PILGRIMS PRIDE CORP
Form 10-K/A
December 06, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1

(Mark One)

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

For the fiscal year ended October 2, 2004

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.)
110 South Texas Pittsburg, Texas (Address of principal executive offices)	75686-0093 (Zip code)

Registrant s telephone number, including area code: **(903) 855-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $0.01	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes x No ¨

The aggregate market value of the Registrant s Common Stock, $0.01 par value, held by non-affiliates of the Registrant as of April 2, 2004, was $344,530,286. For purposes of the foregoing calculation only, all directors, executive officers and 5% beneficial owners have been deemed affiliates.

Number of shares of the Registrant s Common Stock outstanding as of November 19, 2004, was 66,555,733.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s proxy statement for the annual meeting of stockholders to be held January 26, 2005 are incorporated by reference into Part III.

EXPLANATORY NOTE REGARDING THIS AMENDMENT TO FORM 10-K

To correct an error that arose in the process of Edgarizing the registrant's Annual Report on Form 10-K for the fiscal year ended October 2, 2004 as filed by the registrant on November 24, 2004 (the "Original 10-K") and to expand disclosure regarding the restructuring of the registrant's turkey operations, the registrant is filing this Amendment No. 1 to the Original 10-K (the "Amendment"). The only differences between the Original 10-K and the Amendment with respect to Items 7, 1 and 15 are as follows: (i) the table relating to Gross Profit in the section entitled "Fiscal 2003 Compared to Fiscal 2002" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Original 10-K has been revised, as in the process of Edgarizing the Original 10-K, this table was inadvertently replaced with a duplicate of the table for Operating Income set forth immediately below it, (ii) an expansion of our disclosure regarding the restructuring of the registrant's turkey operations under the caption "Restructuring of Turkey Operations" in Item 1. Business and the caption "Results of Operations" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (iii) the list of exhibits has been revised to reflect that the exhibits filed as part of the Original 10-K have previously been filed and to include the updated certifications pursuant to Section 302 of the Sarbanes-Oxley Act. Other than these revisions, no other changes are made by this Amendment and all other information included in the Original 10-K is unchanged.

In order to preserve the nature and character of the disclosures as originally filed, except as specifically discussed in this Amendment, no attempt has been made to modify or update such disclosures for events which occurred subsequent to the original filing on November 24, 2004. Accordingly, this Amendment should be read in conjunction with the Company's subsequent filings with the Securities and Exchange Commission.

PART I

Item 1. Business

General

Overview and Recent Developments

The Company, which was incorporated in Texas in 1968 and reincorporated in Delaware in 1986, is the successor to a partnership founded in 1946 as a retail feed store. Over the years, the Company grew through both internal growth and various acquisitions of farming operations and poultry processors including the significant acquisition discussed below. We are the second largest producer of poultry in both the United States ("U.S.") and Mexico, the largest in Puerto Rico, and have one of the best known brand names in the poultry industry. In the U.S., we produce both prepared and fresh chicken and turkey; while in Mexico and Puerto Rico, we exclusively produce fresh chicken. Through vertical integration, we control the breeding, hatching and growing of chickens. We also control the processing, preparation, packaging and sale of our product lines, which we believe has made us one of the highest quality, lowest-cost producers of poultry in North America. We have consistently applied a long-term business strategy of focusing our growth efforts on the higher-value, higher-margin prepared foods products and have become a recognized industry leader in this market segment. Accordingly, our sales efforts have traditionally been targeted to the foodservice industry, principally chain restaurants and food processors. We have continually made investments to ensure our prepared foods capabilities remain state-of-the-art and have complemented these investments with a substantial and successful research and development effort. In fiscal 2004, we sold 5.3 billion pounds of dressed chicken and 310.2 million pounds of dressed turkey and generated net sales of $5.4 billion. In fiscal 2004, our U.S. operations including Puerto Rico accounted for 92.8% of our net sales, with the remaining 7.2% arising from our Mexico operations.

Business Acquisition

On November 23, 2003, we completed the purchase of all the outstanding stock of the corporations represented as the ConAgra Foods, Inc. chicken division ("ConAgra chicken division"). We sometimes refer to this acquisition as the "fiscal 2004 acquisition." The acquired business has been included in our results of operations since the date of the acquisition. The acquisition provided us with additional lines of specialty prepared chicken products, well-known brands, well-established distributor relationships and Southeastern U.S. processing facilities. The acquisition also included the largest distributor of chicken products in Puerto Rico. This allows us to provide customers at every point in the distribution chain with the broadest range of quality value-added chicken products and services available in the market today. See Note B-Business Acquisition of the notes to consolidated financial statements included elsewhere herein.

We have substantially completed integrating the operations of the ConAgra chicken division into the Company. We believe we have realized significant synergies at this time from the acquisition and believe there will be further synergies identified in the future as part of our on-going business strategy implementation, including the implementation of a "best practices" approach across all of our operations.

Restructuring of Turkey Operations

On April 26, 2004, we announced a plan to restructure our turkey business to significantly reduce our production of commodity turkey meat and strengthen our focus on value-added turkey products. As part of our restructuring effort, we sold our Hinton, Virginia turkey commodity meat operations. As a result, we now purchase turkey meat for processing into turkey prepared foods products, but continue to grow turkeys for our premium line of fresh and frozen whole turkeys. We estimate that the restructuring will have a positive impact on our fiscal 2005 pre-tax earnings of approximately $25-$30 million and decrease our fiscal 2005 commodity sales in our turkey division by approximately $70 million. In fiscal 2004 we recorded, as cost of sales-restructuring, approximately $64.2 million and, as other restructuring charges, $7.9 million related to exit and severance costs. The restructuring will significantly reduce our production of commodity turkey meat and strengthen our focus on value-added turkey products, such as cooked deli breast, turkey sausages, turkey burgers, ground turkey, salads and ready to cook roasts.

Since our announcement of the planned restructuring of our turkey business, and subsequent sale of our Hinton, Virginia operations, we have periodically received indications of interest from various third parties in purchasing all or a portion of our remaining turkey operations. While no decisions have been made regarding whether to sell our remaining turkey operations or the terms on which we would be willing to sell these operations, we evaluate indications of interest on a case-by-case basis as they arise.

Recall Related Issues

In October 2002, one product sample produced in our Franconia, Pennsylvania facility that had not been shipped to customers tested positive for Listeria. We later received information from the USDA suggesting environmental samples taken at the facility had tested positive for both the strain of Listeria identified in the product and a strain having characteristics similar to those of the strain identified in a Northeastern Listeria outbreak. As a result, we voluntarily recalled all cooked deli products produced at the plant from May 1, 2002 through October 11, 2002. We carry insurance designed to cover the direct recall related expenses and certain aspects of the related business interruption caused by a recall. As a result of this recall, the Company s insurance claim for business interruption and certain product re-establishment costs amounted to approximately $74 million for the period from the date of the recall through October 11, 2003, the one-year anniversary of the recall and the insurance policy time limitation period for business interruption loss recovery. Aggregating the direct recall expense claim with the anticipated business interruption and product re-establishment costs, our total loss was approximately $100 million, although our policy limit was $50 million. We received $4 million of this amount in fiscal 2003 and the remaining $46 million in fiscal 2004 from our insurer. In connection with the receipt of the insurance proceeds discussed above, we recognized $23.8 million recorded as a component of non-recurring recoveries in our consolidated statement of income for fiscal 2004.

Our Website

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on our website at www.pilgrimspride.com, under the "Investors - Financials - SEC Filings" caption as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Strategy

Our objectives are (1) to increase sales, profit margins and earnings and (2) to outpace the growth of, and maintain our leadership position in, the poultry industry. To achieve these goals, we plan to continue pursuing the following strategies:

- ***Capitalize on significant scale with leading industry position and brand recognition.*** We are the second largest producer of chicken products in the U.S. We estimate that our U.S. market share, based on the total annual chicken production in the U.S., is approximately 15.5%, which is approximately 68% higher than the third largest competitor in the chicken industry. The complementary fit of markets, distributor relationships and geographic locations are a few of the many benefits we realized from our fiscal 2004 acquisition discussed above. We believe the acquired business established relationships with broad-line national distributors have enabled us to expand our customer base and provide nationwide distribution capabilities for all of our product lines. As a result, we believe we are one of only two U.S. chicken producers that can supply the growing demand for a broad range of price competitive standard and specialized products with well-known brand names on a nationwide basis from a single source supplier.

- ***Capitalize on attractive U.S. prepared foods market.*** We focus our U.S. growth initiatives on sales of prepared foods to the foodservice market because it continues to be one of the fastest growing and most profitable segments in the poultry industry. Products sold to this market segment require further processing, which enables us to charge a premium for our products, reducing the impact of feed ingredient costs on our profitability and improving and stabilizing our profit margins. Feed ingredient costs typically decrease from approximately 32%-49% of total production cost for fresh chicken products to approximately 16%-25% for prepared chicken products. Due to increased demand from our foodservice customers and our fiscal 2004 acquisition, our sales of prepared chicken products grew from $641.6 million in fiscal 2000 to $1,896.4 million in fiscal 2004, a compounded annual growth rate of 31.1%. Prepared food sales represented 46.3% of our total U.S. chicken revenues in fiscal year 2004, which we believe provides us with a significant competitive advantage and reduces our exposure to feed price fluctuations. The addition of well-known brands, including Pierce® and Easy-Entre&#-4088;e®, from our fiscal 2004 acquisition have significantly expanded Pilgrim s Pride s already sizeable prepared foods chicken offerings. Similarly, our acquisition of highly customized cooked chicken products, including breaded cutlets, sizzle strips and Wing-Dings®, for restaurants and specialty foodservice customers from this acquisition complement our existing lines of pre-cooked breast fillets, tenderloins, burgers, nuggets, salads and other prepared products for institutional foodservice, fast-food and retail customers.

- ***Emphasize customer-driven research and technology.*** We have a long-standing reputation for customer-driven research and development in designing new products and implementing advanced processing technology. This enables us to better meet our customers changing needs for product innovation, consistent quality and cost efficiency. In particular, customer-driven research and development is integral to our growth strategy for the prepared foods market in which customers continue to place greater importance on value-added services. Our research and development personnel often work directly with customers in developing products for them, which we believe helps promote long-term relationships.

- ***Enhance U.S. fresh chicken profitability through value-added, branded products.*** Our U.S. fresh chicken sales accounted for $1,982.7 million, or 48.5%, of our U.S. chicken sales for fiscal 2004. In addition to maintaining the sales of traditional fresh chicken products, our strategy is to shift the mix of our U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as fixed weight packaged products and marinated chicken and chicken parts and to continually shift portions of this product mix into the higher value and margin prepared chicken products. Much of our fresh chicken products are sold under the Pilgrim s Pride® and Country Pride® brand names, which are two well-known brands in the chicken industry. With the addition of a Gainesville, Georgia processing plant acquired in the fiscal 2004 acquisition, we added to our capabilities to cut and process case-ready, fixed-weight chicken for major national retail customers who are requesting standardized packaging in order to improve their offerings and inventory controls.

- ***Improve operating efficiencies and increase capacity on a cost-effective basis.*** As production and sales grow, we continue to focus on improving operating efficiencies by investing in state-of-the-art technology and processes, training and our total quality management program. Specific initiatives include:

- standardizing lowest-cost production processes across our various facilities;

- centralizing purchasing and other shared services; and

- upgrading technology where appropriate.

In addition, we have a proven history of increasing capacity while improving operating efficiencies at acquired properties both in the U.S. and Mexico. As a result, according to industry data, since 1993 we have consistently been one of the lowest cost producers of chicken in the U.S., and we also believe we are one of the lowest cost producers of chicken in Mexico.

