased from \$92.3 million at December 30, 2012 to \$101.9 million at September 29, 2013 because of better than expected returns on the invested assets. Projected benefit obligation decreased from \$196.4 million at December 30, 2012 to \$166.1 million at September 29, 2013 because of an increase of 0.85 percentage points in the discount rate used to calculate the present value of the obligation.

The Company and certain retirement plans that it sponsors invest in a variety of financial instruments. Certain postretirement funds in which the Company participates hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

11. STOCKHOLDERS EQUITY

Accumulated Other Comprehensive Loss

At both September 29, 2013 and December 30, 2012, accumulated other comprehensive loss consisted solely of unrealized actuarial losses related to the Company's defined benefit pension and other postretirement plans. The following tables provide information regarding the changes in these unrealized actuarial losses during the thirty-nine weeks ended September 29, 2013:

	Changes in Unrealized Actuarial Losses ^(a) (In thousands)
Balance, beginning of period	\$ (68,511)
Other comprehensive income before reclassifications	35,363
Amounts reclassified from accumulated other comprehensive loss to net income	751
Net current period other comprehensive income	36,114
Balance, end of period	\$ (32,397)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss ^(a) (In thousands)	Affected Line Item in the Condensed Consolidated Statement of Income
Amortization of defined benefit pension and other postretirement plan actuarial losses:		
Union Plan ^(b)	\$ (27) ^(d)	Cost of goods sold
Legacy Gold Kist Plans ^(c)	(724) ^(d)	Selling, general and administrative expense
Total before tax	(751)	
Tax benefit (expense)		
Total reclassification for the period	\$ (751)	Net of tax

- (a) Amounts in parentheses represent debits to results of operations.
- (b) The Company sponsors the Pilgrim's Pride Retirement Plan for Union Employees (the Union Plan), a qualified defined benefit pension plan covering certain locations or work groups with collective bargaining agreements.
- (c) The Company sponsors the Pilgrim's Pride Plan for Legacy Gold Kist Employees, a qualified defined benefit pension plan covering certain eligible U.S. employees who were employed at locations that the Company purchased through its acquisition of Gold Kist in 2007, the Former Gold Kist Inc. Supplemental Executive Retirement Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist executives, the Former Gold Kist Inc. Directors Emeriti Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist directors and the Gold Kist Inc. Retiree Life Insurance Plan, a defined benefit postretirement life insurance plan covering certain retired Gold Kist employees (collectively, the Legacy Gold Kist Plans).
- (d) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 10. Pension and Other Postretirement Benefits to the Condensed Consolidated Financial Statements.

Rights Offering

In January 2012, Pilgrim's commenced the Rights Offering for stockholders of record as of January 17, 2012 (the Record Date). The basic subscription privilege gave stockholders the option to purchase 0.2072 shares of Pilgrim's common stock, rounded up to the next largest whole number, at a subscription price of \$4.50 per share for each share of Pilgrim's common stock they owned as of the Record Date. The multiplier was determined by dividing the 44,444,444 shares being offered in the Rights Offering by the total number of shares owned by all stockholders on the Record Date. Those stockholders that exercised their basic subscription privilege in full also received an over-subscription privilege that afforded them the opportunity to purchase additional shares at the subscription price of \$4.50 per share from a pool of the shares left over had all stockholders not elected to exercise their basic subscription privileges in full. JBS USA committed to participate in the Rights Offering and exercise its basic and over-subscription privileges in full. The last day a stockholder could exercise either their basic subscription rights or their over-subscription rights was February 29, 2012. On March 7, 2012, the Company issued 44,444,444 shares of common stock to stockholders that exercised their basic subscription privileges and over-subscription privileges under the Rights Offering. Gross proceeds received under the Rights Offering totaled \$200.0 million. The Company incurred costs directly attributable to the Rights Offering of \$1.7 million that it deferred and charged against the proceeds of the Rights Offering in *Additional Paid-in Capital* on the Condensed Consolidated Balance Sheet. The Company used the net proceeds of \$198.3 million for additional working capital to improve its capital position and for general corporate purposes. Pilgrim's also used a portion of the net proceeds to repay the outstanding principal amount of \$50.0 million, plus accrued interest, of its subordinated debt owed to JBS USA and to repay indebtedness under the U.S. Credit Facility.

Restrictions on Retained Earnings

The U.S. Credit Facility prohibits us from paying dividends on the common stock of the Company. Further, the indenture governing the 2018 Notes restricts, but does not prohibit, the Company from declaring dividends.

12. INCENTIVE COMPENSATION

The Company sponsors a short-term incentive plan that provides the grant of either cash or share-based bonus awards payable upon achievement of specified performance goals (the STIP). Full-time, salaried exempt employees of the Company and its affiliates who are selected by the administering committee are eligible to participate in the STIP. The Company has accrued \$12.5 million in costs related to the STIP at September 29, 2013 related to cash bonus awards that could potentially be awarded during the remainder of 2013 and 2014.

The Company also sponsors a performance-based, omnibus long-term incentive plan that provides for the grant of a broad range of long-term equity-based and cash-based awards to the Company's officers and other employees, members of the Board and any consultants (the LTIP). The equity-based awards that may be granted under the LTIP include incentive stock options, within the meaning of the Internal Revenue

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Code, nonqualified stock options, stock appreciation rights, restricted stock awards (RSAs) and restricted stock units (RSUs). At September 29, 2013, we have reserved approximately 6.6 million shares of common stock for future issuance under the LTIP.

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The following awards existed during the thirty-nine weeks ended September 29, 2013:

Award Type	Benefit Plan	Award		Vesting		Estimated	Settlement
		Quantity	Grant Date	Condition	Vesting Date	Forfeiture Rate	Method
RSA	Employment Agreement	100,000	January 14, 2011	Service	January 3, 2013	%	Stock
RSA	Employment Agreement	100,000	January 14, 2011	Service	January 3, 2014	%	Stock
RSA	LTIP	72,675	August 27, 2012	Service	April 27, 2014	%	Stock
RSU	LTIP	608,561	February 4, 2013	Service	December 31, 2014	9.6559%	Stock
RSA	LTIP	15,000	February 25, 2013	Service	February 24, 2015	%	Stock
RSA	LTIP	15,000	February 25, 2013	Service	February 24, 2016	%	Stock
RSU	LTIP	206,933	February 26, 2013	Service	December 31, 2014	%	Stock

Compensation costs and the income tax benefit recognized for our share-based compensation arrangements are included below:

	Thirteen Weeks Ended September 29, 2013		Thirty-Nine Weeks Ended September 29, 2013	
	September 23, 2012		September 23, 2012	
	(In thousands)			
Share-based compensation costs:				
Cost of goods sold	\$	102	\$	255
Selling, general and administrative expenses		711		464
Total	\$	813	\$	464
Income tax benefit	\$	151	\$	488

The Company's RSA and RSU activity is included below:

	Thirty-Nine Weeks Ended September 29, 2013		September 23, 2012	
	Number (In thousands, except weighted average fair values)	Weighted Average Grant Date Fair Value	Number	Weighted Average Grant Date Fair Value
RSAs:				
Outstanding at beginning of period	273	\$ 6.54	200	\$ 7.10
Granted	30	8.72		
Vested	(100)	7.10		
Outstanding at end of period	203	\$ 6.59	200	\$ 7.10
RSUs:				
Outstanding at beginning of period		\$		\$
Granted	815	8.82		
Forfeited	(72)	8.89		
Outstanding at end of period	743	\$ 8.81		\$

At September 29, 2013, the total unrecognized compensation cost related to all nonvested awards was \$5.5 million. That cost is expected to be recognized over a weighted average period of 1.25 years.

Historically, we have issued new shares to satisfy award conversions.

13. EXIT OR DISPOSAL ACTIVITIES

From time to time, the Company will incur costs to implement exit or disposal efforts for specific operations. These exit or disposal plans, each of which is approved by the Company's Board of Directors, 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. Specific exit or disposal efforts that were ongoing during either the thirteen and thirty-nine weeks ended September 29, 2013 or the thirteen and thirty-nine weeks ended September 23, 2012 included the following:

	Facility Closures ^(a)	Administrative Integration ^(b)	Total
	(In thousands, except positions eliminated)		
Earliest implementation date	October 2008	January 2010	
Latest expected completion date	September 2014	September 2012	
Positions eliminated	2,410	480	2,890
Costs incurred and expected to be incurred:			
Employee-related costs	\$ 2,492	\$ 864	\$ 3,356
Asset impairment costs	15,878	37,362	53,240
Inventory valuation costs	344		344
Other exit or disposal costs	15,206	4,112	19,318
Total exit or disposal costs	\$ 33,920	\$ 42,338	\$ 76,258
Costs incurred since earliest implementation date:			
Employee-related costs	\$ 2,492	\$ 864	\$ 3,356
Asset impairment costs	15,878	37,362	53,240
Inventory valuation costs	344		344
Other exit or disposal costs	13,749	4,112	17,861
Total exit or disposal costs	\$ 32,463	\$ 42,338	\$ 74,801

	Thirteen Weeks Ended September 29, 2013			Thirteen Weeks Ended September 23, 2012		
	Facility Closures	Administrative Integration	Total	Facility Closures	Administrative Integration	Total
	(In thousands)					
Asset impairment costs	\$ 2,629	\$ 466	\$ 3,095	\$	\$	\$
Other exit or disposal costs	563		563	805	1,993	2,798
Total exit or disposal costs	\$ 3,192	\$ 466	\$ 3,658	\$ 805	\$ 1,993	\$ 2,798

	Thirty-Nine Weeks Ended September 29, 2013			Thirty-Nine Weeks Ended September 23, 2012		
	Facility Closures	Administrative Integration	Total	Facility Closures	Administrative Integration	Total
	(In thousands)					
Employee-related costs	\$	\$	\$	\$ 78	\$	\$ 78
Asset impairment costs	2,629	466	3,095	960	382	1,342
Other exit or disposal costs	1,527		1,527	2,737	1,993	4,730
Total exit or disposal costs	\$ 4,156	\$ 466	\$ 4,622	\$ 3,775	\$ 2,375	\$ 6,150

- (a) Significant facilities closed included one processing plant in 2008, two processing plants in 2009, two processing plants in the transition period and one processing plant in 2011. The transition period began September 27, 2009 and ended December 27, 2009 and resulted from the Company's change in its fiscal year end from the Saturday nearest September 30 each year to the last Sunday in December of each year.
- (b) Company management implemented certain activities to integrate the administrative functions of the Company into those of JBS USA. These included the closures of administrative offices in Georgia and Texas.