- ***Continue to seek strategic acquisitions.*** We have pursued opportunities to expand through acquisitions in the past. We expect to continue to evaluate acquisition opportunities in the future that would either compliment our existing businesses, broaden our production capabilities and/or improve our operating efficiencies.

- ***Continue to penetrate the growing Mexican market.*** We seek to leverage our leading market position and reputation for freshness and quality in Mexico by focusing on the following objectives:

- to be one of the most cost-efficient producers and processors of chicken in Mexico by applying technology and expertise utilized in the U.S.;

- to continually increase our distribution of higher margin, more value-added products to national retail stores and restaurants; and

- to continue to build and emphasize brand awareness and capitalize on Mexican consumers preference for branded products and their insistence on freshness and quality.

- ***Leverage our turkey operations.*** We plan to take advantage of our leading market position, reputation as a high quality, high service provider of chicken products and the recent restructuring of our turkey operations by focusing on the following objectives:

- cross-selling prepared turkey products to existing chicken customers;

- developing new and innovative prepared turkey products by capitalizing on our research and development expertise;

- improving operating efficiencies in our turkey operations by applying proven management methodologies and techniques employed historically in our chicken operations; and

- capitalizing on the unique opportunity to establish, develop and market turkey products under the Pilgrim s Pride® and Pilgrim s Signature™ brand names.

- ***Capitalize on export opportunities.*** We intend to continue to focus on international opportunities to complement our U.S. chicken operations and capitalize on attractive export markets. According to the USDA, the export of U.S. chicken products increased 7.3% from 1999 through 2003. We believe U.S. chicken exports will grow as worldwide demand increases for high-grade, low-cost protein sources. According to USDA data, the export market for chicken is expected to grow at a compounded annual growth rate of 2.4% from 2003 to 2008. Historically, we have targeted international markets to generate additional demand for our chicken dark meat, which is a natural by-product of our U.S. operations given our concentration on prepared foods products and the U.S. customers general preference for white meat. As part of this initiative, we have created a significant international distribution network into several markets, including Mexico, which we now utilize not only for dark meat distribution, but also for various higher margin prepared foods and other poultry products. We employ both a direct international sales force and export brokers. Our key international markets include Eastern Europe, including Russia, the Far East and Mexico. We believe that we have substantial opportunities to expand our sales to these markets by capitalizing on direct international distribution channels supplemented by our existing export broker relationships. Our export and other category accounted for approximately 4.8% of our net sales in fiscal 2004.

Products and Markets

Our chicken products consist primarily of:

(1) Prepared chicken products, which are products such as portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated.

(2) Fresh chicken, which is refrigerated (non-frozen) whole or cut-up chicken sold to the foodservice industry either pre-marinated or non-marinated. Fresh chicken also includes prepackaged case-ready chicken, which includes various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer's fresh meat counter.

(3) Export and other chicken products, which are primarily parts and whole chicken, either refrigerated or frozen for U.S. export or domestic use, and chicken prepared foods products for U.S. export.

After completion of the restructuring of our turkey operations described above, our turkey products consist primarily of:

(1) Prepared turkey products, which are products such as turkey sausages, ground turkey, turkey hams and roasts, ground turkey breast products, salads and flavored turkey burgers. We also have an array of cooked, further processed deli products.

(2) Fresh turkey, which includes turkey burgers, and fresh and frozen whole birds, as well as semi-boneless whole turkey, which has all bones except the drumsticks removed.

Our chicken and turkey products are sold primarily to:

(1) Foodservice customers, which are customers such as chain restaurants, food processors, foodservice distributors and certain other institutions. We sell products to our foodservice customers ranging from portion-controlled refrigerated poultry parts to fully-cooked and frozen, breaded or non-breaded poultry parts or formed products.

(2) Retail customers, which are customers such as grocery store chains, wholesale clubs and other retail distributors. We sell to our retail customers branded, pre-packaged, cut-up and whole poultry, and fresh refrigerated or frozen whole poultry and poultry parts in trays, bags or other consumer packs.

The following table sets forth, for the periods beginning with fiscal 2000, net sales attributable to each of our primary product lines and markets served with those products. Consistent with our long-term strategy, we emphasized our U.S. growth initiatives on sales of prepared foods products, primarily to the foodservice market. This product and market segment has experienced, and we believe will continue to experience, greater growth than fresh chicken products. We based the table on our internal sales reports and their classification of product types and customers.

	Fiscal Year Ended				
	Oct. 2, 2004[(a)] *(53 weeks)*	Sept. 27, 2003 *(52 weeks)*	Sept. 28, 2002 *(52 weeks)*	Sept. 29, 2001[(b)] *(52 weeks)*	Sept. 30, 2000 *(52 weeks)*
U.S. Chicken Sales:			*(in thousands)*		
Prepared Foods:					
Foodservice	$ 1,647,904	$ 731,331	$ 659,856	$ 632,075	$ 589,395
Retail	213,775	163,018	158,299	103,202	47,655
Total Prepared Foods	1,861,679	894,349	818,155	735,277	637,050

Fresh Chicken:					
Foodservice	1,328,883	474,251	448,376	387,624	202,192
Retail	653,798	257,911	258,424	224,693	148,977
Total Fresh Chicken	1,982,681	732,162	706,800	612,317	351,169
Export and Other:					
Prepared Foods	34,735	26,714	30,528	18,912	4,595
Other Chicken	212,611	85,087	93,575	105,834	57,573
Total Export and Other	247,346	111,801	124,103	124,746	62,168
Total U.S. Chicken	4,091,706	1,738,312	1,649,058	1,472,340	1,050,387
Mexico Chicken Sales:	362,442	349,305	323,769	303,433	285,605
Total Chicken Sales	4,454,148	2,087,617	1,972,827	1,775,773	1,335,992
U.S. Turkey Sales:					
Prepared Foods:					
Foodservice	80,927	89,957	134,651	88,012	--
Retail	37,384	29,141	54,638	48,681	--
Total Prepared Foods	118,311	119,098	189,289	136,693	--
Fresh Turkey:					
Foodservice	39,749	48,448	36,119	18,618	--
Retail	116,905	125,411	107,582	71,647	--
Total Fresh Turkey	156,654	173,859	143,701	90,265	--
Export and Other:					
Prepared Foods	1,949	2,128	2,858	2,434	--
Other Turkey	9,338	10,593	12,270	9,443	--
Total Export and Other	11,287	12,721	15,128	11,877	--
Total U.S. Turkey Sales	286,252	305,678	348,118	238,835	--
Sales of Other Products:					
United States	600,091	207,284	193,691	179,859	141,690
Mexico	23,232	18,766	19,082	20,245	21,757
Total Sales of Other Products	623,323	226,050	212,773	200,104	163,447
Total Net Sales	$ 5,363,723	$ 2,619,345	$ 2,533,718	$ 2,214,712	$ 1,499,439
Total Chicken Prepared Foods	$ 1,896,414	$ 921,063	$ 848,683	$ 754,189	$ 641,645

Total Turkey Prepared Foods	120,260	121,226	192,147	139,127	--

(a) The acquisition of the ConAgra chicken division on November 23, 2003 has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

(b) The acquisition of WLR Foods on January 27, 2001 has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

The following table sets forth, beginning with fiscal 2000, the percentage of net U.S. chicken and turkey sales attributable to each of our primary product lines and the markets serviced with those products. We based the table and related discussion on our internal sales reports and their classification of product types and customers.

	Fiscal Year Ended				
	Oct. 2, 2004(a)	Sept. 27, 2003	Sept. 28, 2002	Sept. 29, 2001(b)	Sept. 30, 2000
U.S. Chicken Sales:					
Prepared Foods:					
Foodservice	40.3	42.1	39.9	42.9	56.2
Retail	5.2	9.4	9.6	7.0	4.5
Total Prepared Foods	45.5%	51.5%	49.5%	49.9%	60.7%
Fresh Chicken:					
Foodservice	32.5	27.3	27.2	26.3	19.2
Retail	16.0	14.8	15.7	15.3	14.2
Total Fresh Chicken	48.5%	42.1%	42.9%	41.6%	33.4%
Export and Other:					
Prepared Foods	0.8	1.5	1.9	1.3	0.4
Other Chicken	5.2	4.9	5.7	7.2	5.5
Total Export and Other	6.0%	6.4%	7.6%	8.5%	5.9%
Total U.S. Chicken	100.0%	100.0%	100.0%	100.0%	100.0%
U.S. Turkey Sales:					
Prepared Foods:					
Foodservice	28.2	29.5	38.7	36.8	--
Retail	13.1	9.5	15.7	20.4	--
Total Prepared Foods	41.3%	39.0%	54.4%	57.2%	--
Fresh Turkey:					
Foodservice	13.9	15.8	10.4	7.8	--
Retail	40.8	41.0	30.9	30.0	--
Total Fresh Turkey	54.7%	56.8%	41.3%	37.8%	--
Export and Other:					

Prepared Foods	0.7	0.7	0.8	1.0	--
Other Turkey	3.3	3.5	3.5	4.0	--
Total Export and Other	4.0%	4.2%	4.3%	5.0%	--
Total U.S. Turkey	100.0%	100.0%	100.0%	100.0%	--
Total Chicken Prepared Foods as a percentage of U.S. Chicken	46.3%	53.0%	51.4%	51.2%	61.1%
Total Turkey Prepared Foods as a percentage of U.S. Turkey	42.0%	39.7%	55.2%	58.2%	--

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(a) The acquisition of the ConAgra chicken division on November 23, 2003 has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

(b) The acquisition of WLR Foods on January 27, 2001 has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

UNITED STATES

Product Types

Chicken Products

Prepared Foods Overview. During fiscal 2004, $1,861.7 million, or 45.5%, of our U.S. chicken sales were in prepared foods products to foodservice customers and retail distributors, as compared to $637.1 million in fiscal 2000. These numbers reflect the strategic focus for our growth. The market for prepared chicken products has experienced, and we believe will continue to experience, greater growth, higher average sales prices and higher margins than fresh chicken products. Also, the production and sale in the U.S. of prepared foods products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our total U.S. cost of goods sold, representing approximately 31% of our U.S. cost of goods sold for the fiscal year ended October 2, 2004. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories, demand for feed ingredients, and the agricultural policies of the U.S. and foreign governments. As further processing is performed, feed ingredient costs become a decreasing percentage of a product s total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

We establish prices for our prepared chicken products based primarily upon perceived value to the customer, production costs and prices of competing products. The majority of these products are sold pursuant to agreements with varying terms that either set a fixed price for the products or set a price according to formulas based on an underlying commodity market, subject in many cases to minimum and maximum prices.

Fresh Chicken Overview. Our fresh chicken business is an important component of our sales and accounted for $1,982.7 million, or 48.5%, of our total U.S. chicken sales for fiscal 2004. In addition to maintaining sales of mature, traditional fresh chicken products, our strategy is to shift the mix of our U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts, and to continually shift portions of this product mix into the higher value and margin prepared chicken products.

Most fresh chicken products are sold to established customers, based upon certain weekly or monthly market prices reported by the USDA and other public price reporting services, plus a markup, which is dependent upon the customer s location, volume, product specifications and other factors. We believe our practices with respect to sales of fresh chicken are generally consistent with those of our competitors. Prices of these products are negotiated daily or weekly.

Export and Other Chicken Products Overview. Our export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form, either refrigerated to distributors in the U.S. or frozen for distribution to export markets, and branded and non-branded prepared foods products for distribution to export markets. In fiscal 2004, approximately $247.3 million, or 6.0%, of our total U.S. chicken sales were attributable to U.S. chicken export and other products. These exports and other products, other than the prepared foods products, have historically been characterized by lower prices and greater price volatility than our more value-added product lines.

Turkey Products

Prepared Foods Overview. During fiscal 2004, $118.3 million, or 41.3%, of our total U.S turkey sales were prepared turkey products sold to foodservice customers and retail distributors. Like the U.S. chicken markets, the market for prepared turkey products has experienced greater growth and higher margins than fresh turkey products, and the production and sale of prepared turkey products reduces the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our turkey division s cost of goods sold, representing approximately 44% of our turkey cost of goods sold in fiscal 2004. Similarly with the chicken business, as further processing is performed, feed ingredient costs become a decreasing percentage of a product s total production cost, thereby reducing their impact on our profitability.

We establish prices for our prepared turkey products based primarily upon perceived value to the customer, production costs and prices of competing products. The majority of these products are sold pursuant to agreements with varying terms that either set a fixed price or are subject to a market driven formula.

Fresh Turkey Overview. Our fresh turkey business accounted for $156.7 million, or 54.7%, of our total U.S. turkey sales in fiscal 2004. As is typical for the industry, a significant portion of the sales of fresh and frozen whole turkeys is seasonal in nature, with the height of sales occurring during the Thanksgiving and Christmas holidays. In addition to maintaining sales of mature, traditional fresh turkey products, our strategy is to shift the mix of our fresh turkey products by increasing sales of higher margin, faster growing value-added prepared turkey products, such as deli meats, ground turkey, turkey burgers and sausage, roasted turkey and salads.

In the fourth quarter of fiscal 2004, we sold our turkey processing operations in Hinton, Virginia. The production from this facility, in addition to supplying product to our further processing operations, provided products that were sold primarily as commodity products. Our remaining processing facility is focused on producing a premium line of fresh and frozen whole turkeys. We estimate that the restructuring of our turkey operations will decrease our fiscal 2005 commodity turkey sales by approximately $70 million.

Most fresh turkey products are sold to established customers pursuant to agreements with varying terms that either set a fixed price or are subject to a market driven formula with some agreements based upon market prices reported by the

USDA and other public price reporting services, plus a markup, which is dependent upon the customer s location, volume, product specifications and other factors. We believe our practices with respect to sales of fresh turkey are generally consistent with those of our competitors with similar programs. Prices of these products are generally negotiated daily or weekly.

Export and Other Turkey Products Overview. Prior to the restructuring of our turkey operations, our export and other turkey products consisted primarily of turkey parts sold in bulk, non-branded form, frozen for distribution to export markets. In fiscal 2004, approximately $11.3 million, or 4.0%, of our total U.S. turkey sales were attributable to export and other sales. These exports and other products have historically been characterized by lower prices and greater price volatility than our value-added product lines. Since the restructuring of our turkey operations, exports of turkey products have been negligible.

Markets for Chicken Products

Foodservice. The majority of our U.S. chicken sales are derived from products sold to the foodservice market. This market principally consists of chain restaurants, food processors and certain other institutions located throughout the continental U.S. We supply chicken products ranging from portion-controlled refrigerated chicken parts to fully cooked and frozen, breaded or non-breaded chicken parts or formed products.

We believe Pilgrim s Pride is well-positioned to be the primary or secondary supplier to many national and international chain restaurants who require multiple suppliers of chicken products. Additionally, we believe we are well suited to be the sole supplier for many regional chain restaurants. Regional chain restaurants often offer better margin opportunities and a growing base of business.

With the integration of the ConAgra chicken division we are now a significant supplier to the broadline distributor segment which rounds out our foodservice offerings to allow us to service the entire foodservice industry.

We believe we have significant competitive strengths in terms of full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience relative to smaller and non-vertically integrated producers. While the overall chicken market has grown consistently, we believe the majority of this growth in recent years has been in the foodservice market. According to the National Chicken Council, from 1999 through 2003, sales of chicken products to the foodservice market grew at a compounded annual growth rate of approximately 4.7%, versus 4.3% growth for the chicken industry overall. Foodservice growth is anticipated to continue as food-away-from-home expenditures continue to outpace overall industry rates. According to the National Restaurant Association, food-away-from-home expenditures grew at a compounded annual growth rate of approximately 4.1% from 1999 through 2003 and are projected to grow at a 4.6% compounded annual growth rate from 2003 through 2010. As a result, the food-away-from-home category is projected by the National Restaurant Association to account for 53% of total food expenditures by 2010, as compared with the current amount of 46.1%. Due to internal growth and our fiscal 2004 acquisition, our sales to the foodservice market from fiscal 2000 through fiscal 2004 grew at a compounded annual growth rate of 39.2% and represented 72.8% of the net sales of our U.S. chicken operations in fiscal 2004.

Foodservice - Prepared Foods. The majority of our sales to the foodservice market consist of prepared foods products. Our prepared chicken products sales to the foodservice market were $1,647.9 million in fiscal 2004 compared to $589.4 million in fiscal 2000, a compounded annual growth rate of approximately 29.2%. In addition to the significant increase in sales created by the fiscal 2004 acquisition, we attribute this growth in sales of prepared chicken products to the foodservice market to a number of factors:

First, there has been significant growth in the number of foodservice operators offering chicken on their menus and in the number of chicken items offered.

Second, foodservice operators are increasingly purchasing prepared chicken products, which allow them to reduce labor costs while providing greater product consistency, quality and variety across all restaurant locations.

Third, there is a strong need among larger foodservice companies for an alternative or additional supplier to our principal competitor in the prepared chicken products market. A viable alternative supplier must be able to ensure supply, demonstrate innovation and new product development and provide competitive pricing. We have been successful in our objective of becoming the alternative supplier of choice by being the primary or secondary prepared chicken products supplier to many large foodservice companies because:

- We are vertically integrated, giving us control over our supply of chicken and chicken parts;

- Our further processing facilities with a wide range of capabilities are particularly well suited to the high-volume production as well as low-volume custom production runs necessary to meet both the capacity and quality requirements of the foodservice market; and

- We have established a reputation for dependable quality, highly responsive service and excellent technical support.

Fourth, as a result of the experience and reputation developed with larger customers, we have increasingly become the principal supplier to mid-sized foodservice organizations.

Fifth, our in-house product development group follows a customer-driven research and development focus designed to develop new products to meet customers changing needs. Our research and development personnel often work directly with institutional customers in developing products for these customers.

Sixth, we are a leader in utilizing advanced processing technology, which enables us to better meet our customers needs for product innovation, consistent quality and cost efficiency.

Foodservice - Fresh Chicken. We produce and market fresh, refrigerated chicken for sale to U.S. quick-service restaurant chains, delicatessens and other customers. These chickens have the giblets removed, are usually of specific weight ranges, and are usually pre-cut to customer specifications. They are often marinated to enhance value and product differentiation. By growing and processing to customers specifications, we are able to assist quick-service restaurant chains in controlling costs and maintaining quality and size consistency of chicken pieces sold to the consumer.

Retail. The retail market consists primarily of grocery store chains, wholesale clubs and other retail distributors. We concentrate our efforts in this market on sales of branded, prepackaged cut-up and whole chicken to grocery store chains and retail distributors in the midwestern, southwestern, western and eastern regions of the U.S. This regional marketing focus enables us to develop consumer brand franchises and capitalize on proximity to the trade customer in terms of lower transportation costs, more timely and responsive service, and enhanced product freshness. For a number of years, we have invested in both trade and retail marketing designed to establish high levels of brand name awareness and consumer preferences.

We utilize numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the Pilgrim s Pride® brand. Our founder, Lonnie "Bo" Pilgrim, is the featured spokesman in our television, radio and print advertising, and a trademark cameo of a person wearing a Pilgrim s hat serves as the logo on all of our primary branded products. As a result of this marketing strategy, Pilgrim s Pride® is a well-known brand name in a number of markets. We believe our efforts to achieve and maintain brand awareness and loyalty help to provide more secure distribution for our products. We also believe our efforts at brand awareness generate greater price premiums than would otherwise be the case in certain southwestern markets. We also maintain an active program to identify consumer preferences. The program primarily consists of discovering and validating new product ideas, packaging designs and methods through sophisticated qualitative and quantitative consumer research techniques in key geographic markets.

Retail - Prepared Foods. We sell retail-oriented prepared chicken products primarily to grocery store chains located in the midwestern, southwestern, western and eastern regions of the U.S. Our prepared chicken products sales to the retail market were $213.8 million in fiscal 2004 compared to $47.7 million in fiscal 2000, a compounded annual growth rate of approximately 45.5%. We believe that our growth in this market segment will continue as retailers concentrate on satisfying consumer demand for more products which are quick, easy and convenient to prepare at home.

Retail - Fresh Chicken. Our prepackaged retail products include various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer s fresh meat counter. We believe the retail prepackaged fresh chicken business will continue to be a large and relatively stable market, providing opportunities for product differentiation and regional brand loyalty.

Export and Other Chicken Products. Our export and other chicken products, other than the prepared foods products, consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public price reporting services. We also sell U.S.-produced chicken products for export to Eastern Europe, including Russia, the Far East, Mexico and other world markets. On March 10, 2002, Russia announced it was imposing a ban on the importing of U.S. poultry products. Russia accounted for approximately 31% of all U.S. chicken exports in 2002, or approximately 5% of the total U.S. chicken production. On April 10, 2002, Russia announced the lifting of the import ban. On September 15, 2002, new sanitary guidelines were established by Russia that require veterinary specialists from the Agriculture Ministry of Russia to inspect and certify plants of U.S. poultry producers interested in exporting to Russia. As of November 24, 2004, six of our locations had been certified by the Agriculture Ministry for export into Russia and three additional locations have been re-inspected and we are waiting on notice of their certification by the Agriculture Ministry. We currently may export from three of our six certified locations and we may begin exporting to Russia from our other three certified locations after Russia lifts the current Avian Influenza ban on December 23, 2004. U.S. markets continue to be affected as Russia continues to restrict the import of U.S. poultry products below 2002 levels.

Historically, we have targeted international markets to generate additional demand for our chicken dark meat, which is a natural by-product of our U.S. operations given our concentration on prepared foods products and the U.S. customers general preference for white meat. We have also begun selling prepared chicken products for export to the international divisions of our U.S. chain restaurant customers. We believe that U.S. chicken exports will continue to grow as worldwide demand increases for high-grade, low-cost protein sources. We also believe that worldwide demand for higher margin prepared foods products will increase over the next several years. Accordingly, we believe we are well positioned to capitalize on such growth. Also included in these categories are chicken by-products, which are converted into protein products and sold primarily to manufacturers of pet foods.

Markets for Turkey Products

Foodservice. A portion of our turkey sales are derived from products sold to the foodservice market. This market principally consists of chain restaurants, food processors, foodservice distributors and certain other institutions located throughout the continental U.S. After completion of the restructuring of our turkey operations described above, our turkey products include ready-to-cook turkey, fully cooked formed products, delicatessen products such as deli meats and sausage, salads, ground turkey and turkey burgers and other foodservice products.

We believe Pilgrim s Pride is well-positioned to be the primary or secondary supplier to many chain restaurants that require multiple suppliers of turkey products. Additionally, we believe we are well suited to be the sole supplier for many regional chain restaurants.

We believe we have significant competitive strengths in terms of full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience relative to smaller producers.

Foodservice - Prepared Foods. The majority of our turkey sales to the foodservice market consist of prepared turkey products. Our prepared turkey sales to the foodservice market were $80.9 million of our sales in fiscal 2004. We believe that future growth in this segment will be attributable to the factors described above relating to the growth of prepared chicken sales to the foodservice market.

Foodservice - Fresh Turkey. We produce and market fresh, refrigerated and frozen turkey for sale to foodservice distributors, restaurant chains and other customers. These turkeys are usually of specific weight ranges and are usually whole birds to meet customer specifications. They are often marinated to enhance value and product differentiation.