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Accrued severance costs are included in *Accrued expenses and other current liabilities* and accrued inventory charges are included in *Inventories* on the accompanying Condensed Consolidated Balance Sheets. The following table sets forth activity that was recorded through the Company's accrued exit or disposal cost accounts during the thirty-nine weeks ended September 29, 2013 and September 23, 2012:

	Accrued Severance (In thousands)	Accrued Inventory Charges	Total
Balance at December 30, 2012	\$	\$ 808	\$ 808
Accruals			
Payment /Disposal		(808)	(808)
Adjustments			
Balance at September 29, 2013	\$	\$	\$
Balance at December 25, 2011	\$ 90	\$ 793	\$ 883
Accruals		151	151
Payment /Disposal	(155)	(136)	(291)
Adjustments	78		78
Balance at September 23, 2012	\$ 13	\$ 808	\$ 821

Exit or disposal costs were included on the following lines in the accompanying Condensed Consolidated Statements of Income:

	Thirteen Weeks Ended September		Thirty-Nine Weeks Ended September	
	29, 2013	23, 2012	29, 2013	23, 2012
	(In thousands)			
Cost of sales	\$	\$ 151	\$	\$ 229
Administrative restructuring charges	3,658	2,647	4,622	5,921
Total exit or disposal costs	\$ 3,658	\$ 2,798	\$ 4,622	\$ 6,150

Certain exit or disposal costs were classified as *Administrative restructuring charges* on the accompanying Condensed Consolidated Statements of Income because management believed these costs were not directly related to the Company's ongoing operations. Components of administrative restructuring charges are summarized below:

	Thirteen Weeks Ended September		Thirty-Nine Weeks Ended September	
	29, 2013	23, 2012	29, 2013	23, 2012
	(In thousands)			
Asset impairment costs (Note 6. Property, Plant and Equipment)	\$ 3,095	\$	\$ 3,095	\$ 1,342
Loss on egg sales and flock depletion expensed as incurred				509
Other restructuring costs	563	2,647	1,527	4,070
Total administrative restructuring charges	\$ 3,658	\$ 2,647	\$ 4,622	\$ 5,921

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.

14. RELATED PARTY TRANSACTIONS

Pilgrim s has been and, in some cases, continues to be a party to certain transactions with affiliated persons and our current and former directors and executive officers. Company management has analyzed the terms of all contracts executed with related parties and believes that they are substantially similar to, and contain terms no less favorable to us than, those obtainable from unaffiliated parties.

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On December 28, 2009, JBS USA became the holder of the majority of the common stock of the Company. As of September 29, 2013, JBS USA beneficially owned 75.5% of the total outstanding shares of our common stock.

On March 12, 2012, Lonnie A. Bo Pilgrim (the Founder Director) resigned as a director of Pilgrim's. On March 26, 2012, the Founder Director and certain entities related to the Founder Director sold 18,924,438 shares of our common stock to JBS USA. Prior to that sale, the Founder Director and certain entities related to the Founder Director collectively owned the second-largest block of our common stock.

Transactions with JBS USA, JBS USA, LLC (a JBS USA subsidiary) and the former Founder Director recognized in the Condensed Consolidated Statements of Income are summarized below:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 29, 2013	September 23, 2012	September 29, 2013	September 23, 2012
	(In thousands)			
JBS USA:				
Subordinated loan interest ^(a)	\$	\$	\$	\$ 971
Letter of credit fees ^(b)	513	592	1,697	1,776
JBS USA, LLC:				
Purchases from JBS USA, LLC ^(c)	19,155	18,136	59,945	49,847
Expenditures paid by JBS USA, LLC on behalf of Pilgrim's Pride Corporation ^(d)	11,281	14,469	34,659	44,194
Sales to JBS USA, LLC ^(c)	13,996	58,527	49,263	177,894
Expenditures paid by Pilgrim's Pride Corporation on behalf of JBS USA, LLC ^(d)	630	1,089	1,313	3,645
Former Founder Director:				
Consulting fee paid to former Founder Director ^(e)				374
Board fees paid to former Founder Director ^(e)				45
Contract grower compensation paid to former Founder Director ^(f)				297
Sales to former Founder Director				1

- (a) On June 23, 2011, we executed a subordinated loan agreement with JBS USA that provided an aggregate loan commitment of \$100.0 million and immediately borrowed \$50.0 million under the resulting facility at an interest rate of 9.845% per annum. On March 7, 2012, we repaid the outstanding \$50.0 million loan, along with \$3.5 million accrued interest, and terminated the loan commitment under the agreement.
- (b) Beginning on October 26, 2011, JBS USA arranged for letters of credit to be issued on its account in the amount of \$56.5 million to an insurance company on our behalf in order to allow that insurance company to return cash it held as collateral against potential liability claims. We agreed to reimburse JBS USA up to \$56.5 million for potential draws upon these letters of credit. We reimburse JBS USA for the letter of credit costs we would have otherwise incurred under our credit facilities. During the thirteen and thirty-nine weeks ended September 29, 2013, we have paid JBS USA \$0.6 million and \$1.8 million, respectively, for letter of credit costs. As of September 29, 2013, the Company has accrued an obligation of \$0.1 million to reimburse JBS USA for letter of credit costs incurred on its behalf.
- (c) We routinely execute transactions to both purchase products from JBS USA, LLC and sell products to them. As of September 29, 2013 and December 30, 2012, the outstanding payable to JBS USA, LLC was \$5.9 million and \$13.4 million, respectively. As of September 29, 2013 and December 30, 2012, the outstanding receivable from JBS USA, LLC was \$4.5 million and \$1.5 million, respectively. As of September 29, 2013, approximately \$0.8 million of goods from JBS USA, LLC were in transit and not reflected on our Condensed Consolidated Balance Sheet.
- (d) On January 19, 2010, we executed an agreement with JBS USA, LLC in order to allocate costs associated with the procurement of SAP licenses and maintenance services by JBS USA, LLC for the combined companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between us and JBS USA, LLC in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of each underlying SAP license agreement. During 2013, we have paid JBS USA \$1.0 million for the procurement of such licenses and services. On May 5, 2010, we executed an agreement with JBS USA, LLC in order to allocate the costs of supporting the business operations through one consolidated corporate team. Expenditures paid by JBS USA, LLC on our behalf are reimbursed by us and expenditures paid by us on behalf of JBS USA, LLC are reimbursed by JBS USA, LLC. This agreement expires on May 5, 2015. During 2013, we have paid JBS USA, LLC \$33.3 million for net expenditures paid by JBS USA, LLC on our behalf. At September 29, 2013, the outstanding net payable to JBS USA

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resulting from affiliate trade, procurement of SAP licenses and maintenance services and support of the business operations through one consolidated corporate team was \$4.5 million.

- (e) On December 28, 2009, we executed a consulting agreement with the former Founder Director. The terms of the agreement on that date included, among other things, that the former Founder Director (i) will provide services to us that are comparable in the aggregate with the services provided by him to us prior to December 28, 2009, (ii) will be appointed to our Board of Directors and, during the term of the agreement, will be nominated for subsequent terms on the Board, (iii) will be compensated for services rendered to us at a rate of \$1.5 million per annum for a term of five years, (iv) will be subject to customary non-solicitation and non-competition provisions and (v) will be, along with his spouse, provided with medical benefits (or will be compensated for medical coverage) that are comparable in the aggregate to the medical benefits afforded to our employees. As a result of his resignation as Founder Director, we are no longer required to nominate the Founder Director to serve subsequent terms on the Board. During the period in 2012 in which the former Founder Director was a related party, we paid \$0.4 million to him under this agreement.
- (f) We have executed various grower contracts with the former Founder Director that provide for the placement of our flocks on farms owned by the former Founder Director during the grow-out phase of production. These contracts include terms that are substantially identical to those included in contracts executed by us with unaffiliated parties. The former Founder Director can terminate the contracts upon completion of the grow-out phase for each flock. We can terminate the contracts within a specified period of time pursuant to regulations by the Grain Inspection, Packers and Stockyards Administration of the U.S. Department of Agriculture. During the period in 2012 in which the former Founder Director was a related party, we paid \$0.3 million to him under these contracts.

15. COMMITMENTS AND CONTINGENCIES

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

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company's opinion, it has made appropriate and adequate accruals for claims where necessary; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company. For a discussion of the material legal proceedings and claims, see Part II, Item 1. Legal Proceedings. Below is a summary of some of these material proceedings and claims. The Company believes it has substantial defenses to the claims made and intends to vigorously defend these cases.

On December 1, 2008, Pilgrim's and six of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the Northern District of Texas, Fort Worth Division (Bankruptcy Court). The cases were jointly administered under Case No. 08-45664. The Company emerged from Chapter 11 on December 28, 2009. The Company is the named defendant in several pre-petition lawsuits that, as of September 29, 2013, have not been resolved. Among the claims presently pending are claims brought against certain current and former directors, executive officers and employees of the Company, the Pilgrim's Pride Administrative Committee and the Pilgrim's Pride Pension Committee seeking unspecified damages under section 502 of the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. § 1132. These claims were brought by individual participants in the Pilgrim's Pride Retirement Savings Plan, individually and on behalf of a putative class, alleging that the defendants breached fiduciary duties to plan participants and beneficiaries or otherwise violated ERISA. Although the Company is not a named defendant in these claims, our bylaws require us to indemnify our current and former directors and officers from any liabilities and expenses incurred by them in connection with actions they took in good faith while serving as an officer or director. In these actions the plaintiffs assert claims in excess of \$35.0 million. The likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company cannot be determined at this time.

Other claims presently pending against the Company are claims seeking unspecified damages brought by current or former contract chicken growers who allege, along with other assertions, that the Company breached grower contracts and made false representations to induce the plaintiffs into building chicken farms and entering into chicken growing agreements with the Company. In the case styled Shelia Adams, et al. v. Pilgrim's Pride Corporation, on September 30, 2011, the trial court issued its findings of fact and conclusions of law stating that the Company violated section 192(e) of the Packers and Stockyards Act of 1921 by purportedly attempting to manipulate the price of chicken by idling the El Dorado, Arkansas complex and rejecting the El Dorado growers' contracts. The trial court awarded damages in the amount of \$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 December 3, 2012. On August 27, 2013, the Fifth Circuit reversed the judgment, and entered a judgment in favor of the Company. Plaintiffs thereafter filed a petition for rehearing en banc. Plaintiffs' petition for rehearing was denied on October 15, 2013. Plaintiffs may seek discretionary review from the Supreme Court of the United States, and any such petition in that regard will be due January 13, 2014. If such petition is granted, the Company intends to vigorously pursue its appellate rights and defend against reinstatement of the underlying judgment of the trial court. The Fifth Circuit's decision and prior favorable trial court rulings regarding the El Dorado grower' claims suggest that the likelihood of any recovery by growers remaining in the case is too remote to maintain the previously-recorded loss accrual. Therefore, the Company reversed the accrual on September 1, 2013. The remaining growers' claims were scheduled for trial during the summer and fall of 2012. Although the trial associated with the growers' claims from the Farmerville, Louisiana complex was completed without a ruling, the trial associated with the growers' claims from the Nacogdoches, Texas complex have not been completed and the trial court has not scheduled a date for resuming the trial, and the trials associated with the growers' claims from the De Queen and Batesville, Arkansas complexes have been indefinitely postponed by court order. 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.

The United States Department of Treasury, 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 had 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 Tax Court proceedings discussed below) to resolve the IRS' amended proof of claim. On December 12, 2012 we entered into two 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 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.