Retail. A significant portion of our turkey sales is derived from products sold to the retail market. This market consists primarily of grocery store chains, wholesale clubs and other retail distributors. We concentrate our efforts in this market on sales of branded, prepackaged whole turkey to grocery store chains and retail distributors in the eastern and southwestern regions of the U.S. We believe this regional marketing focus enables us to develop consumer brand franchises and capitalize on proximity to the trade customer in terms of lower transportation costs, more timely and responsive service and enhanced product freshness.

We utilize numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed generally under the Pilgrim s Pride® and Pilgrim s Signature™ brands. We believe our efforts to achieve and maintain brand awareness and loyalty help to provide more secure distribution for our products. We also believe our efforts at brand awareness generate greater price premiums than would otherwise be the case in certain eastern markets. We also maintain an active program to identify consumer preferences. The program primarily consists of testing new product ideas, packaging designs and methods through sophisticated qualititative and quantitative consumer research techniques in key geographic markets.

Retail - Prepared Foods. We sell retail-oriented prepared turkey products primarily to grocery store chains located in the eastern U.S. We also sell these products to the wholesale club industry.

Retail - Fresh Turkey. Our prepackaged, retail products include various combinations of freshly refrigerated and frozen whole turkey in bags as well as frozen ground turkey and turkey burgers. We believe the retail prepackaged fresh turkey business will continue to be a large and relatively stable market, providing opportunities for product differentiation and regional brand loyalty with large seasonal spikes during the holiday seasons.

Markets for Other U.S. Products

We have regional distribution centers located in Arizona, California, Iowa, Louisiana, Mississippi, North Carolina, Texas, Utah and Wisconsin that distribute our own poultry products, along with certain poultry and non-poultry products purchased from third parties, to independent grocers and quick service restaurants. Our non-poultry distribution business is conducted as an accommodation to our customers and to achieve greater economies of scale in distribution logistics. We believe the store-door delivery capabilities for our own poultry products provide a strategic service advantage in selling to quick service, national chain restaurants.

We market fresh eggs under the Pilgrim s Pride® brand name, as well as under private labels, in various sizes of cartons and flats to U.S. retail grocery and institutional foodservice customers located primarily in Texas. We have a housing capacity for approximately 2.3 million commercial egg laying hens which can produce approximately 42 million dozen eggs annually. U.S. egg prices are determined weekly based upon reported market prices. The U.S. egg industry has been consolidating over the last few years, with the 25 largest producers accounting for more than 62.6%

of the total number of egg laying hens in service during 2004. We compete with other U.S. egg producers primarily on the basis of product quality, reliability, price and customer service.

We market a high-nutrient egg called EggsPlus . This egg contains high levels of Omega-3 and Omega-6 fatty acids along with Vitamin E, making the egg a heart-friendly product. Our marketing of EggsPlus has received national recognition for our progress in being an innovator in the "functional foods" category.

In addition, we produce and sell livestock feeds at our feed mill in Mt. Pleasant, Texas and at our farm supply store in Pittsburg, Texas to dairy farmers and livestock producers in northeastern Texas. We engage in similar sales activities at our other U.S. feed mills.

MEXICO

Background

The Mexican market represented approximately 7.2% of our net sales in fiscal 2004. We are the second largest producer of chicken in Mexico. We believe that our facilities are among the most technologically advanced in Mexico and that we are one of the lowest cost producers of chicken in Mexico.

Product Types

While the market for chicken products in Mexico is less developed than in the U.S., with sales attributed to fewer, more basic products, we believe the market for value-added products is increasing. Our strategy is to lead this trend. We have increased our sales of value-added products, primarily through national retail chains and restaurants, and it is our business strategy to continue to do so.

Markets

We sell our Mexico chicken products primarily to large wholesalers and retailers. Our customer base in Mexico covers a broad geographic area from Mexico City, the capital of Mexico with a population estimated to be over 22 million, to Saltillo, the capital of the State of Coahuila, about 500 miles north of Mexico City, and from Tampico and Veracruz on the Gulf of Mexico to Acapulco on the Pacific, which region includes the cities of San Luis Potosi and Queretaro, capitals of the states of the same name, and Cancun on the Caribbean.

Foreign Operations Risks

Our foreign operations pose special risks to our business and operations. See "Risk Factors" in Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" for a discussion of foreign operations risks.

GENERAL

Competition

The chicken and turkey industries are highly competitive and some of our competitors have greater financial and marketing resources than we do. In the U.S. and Mexico, we compete principally with other vertically integrated chicken and turkey companies.

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

In Mexico, where product differentiation has traditionally been limited, product quality, service and price have been the most critical competitive factors. The North American Free Trade Agreement, which went into effect on January 1, 1994, required annual reductions in tariffs for chicken and chicken products in order to eliminate those tariffs by January 1, 2003. On November 21, 2002 the Mexican Secretariat of the Economy announced it would initiate an investigation to determine whether a temporary safeguard action was warranted to protect the domestic poultry industry when import tariffs on poultry were eliminated in January 2003. The action stemmed from concerns of the Union Nacional Avicultores (UNA) that duty-free imports of leg quarters would injure the Mexico poultry industry. In July 2003, the U.S. and Mexico entered into a safeguard agreement with regard to imports into Mexico of chicken leg quarters from the U.S. Under this agreement, a tariff rate for chicken leg quarters of 98.8% of the sales price was established. The first reduction to the tariff rate occurred in January 2004, reducing the import duties to 79.4%, and in each of the following four years the tariff rate is to be reduced in equal increments so that the final tariff rate on January 1, 2008 will be zero. As such tariffs are reduced, we expect greater amounts of chicken to be imported into Mexico from the U.S., which could negatively affect the profitability of Mexican chicken producers and positively affect the profitability of U.S. exporters of chicken to Mexico. Although this could have a negative impact on our Mexican chicken operations, we believe that this will be mitigated by the close proximity of our U.S. operations to the Mexican border. We have the largest U.S. production and distribution capacities near the Mexican border, which gives us a strategic advantage to capitalize on exports of U.S. chicken to Mexico.

While the extent of the impact of the elimination of tariffs is uncertain, we believe we are uniquely positioned to benefit from this elimination for two reasons. First, we have an extensive distribution network in Mexico, which distributes products to 28 of the 32 Mexican states, encompassing approximately 83% of the total population of Mexico. We believe this distribution network will be an important asset in distributing our own, as well as other companies , U.S. produced chicken into Mexico. Second, we have the largest U.S. production and distribution capacities near the Mexican border, which will provide us with cost advantages in exporting U.S. chicken into Mexico. These facilities include our processing facilities in Mt. Pleasant, Lufkin, Nacogdoches, Dallas and Waco, Texas, and distribution facilities in San Antonio and El Paso, Texas and Phoenix, Arizona.

Other Activities

We have regional distribution centers located in Arizona, California, Iowa, Louisiana, Mississippi, North Carolina, Texas, Utah and Wisconsin that distribute our own poultry products, along with certain poultry and non-poultry products purchased from third parties, to independent grocers and quick service restaurants. Our non-poultry distribution business is conducted as an accommodation to our customers and to achieve greater economies of scale in distribution logistics. We believe the store-door delivery capabilities for our own poultry products provide a strategic service advantage in selling to quick service, national chain restaurants.

Regulation and Environmental Matters

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

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

Employees and Labor Relations

As of October 2, 2004, we employed approximately 35,500 persons in the U.S. and 4,800 persons in Mexico. Approximately 12,700 employees at various facilities in the U. S. are members of collective bargaining units. In Mexico, most of our hourly employees are covered by collective bargaining agreements, as are most employees in Mexico. We have not experienced any work stoppage at any location in over five years. We believe our relations with our employees are satisfactory. At any given time we will be in some stage of contract negotiation with various collective bargaining units.

Business Segments

We operate in two reportable business segments as (1) a producer of chicken and other products and (2) a producer of turkey products. See a discussion of our business segments in Item 7. "Management s Discussion and Analysis of Financial Condition and Results of Operations."

Executive Officers

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

Name	Age	Positions
Lonnie "Bo" Pilgrim	76	Chairman of the Board
Clifford E. Butler	62	Vice Chairman of the Board
O.B. Goolsby, Jr.	57	President, Chief Executive Officer, and Director
J. Clinton Rivers	45	Chief Operating Officer
Richard A. Cogdill	44	Executive Vice President, Chief Financial Officer, Secretary, Treasurer and Director
Robert A. Wright	50	Executive Vice President of Sales and Marketing

Lonnie "Bo" Pilgrim has served as Chairman of the Board since the organization of Pilgrim's Pride in July 1968. He was previously Chief Executive Officer from July 1968 to June 1998. Prior to the incorporation of Pilgrim's Pride, Mr. Pilgrim was a partner in its predecessor partnership business founded in 1946.

Clifford E. Butler serves as Vice Chairman of the Board. He joined us as Controller and Director in 1969, was named Senior Vice President of Finance in 1973, became Chief Financial Officer and Vice Chairman of the Board in July 1983, became Executive President in January 1997 and served in such capacity through July 1998.

O.B. Goolsby, Jr. serves as President and Chief Executive Officer of Pilgrim s Pride. Prior to being named Chief Executive Officer in September 2004, Mr. Goolsby served as President and Chief Operating Officer since November 2002. Mr. Goolsby served as Executive Vice President, Prepared Foods Complexes from June 1998 to November 2002. He was previously Senior Vice President, Prepared Foods Operations from August 1992 to June 1998 and Vice President, Prepared Foods Complexes from September 1987 to August 1992 and was previously employed by us from November 1969 to January 1981.

J. Clinton Rivers serves as Chief Operating Officer. Prior to being named Chief Operating Officer in October 2004, Mr. Rivers served as Executive Vice President of Prepared Food Operations from November 2002 to October 2004. He was the Senior Vice President of Prepared Foods Operations from 1999 to November 2002, and was the Vice President of Prepared Foods Operations from 1992 to 1999. From 1989 to 1992, he served as Plant Manager of the Mount Pleasant, Texas Production Facility. He joined Pilgrim s Pride in 1986 as the Quality Assurance Manager, and also held positions at Perdue Farms and Golden West Foods.

Richard A. Cogdill has served as Executive Vice President, Chief Financial Officer, Secretary and Treasurer since January 1997. He became a Director in September 1998. Previously he served as Senior Vice President, Corporate Controller, from August 1992 through December 1996 and as Vice President, Corporate Controller from October 1991 through August 1992. Prior to October 1991, he was a Senior Manager with Ernst & Young LLP. He is a Certified Public Accountant.

Robert A. Wright serves as Executive Vice President of Sales and Marketing. Prior to being named Executive Vice President of Sales and Marketing in June 2004, Mr. Wright served as Executive Vice President, Turkey Division since October 2003 when he joined Pilgrim s Pride. Prior to October 2003, Mr. Wright served as President of Butterball Turkey Company for five years.

PART II

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

General

Profitability in the poultry industry is materially affected by the commodity prices of feed ingredients, chicken and turkey, which are determined by supply and demand factors. As a result, the chicken and turkey industries are subject to cyclical earnings fluctuations. Cyclical earnings fluctuations can be mitigated somewhat by:

- Business strategy;

- Product mix;

- Sales and marketing plans; and

- Operating efficiencies.