Upon the initial filing of the Gold Kist tax return for the year ended June 30, 2004, the Company assessed the likelihood that the position related to the proceeding would be sustained upon examination and determined that it met the recognition threshold and the full amount of benefit was recognized. We continue to believe the position is more likely than not of being sustained. If adversely determined, the outcome could have a material effect on the Company's operating results and financial position.

16. SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

On December 15, 2010, the Company sold the 2018 Notes. The 2018 Notes are unsecured obligations of the Company and are fully and unconditionally guaranteed on a senior unsecured basis by Pilgrim's Pride Corporation of West Virginia, Inc., a wholly owned subsidiary of the Company (the "Guarantor"). In accordance with Rule 3-10 of Regulation S-X promulgated under the Securities Act of 1933, the following condensed consolidating financial statements present the financial position, results of operations and cash flows of the Company (referred to as "Parent" for the purpose of this note only) on a Parent-only basis, the Guarantor on a Guarantor-only basis, the combined non-Guarantor subsidiaries and elimination entries necessary to arrive at the information for the Parent, the Guarantor and non-Guarantor subsidiaries on a consolidated basis. Investments in subsidiaries are accounted for by the Company using the equity method for this presentation.

The tables below present the condensed consolidating balance sheets as of September 29, 2013 and December 30, 2012, the condensed consolidating statements of operations and comprehensive income for the thirteen and thirty-nine weeks ended September 29, 2013 and September 23, 2012, as well as the condensed consolidating statements of cash flows for the thirty-nine weeks ended September 29, 2013 and September 23, 2012 based on the guarantor structure.

CONDENSED CONSOLIDATING BALANCE SHEETS
September 29, 2013

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Cash and cash equivalents	\$ 259,985	\$	\$ 70,331	\$	\$ 330,316
Trade accounts and other receivables, less allowance for doubtful accounts	352,947	1,925	52,130		407,002
Account receivable from JBS USA, LLC	4,454				4,454
Inventories	793,614	23,845	94,507	(880)	911,086
Income taxes receivable	60,948		6,288	(587)	66,649
Current deferred tax assets		3,794	506	(4,300)	
Prepaid expenses and other current assets	37,356	110	35,359		72,825
Assets held for sale	8,618		16,702		25,320
Total current assets	1,517,922	29,674	275,823	(5,767)	1,817,652
Intercompany receivable	(27,638)	95,893		(68,255)	
Investment in subsidiaries	457,862			(457,862)	
Deferred tax assets	63,292		419	(4,091)	59,620
Other long-lived assets	38,263		180,568	(180,000)	38,831
Identified intangible assets, net	24,444		9,516		33,960
Property, plant and equipment, net	1,014,598	45,529	103,119	(3,888)	1,159,358
Total assets	\$ 3,088,743	\$ 171,096	\$ 569,445	\$ (719,863)	\$ 3,109,421
Accounts payable	\$ 309,014	\$ 13,086	\$ 47,934	\$	\$ 370,034
Accounts payable to JBS USA, LLC	5,893				5,893
Accrued expenses and other current liabilities	307,251	31,325	(36,481)		302,095
Income taxes payable			587	(587)	
Current deferred tax liabilities	84,572		577	(4,300)	80,849
Current maturities of long-term debt	396				396
Total current liabilities	707,126	44,411	12,617	(4,887)	759,267
Long-term debt, less current maturities	937,019			(25,000)	912,019
Intercompany payable			68,255	(68,255)	
Deferred tax liabilities		3,794	297	(4,091)	
Other long-term liabilities	81,406		3,160		84,566
Total liabilities	1,725,551	48,205	84,329	(102,233)	1,755,852
Total Pilgrim s Pride Corporation stockholders equity	1,363,192	122,891	482,651	(617,630)	1,351,104
Noncontrolling interest			2,465		2,465
Total stockholders equity	1,363,192	122,891	485,116	(617,630)	1,353,569
Total liabilities and stockholders equity	\$ 3,088,743	\$ 171,096	\$ 569,445	\$ (719,863)	\$ 3,109,421

CONDENSED CONSOLIDATING BALANCE SHEETS
December 30, 2012

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Cash and cash equivalents	\$ 27,657	\$	\$ 40,523	\$	\$ 68,180
Trade accounts and other receivables, less allowance for doubtful accounts	326,031	1,843	57,056		384,930
Account receivable from JBS USA, LLC	1,514				1,514
Inventories	802,282	22,813	125,201		950,296
Income taxes receivable	55,306			(587)	54,719
Current deferred tax assets		3,794	506	(4,300)	
Prepaid expenses and other current assets	29,603		26,444		56,047
Assets held for sale	9,808		17,234		27,042
Total current assets	1,252,201	28,450	266,964	(4,887)	1,542,728
Investment in available-for-sale securities					
Intercompany receivable	19,860	53,706		(73,566)	
Investment in subsidiaries	376,226			(376,226)	
Deferred tax assets	101,100		422	(4,091)	97,431
Other long-lived assets	44,936		180,587	(180,000)	45,523
Identified intangible assets, net	27,386		10,880		38,266
Property, plant and equipment, net	1,043,696	45,746	104,368	(3,889)	1,189,921
Total assets	\$ 2,865,405	\$ 127,902	\$ 563,221	\$ (642,659)	\$ 2,913,869
Accounts payable	\$ 255,517	\$ 4,270	\$ 52,578	\$	\$ 312,365
Accounts payable to JBS USA, LLC	13,436				13,436
Accrued expenses and other current liabilities	230,278	24,265	28,997		283,540
Income taxes payable			1,055	(587)	468
Current deferred tax liabilities	108,201		581	(4,300)	104,482
Current maturities of long-term debt	15,886				15,886
Total current liabilities	623,318	28,535	83,211	(4,887)	730,177
Long-term debt, less current maturities	1,173,870			(25,000)	1,148,870
Intercompany payable			73,566	(73,566)	
Deferred tax liabilities		3,794	297	(4,091)	
Other long-term liabilities	122,580		3,245		125,825
Total liabilities	1,919,768	32,329	160,319	(107,544)	2,004,872
Total Pilgrim s Pride Corporation stockholders equity	945,637	95,573	400,276	(535,115)	906,371
Noncontrolling interest			2,626		2,626
Total stockholders' equity	945,637	95,573	402,902	(535,115)	908,997
Total liabilities and stockholders' equity	\$ 2,865,405	\$ 127,902	\$ 563,221	\$ (642,659)	\$ 2,913,869

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Thirteen Weeks Ended September 29, 2013

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net sales	\$ 1,889,353	\$ 132,942	\$ 245,372	\$ (124,852)	\$ 2,142,815
Cost of sales	1,676,605	117,753	235,856	(123,972)	1,906,242
Gross profit	212,748	15,189	9,516	(880)	236,573
Selling, general and administrative expense	36,976	1,068	5,753		43,797
Administrative restructuring charges	3,126		532		3,658
Operating income	172,646	14,121	3,231	(880)	189,118
Interest expense, net	20,246		167		20,413
Interest income	(8)		(563)		(571)
Foreign currency transaction losses (gains)	(1)		2,683		2,682
Miscellaneous, net	(1,508)	1,260	(98)	338	(8)
Income before income taxes	153,917	12,861	1,042	(1,218)	166,602
Income tax expense (benefit)	13,643		(8,065)		5,578
Income before equity in earnings of consolidated subsidiaries	140,274	12,861	9,107	(1,218)	161,024
Equity in earnings of consolidated subsidiaries	20,643			(20,643)	
Net income	160,917	12,861	9,107	(21,861)	161,024
Less: Net income attributable to noncontrolling interest			107		107
Net income attributable to Pilgrim's Pride Corporation	\$ 160,917	\$ 12,861	\$ 9,000	\$ (21,861)	\$ 160,917

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Thirteen Weeks Ended September 29, 2013

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net income	\$ 160,917	\$ 12,861	\$ 9,107	\$ (21,861)	\$ 161,024
Other comprehensive income:					
Gains associated with pension and other postretirement benefits, net of tax	313				313
Total other comprehensive income, net of tax	313				313
Comprehensive income	161,230	12,861	9,107	(21,861)	161,337
Less: Comprehensive income attributable to noncontrolling interests			107		107
Comprehensive income attributable to Pilgrim's Pride Corporation	\$ 161,230	\$ 12,861	\$ 9,000	\$ (21,861)	\$ 161,230

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Thirteen Weeks Ended September 23, 2012

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net sales	\$ 1,809,883	\$ 71,124	\$ 246,519	\$ (59,048)	\$ 2,068,478
Cost of sales	1,741,370	64,999	215,022	(59,048)	1,962,343
Gross profit	68,513	6,125	31,497		106,135
Selling, general and administrative expense	37,172		4,610		41,782
Administrative restructuring charges	2,647				2,647
Operating income	28,694	6,125	26,887		61,706
Interest expense, net	25,464		(204)		25,260
Interest income, net	(277)		21		(256)
Foreign currency transaction gains	(33)		(7,668)		(7,701)
Miscellaneous, net	(348)	(2)	560	203	413
Income before income taxes	3,888	6,127	34,178	(203)	43,990
Income tax expense (benefit)	(3,584)	2,313	2,320		1,049
Income before equity in earnings of consolidated subsidiaries	7,472	3,814	31,858	(203)	42,941
Equity in earnings of consolidated subsidiaries	35,459			(35,459)	
Net income	42,931	3,814	31,858	(35,662)	42,941
Less: Net income attributable to noncontrolling interest			10		10
Net income attributable to Pilgrim's Pride Corporation	\$ 42,931	\$ 3,814	\$ 31,848	\$ (35,662)	\$ 42,931

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Thirteen Weeks Ended September 23, 2012

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net income	\$ 42,931	\$ 3,814	\$ 31,858	\$ (35,662)	\$ 42,941
Other comprehensive income:					
Unrealized holding gains on available-for-sale securities, net of tax			(12)		(12)
Gains associated with pension and other postretirement benefits, net of tax	(5,115)				(5,115)
Total other comprehensive income, net of tax	(5,115)		(12)		(5,127)
Comprehensive income	37,816	3,814	31,846	(35,662)	37,814
Less: Comprehensive income attributable to noncontrolling interests			10		10
Comprehensive income attributable to Pilgrim's Pride Corporation	\$ 37,816	\$ 3,814	\$ 31,836	\$ (35,662)	\$ 37,804

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Thirty-Nine Weeks Ended September 29, 2013

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net sales	\$ 5,538,779	\$ 404,360	\$ 801,270	\$ (380,546)	\$ 6,363,863
Cost of sales	5,059,584	366,769	679,661	(379,666)	5,726,348
Gross profit	479,195	37,591	121,609	(880)	637,515
Selling, general and administrative expense	111,473	3,187	17,228		131,888
Administrative restructuring charges	4,090		532		4,622
Operating income	363,632	34,404	103,849	(880)	501,005
Interest expense, net	67,710		489		68,199
Interest income	(14)		(1,480)		(1,494)
Foreign currency transaction losses (gains)	(10)		4,781		4,771
Miscellaneous, net	(5,254)	3,569	435	520	(730)
Income before income taxes	301,200	30,835	99,624	(1,400)	430,259
Income tax expense	528	5,764	17,924		24,216
Income before equity in earnings of consolidated subsidiaries	300,672	25,071	81,700	(1,400)	406,043
Equity in earnings of consolidated subsidiaries	105,532			(105,532)	
Net income	406,204	25,071	81,700	(106,932)	406,043
Less: Net loss attributable to noncontrolling interest			(161)		(161)
Net income attributable to Pilgrim's Pride Corporation	\$ 406,204	\$ 25,071	\$ 81,861	\$ (106,932)	\$ 406,204