In an effort to reduce price volatility and to generate higher, more consistent profit margins, we have concentrated on the production and marketing of prepared foods products. Prepared foods products generally have higher profit margins than our other products. Also, the production and sale in the U.S. of prepared foods products reduces the impact of the costs of feed ingredients on our profitability. Feed ingredient purchases are the single largest component of our cost of goods sold, representing approximately 31% of our consolidated cost of goods sold in fiscal 2004. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories and demand for feed ingredients, and the agricultural policies of the U.S. and foreign governments. As further processing is performed, feed ingredient costs become a decreasing percentage of a product s total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

As a significant portion of the U.S. poultry production is exported, the commodity prices of chicken and turkey can be, and in recent periods have been, adversely affected by disruptions in poultry export markets. These disruptions are often caused by restriction on imports of U.S.-produced poultry products imposed by foreign governments for a variety of reasons, including the protection of their domestic poultry producers and allegations of consumer health issues. For example, Russia and Japan have restricted the importation of U.S.-produced poultry for both of these reasons in recent periods. In July 2003, the U.S. and Mexico entered into a safeguard agreement with regard to imports into Mexico of chicken leg quarters from the U.S. Under this agreement, a tariff rate for chicken leg quarters of 98.8% of the sales price was established. This tariff rate was reduced on January 1, 2004 to 79.4% and will be reduced in each of the following four years in equal increments so that the final tariff rate at January 1, 2008 will be zero. The tariff was imposed due to concerns that the duty-free importation of such products as provided by the North American Free Trade Agreement would injure Mexico s poultry industry. As such tariffs are reduced, we expect greater amounts of chicken to be imported into Mexico from the U.S., which could negatively affect the profitability of Mexican chicken producers and positively affect the profitability of U.S. exporters of chicken to Mexico. Although this could have a negative impact on our Mexican chicken operations, we believe that this will be mitigated by the close proximity of our U.S. operations to the Mexico border. We have the largest U.S. production and distribution capacities near the Mexican border, which gives us a strategic advantage to capitalize on exports of U.S. chicken to Mexico. Because these disruptions in poultry export markets are often political, no assurances can be given as to when the existing disruptions will be alleviated or that new ones will not arise.

Business Segments

We operate in two reportable business segments as (1) a producer of chicken and other products and (2) a producer of turkey products.

Our chicken and other products segment primarily includes sales of chicken products and by-products we produce and purchase for resale in the U.S., including Puerto Rico, and Mexico. This segment also includes the sale of table eggs, feed and certain other items. Our chicken and other products segment conducts separate operations in the U.S. and Puerto Rico and in Mexico and is reported as two separate geographical areas. Substantially all of the assets and operations of the recently acquired ConAgra chicken division are included in our U.S. chicken and other products segment since the date of acquisition.

Our turkey segment includes sales of turkey products produced in our turkey operations, which operate exclusively in the U.S.

Inter-area sales and inter-segment sales, which are not material, are accounted for at prices comparable to normal trade customer sales. 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. portions of the segments based on number of employees.

Non-recurring recoveries, which represent settlements for vitamin and methionine litigation covering several periods as well as federal compensation for avian influenza, have not been allocated to any segment because the proper allocation cannot be readily determined.

The following table presents certain information regarding our segments:

	October 2, 2004[(a)]	*Fiscal Year Ended* September 27, 2003 *(In thousands)*	September 28, 2002
Net Sales to Customers:			
Chicken and Other Products:			
United States	$ 4,691,797	$ 1,945,596	$ 1,842,749
Mexico	385,674	368,071	342,851
Sub-total	5,077,471	2,313,667	2,185,600
Turkey	286,252	305,678	348,118
Total	$ 5,363,723	$ 2,619,345	$ 2,533,718
Operating Income (Loss):			
Chicken and Other Products:			
United States	$ 389,478	$ 74,807	$ 31,907
Mexico	(3,586)	16,319	17,064
Sub-total	385,892	91,126	48,971
Turkey[(b)]	(120,654)	(73,992)	(19,823)
Sub-total	265,238	17,134	29,148
Non-recurring recoveries[(c)]	76	46,479	756
Total	$ 265,314	$ 63,613	$ 29,904
Depreciation and Amortization:[(d)]			
Chicken and Other Products:			
United States	$ 94,540	$ 54,150	$ 47,528
Mexico	12,361	12,116	13,526
Sub-total	106,901	66,266	61,054
Turkey	6,887	7,921	9,919
Total	$ 113,788	$ 74,187	$ 70,973
Total Assets:			
Chicken and Other Products:			
United States	$ 1,847,141	$ 800,605	$ 775,395
Mexico	276,685	263,530	241,919
Sub-total	2,123,826	1,064,135	1,017,314
Turkey	122,163	193,349	210,576
Total	$ 2,245,989	$ 1,257,484	$ 1,227,890
Capital Expenditures:			
Chicken and Other Products			
United States	$ 62,828	$ 38,774	$ 65,775
Mexico	8,663	9,218	7,934
Sub-total	71,491	47,992	73,709
Turkey	8,151	5,582	6,679
Total	$ 79,642	$ 53,574	$ 80,388

(a) The Company acquired the ConAgra chicken division on November 23, 2003 for $635.2 million. The acquisition has been accounted for as a purchase and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

(b) Included in fiscal 2004 are restructuring charges totaling $72.1 million offset somewhat by the non-recurring recovery of $23.8 million representing the gain recognized on the insurance proceeds received in connection with the October 2002 recall.

(c) Non-recurring recoveries which have not been allocated to the individual segments are as follows (in millions):

	October 2, 2004	September 27, 2003	September 28, 2002
Avian influenza	$ --	$ 26.6	$ -
Vitamin	0.1	1.6	0.8
Methionine	--	18.3	--
Total	$ 0.1	$ 46.5	$ 0.8

(d) Includes amortization of capitalized financing costs of approximately $2.0 million, $1.5 million and $1.4 million in fiscal years 2004, 2003 and 2002, respectively.

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The following table presents certain items as a percentage of net sales for the periods indicated:

	Fiscal Year Ended		
	October 2, 2004	September 27, 2003	September 28, 2002
Net sales	100.0%	100.0%	100.0%
Cost and Expenses			
Cost of sales	89.7	94.1	93.5
Cost of sales-restructuring	1.2	--	--
Non-recurring recoveries	(0.4)	(1.8)	--
Gross profit	9.5	7.7	6.5
Selling, general and administrative expense	4.4	5.2	5.3
Other restructuring charges	0.1	--	--
Operating income	4.9	2.4	1.2
Interest expense, net	1.0	1.5	1.3
Income before income taxes	3.9	2.4	0.1
Net income	2.4	2.1	0.6

Results of Operations

The change in our results of operations for fiscal 2004 as compared to fiscal 2003 is impacted by a number of significant items. The following is a brief description of these items and the nature of their effect on each of the periods being presented.

First, as discussed below and in Note B-Business Acquisition of the notes to consolidated financial statements included elsewhere herein, on November 23, 2003 we completed the purchase of the ConAgra chicken division. This acquisition has resulted in significant increases in net sales and related costs, as well as assets, liabilities, interest and outstanding debt. The acquired business has been included in our results of operations for 45 of the 53 weeks in fiscal 2004.

Second, the increase in U.S. chicken sales reflects an 18.9% increase in total revenue per dressed pound produced, primarily due to significantly higher chicken selling prices during the year. Chicken component market prices reached their highest level in the U.S. since 1999 during our fiscal 2004 third quarter. Since that time, the reference chicken component market prices have declined significantly. However, partially offsetting this decline in component market chicken prices are recent declines in market prices for corn and soybean meal, which are a significant component of our consolidated cost of sales. Additionally, barring widespread weather or other problems in grain producing areas, worldwide corn and soybean meal productivity is expected to increase, which should further favorably impact feed ingredient costs in fiscal 2005 and should partially offset the decline in U.S. component market chicken prices.

Third, fiscal 2004 included 53 weeks versus fiscal 2003, which included 52 weeks, resulting in an increase in each of the categories discussed in our results of operations by approximately 1.9% as compared to the corresponding period in the preceding year. As this change impacted all the income statement categories in a reasonably consistent manner, no separate discussion of this factor is included in our results of operations discussion, unless the impact of the applicable category varied from the increase described above.

Fourth, as discussed above under "Restructuring of Turkey Operations" and in Note C-Restructuring Charges and Non-Recurring Recoveries of the notes to consolidated financial statements included elsewhere herein, on April 26, 2004 we announced a plan to restructure our turkey business and recorded, as cost of sales-restructuring, $64.2 million, primarily due to asset impairments and inventory losses on discontinued products, and, as other restructuring charges, $7.9 million, primarily related to exit and severance costs. We expect that commodity sales in our turkey division will decrease by approximately $70 million in fiscal 2005 as a result of this restructuring.

Since our announcement of the planned restructuring of our turkey business, and subsequent sale of our Hinton, Virginia operations, we have periodically received indications of interest from various third parties in purchasing all or a portion of our remaining turkey operations. While no decisions have been made regarding whether to sell our remaining turkey operations or the terms on which we would be willing to sell these operations, we evaluate indications of interest on a case-by-case basis as they arise.

Finally, in October 2002, one product sample produced in our Franconia, Pennsylvania facility that had not been shipped to customers tested positive for Listeria. We later received information from the USDA suggesting environmental samples taken at the facility had tested positive for both the strain of Listeria identified in the product and a strain having characteristics similar to those of the strain identified in a Northeastern Listeria outbreak. As a result, we voluntarily recalled all cooked deli products produced at the plant from May 1, 2002 through October 11, 2002. We estimate that gross profit and operating income were negatively affected by this product recall by approximately $20 million in fiscal 2004 and $65.0 million in fiscal 2003 prior to the insurance recovery discussed below. We carry insurance designed to cover the direct recall related expenses and certain aspects of the related business interruption caused by a recall. As a result of this recall, the Company s insurance claim for business interruption and certain product re-establishment costs amounted to approximately $74 million for the period from the date of the recall through October 11, 2003, the one year anniversary of the recall and the insurance policy time limitation period for business interruption loss recovery. Aggregating the direct recall expense claim with the anticipated business interruption and product re-establishment costs, our total loss was approximately $100 million, although our policy limit was $50 million. We received $4 million of this amount in fiscal 2003 and the remaining $46 million in fiscal 2004 from our insurer. In connection with the receipt of the insurance proceeds, we recognized $23.8 million as a component of non-recurring recoveries in our consolidated statement of income for fiscal 2004.

After considering the fiscal 2004 losses related to the 2002 recall and the restructuring of the turkey division in fiscal 2004, we believe we will significantly reduce our losses in the turkey division in fiscal 2005.

Fiscal 2004 Compared to Fiscal 2003

Net Sales. Net Sales for fiscal 2004 increased $2.7 billion, or 104.8%, over fiscal 2003. The following table provides additional information regarding net sales (in millions):

Source		Fiscal Year Ended October 2, 2004		Change from Fiscal 2003	Percentage Change	
Chicken and other products:						
United States-						
Chicken	$	4,091.7	$	2,353.4	135.4%	(a)
Other products		600.1		392.8	189.5%	(b)
	$	4,691.8	$	2,746.2	144.1%	
Mexico-						
Chicken	$	362.4	$	13.1	3.8%	
Other products		23.2		4.5	24.1%	
	$	385.6	$	17.6	4.8%	
Turkey	$	286.3	$	(19.4)	(6.3)%	(c)
	$	5,363.7	$	2,744.4	104.8%	

(a) U.S. chicken sales increased primarily due to the acquisition of the ConAgra chicken division, which contributed $1,878.2 million since the acquisition. Also affecting the U.S. chicken sales was an increase of 15.9% in total revenue per dressed pound produced, primarily due to significantly higher component market chicken prices during the year. As described below under "Gross Profit" component market chicken prices have declined in recent months.

(b) The ConAgra chicken division acquisition contributed $362.4 million to sales of other products primarily due to non-chicken products sold by the acquired distribution business.