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Thirty-Nine Weeks Ended September 29, 2013

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net income	\$ 406,204	\$ 25,071	\$ 81,700	\$ (106,932)	\$ 406,043
Other comprehensive income:					
Gains associated with pension and other postretirement benefits, net of tax	36,114				36,114
Total other comprehensive income, net of tax	36,114				36,114
Comprehensive income	442,318	25,071	81,700	(106,932)	442,157
Less: Comprehensive loss attributable to noncontrolling interests			(161)		(161)
Comprehensive income attributable to Pilgrim's Pride Corporation	\$ 442,318	\$ 25,071	\$ 81,861	\$ (106,932)	\$ 442,318

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Thirty-Nine Weeks Ended September 23, 2012

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net sales	\$ 5,192,507	\$ 219,464	\$ 707,363	\$ (187,614)	\$ 5,931,720
Cost of sales	4,934,941	198,081	626,023	(187,614)	5,571,431
Gross profit	257,566	21,383	81,340		360,289
Selling, general and administrative expense	116,726		14,751		131,477
Administrative restructuring charges	5,916		5		5,921
Operating income	134,924	21,383	66,584		222,891
Interest expense, net	78,234		196		78,430
Interest income	(293)		(593)		(886)
Foreign currency transaction losses (gains)	15		(5,432)		(5,417)
Miscellaneous, net	(829)	(13)	160	410	(272)
Income before income taxes	57,797	21,396	72,253	(410)	151,036
Income tax expense (benefit)	(10,671)	8,077	1,938		(656)
Income before equity in earnings of consolidated subsidiaries	68,468	13,319	70,315	(410)	151,692
Equity in earnings of consolidated subsidiaries	82,994			(82,994)	
Net income	151,462	13,319	70,315	(83,404)	151,692
Less: Net income attributable to noncontrolling interest			230		230
Net income attributable to Pilgrim s Pride Corporation	\$ 151,462	\$ 13,319	\$ 70,085	\$ (83,404)	\$ 151,462

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Thirty-Nine Weeks Ended September 23, 2012

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Net income	\$ 151,462	\$ 13,319	\$ 70,315	\$ (83,404)	\$ 151,692
Other comprehensive income:					
Unrealized holding gains on available-for-sale securities, net of tax			(12)		(12)
Gains associated with pension and other postretirement benefits, net of tax	(16,140)				(16,140)
Total other comprehensive income, net of tax	(16,140)		(12)		(16,152)
Comprehensive income	135,322	13,319	70,303	(83,404)	135,540
Less: Comprehensive income attributable to noncontrolling interests			230		230
Comprehensive income attributable to Pilgrim s Pride Corporation	\$ 135,322	\$ 13,319	\$ 70,073	\$ (83,404)	\$ 135,310

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Thirty-Nine Weeks Ended September 29, 2013

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Cash flows provided by operating activities	\$ 551,027	\$ 4,235	\$ 41,974	\$ (520)	\$ 596,716
Cash flows from investing activities:					
Acquisitions of property, plant and equipment	(63,298)	(4,240)	(8,755)		(76,293)
Purchases of investment securities					
Proceeds from property sales and disposals	2,288	5	1,037		3,330
Cash used in investing activities	(61,010)	(4,235)	(7,718)		(72,963)
Cash flows from financing activities:					
Payments on note payable to JBS USA Holdings, Inc.					
Proceeds from long-term debt	505,600				505,600
Payments on long-term debt	(758,283)				(758,283)
Proceeds from sale of common stock					
Payment of capitalized loan costs	(5,006)				(5,006)
Other financing activities			(520)	520	
Cash used in financing activities	(257,689)		(520)	520	(257,689)
Effect of exchange rate changes on cash and cash equivalents			(3,928)		(3,928)
Increase in cash and cash equivalents	232,328		29,808		262,136
Cash and cash equivalents, beginning of period	27,657		40,523		68,180
Cash and cash equivalents, end of period	\$ 259,985	\$	\$ 70,331	\$	\$ 330,316

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Thirty-Nine Weeks Ended September 23, 2012

(In thousands)

	Parent	Subsidiary Guarantor	Subsidiary Non-Guarantors	Eliminations/ Adjustments	Consolidation
Cash flows provided by operating activities	\$ 138,384	\$ 1,299	\$ 16,257	\$ 21	\$ 155,961
Cash flows from investing activities:					
Acquisitions of property, plant and equipment	(53,577)	(1,329)	(7,204)		(62,110)
Purchases of investment securities	(73)		(89)		(162)
Proceeds from sale or maturity of investment securities	57		631		688
Proceeds from property sales and disposals	27,360		1,327		28,687
Cash used in investing activities	(26,233)	(1,329)	(5,335)		(32,897)
Cash flows from financing activities:					
Payments on note payable to JBS USA Holdings, Inc.	(50,000)				(50,000)
Proceeds from long-term debt	595,800				595,800
Payments on long-term debt	(853,008)				(853,008)
Proceeds from sale of common stock	198,282				198,282
Other financing activities			21	(21)	
Cash provided by (used in) financing activities	(108,926)		21	(21)	(108,926)
Effect of exchange rate changes on cash and cash equivalents			(717)		(717)
Increase (decrease) in cash and cash equivalents	3,225	(30)	10,226		13,421
Cash and cash equivalents, beginning of period	13,733	30	27,846		41,609
Cash and cash equivalents, end of period	\$ 16,958	\$	\$ 38,072	\$	\$ 55,030

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

We are one of the largest chicken producers in the world, with operations in the United States (U.S.), Mexico and Puerto Rico. Our products are sold to foodservice, retail and frozen entrée customers. Our primary distribution is through retailers, foodservice distributors and restaurants throughout the United States and Puerto Rico and in the northern and central regions of Mexico. Additionally, we export chicken products to approximately 100 countries. Our fresh chicken products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. Our prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated. 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. Pilgrim's has approximately 37,500 employees and has the capacity to process 35.6 million birds per week for a total of approximately 10.1 billion pounds of live chicken annually. Approximately 4,100 contract growers supply poultry for our operations. As of September 29, 2013, JBS USA Holdings, Inc. (JBS USA), a wholly owned indirect subsidiary of Brazil-based JBS S.A., beneficially owned 75.5% of our outstanding common stock.

We operate on a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. You should assume any reference we make to a particular year (for example, 2013) in this report applies to our fiscal year and not the calendar year.

Executive Summary

We reported net income attributable to Pilgrim's Pride Corporation of \$160.9 million, or \$0.62 per diluted common share, for the thirteen weeks ended September 29, 2013 compared to net income attributable to Pilgrim's Pride Corporation of \$42.9 million, or \$0.17 per diluted common share, for the thirteen weeks ended September 23, 2012. These operating results included gross profit of \$236.6 million and \$106.1 million, respectively. For the thirteen weeks ended September 29, 2013 and September 23, 2012, we recognized administrative restructuring charges of \$3.7 million and \$2.6 million, respectively.

We reported net income attributable to Pilgrim's Pride Corporation of \$406.2 million, or \$1.57 per diluted common share, for the thirty-nine weeks ended September 29, 2013 compared to net income attributable to Pilgrim's Pride Corporation of \$151.5 million, or \$0.61 per diluted common share, for the thirty-nine weeks ended September 23, 2012. These operating results included gross profit of \$637.5 million and \$360.3 million, respectively. For the thirty-nine weeks ended September 29, 2013 and September 23, 2012, we recognized administrative restructuring charges of \$4.6 million and \$5.9 million, respectively.

During the thirty-nine weeks ended September 29, 2013 and September 23, 2012, \$596.7 million and \$156.0 million of cash was provided by operations, respectively. At September 29, 2013, we had cash and cash equivalents totaling \$330.3 million.

Market prices for corn decreased during the thirteen weeks ended September 29, 2013 to a low of \$4.49 per bushel and soybean meal continued its volatility with a high of \$535.30 per ton and a low of \$396.00 per ton. Market prices for feed ingredients remain volatile. Consequently, there can be no assurance that our feed ingredient prices will not increase materially and that such increases would not negatively impact our financial position, results of operations and cash flow. 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 three years:

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	Corn Highest Price	Lowest Price	Soybean Meal Highest Price	Lowest Price
2013:				
Third Quarter	\$ 7.17	\$ 4.49	\$ 535.30	\$ 396.00
Second Quarter	7.18	6.29	490.30	391.80
First Quarter	7.41	6.80	438.50	398.20
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	7.99	5.72	391.00	273.50
2010	6.15	3.25	364.90	249.60

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, wheat, sorghum and natural gas. We will also occasionally purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of our Mexico operations that are denominated in Mexican pesos. We do not designate derivative financial instruments that we purchase to mitigate commodity purchase or foreign currency transaction exposures as cash flow hedges; therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. During the thirteen weeks ended September 29, 2013 and September 23, 2012, we recognized gains of \$8.0 million and \$5.9 million, respectively, related to changes in the fair values of our derivative financial instruments. During the thirty-nine weeks ended September 29, 2013 and September 23, 2012, we recognized gains of \$21.9 million and gains of \$3.7 million, respectively, related to changes in the fair values of our derivative financial instruments.

Although changes in the market price paid for feed ingredients impact cash outlays at the time we purchase the ingredients, such changes do not immediately impact cost of sales. The cost of feed ingredients is recognized in cost of sales, on a first-in-first-out basis, at the same time that the sales of the chickens that consume the feed grains are recognized. Thus, there is a lag between the time cash is paid for feed ingredients and the time the cost of such feed ingredients is reported in cost of goods sold. For example, corn delivered to a feedmill and paid for one week might be used to manufacture feed the following week. However, the chickens that eat that feed might not be processed and sold for another 42-63 days, and only at that time will the costs of the feed consumed by the chicken become included in cost of goods sold.

Commodities such as corn, soybean meal and wheat are actively traded through various exchanges with future market prices quoted on a daily basis. These quoted market prices, although a good indicator of the commodity's base price, do not represent the final price for which we can purchase these commodities. There are several components in addition to the quoted market price, such as freight, storage and seller premiums, that are included in the final price that we pay for grain. Although changes in quoted market prices may be a good indicator of the commodity's base price, the components mentioned above may have a larger impact on the total change in grain costs recognized from period to period. The prices related to the other components were especially high this year as we transitioned from a year of record low grain stocks due to the drought to a year with normal grain stocks.

Market prices for chicken products are currently at levels sufficient to offset the high cost of feed ingredients. However, there can be no assurance that chicken prices will not decrease due to such factors as competition from other proteins and substitutions by consumers of non-protein foods because of uncertainty surrounding the general economy and unemployment.