(c) The decrease in turkey sales was due to a decrease in turkey production created by a 15% reduction in turkey flocks beginning in July 2003, offset by an 8.9% increase in revenue per pound produced. As described above in "Restructuring of Turkey Operations" and in Note C - Restructuring Charges and Non-Recurring Recoveries of the notes to consolidated financial statements included elsewhere herein, as a result of our fiscal 2004 restructuring of our turkey operations, we expect that commodity sales in our turkey division will decrease by approximately $70 million in fiscal 2005.

Gross Profit. Gross profit for fiscal 2004 increased $309.6 million, or 154.4%, over fiscal 2003. The following table provides gross profit information (in millions):

Components	Fiscal Year Ended October 2, 2004	Change from Fiscal 2003	Percentage Change	Percentage of Net Sales Fiscal 2004	Percentage of Net Sales Fiscal 2003	
Net sales	$ 5,363.7	$ 2,744.4	104.8%	100.0%	100.0%	
Cost of sales	4,813.3	2,348.0	95.2%	89.7	94.1	(a)
Cost of sales-restructuring	64.2	64.2	--	1.2	--	(b)
Non-recurring recoveries	(23.9)	22.6	(48.6)%	0.4	(1.8)	(c)
Gross profit	$ 510.1	$ 309.6	154.4%	9.5%	7.7%	

(a) Cost of sales in the U.S. operations increased $2,306.3 million due primarily to the ConAgra chicken division acquisition, as well as significantly higher grain costs in fiscal 2004 compared to the prior year. Our Mexico operations had a $41.7 million increase primarily due to higher grain costs. Chicken component market prices reached their highest level in the U.S. since 1999 during our fiscal 2004 third quarter. Since that time, the reference chicken component market prices have declined significantly. However, partially offsetting this decline in component market chicken prices are recent declines in both the cash and futures market prices for corn and soybean meal, which comprise 24.8% of our consolidated cost of sales. Additionally, barring widespread weather or other problems in grain producing areas, worldwide corn and soybean meal productivity is expected to increase, which should further favorably impact feed ingredient costs in fiscal 2005 and should partially offset the decline in U.S. component market chicken prices.

(b) On April 26, 2004, we announced a plan to restructure our turkey business to significantly reduce our production of commodity turkey meat and strengthen our focus on value-added turkey products. As part of our restructuring effort, we sold our Hinton, Virginia turkey commodity meat operations. In fiscal 2004 we recorded, as cost of sales-restructuring, approximately $64.2 million of asset impairment charges and inventory losses on discontinued products and, as other restructuring charges, $7.9 million, primarily related to exit and severance costs.

(c) Non-recurring recoveries in fiscal year 2004 consisted mainly of a $23.8 million gain from insurance proceeds related to our 2002 product recall. In fiscal 2003, we had Non-recurring recoveries of $46.5 million consisting of $26.6 million in payments from the federal government to compensate turkey producers for avian influenza losses and $19.9 million related to the anti-trust lawsuits involving vitamins and methionine.

Operating Income. Operating income for fiscal 2004 compared to fiscal 2003 increased $201.7 million, or 317.1%, as described in the following table (in millions):

Components	Fiscal Year Ended October 2, 2004	Change from Fiscal 2003	Percentage Change	Percentage of Net Sales Fiscal 2004	Percentage of Net Sales Fiscal 2003	
Gross profit	$ 510.1	$ 309.6	154.4%	9.5%	7.7%	
Selling, general and administrative expense	236.9	100.0	73.0%	4.5	5.2	(a)
Other restructuring charges	7.9	7.9	--	0.1	--	(b)
Operating income	$ 265.3	$ 201.7	317.1%	4.9%	2.4%	(c)

(a) Selling, general and administrative expense increased $100.0 million due primarily to the fiscal 2004 acquisition, but decreased as a percent of sales primarily due to the fixed nature of certain expenses in relation to increased sales.

(b) On April 26, 2004, we announced a plan to restructure our turkey division, including the sale or closure of some facilities in Virginia. Approximately $7.9 million related to exit and severance costs in connection with the restructuring were charged to Other restructuring charges.

(c) Operating income for U.S. chicken of $389.5 million is offset by operating losses of $3.6 million in Mexico and $120.7 million for turkey. The loss in Mexico compared to operating income of $16.3 million in fiscal 2003 is primarily due to increased feed cost. The loss for turkey compared to a loss of $74 million in fiscal 2003 is primarily due to our restructuring noted above, the continuing effect of the 2002 recall and significant losses on commodity turkey sales.

Interest Expense. Consolidated net interest expense increased 37.1% to $52.1 million in fiscal 2004, when compared to $38.0 million for fiscal 2003, due primarily to higher average outstanding debt balances experienced in the fiscal year due to the financing of the fiscal 2004 acquisition partially offset by significant debt repayment with excess cash flow in fiscal 2004.

Income Tax Expense. Consolidated income tax expense in fiscal 2004 was $80.2 million, compared to $7.2 million in fiscal 2003. This increase in consolidated income tax expense is the result of higher pretax earnings in fiscal 2004. Fiscal 2003 income tax expense was significantly reduced by a tax benefit recorded in fiscal 2003 of approximately $16.9 million to reflect the benefit resulting from a reduction in valuation allowance of the net operating loss carryforwards for Mexican tax purposes.

The recently passed "American Jobs Creation Act of 2004" represents far-reaching legislation that will have a significant impact on many U.S. taxpayers. Among other things, the Act will provide a deduction with respect to income of certain U.S. manufacturing activities and allow for favorable taxing on repatriation of offshore earnings. Although the provisions of the Act do not impact the fiscal year 2004 financial statements under current accounting rules, the Act will likely impact the Company s financial statements in future periods. We are currently evaluating the financial impact of this Act.

Fiscal 2003 Compared to Fiscal 2002

Net Sales. Net sales increased $85.6 million, or 3.4%, over fiscal 2002. The following table provides additional information regarding net sales (in millions):

Source	Fiscal Year Ended September 27, 2003	Change from Fiscal 2002	Percentage Change	
Chicken and other products:				
United States-				
Chicken	$ 1,738.3	$ 89.3	4.5%	(a)
Other products	207.3	13.6	7.0%	(b)
	$ 1,945.6	$ 102.9	5.6%	
Mexico-				
Chicken	$ 349.3	$ 25.5	7.9%	(c)
Other products	18.7	(0.3)	(1.7)%	
	$ 368.0	$ 25.2	7.3%	
Subtotal	2,313.6	128.1	5.9%	
Turkey	$ 305.7	$ (42.5)	(12.2)%	(d)
	$ 2,619.3	$ 85.6	3.4%	

(a) The $89.3 million increase in U.S. chicken sales was primarily due to a 3.3% increase in dressed pounds produced and a 2.0% increase in total revenue per dressed pound produced, reflecting increased market prices for chicken.

(b) The $13.3 million increase in sales of other products was primarily due to increased sales of eggs and poultry by-products.

(c) The increase in Mexico chicken sales was primarily due to a 12% increase in pounds produced offset by a 3.7% decrease in average revenue per dressed pound produced.

(d) The decrease in turkey sales was primarily due to the impact of the recall of turkey deli meat products, partially offset by improved sales resulting from live production improvements since the avian influenza outbreak in the previous year.

Gross Profit. Gross profit increased $35.3 million, or 21.4%, over fiscal 2002. Included in gross profit for fiscal 2003 was $46.5 million of Non-recurring recoveries. Fiscal 2002 gross profit only included $0.8 million of Non-recurring recoveries. See Note C-Restructuring Charges and Non-recurring Recoveries of the notes to consolidated financial statements included elsewhere herein.

The following table provides gross profit information (in millions):

Fiscal Year Ended September 27,	Change from	Percentage	Percentage of Net Sales	Percentage of Net Sales

Components	2003	Fiscal 2002	Change	Fiscal 2003	Fiscal 2002	
Net sales	$ 2,619.3	$ 85.6	3.4%	100.0%	100.0%	
Cost of sales	2,465.3	96.0	4.1%	94.1	93.5	(a)
Non-recurring recoveries	(46.5)	(45.7)	5,712.5%	(1.8)	--	(b)
Gross profit	$ 200.5	$ 35.3	21.4%	7.7%	6.5%	(c)

(a) U.S. operations cost of sales increased $73.4 million primarily due to a 3.3% increase in dressed pounds of chicken produced. Mexico operations cost of sales increased $22.6 million primarily due to a 12.0% increase in dressed pounds produced.

(b) Non-recurring recoveries of $46.5 million consisted of $26.6 million in avian influenza recovery and $19.9 million in vitamin and methionine litigation settlements. See Note C-Restructuring Charges and Non-recurring Recoveries of the notes to consolidated financial statements included elsewhere herein.

(c) In the fourth fiscal quarter of 2003, we liquidated a significant portion of turkey breast meat that we had been accumulating to use in our further processed turkey products during the peak turkey season when prices have historically been highest. This liquidation resulted in bulk turkey breast meat sales at prices that were lower than we have traditionally experienced on our individual product sales for similar product.

Operating Income. Operating income for fiscal 2003 increased $33.7 million when compared to fiscal 2002, primarily due to the $46.5 million of non-recurring recoveries somewhat offset by increased cost of sales as discussed above. The following table provides operating income information (in millions):

Components	Fiscal Year Ended September 27, 2003	Change from Fiscal 2002	Percentage Change	Percentage of Net Sales Fiscal 2003	Percentage of Net Sales Fiscal 2002
Gross profit	$ 200.5	$ 35.3	21.4%	7.7%	6.5%
Selling, general and administrative expense	136.9	1.6	1.2%	5.2	5.3
Operating income	$ 63.6	$ 33.7	112.7%	2.4%	1.2%

Interest Expense. Consolidated net interest expense increased 18.7% to $38.0 million in fiscal 2003, when compared to $32.0 million for fiscal 2002, due primarily to higher average outstanding debt balances experienced in the fiscal year.

Income Tax Expense. Consolidated income tax expense in fiscal 2003 was $7.2 million, compared to an income tax benefit of $12.4 million in fiscal 2002. This increase in consolidated income tax expense is the result of changes in the Mexico tax law and higher pretax earnings in fiscal 2003, which were significantly offset by a tax benefit of approximately $16.9 million to reflect the benefit resulting from a reduction in valuation allowance of the net operating loss carryforwards for Mexican tax purposes.

Liquidity and Capital Resources

The following table presents on an overall basis the significant borrowings and the debt repayments which occurred in fiscal 2004. Borrowings related primarily to the acquisition of the ConAgra chicken business while repayments were made primarily with excess cash flow resulting from operations.

Notes Payable and Long-term Debt Activity (in thousands):

	Balance at September 27, 2003	Activity during Fiscal 2004						Balance at October 2, 2004
		Borrowings		Re-payments	Other			
Senior unsecured debt	$ 303,500	$ --		$ --	$ (481)	(a)		$ 303,019
Senior subordinated debt	--	100,000		--	--			100,000
Secured debt	113,513	629,283	(b)	(618,897)	--			123,899
Other	1,632	--		(256)	16,000	(b)		17,376
Total	$ 418,645	$ 729,283		$ (619,153)	$ 15,519			$ 544,294

(a) Amortization of debt premium.

(b) The Company borrowed $300.8 million in connection with the ConAgra chicken division acquisition and assumed $16.0 million of long-term debt.

As of October 2, 2004, we had $180.0 million in revolving credit facilities, $30.0 million of which relates to our Mexico operations, and $500.0 million in a secured revolving/term borrowing facility. Borrowings under the revolving/term borrowing facility are available on a revolving basis until April 7, 2008 at which time the outstanding borrowings will be converted to a term loan. Approximately one-half of the converted term loan principal balance outstanding as of April 7, 2008 will be payable in quarterly installments through August 31, 2011 with all remaining principal and interest due on August 31, 2011. The $500.0 million revolving/term borrowing facility provides for interest rates ranging from LIBOR plus one percent to LIBOR plus two and five-eighths percent depending upon our total debt to capitalization ratio. There were no borrowings under the revolving/term borrowing facility at October 2, 2004. As a result of borrowing base restrictions, $417.1 million was available under the revolving/term borrowing facility for borrowings at October 2, 2004. The facility is secured by certain fixed assets. As of November 3, 2004, our availability under the revolving/term borrowing facility increased to $500.0 million due to the inclusion of additional collateral. Additionally, as of October 29, 2004, we added an $18.0 million revolving facility that was converted from a term facility. The $150.0 million domestic revolving credit facility provides for interest rates ranging from LIBOR plus seven-eighths percent to LIBOR plus two and three-eighths percent depending upon our total debt to capitalization ratio. The $150.0 million domestic revolving credit facility, $105.5 million of which was available for borrowings at October 2, 2004, is secured by domestic chicken inventories. The $30.0 million facility in Mexico is fully available as of October 2, 2004, matures on December 7, 2004, and is secured by the accounts receivable, inventories and certain fixed assets of the Company's Mexico operations. Borrowings against these facilities are subject to the availability of eligible collateral and no material adverse change provisions.

In November 2003, the Company borrowed approximately $299.5 million in additional long-term debt to fund the closing of the ConAgra chicken division acquisition. The specific borrowings are discussed in Note B-Business Acquisition of the notes to consolidated financial statements included elsewhere herein and consisted of a combination of subordinated debt, senior notes and asset based borrowings.

On November 6, 2003, the Company and PPC Escrow Corp., a wholly owned unrestricted subsidiary of the Company, entered into an agreement to issue $100.0 million in senior subordinated notes with an interest rate of 9.25% maturing on November 15, 2013. The proceeds from the note offering were used to fund a portion of the purchase price of the ConAgra chicken division. PPC Escrow Corp. was merged with and into Pilgrim s Pride concurrently with the closing of the acquisition of the ConAgra chicken division.

We also 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 seven years. We estimate the maximum potential amount of the residual value guarantees is approximately $19.3 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable and the fair value of the guarantees is immaterial. We historically have not experienced significant payments under similar residual guarantees.

At October 2, 2004, our working capital increased to $383.7 million and our current ratio decreased to 1.61 to 1, compared with working capital of $211.1 million and a current ratio of 1.76 to 1 at September 27, 2003, primarily due to the working capital changes discussed below.

Trade accounts and other receivables were $324.2 million at October 2, 2004, compared to $127.0 million at September 27, 2003. The $197.2 million, or 155.3%, increase in trade accounts and other receivables was primarily due to the inclusion of the ConAgra chicken division, increased sales activity and a decrease in receivables sold. Trade accounts and other receivables at the end of fiscal 2003 did not include $58.5 million of receivables which were sold pursuant to the Receivables Purchase Agreement described below.

Inventories were $610.0 million at October 2, 2004, compared to $340.9 million at September 27, 2003. The $269.1 million, or 78.9%, increase in inventories was primarily due to the acquisition of the ConAgra chicken division and increased production to support sales growth.

Accounts payable, income taxes payable and accrued expenses increased $358.4 million to $625.1 million at October 2, 2004, compared to accounts payable, income taxes payable and accrued expenses of $266.7 million at September 27, 2003. The increase was primarily due to the acquisition of the ConAgra chicken division, increased production and income tax liabilities resulting from our 2004 results.

Capital expenditures (excluding business acquisitions) of $79.6 million, $53.6 million and $80.4 million for fiscal years 2004, 2003 and 2002, respectively, were primarily incurred to acquire and expand certain facilities, improve efficiencies, reduce costs and for the routine replacement of equipment. We anticipate spending approximately $175.0 million to $200.0 million in fiscal 2005 to improve efficiencies and for the routine replacement of equipment at our current operations. We expect to finance such expenditures with available operating cash flows and existing revolving/term and revolving credit facilities.

Cash flows provided by operating activities were $272.4 million, $98.9 million and $98.1 million for fiscal years 2004, 2003 and 2002, respectively. The increase in cash flows provided by operating activities for fiscal 2004 when compared to fiscal 2003 was primarily due to significant increase in our net income in fiscal 2004. Cash flows provided by operating activities were almost unchanged for fiscal 2003 when compared to fiscal 2002. However, the composition of working capital items shifted significantly from 2002, primarily due to recall related items offset by increases in other working capital components.

Cash flows provided by (used in) financing activities were $96.7 million, ($39.8) million and ($21.8) million for the fiscal years 2004, 2003 and 2002, respectively. The increase in cash provided by financing activities for fiscal 2004 when compared to fiscal 2003 is primarily due to borrowings to finance the acquisition of the ConAgra chicken division offset somewhat by cash repayments of borrowings. The increase in cash used in financing activities for fiscal 2003, when compared to fiscal 2002, primarily reflects the higher net payments on long-term financing.

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 is immaterial.

Our loan agreements generally obligate us to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, some of our loan agreements contain a withholding tax provision that requires us to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts we could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default, and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

Off-Balance Sheet Arrangements

On June 29, 1999, the Camp County Industrial Development Corporation issued $25.0 million of variable-rate environmental facilities revenue bonds supported by letters of credit obtained by us. We may draw from these proceeds over the construction period for new sewage and solid waste disposal facilities at a poultry by-products plant to be built in Camp County, Texas. We are not required to borrow the full amount of the proceeds from these revenue bonds. All amounts borrowed from these funds will be due in 2029. The revenue bonds are supported by letters of credit obtained by us under our available revolving credit facilities which are secured by our domestic chicken inventories. The bonds will be recorded as debt of the Company if and when they are spent to fund construction.

We maintain a Receivables Purchase Agreement under which we can sell on a revolving basis up to $125.0 million of certain trade receivables (the "Pooled Receivables") to a special purpose corporation wholly owned by us, which in turn sells a percentage ownership interest to third parties. This facility matures on June 26, 2008. At October 2, 2004 there were no Pooled Receivables sold and at September 27, 2003, an interest in these Pooled Receivables of $58.5 million had been sold to third parties and was reflected as a reduction to accounts receivable. The gross proceeds resulting from the sale are included in cash flows from operating activities in the Consolidated Statements of Cash Flows. Losses on these sales were immaterial. As of October 2, 2004 the full amount of the facility was available.

Contractual Obligations and Guarantees.

Obligations under long-term debt and non-cancelable operating leases at October 2, 2004 were as follows (in millions):

		Payments Due By Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt(a)	$ 543.6	$ 8.4	$ 17.5	$ 18.4	$ 499.3
Guarantee fees	9.2	1.5	2.7	2.4	2.6
Operating leases	109.9	30.4	45.8	23.2	10.5

Purchase obligations	15.1	15.1	--	--	--
Total	$ 677.8	$ 55.4	$ 66.0	$ 44.0	$ 512.4

(a) Excludes $33.6 million in letters of credit outstanding related to normal business transactions.

Critical Accounting Policies and Estimates

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

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

Revenue Recognition. Revenue is recognized upon shipment and transfer of ownership of the product to the customer and is recorded net of estimated incentive offerings including special pricing agreements, promotions and other volume-based incentives. Revisions to these estimates are charged to income in the period in which the facts that give rise to the revision become known.

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

Property, Plant and Equipment. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (SFAS 144)*, the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (i) future cash flows estimates expected to be generated by these assets, which are based on additional assumptions such as asset utilization, remaining length of service and estimated salvage values (ii) estimated fair market value of the assets and (iii) determinations with respect to the lowest level of cash flows relevant to the respective impairment test, generally groupings of related operational facilities.

Contingent liabilities. The Company is subject to lawsuits, investigations and other claims related to wage and hour/labor, securities, environmental, product and other matters, and is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made when losses are determined to be probable and after considerable analysis of each individual issue. These reserves may change in the future due to changes in the Company s assumptions, the effectiveness of strategies, or other factors beyond the Company s control.

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

Purchase Price Accounting. The Company allocates the total purchase price in connection with acquisitions to assets and liabilities based upon their estimated fair values. For property, plant and equipment and intangible assets other than goodwill, for significant acquisitions, the Company has historically relied upon the use of third party valuation experts to assist in the estimation of fair values. Historically, the carrying value of acquired accounts receivable, inventory and accounts payable have approximated their fair value as of the date of acquisition, though adjustments are made within purchase price accounting to the extent needed to record such assets and liabilities at fair value. With respect to accrued liabilities, the Company uses all available information to make its best estimate of the fair value of the acquired liabilities and, when necessary, may rely upon the use of third party actuarial experts to assist in the estimation of fair value for certain liabilities, primarily self-insurance accruals.

Product Recall Accounting. The Company has a separate insurance contract for product recall coverage with an insurance company that specifically provides for reimbursement of direct recall related expenses, product restoration expenses and loss of business income. The Company recorded receivables related to direct recall related expense, specifically related to the write-off of inventory, third party shipping and freight costs, payments made for outside labor, internal hourly labor, third party warehouse storage costs and payments to customers. The Company recorded amounts as receivable for only the readily, objectively determinable amounts of direct product recall costs reimbursable under its insurance policy. The recoveries related to the business interruption and product re-establishment portions of the insurance recoveries are recorded when realized, generally upon collection.

Income Taxes. We account for income taxes in accordance with *SFAS No. 109, Accounting for Income Taxes*, which requires that deferred tax assets and liabilities be recognized for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Taxes are provided for international subsidiaries based on the assumption that these earnings are indefinitely reinvested in foreign subsidiaries and as such deferred taxes are not provided for in U.S. income taxes that would be required in the event of distribution of these earnings. *SFAS No. 109* also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. We review the recoverability of any tax assets recorded on the balance sheet, primarily operating loss carryforwards, based on both historical and anticipated earnings levels of the individual operations and provide a valuation allowance when it is more likely than not that amounts will not be recovered.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

(1) The financial statements and schedules listed in the accompanying index to financial statements and schedules are filed as part of this report.

(2) All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are not applicable and therefore have been omitted.

(3) The financial statements schedule entitled "Valuation and Qualifying Accounts and Reserves" is filed as part of this report on page 94.

(b) Exhibits

Exhibit Number

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).

3.1 Certificate of Incorporation of the Company, as amended (previously filed).

3.2 Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 4.4 of the Company s Registration Statement on Form S-8 (No. 333-111929) filed on January 15, 2004).

4.1 Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1).

4.2 Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).

4.3 Indenture dated as of August 9, 2001 by and between Pilgrim s Pride Corporation and The Chase Manhattan Bank relating to Pilgrim s Pride s 9 5/8% Senior Notes Due 2011 (incorporated by reference from Exhibit 4.1 of the Company s Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).

4.4 First Supplemental Indenture dated as of August 9, 2001 by and between Pilgrim s Pride Corporation and The Chase Manhattan Bank relating to Pilgrim s Pride s 9 5/8% Senior Notes Due 2011 (incorporated by reference from Exhibit 4.2 to the Company s Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).