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 the thirteen weeks ended September 29, 2013, we recognized total costs of \$3.7 million, which included asset impairment costs of \$3.1 million and live operations rationalization costs of \$0.6 million. During the thirteen weeks ended September 23, 2012, we recognized total costs of \$2.8 million, which included charges related to other restructuring activities totaling \$2.2 million and live operations rationalization costs totaling \$0.6 million. During the thirty-nine weeks ended September 29, 2013, we recognized total costs related to exit and disposal efforts of \$4.6 million, which consisted of asset impairment costs of \$3.1 million and live operations rationalization costs of \$1.5 million. During the thirty-nine weeks ended September 23, 2012, we recognized total costs related to exit and disposal efforts of \$6.2 million, which included live operations rationalization costs of \$2.6 million, charges related to other restructuring activities totaling \$2.1 million, asset impairment costs of \$1.3 million and employee-related costs of \$0.1 million. We expect to incur additional costs related to ongoing exit or disposal efforts totaling approximately \$1.5 million.

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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 in a particular period.

In January 2012, we commenced a stock rights offering (the Rights Offering) for stockholders of record as of January 17, 2012 (the Record Date). The basic subscription privilege gave stockholders the option to purchase 0.2072 shares of our common stock, rounded up to the next largest whole number, at a subscription price of \$4.50 per share for each share of our common stock they owned as of the Record Date. The multiplier was determined by dividing the 44,444,444 shares being offered in the Rights Offering by the total number of shares owned by all stockholders on the Record Date. Those stockholders that exercised their basic subscription privilege in full also received an over-subscription privilege that afforded them the opportunity to purchase additional shares at the subscription price of \$4.50 per share from a pool of the shares left over had all stockholders not elected to exercise their basic subscription privileges in full. JBS USA committed to participate in the Rights Offering and exercise its basic and over-subscription privileges in full. The last day a stockholder could exercise either their basic subscription privileges or their over-subscription privileges was February 29, 2012. On March 7, 2012, we issued 44,444,444 shares of common stock to stockholders that exercised their basic subscription privileges and over-subscription privileges under the Rights Offering. Gross proceeds received under the Rights Offering totaled \$200.0 million. We incurred costs directly attributable to the Rights Offering of \$1.7 million that we deferred and charged against the proceeds of the Rights Offering in *Additional Paid-in Capital* on our Condensed Consolidated Balance Sheet. We used the net proceeds of \$198.3 million for additional working capital to improve our capital position and for general corporate purposes. We also used a portion of the net proceeds to repay the outstanding principal amount of \$50.0 million, plus accrued interest, of our subordinated debt owed to JBS USA and to repay indebtedness under the U.S. Credit Facility (as defined below).

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 our company and certain other U.S. chicken producers. Mexico will impose a duty of approximately 25% on chicken legs and thighs exported by our company 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 postponed the imposition of these duties until conditions in Mexico's domestic chicken market resulting from the outbreak of H7N3 avian influenza have normalized. On September 3, 2012, we 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 our 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 within 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

Thirteen Weeks Ended September 29, 2013 Compared to Thirteen Weeks Ended September 23, 2012

Net sales. Net sales generated in the thirteen weeks ended September 29, 2013 increased \$74.3 million, or 3.6%, from net sales generated in the thirteen weeks ended September 23, 2012. The following table provides net sales information:

Sources of net sales	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012	
		Amount	Percent
(In thousands, except percent data)			
United States	\$ 1,932,634	\$ 81,700	4.4% (a)
Mexico	210,181	(7,363)	(3.4)% (b)
Total net sales	\$ 2,142,815	\$ 74,337	3.6%

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- (a) U.S. net sales generated in the thirteen weeks ended September 29, 2013 increased \$81.7 million, or 4.4%, from U.S. net sales generated in the thirteen weeks ended September 23, 2012 primarily because of increased net revenue per pound sold. Increased net revenue per pound sold, which resulted primarily from higher market prices, contributed \$167.2 million, or 9.0 percentage points, to the revenue increase. A decrease in volume partially offset the increase in net revenue per pound sold by \$85.5 million, or 4.6 percentage points, to the revenue increase. Included in U.S. net sales generated in the thirteen weeks ended September 29, 2013 and September 23, 2012 were net sales to JBS USA, LLC totaling \$14.0 million and \$58.5 million, respectively. Other factors affecting U.S. net sales were immaterial.
- (b) Mexico net sales generated in the thirteen weeks ended September 29, 2013 decreased \$7.4 million, or 3.4%, from Mexico net sales generated in the thirteen weeks ended September 23, 2012. A decrease in sales price primarily due to decreased net revenue per pound sold contributed \$23.4 million, or 10.8 percentage points, to the revenue decrease. An increase in unit sales volume and the movement in the exchange rate between the Mexican peso and the U.S. dollar, partially offset the revenue decrease by \$16.0 million, or 7.4 percentage points. Other factors affecting Mexico net sales were immaterial.

Gross profit. Gross profit generated in the thirteen weeks ended September 29, 2013 increased by \$130.4 million, or 122.9%, from gross profit generated in the thirteen weeks ended September 23, 2012. The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012		Percent of Net Sales Thirteen Weeks Ended	
	In thousands, except percent data	Amount	Percent	September 29, 2013	September 23, 2012
Net sales	\$ 2,142,815	\$ 74,337	3.6%	100.0%	100.0%
Cost of sales	1,906,242	(56,101)	(2.9)%	89.0%	94.9% (a)(b)
Gross profit	\$ 236,573	\$ 130,438	122.9%	11.0%	5.1%

Sources of gross profit	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 229,843	\$ 151,458	193.2%
Mexico	6,730	(21,020)	(75.7)%
Total gross profit	\$ 236,573	\$ 130,438	122.9%

Sources of cost of sales	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 1,702,791	\$ (69,759)	(3.9)% (a)
Mexico	203,451	13,658	7.2% (b)
Total cost of sales	\$ 1,906,242	\$ (56,101)	(2.9)%

- (a) Cost of sales incurred by our U.S. operations in the thirteen weeks ended September 29, 2013 decreased \$69.8 million, or 3.9%, from cost of sales incurred by our U.S. operations in the thirteen weeks ended September 23, 2012 primarily because of (i) inventory reduction efforts in the prior year of \$42.4 million, (ii) an \$11.5 million decrease from the same period in the prior year in contract packing costs, (iii) a \$9.4 million decrease in legal settlements and favorable adjustments to accrued settlement liabilities, (iv) a \$5.1 million decrease in freight and storage costs, (v) the August 2012 disposal of our commercial egg business, which incurred cost of sales totaling \$3.4 million in the thirteen weeks ended September 23, 2012, and (vi) a \$3.1 million decrease in losses recognized on the sale of assets. A \$2.0 million decrease from the same period in the prior year in insurance recoveries and a \$1.1 million decrease in derivative gains partially offset the decrease in cost of sales. Other factors affecting U.S. cost of sales were immaterial.
- (b) Cost of sales incurred by our Mexico operations in the thirteen weeks ended September 29, 2013 increased \$13.7 million, or 7.2%, from cost of sales incurred by our Mexico operations in the thirteen weeks ended September 23, 2012. Increased volume and unfavorable foreign currency translation contributed \$14.3 million, or 7.5 percentage points to the increase in cost of sales. Lower overhead costs partially offset the increase in cost of sales by \$0.6 million or 0.3 percentage points. Other factors affecting Mexico cost of sales were immaterial.

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Operating income. Operating income generated in the thirteen weeks ended September 29, 2013 increased \$127.4 million, or 206.5%, from operating income generated in the thirteen weeks ended September 23, 2012. The following tables provide information regarding operating income information:

Components of operating income	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012		Percent of Net Sales Thirteen Weeks Ended	
	(In thousands, except percent data)	Amount	Percent	September 29, 2013	September 23, 2012
Gross profit	\$ 236,573	\$ 130,438	122.9%	11.0%	5.1%
SG&A expense	43,797	2,015	4.8%	2.0%	2.0% (a)(b)
Administrative restructuring charges	3,658	1,011	38.2%	0.2%	0.1% (c)
Operating income	\$ 189,118	\$ 127,412	206.5%	8.8%	3.0%

Sources of operating income	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 187,354	\$ 149,527	395.3%
Mexico	1,764	(22,115)	(92.6)%
Total operating income	\$ 189,118	\$ 127,412	206.5%

Sources of SG&A expense	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 38,831	\$ 921	2.4% (a)
Mexico	4,966	1,094	28.3% (b)
Total SG&A expense	\$ 43,797	\$ 2,015	4.8%

Sources of administrative restructuring charges	Thirteen Weeks Ended September 29, 2013	Change from Thirteen Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 3,658	\$ 1,011	38.2% (c)
Total administrative restructuring charges	\$ 3,658	\$ 1,011	38.2%

- (a) SG&A expense incurred by our U.S. operations in the thirteen weeks ended September 29, 2013 increased \$0.9 million, or 2.4%, from SG&A expense incurred by our U.S. operations in the thirteen weeks ended September 23, 2012 primarily because of (i) a \$4.5 million increase from the same period in the prior year in payroll, benefits and other employee-related expenses and (ii) a \$2.5 million increase in insurance and tax related expenses. These increases were partially offset by (i) a \$3.6 million decrease from the same period in the prior year in professional fees and outside services expenses, (ii) a \$0.7 million decrease in depreciation and lease expenses, (iii) a \$0.5 million decrease in shared service department operating expenses, (iv) a \$0.5 million decrease in sales brokerage expenses and (v) a \$0.4 million decrease in marketing and development expenses. Other factors affecting U.S. SG&A expense were immaterial.
- (b) SG&A expense incurred by our Mexico operations in the thirteen weeks ended September 29, 2013 increased \$1.1 million, or 28.3%, from SG&A expense incurred by our Mexico operations in the thirteen weeks ended September 23, 2012 primarily because of a \$1.1 million increase from the same period in the prior year in professional fees. Other factors affecting Mexico SG&A expense were immaterial.
- (c) Administrative restructuring charges incurred in the thirteen weeks ended September 29, 2013 increased \$1.0 million from administrative restructuring charges incurred in the thirteen weeks ended September 23, 2012. In the thirteen weeks ended September 29, 2013, we

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incurred administrative restructuring charges related to noncash impairment charges of \$3.1 million and live operations rationalization totaling \$0.6 million. In the thirteen weeks ended September 23, 2012, we incurred administrative restructuring charges composed of \$2.0 million related to the scrapping of certain unused or obsolete assets and \$0.6 million related to other restructuring activities.

Net interest expense. Consolidated interest expense decreased 20.6% to \$19.8 million recognized in the thirteen weeks ended September 29, 2013 from \$25.0 million recognized in the thirteen weeks ended September 23, 2012. This decrease resulted primarily from lower average borrowings. This decrease was partially offset by a higher weighted average interest rate compared to the same period in the prior year. Average borrowings decreased from \$1.20 billion in the thirteen weeks ended September 23, 2012 to \$910.1 million in the thirteen weeks ended September 29, 2013. The weighted average interest rate increased from 7.01% in the thirteen weeks ended September 23, 2012 to 7.08% in the thirteen weeks ended September 29, 2013.