4.5	Form of 9 5/8% Senior Note Due 2011 (incorporated by reference from Exhibit 4.3 of the Company s Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).
4.6	Indenture, dated November 21, 2003, between Pilgrim's Pride Corporation and The Bank of New York as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-4 (No. 333-111975) filed on January 16, 2004).
4.7	Registration Rights Agreement, dated as of November 6, 2003, among Pilgrim's Pride Corporation and Credit Suisse First Boston LLC (incorporated by reference from Exhibit 4.2 of the Company's Registration Statement on Form S-4 (No. 333-111975) filed on January 16, 2004).
4.8	Form of 9 ¼% Note due 2013 (incorporated by reference from Exhibit 4.3 of the Company's Registration Statement on Form S-4 (No. 333-111975) filed on January 16, 2004).
10.1	Pilgrim s Industries, Inc. Profit Sharing Retirement Plan, restated as of July 1, 1987 (incorporated by reference from Exhibit 10.1 of the Company s Form 8-K filed on July 1, 1992).
10.2	Senior Executive Performance Bonus Plan of the Company (incorporated by reference from Exhibit A in the Company s Proxy Statement dated December 13, 1999).
10.3	Aircraft Lease Extension Agreement between B.P. Leasing Co., (L.A. Pilgrim, individually) and Pilgrim s Pride Corporation (formerly Pilgrim s Industries, Inc.) effective November 15, 1992 (incorporated by reference from Exhibit 10.48 of the Company s Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
10.4	Broiler Grower Contract dated May 6, 1997 between Pilgrim s Pride Corporation and Lonnie "Bo" Pilgrim (Farm 30) (incorporated by reference from Exhibit 10.49 of the Company s Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
10.5	Commercial Egg Grower Contract dated May 7, 1997 between Pilgrim s Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.50 of the Company s Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
10.6	Agreement dated October 15, 1996 between Pilgrim s Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.23 of the Company s Quarterly Report on Form 10-Q for the three months ended January 2, 1999).
10.7	Heavy Breeder Contract dated May 7, 1997 between Pilgrim s Pride Corporation and Lonnie "Bo" Pilgrim (Farms 44, 45 & 46) (incorporated by reference from Exhibit 10.51 of the Company s Quarterly Report on Form 10-Q for the three

months ended March 29, 1997).

10.8 Broiler Grower Contract dated January 9, 1997 by and between Pilgrim s Pride and O.B. Goolsby, Jr. (incorporated by reference from Exhibit 10.25 of the Company s Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.9 Broiler Grower Contract dated January 15, 1997 by and between Pilgrim s Pride Corporation and B.J.M. Farms (incorporated by reference from Exhibit 10.26 of the Company s Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.10 Broiler Grower Agreement dated January 29, 1997 by and between Pilgrim s Pride Corporation and Clifford E. Butler (incorporated by reference from Exhibit 10.27 of the Company s Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.11 Receivables Purchase Agreement between Pilgrim s Pride Funding Corporation, as Seller, Pilgrim s Pride Corporation, as Servicer, Pooled Accounts Receivable Capital Corporation, as Purchaser, and Nesbitt Burns Securities Inc., as Agent (incorporated by reference from Exhibit 10.33 of the Company s Quarterly Report on Form 10-Q for the three months ended June 27, 1998).

10.12 Purchase and Contribution Agreement dated as of June 26, 1998 between Pilgrim s Pride Funding Corporation and Pilgrim s Pride Corporation (incorporated by reference from Exhibit 10.34 of the Company s Quarterly Report on Form 10-Q for the three months ended June 27, 1998).

10.13 Guaranty Fee Agreement between Pilgrim s Pride Corporation and Pilgrim Interests, LTD., dated June 11, 1999 (incorporated by reference from Exhibit 10.24 of the Company s Annual Report on Form 10-K for the fiscal year ended October 2, 1999).

10.14 Heavy Breeder Contract dated October 27, 1999 between Pilgrim s Pride Corporation and David Van Hoose (Timberlake Farms) (incorporated by reference from Exhibit 10.25 of the Company s Annual Report on Form 10-K for the fiscal year ended October 2, 1999).

10.15 Commercial Property Lease dated December 29, 2000 between Pilgrim s Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.30 of the Company s Quarterly Report on Form 10-Q for the three months ended December 30, 2000).

10.16 Revolving Credit Agreement, made as of September 7, 2001 by and between Grupo Pilgrim s Pride Funding S. de R.L. de C.V., Comerica Bank and Comerica Bank Mexico, S.A., Institucion de Banca Multiple (incorporated by reference from Exhibit 10.27 of the Company s Annual Report on Form 10-K for the fiscal year ended September 29, 2001).

10.17 Amendment No. 1 dated as of July 12, 2002 to Receivables Purchase Agreement dated as of June 26, 1998 among Pilgrim s Pride Funding Corporation, the

Company, Fairway Finance Corporation (as successor in interest to Pooled Accounts Receivable Capital Corporation) and BMO Nesbitt Burns Corp. (f/k/a Nesbitt Burns Securities Inc.). (incorporated by reference from Exhibit 10.32 of the Company s Annual Report on Form 10-K filed on December 6, 2002).

10.18 Retirement agreement dated November 11, 2002 between Pilgrim s Pride Corporation and David Van Hoose (incorporated by reference from Exhibit 10.34 of the Company s Annual Report on Form 10-K filed on December 6, 2002).

10.19 Amendment No. 3 dated as of July 18, 2003 to Receivables Purchase Agreement dated as of June 26, 1998 between Pilgrim s Pride Funding Corporation ("Seller"), Pilgrim s Pride Corporation as initial Servicer, Fairway Finance Corporation (as successor in interest to Pooled Accounts Receivable Capital Corporation) ("Purchaser") and Harris Nesbitt Corporation as agent for the purchaser (incorporated by reference from Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q filed July 23, 2003).

10.20 Stock Purchase Agreement dated June 7, 2003 by and between Pilgrim s Pride Corporation and ConAgra Foods, Inc. (the "Stock Purchase Agreement") (incorporated by reference from Exhibit 99.2 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.21 Exhibit 1.1(a) to the Stock Purchase Agreement - Applicable Accounting Principles (incorporated by reference from Exhibit 99.3 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.22 Exhibit 1.1(b) to the Stock Purchase Agreement - Business Facilities (incorporated by reference from Exhibit 99.4 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.23 Exhibit 1.1(c) to the Stock Purchase Agreement - ConAgra Supply Agreement (incorporated by reference from Exhibit 99.5 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.24 Exhibit 1.1(d) to the Stock Purchase Agreement - Environmental License Agreement (incorporated by reference from Exhibit 99.6 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.25 Exhibit 1.1(f) to the Stock Purchase Agreement - Molinos Supply Agreement (incorporated by reference from Exhibit 99.7 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.26 Exhibit 1.1(g) to the Stock Purchase Agreement - Montgomery Supply Agreement (incorporated by reference from Exhibit 99.8 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.27 Exhibit 1.1(i) to the Stock Purchase Agreement - Registration Rights Agreements (incorporated by reference from Exhibit 99.9 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.28 Exhibit 1.1(m) to the Stock Purchase Agreement - Transition Trademark License Agreement (incorporated by reference from Exhibit 99.11 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.29 Exhibit 9.4.3 to the Stock Purchase Agreement - Retained Assets (incorporated by reference from Exhibit 99.14 of the Company s Current Report on Form 8-K dated June 7, 2003).

10.30 Amendment No. 1 to Stock Purchase Agreement dated August 11, 2003, between ConAgra Foods, Inc. and Pilgrim s Pride Corporation (incorporated by reference from Exhibit 10.1 of the Company s Current Report on Form 8-K dated August 12, 2003).

10.31 Amendment No. 2 to Stock Purchase Agreement dated August 20, 2003, between ConAgra Foods, Inc. and Pilgrim s Pride Corporation (incorporated by reference from Annex F of the Company s Preliminary Proxy Statement filed October 6, 2003).

10.32 Agricultural Lease between Pilgrim s Pride Corporation (Lessor) and Patrick W. Pilgrim (Tenant) dated May 1, 2003 (incorporated by reference from Exhibit 10.15 of the Company s Quarterly Report on Form 10-Q filed July 23, 2003).

10.33 First Amendment to the Revolving Credit Agreement made as of September 7, 2001 by and between Grupo Pilgrim s Pride Funding S. de R.L. de C.V., Comerica Bank Mexico, S.A., Institucion de Banca Multiple dated as of June 28, 2002 (incorporated by reference from Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q/A filed August 12, 2003).

10.34 Second Amendment to the Revolving Credit Agreement made as of September 7, 2001 by and between Grupo Pilgrim s Pride Funding S. de R.L. de C.V., Comerica Bank Mexico, S.A., Institucion de Banca Multiple dated as of September 10, 2002 (incorporated by reference from Exhibit 10.2 of the Company s Quarterly Report on Form 10-Q/A filed August 12, 2003).

10.35 Third Amendment to the Revolving Credit Agreement made as of September 7, 2001 by and between Grupo Pilgrim s Pride Funding S. de R.L. de C.V., Comerica Bank Mexico, S.A., Institucion de Banca Multiple dated as of December 13, 2002 (incorporated by reference from Exhibit 10.3 of the Company s Quarterly Report on Form 10-Q/A filed August 12, 2003).

10.36 Fourth Amendment to the Revolving Credit Agreement made as of September 7, 2001, by and between Grupo Pilgrim's Pride Funding S. de R.L. de C.V., Comerica Bank and Comerica Bank Mexico, S.A., Institucion de Banca Multiple dated as of November 18, 2003 (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed February 4, 2004).

10.37 Fourth Amended and Restated Note Purchase Agreement dated November 18, 2003, among Pilgrim's Pride Corporation, John Hancock Life Insurance Company, ING Capital LLC and the other parties named therein (incorporated by reference from Exhibit 10.2 of the Company's Quarterly Report on Form

10-Q filed February 4, 2004).

10.38	Amendment No. 3 to Stock Purchase Agreement, dated November 23, 2003, between Pilgrim's Pride Corporation and ConAgra Foods, Inc. (incorporated by reference from Exhibit 2.16 of the Company's Current Report on Form 8-K (No. 001-09273) dated December 8, 2003).
10.39	Amendment No. 4 dated as of December 31, 2003 to Receivables Purchase Agreement dated as of June 26, 1998, among Pilgrim's Pride Funding Corporation, Pilgrim's Pride Corporation as initial Servicer, Fairway Finance Company, LLC (as successor to Fairway Finance Corporation) as purchaser and Harris Nesbitt Corp. (f/k/a BMO Nesbitt Burns Corp.) as agent for the purchaser (incorporated by reference from Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed February 4, 2004).
10.40	Amendment No. 1 dated as of December 31, 2003 to Purchase and Contribution Agreement dated as of June 26, 1998, between Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q filed February 4, 2004).
10.41	Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-8 (No. 333-111929) filed on January 15, 2004).
10.42	2004 Amended and Restated Credit Agreement, dated as of April 7, 2004, between Pilgrim's Pride Corporation and CoBank, ACB, as lead arranger and book manager, and as administrative, documentation and collateral agent and the lenders from time to time parties thereto as lenders (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed May 4, 2004).
10.43	Third Amended and Restated Secured Credit Agreement, dated April 7, 2004, between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, individually and as agent, and the lenders from time to time parties thereto as lenders (incorporated by reference from Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed May 4, 2004).
10.44	Fifth Amendment to Revolving Credit Agreement made as of September 7, 2001, by and among Grupo Pilgrim's Pride Funding S. de R.L. de C.V., Comerica Bank and Comerica Bank Mexico, S.A., Institucion de Banca Multiple dated as of September 7, 2004 (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed September 10, 2004).
12	Ratio of Earnings to Fixed Charges for the years ended October 2, 2004, September 27, 2003, September 28, 2002, September 29, 2001 and September 30, 2000 (previously filed).
21	Subsidiaries of Registrant (previously filed).

23	Consent of Ernst & Young LLP (previously filed).
31.1	Certification of Co-Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Co-Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.3	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Co-Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed).
32.2	Certification of Co-Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed).
32.3	Certification of Chief Financial Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed).

***Filed herewith**
Represents a management contract or compensation plan arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 6th day of December 2004.

PILGRIM S PRIDE CORPORATION

By:/s/ Richard A. Cogdill
Richard A. Cogdill
Chief Financial Officer