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Income taxes. We recognized income tax expense of \$5.6 million for the thirteen weeks ended September 29, 2013, compared to income tax expense of \$1.0 million for the thirteen weeks ended September 23, 2012. The income tax expense reported for the thirteen weeks ended September 29, 2013 was primarily the result of the tax expense recorded on our income during the current period, offset by a decrease in valuation allowance as a result of earnings during the current period. The income tax expense reported for the thirteen weeks ended September 23, 2012 was primarily the result of the tax expense recorded on our earnings in the current period, offset by a decrease in reserves for unrecognized tax benefits and a decrease in valuation allowance as a result of earnings in the current period.

Thirty-Nine Weeks Ended September 29, 2013 Compared to Thirty-Nine Weeks Ended September 23, 2012

Net sales. Net sales generated in the thirty-nine weeks ended September 29, 2013 increased \$432.1 million, or 7.3%, from net sales generated in the thirty-nine weeks ended September 23, 2012. The following table provides net sales information:

Sources of net sales	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 5,662,991	\$ 350,713	6.6% (a)
Mexico	700,872	81,430	13.1% (b)
Total net sales	\$ 6,363,863	\$ 432,143	7.3%

- (a) U.S. net sales generated in the thirty-nine weeks ended September 29, 2013 increased \$350.7 million, or 6.6%, from U.S. net sales generated in the thirty-nine weeks ended September 23, 2012 primarily because of an increase in the net revenue per pound sold. Increased net revenue per pound sold, which resulted primarily from higher market prices, contributed \$505.9 million, or 9.5 percentage points, to the revenue increase. A decrease in volume partially offset the increase in net revenue per pound sold by \$155.2 million, or 2.9 percentage points. Included in U.S. net sales generated in the thirty-nine weeks ended September 29, 2013 and September 23, 2012 were net sales to JBS USA, LLC totaling \$49.3 million and \$177.9 million, respectively. Other factors affecting U.S. net sales were immaterial.
- (b) Mexico net sales generated in the thirty-nine weeks ended September 29, 2013 increased \$81.4 million, or 13.1%, from Mexico net sales generated in the thirty-nine weeks ended September 23, 2012. An increase in sales price, primarily due to increased net revenue per pound sold and the movement in the exchange rate between the Mexican peso and the U.S. dollar, contributed \$93.1 million, or 15.0 percentage points. A decrease in unit sales volume, which resulted primarily from decreased bird weights, partially offset the revenue increase by \$11.7 million, or 1.9 percentage points. Other factors affecting Mexico net sales were immaterial.

Gross profit. Gross profit generated in the thirty-nine weeks ended September 29, 2013 increased by \$277.2 million, or 76.9%, from gross profit generated in the thirty-nine weeks ended September 23, 2012. The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012		Percent of Net Sales	
	(In thousands, except percent data)	Amount	Percent	Thirty-Nine Weeks Ended September 29, 2013	September 23, 2012
Net sales	\$ 6,363,863	\$ 432,143	7.3%	100.0%	100.0%
Cost of sales	5,726,348	154,917	2.8%	90.0%	93.9% (a)(b)
Gross profit	\$ 637,515	\$ 277,226	76.9%	10.0%	6.1%

Sources of gross profit	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 523,108	\$ 234,533	81.3%

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Mexico		114,407	42,693	59.5%
Total gross profit	\$	637,515	\$ 277,226	76.9%

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Sources of cost of sales	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012	Percent
	(In thousands, except percent data)	Amount	
United States	\$ 5,139,883	\$ 116,179	2.3% (a)
Mexico	586,465	38,738	7.1% (b)
Total cost of sales	\$ 5,726,348	\$ 154,917	2.8%

- (a) Cost of sales incurred by our U.S. operations in the thirty-nine weeks ended September 29, 2013 increased \$116.2 million, or 2.3%, from cost of sales incurred by our U.S. operations in the thirty-nine weeks ended September 23, 2012. The increase in cost of sales was primarily because of a \$176.1 million increase from the same period in the prior year in live production costs, which increased primarily because of higher feed ingredient costs. Partially offsetting the increase was (i) the August 2012 disposal of our commercial egg business, which incurred cost of sales totaling \$18.7 million in the thirty-nine weeks ended September 23, 2012, (ii) a \$16.2 million decrease from the same period in the prior year in freight and storage costs, (iii) a \$15.0 million decrease in derivative gains, (iv) a \$5.8 million decrease in legal settlements and favorable adjustments to accrued settlement liabilities and (v) a \$4.8 million decrease in losses recognized on the sale of assets. Other factors affecting U.S. cost of sales were immaterial.
- (b) Cost of sales incurred by our Mexico operations in the thirty-nine weeks ended September 29, 2013 increased \$38.7 million, or 7.1%, from cost of sales incurred by our Mexico operations in the thirty-nine weeks ended September 23, 2012. Higher overhead costs and unfavorable foreign currency translation contributed \$49.2 million, or 9.0 percentage points, to the increase in cost of sales. Decreased sales volume partially offset the increase in cost of sales by \$10.3 million or 1.9 percentage points. Other factors affecting Mexico cost of sales were immaterial.

Operating income. Operating income generated in the thirty-nine weeks ended September 29, 2013 increased \$278.1 million, or 124.8%, from operating income generated in the thirty-nine weeks ended September 23, 2012. The following tables provide information regarding operating income information:

Components of operating income	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012	Percent	Percent of Net Sales Thirty-Nine Weeks Ended	
	(In thousands, except percent data)	Amount		September 29, 2013	September 23, 2012
Gross profit	\$ 637,515	\$ 277,226	76.9%	10.0%	6.1%
SG&A expense	131,888	411	0.3%	2.1%	2.2% (a)(b)
Administrative restructuring charges	4,622	(1,299)	(21.9)%	0.1%	0.1% (c)
Operating income	\$ 501,005	\$ 278,114	124.8%	7.9%	3.8%

Sources of operating income	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012	Percent
	(In thousands, except percent data)	Amount	
United States	\$ 401,101	\$ 238,128	146.1%
Mexico	99,904	39,986	66.7%
Total operating income	\$ 501,005	\$ 278,114	124.8%

Sources of SG&A expense	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012	Percent
	(In thousands, except percent data)	Amount	
United States	\$ 117,385	\$ (2,295)	(1.9)% (a)
Mexico	14,503	2,706	22.9% (b)
Total SG&A expense	\$ 131,888	\$ 411	0.3%

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Sources of administrative restructuring charges	Thirty-Nine Weeks Ended September 29, 2013	Change from Thirty-Nine Weeks Ended September 23, 2012	
	(In thousands, except percent data)	Amount	Percent
United States	\$ 4,622	\$ (1,299)	(21.9)% (c)
Total administrative restructuring charges	\$ 4,622	\$ (1,299)	(21.9)%

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- (a) SG&A expense incurred by our U.S. operations in the thirty-nine weeks ended September 29, 2013 decreased \$2.3 million, or 1.9%, from SG&A expense incurred by our U.S. operations in the thirty-nine weeks ended September 23, 2012 primarily because of (i) a \$5.2 million decrease from the same period in the prior year in professional fees and outside services expenses, (ii) a \$1.9 million decrease in depreciation and lease expenses, (iii) a \$2.0 million decrease in sales brokerage expense, (iv) a \$1.3 million decrease in shared service department operating expenses, (v) a \$0.9 million decrease in marketing and development expenses and (vi) a \$0.6 million decrease in facility operating costs. These increases were partially offset by (i) a \$7.7 million increase from the same period in the prior year in payroll, benefits and other employee-related expenses and (ii) a \$2.5 million increase in insurance and tax related expenses. Other factors affecting U.S. SG&A expense were immaterial.
- (b) SG&A expense incurred by our Mexico operations in the thirty-nine weeks ended September 29, 2013 increased \$2.7 million, or 22.9%, from SG&A expense incurred by our Mexico operations in the thirty-nine weeks ended September 23, 2012 primarily because of a \$2.1 million increase from the same period in the prior year in professional fees and \$0.6 million in favorable foreign currency translation. Other factors affecting Mexico SG&A expense were immaterial.
- (c) Administrative restructuring charges incurred in the thirty-nine weeks ended September 29, 2013 decreased \$1.3 million from administrative restructuring charges incurred in the thirty-nine weeks ended September 23, 2012. In the thirty-nine weeks ended September 29, 2013, we incurred administrative restructuring charges related to noncash impairment charges of \$3.1 million and live operations rationalization totaling \$1.5 million. In the thirty-nine weeks ended September 23, 2012, we incurred administrative restructuring charges composed of (i) live operations rationalization costs totaling \$2.6 million, (ii) charges related to other restructuring activities totaling \$2.0 million and (iii) noncash impairment charges totaling \$1.3 million.

Net interest expense. Consolidated interest expense decreased 14.0% to \$66.7 million recognized in the thirty-nine weeks ended September 29, 2013 from \$77.5 million recognized in the thirty-nine weeks ended September 23, 2012. This resulted primarily from a \$11.4 million decrease in long term debt interest expense due to lower average borrowings. This decrease was partially offset by a higher weighted average interest rate compared to the same period in the prior year. Average borrowings decreased from \$1.28 billion in the thirty-nine weeks ended September 23, 2012 to \$1.02 billion in the thirty-nine weeks ended September 29, 2013. The weighted average interest rate increased from 6.95% in the thirty-nine weeks ended September 23, 2012 to 7.16% in the thirty-nine weeks ended September 29, 2013.

Income taxes. We recognized income tax expense of \$24.2 million for the thirty-nine weeks ended September 29, 2013, compared to an income tax benefit of \$0.7 million for the thirty-nine weeks ended September 23, 2012. The income tax expense reported for the thirty-nine weeks ended September 29, 2013 was primarily the result of the tax expense recorded on our year-to-date income, offset by a decrease in valuation allowance as a result of year-to-date earnings. The income tax benefit reported for the thirty-nine weeks ended September 23, 2012 was primarily the result of a decrease in reserves for unrecognized tax benefits and a decrease in valuation allowance as a result of year-to-date earnings, offset by the tax expense recorded on our year-to-date income.

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of September 29, 2013:

Source of Liquidity	Facility Amount (In millions)	Amount Outstanding	Amount Available
Cash and cash equivalents			\$ 330.3
Borrowing arrangements:			
U.S. Credit Facility	\$ 700.0	\$	670.4 (a)
Mexico Credit Facility	42.4		42.4 (b)

- (a) Our actual borrowings under the U.S. Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base in effect at September 29, 2013 was \$700.0 million. Availability under the U.S. Credit Facility is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at September 29, 2013 totaled \$29.6 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, the 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.

Senior and Subordinated Notes

At September 29, 2013, we had an aggregate principal balance outstanding of \$500.0 million of 7 % Senior Notes due 2018 (the 2018 Notes) that are registered under the Securities Act of 1933. The 2018 Notes are our unsecured obligations and are guaranteed by one of our 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 September 29, 2013.

On June 23, 2011, we 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 us in the principal amount of \$50.0 million under the Subordinated Loan Agreement. Pursuant to the terms of the Subordinated Loan Agreement, we agreed to reimburse JBS USA up to \$56.5 million for potential draws upon letters of credit issued for JBS USA’s account that support certain obligations of our company or our subsidiaries. On December 16, 2011, we and JBS USA executed an amendment to the Subordinated Loan Agreement that, among other things, provided that if we consummated the Rights Offering that allowed stockholders of record as of January 17, 2012 to purchase an aggregate 44,444,444 shares of our common stock on or before March 24, 2012, the loan commitment under the Subordinated Loan Agreement would be terminated. We consummated the Rights Offering on February 29, 2012. Further, under the U.S. Credit Facility, following the consummation of the Rights Offering, (i) we, at our option, were 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 us under the Subordinated Loan Agreement would be terminated. On March 7, 2012, we 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 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 us 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, we agreed to reimburse JBS USA for the letter of credit costs we would otherwise incur under our U.S. Credit Facility (as defined below). During the thirteen and thirty-nine weeks ended September 29, 2013, we reimbursed JBS USA \$0.6 million and \$1.8 million, respectively, for letter of credit costs. As of September 29, 2013, we have accrued an obligation of \$0.1 million to reimburse JBS USA for letter of credit costs incurred on our behalf.

U.S. Credit Facility

We and certain of our subsidiaries 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 was amended and restated on August 7, 2013. The U.S. Credit Facility currently provides for a \$700.0 million revolving credit facility, a Term B facility of approximately \$410.1 million and a delayed draw term loan commitment of up to \$400 million (the “Delayed Draw Term Loans”). We can draw upon the Delayed Draw Term Loan commitment, in one or more advances, between May 1, 2014 and December 28, 2014. 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 \$250.0 million and to increase the aggregate Delayed Draw Term Loan commitment by up to an additional \$500.0 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. The U.S. Credit Facility also provides for a \$100 million sub-limit for swingline loans and a \$200 million sub-limit for letters of credit. The Term B Loans mature on December 28, 2014 with all principal and unpaid interest due at maturity. The revolving loan commitment under the U.S. Credit Facility matures on August 7, 2018. Any Delayed Draw Term Loans would be payable in quarterly installments beginning in fiscal year 2015 equal to 1.875% of the principal outstanding as of December 28, 2014, with all remaining principal and interest due at maturity on August 7, 2018.

On December 28, 2009, we paid loan costs totaling \$50.0 million related to the U.S. Credit Facility that is recognized as an asset on our balance sheet. On August 7, 2013, we paid loan costs totaling \$5.0 million related to the amendment and restatement to the U.S. Credit Facility that is recognized as an asset on our balance sheet. We amortize 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, we were required to pay approximately \$141.2 million of its cash flow toward the outstanding principal under the Term B loans, which we paid on April 29, 2013. 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 we received from the Rights Offering were not subject to this requirement. On September 29, 2013, a principal amount of \$410.1 million under the Term B loans commitment was outstanding.

Our actual borrowings 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 September 29, 2013, the applicable borrowing base was \$700.0 million, the amount available for borrowing under the revolving loan commitment was \$670.4 million. We had letters of credit of \$29.6 million and no outstanding borrowings under the revolving loan commitment as of September 29, 2013.

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. The U.S. Credit Facility requires us to comply with a minimum level of tangible net worth covenant. We are currently in compliance with this financial covenant. All other financial covenants were eliminated in connection with the August 7, 2013 amendment and restatement to the U.S. Credit Facility. The U.S. Credit Facility also provides that we may not incur capital expenditures in excess of \$350.0 million in any fiscal year.

All obligations under the U.S. Credit Facility are unconditionally guaranteed by certain of our subsidiaries and are secured by a first priority lien on (i) the accounts receivable and inventories our company and our non-Mexico subsidiaries, (ii) 65% of the equity interests in our direct foreign subsidiaries and 100% of the equity interests in our other subsidiaries and (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 our 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 other 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 our Mexico subsidiaries. As of September 29, 2013, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was \$42.4 million. There were no outstanding borrowings under the Mexico Credit Facility at September 29, 2013.

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 eight years. We estimate the maximum potential amount of the residual value guarantees is approximately \$2.7 million as of September 29, 2013; 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 under 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.

Historical Flow of Funds

Cash provided by operating activities was \$596.7 million and \$156.0 million for the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. The increase in cash flows provided by operating activities was primarily a result of net income and working capital changes for the thirty-nine weeks ended September 29, 2013 as compared to the thirty-nine weeks ended September 23, 2012.

Our working capital position, which we define as current assets less current liabilities, increased \$245.8 million to \$1,058.4 million and a current ratio of 2.39 at September 29, 2013 compared to \$812.6 million and a current ratio of 2.11 at December 30, 2012. This increase was primarily the result of the generation of cash from operations. Our working capital position increased \$84.8 million to \$831.8 million and a current ratio of 2.14 at September 23, 2012 compared to \$747.0 million and a current ratio of 2.04 at December 25, 2011. The increase was also caused by the generation of cash from operations.

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Cash used in operating activities related to increases in trade accounts and other receivables totaled \$25.5 million and \$3.2 million in the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. Trade accounts and other receivables increased \$25.0 million, or 6.5%, to \$411.5 million at September 29, 2013 from \$386.4 million at December 30, 2012. The change in trade accounts and other receivables resulted primarily from increased sales price per pound. Trade accounts and other receivables increased \$5.6 million, or 1.5%, to \$376.0 million at September 23, 2012 from \$370.4 million at December 25, 2011. The change in trade accounts and other receivables resulted primarily from increased sales price per pound partially offset by an increase in sales adjustments and collection of other receivables when compared to the previous year.

Cash provided by operating activities related to inventories totaled \$39.4 million in the thirty-nine weeks ended September 29, 2013 and cash used by operating activities related to inventories totaled \$95.0 million in the thirty-nine weeks ended September 23, 2012. Inventories decreased \$39.2 million, or 4.1%, to \$911.1 million at September 29, 2013 from \$950.3 million at December 30, 2012. The change in inventories was primarily due to a decrease in feed inventories partially offset by an increase in live chicken. Inventories increased \$100.1 million, or 11.4%, to \$979.2 million at September 23, 2012 from \$879.1 million at December 25, 2011. The change in inventories was primarily due to increases in live chicken and feed ingredients costs.

Cash used in operating activities included increases in prepaid expenses and other current assets totaling \$17.3 million and \$1.1 million in the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. Prepaid expenses and other current assets increased \$16.8 million, or 29.9%, to \$72.8 million at September 29, 2013 from \$56.0 million at December 30, 2012. This change resulted primarily from an \$11.0 million increase in outstanding derivatives and a \$5.5 million increase in value-added tax receivables. Prepaid expenses and other current assets increased \$2.5 million, or 4.8%, to \$54.9 million at September 23, 2012 from \$52.4 million at December 25, 2011. This change resulted primarily from a \$13.0 million increase in prepaid insurance premiums and a \$5.2 million increase in value-added tax receivables. These increases were partially offset by a \$14.2 million decrease in prepaid grain purchases.

Cash provided by operating activities included a \$1.0 million decrease in net income tax assets in the thirty-nine weeks ended September 29, 2013. Cash used in operating activities included a \$14.3 million increase in net income tax assets in the thirty-nine weeks ended September 23, 2012. Net income tax assets decreased \$1.0 million, or 4.2%, to \$21.6 million at September 29, 2013 from \$22.5 million at December 30, 2012. This change resulted primarily from an increase in our income tax receivables offset by a decrease in our net deferred tax position. Our income tax position increased \$14.3 million, or 122.5%, to a net income tax asset of \$2.6 million at September 23, 2012 from a net income tax liability of \$11.7 million at December 25, 2011. This change resulted primarily from both a decrease in the reserve for unrecognized tax benefits and the recognition of income taxes receivable in Mexico.

Cash used in investing activities was \$73.0 million and \$32.9 million for the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. Capital expenditures totaled \$76.3 million and \$62.1 million in the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. Capital expenditures increased by \$14.2 million primarily because of the number of projects that were active at September 29, 2013 when compared to September 23, 2012. Capital expenditures for 2013 cannot exceed \$350.0 million under the terms of the U.S. Credit Facility. Cash proceeds from property disposals in the thirty-nine weeks ended September 29, 2013 and September 23, 2012 were \$3.3 million and \$28.7 million, respectively.

Cash used in financing activities was \$257.7 million in the thirty-nine weeks ended September 29, 2013. Cash used in financing activities was \$108.9 million in the thirty-nine weeks ended September 23, 2012. Cash proceeds in the thirty-nine weeks ended September 29, 2013 and September 23, 2012 from our revolving line of credit and long-term borrowings were \$505.6 million and \$595.8 million, respectively. Cash was used to repay our revolving line of credit, long-term borrowings and capital lease obligations totaling \$758.3 million and \$853.0 million for the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. Cash used in the thirty-nine weeks ended September 23, 2012 to repay the notes payable to JBS USA was \$50.0 million. Cash used in the thirty-nine weeks ended September 23, 2012 to pay for capitalized loan costs related to the amendment and restatement of the U.S. Credit Facility was \$5.0 million. Cash proceeds in the thirty-nine weeks ended September 23, 2012 from the sale of common stock in the Rights Offering were \$198.3 million.

Contractual Obligations

In addition to our debt commitments at September 29, 2013, 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 September 29, 2013 under all debt agreements, commitments and other contractual obligations. The table indicates the years in which payments are due under the contractual obligations.

Contractual Obligations ^(a)	Payments Due by Period				
	Total (In thousands)	Less than One Year	One to Three Years	Three to Five Years	Greater than Five Years
Long-term debt ^(b)	\$ 913,996	\$ 264	\$ 410,215	\$ 3,517	\$ 500,000
Interest ^(c)	256,468	64,281	91,597	80,420	20,170
Capital leases	999	194	334	245	226
Operating leases	13,647	1,714	11,262	671	
Derivative liabilities	3,545	3,545			
Purchase obligations ^(d)	150,421	143,329	7,092		
Total	\$ 1,339,076	\$ 213,327	\$ 520,500	\$ 84,853	\$ 520,396

- (a) The total amount of our unrecognized tax benefits at September 29, 2013 was \$16.2 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.
- (b) Long-term debt is presented before the unaccreted discount of \$2.4 million and excludes \$29.6 million in letters of credit outstanding related to normal business transactions. In April 2013, we paid approximately \$141.2 million of our 2012 excess cash flow toward the outstanding principal under the Term B loans. After giving effect to this prepayment and other prepayments of the Term B loans, we will no longer be required to make quarterly installment payments for our Term B loans. Subsequent to the end of our fiscal year, a portion of our excess cash flow must be used to repay outstanding principal amounts under the Term B loans. While we cannot estimate the amount of the cash flow payment at this time, we expect that the payment will be significant based on our operating results to date. The Term B loans must be repaid in full at maturity on December 28, 2014.
- (c) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings under our credit facilities as of September 29, 2013.
- (d) Purchase obligations include 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.

Critical Accounting Policies

During the thirty-nine weeks ended September 29, 2013, (i) we did not change any of our existing critical accounting policies, (ii) no existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate and (iii) there were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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 commodity prices, foreign currency exchange rates, interest rates and the credit quality of investments 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.

Commodity Prices

We purchase certain commodities, primarily corn, soybean meal and sorghum, for use as ingredients in the feed we either sell commercially or consume in our live operations. We also purchase natural gas and electricity for use in our facilities. As a result, our earnings are affected by changes in the price and availability of such feed ingredients, natural gas and electricity. In the past, we have from time to time attempted to

minimize our exposure to the changing price and availability of such commodities by using various techniques, including, but not limited to, executing purchase agreements with suppliers for future physical delivery of the commodities at established prices and purchasing or selling derivative financial instruments such as futures and options.

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Market risk is estimated as a hypothetical 10% change in the weighted-average cost of our primary feed ingredients as of September 29, 2013. However, fluctuations greater than 10% could occur. Based on our feed consumption during the thirteen weeks ended September 29, 2013, such a change would have resulted in a change to cost of sales of \$87.5 million, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10% change in ending feed ingredient inventories at September 29, 2013, excluding any potential impact on the production costs of our chicken inventories, would be \$13.2 million.

A 10.0% increase in corn, soybean meal, and natural gas prices on September 29, 2013 would have resulted in a decrease of approximately \$3.0 million in the fair value of our net commodity derivative liability position as of that date.

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 22.5% of our total debt at September 29, 2013. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by \$0.1 million for the thirteen weeks ended September 29, 2013. These amounts are determined by considering the impact of the hypothetical interest rates on our variable-rate debt at September 29, 2013.

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 \$5.0 million as of September 29, 2013.

Foreign Currency

Our earnings are also affected by foreign currency 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 currency exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. As of September 29, 2013, we anticipate that the cash flows of our Mexico subsidiaries will be reinvested in our Mexico 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 (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 loss of \$4.7 million and a gain of \$5.4 million in the thirty-nine weeks ended September 29, 2013 and September 23, 2012, respectively. The average exchange rates for the thirty-nine weeks ended September 29, 2013 and September 23, 2012 were 12.67 Mexican pesos to one U.S. dollar and 13.24 Mexican pesos to one 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.

We occasionally purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of our Mexico operations that are denominated in Mexican pesos. A 10.0% increase in the Mexican peso exchange rate when compared to the U.S. dollar on September 29, 2013 would have resulted in a decrease of approximately \$8.0 million in the fair value of our net commodity derivative asset position as of that date.

Quality of Investments

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

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.

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, project, plan, imply, intend, should, foresee and similar, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include the following:

- Matters affecting the chicken industry generally, including fluctuations in the commodity prices of feed ingredients and chicken;
- Our ability to obtain and maintain commercially reasonable terms with vendors and service providers;
- Our ability to maintain contracts that are critical to our operations;
- Our ability to retain management and other key individuals;
- Risk that the amounts of cash from operations, together with amounts available under our credit facilities, will not be sufficient to fund our operations;
- Management of our cash resources, particularly in light of our leverage;
- Restrictions imposed by our leverage;
- Outbreaks of avian influenza or other diseases, either in our own flocks or elsewhere, affecting our ability to conduct our operations and/or demand for our poultry products;
- Contamination of our products, which has previously and can in the future lead to product liability claims and product recalls;
- Exposure to risks related to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate;
- Changes in laws or regulations affecting our operations or the application thereof;
- New immigration legislation or increased enforcement efforts in connection with existing immigration legislation could cause our costs of doing business to increase, cause us to change the way in which we do business or otherwise disrupt our operations;
- Competitive factors and pricing pressures or the loss of one or more of our largest customers;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations;
- Disruptions in international markets and distribution channels;
- Our ability to maintain favorable labor relations with our employees and our compliance with labor laws;
- Extreme weather or natural disasters;
- The impact of uncertainties in litigation; and

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- The impact of uncertainties of litigation as well as other risks described herein and under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 30, 2012 as filed with the SEC.

Actual results could differ materially from those projected in 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 forward-looking statement or 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 to information contained in previous filings or communications. We must caution investors and others that other factors may in the future prove to be important and affect our business or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

As of September 29, 2013, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Based on that evaluation, the Company's management, including the Principal Executive Officer and Principal Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that information we are required to disclose in our reports filed with the Securities and Exchange Commission is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation described above, the Company's management, including the Principal Executive Officer and Principal Financial Officer, identified no change in the Company's internal control over financial reporting that occurred during the thirteen weeks ended September 29, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. 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. The proofs of claim are being administered in a consolidated proceeding described under *Growers Proofs of Claims*, below. The consolidated matter, as discussed below, is now concluded.

Shelia 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 "*Shelia 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 U.S.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 El Dorado, 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 District 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. 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. On August 27, 2013, the Fifth Circuit reversed the judgment, and entered a judgment in favor of the Company. Plaintiffs thereafter filed a petition for rehearing en banc. Plaintiffs' petition for rehearing was denied on October 15, 2013. Plaintiffs may seek discretionary review from the Supreme Court of the United States, and any such petition in that regard will be due January 13, 2014. If such petition is granted, the Company intends to vigorously pursue its appellate rights and defend against reinstatement of the underlying judgment of the trial court. The Fifth Circuit's decision and prior favorable trial court rulings regarding the El Dorado grower' claims suggest that the likelihood of any recovery by growers remaining in the case is too remote to maintain the previously-recorded loss accrual. Therefore, the Company reversed the accrual on September 1, 2013. 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 and the Marshall Court has not scheduled a date for resuming the trial. 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 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 Court of Appeals. After briefing was complete, the Fifth Circuit, on January 31, 2013, affirmed the underlying judgment in favor of the Company and barred the growers' claims. Because the growers elected not to seek rehearing of the Fifth Circuit's decision and will not seek a further appeal, the case is now concluded.

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 U.S.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. 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. On August 29, 2012, the Magistrate judge issued a Report and Recommendation to deny the Defendants' motion to dismiss the complaint on grounds that the complaint included too many exhibits. Defendants filed objections with the District Court, and on October 29, 2012, the District Court adopted the Recommendation of the Magistrate Judge and entered an order denying Defendants' motion to dismiss. On November 11, 2012, Plaintiffs filed a motion for class certification. The motion is fully briefed and was argued to the Court on February 28, 2013. The parties are awaiting a decision on the motion.

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 had 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 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 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the risks discussed in our 2012 Annual Report on Form 10-K, including under the heading "Item 1A. Risk Factors", which, along with risks disclosed in this report, are all the risks we believe could materially affect the Company's business, financial condition or future results. These risks are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect the Company's business, financial condition or future results.

ITEM 5. OTHER INFORMATION

As previously discussed, the Company filed voluntary Chapter 11 petitions on December 1, 2008 and emerged from bankruptcy on December 28, 2009. The Chapter 11 cases were being jointly administered under case number 08-45664. The Company has and intends to continue to post important information about the restructuring, including quarterly operating reports and other financial information required by the Bankruptcy Court, on the Company's website www.pilgrims.com under the "Investors-Reorganization" caption. The quarterly operating reports are required to be filed with the Bankruptcy Court no later than the 20th day of the next calendar month immediately following the end of the fiscal quarter and will be posted on the Company's website concurrently with being filed with the Bankruptcy Court. The Company uses its website as a means of complying with its disclosure obligations under SEC Regulation FD.

The information contained on or accessible through the Company's website shall not be deemed to be part of this report.

ITEM 6. EXHIBITS

- 2.1 Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
- 2.2 Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s Current Report on Form 8-K (No. 000-17060) dated September 28, 2000).
- 2.3 Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
- 2.4 Stock Purchase Agreement by and between the Company and JBS USA Holdings, Inc., dated September 16, 2009 (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K filed September 18, 2009).
- 2.5 Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holdings, Inc., dated December 28, 2009 (incorporated by reference from Exhibit 2.5 of the Company's Annual Report on Form 10-K/A filed January 22, 2010).
- 3.1 Amended and Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Form 8-A filed on December 27, 2012).
- 3.2 Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Form 8-A filed on December 27, 2012).
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- 4.5 Indenture dated as of December 14, 2010 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and The Bank of New York Mellon, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Form 8-K filed on December 15, 2010).
- 4.6 Form of Senior 7.875% Note due 2018 (incorporated by reference from Exhibit 4.3 of the Company's Form 8-K filed on December 15, 2010).

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- 4.7 Form of Guarantee (incorporated by reference from Exhibit 4.4 of the Company's Form 8-K filed on December 15, 2010).

Additional long-term debt instruments are not filed since the total amount of those securities authorized under any such instrument does not exceed ten percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of such instruments to the SEC upon request.

- 10.1 Third Amendment to Amended and Restated MXN\$557,415,000 Credit Agreement dated as of June 25, 2013, by and among Avícola Pilgrim's Pride de México, S.A. de C.V. and Pilgrim's Pride, S. de R.L. de C.V., as borrowers, the subsidiaries of the borrowers party thereto, the banks and other financial institutions party thereto and ING Capital LLC, as administrative agent and lead arranger (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 1, 2013).

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10.2	Amendment and Restatement to Credit Agreement dated August 7, 2013 among Pilgrims Pride Corporation, To-Ricos Distribution, Ltd., CoBank, ABC, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 12, 2013).
12	Ratio of Earnings to Fixed Charges for the thirty-nine weeks ended September 29, 2013 and September 23, 2012.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PILGRIM S PRIDE CORPORATION

Date: October 31, 2013

/s/ Fabio Sandri

Fabio Sandri

Chief Financial Officer

(Principal Financial Officer, Chief Accounting Officer and
Duly Authorized Officer)

EXHIBIT INDEX

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- 4.7 Form of Guarantee (incorporated by reference from Exhibit 4.4 of the Company's Form 8-K filed on December 15, 2010).
- Additional long-term debt instruments are not filed since the total amount of those securities authorized under any such instrument does not exceed ten percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of such instruments to the SEC upon request.
- 10.1 Third Amendment to Amended and Restated MXN\$557,415,000 Credit Agreement dated as of June 25, 2013, by and among Avícola Pilgrim's Pride de México, S.A. de C.V. and Pilgrim's Pride, S. de R.L. de C.V., as borrowers, the subsidiaries of the borrowers party thereto, the banks and other financial institutions party thereto and ING Capital LLC, as administrative agent and lead arranger (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 1, 2013).

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- 10.2 Amendment and Restatement to Credit Agreement dated August 7, 2013 among Pilgrim s Pride Corporation, To-Ricos Distribution, Ltd., CoBank, ABC, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company s Current Report on Form 8-K filed August 12, 2013).
- 12 Ratio of Earnings to Fixed Charges for the thirty-nine weeks ended September 29, 2013 and September 23, 2012.*
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

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32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation

101.DEF XBRL Taxonomy Extension Definition

101.LAB XBRL Taxonomy Extension Label

101.PRE XBRL Taxonomy Extension Presentation

* Filed herewith.

** Furnished herewith.