PILGRIMS PRIDE CORP
Form 424B5
August 12, 2003

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Filed pursuant to Rule 424(b)(5)

SEC File No. 333-84861

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 12, 2003

PRELIMINARY PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED SEPTEMBER 1, 1999

$100,000,000

Pilgrim s Pride Corporation

9 5/8% Senior Notes due 2011

We are offering $100,000,000 aggregate principal amount of our 9 5/8% Senior Notes due 2011. The notes are being offered as additional notes under the indenture and supplemental indenture pursuant to which, on August 9, 2001, we issued $200,000,000 aggregate principal amount of 9 5/8% Senior Notes due 2011. The notes being offered by this prospectus supplement, the notes previously issued under the indenture and supplemental indenture and any other notes that may be issued under the indenture and supplemental indenture will be treated as a single class of securities for all purposes under the indenture and supplemental indenture.

The notes will mature on September 15, 2011. We will pay interest on the notes semi-annually in cash in arrears on March 15 and September 15, commencing on September 15, 2003.

We may redeem the notes on or after September 15, 2006. In addition, prior to September 15, 2004, we may redeem up to 35% of the notes with the net proceeds of certain sales of common equity.

If we sell assets or experience a change of control, we may be required to make offers to repurchase the notes at the prices and on the terms described in this prospectus supplement. These notes are our general unsecured senior obligations, ranking equally with all our other unsubordinated indebtedness, and are effectively subordinated to our secured obligations, including our revolving and term loan facilities, to the extent of that security, and the indebtedness of our subsidiaries.

The notes will be held by the book-entry depositary, and book-entry interests representing interests in the notes and transfers of these interests in the notes will be shown on the records maintained by The Depository Trust Company.

Investing in the notes involves risks. See Risk Factors on page S-14.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to Pilgrim s Pride
Per Note	%	%	%
Total	$	$	$

(1) plus accrued interest from March 15, 2003

Delivery of the notes, in book entry form, will be made on or about August , 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

The date of this prospectus supplement is August , 2003.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words anticipate, believe, estimate, expect, project, imply, intend, foresee and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include those identified in the Risk Factors and Business sections of this prospectus supplement and the following:

Matters affecting the poultry industry generally, including fluctuations in the commodity prices of feed ingredients, chicken and turkey;

Disease outbreaks affecting the production performance and/or marketability of our poultry products;

Contamination of our products, which can lead to product liability claims and product recalls;

Exposure to risks related to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate;

Management of our cash resources, particularly in light of our substantial leverage;

Restrictions imposed by, and as a result of, our substantial leverage;

Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations;

Changes in laws or regulations affecting our operations, as well as competitive factors and pricing pressures;

Inability to consummate, or effectively integrate, any acquisition, including our pending acquisition of ConAgra Foods, Inc. s chicken division, or realize the associated anticipated cost savings and operating synergies; and

The impact of uncertainties of litigation as well as other risks described in our filings with the Securities and Exchange Commission.

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

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SUMMARY

The following is a summary of the more detailed information appearing elsewhere in this prospectus supplement. This summary is not complete and does not contain all the information you should consider. You should read the entire prospectus supplement and the accompanying prospectus carefully including the Risk Factors sections and the financial statements and the related notes. Unless the context otherwise requires, we, us, our and similar terms, as well as references to the Company and Pilgrim s Pride, include all of our consolidated subsidiaries. We obtained the industry data used throughout this prospectus supplement from industry publications that we believe to be reliable, but we have not independently verified this information. We have provided certain financial data in this prospectus supplement that gives information for the last twelve months ended June 28, 2003 (the LTM Period). We define the poultry industry as consisting of the chicken and turkey industries. On June 7, 2003 we entered into a stock purchase agreement to purchase the chicken division of ConAgra Foods, Inc. (ConAgra Foods) and on August 11, 2003 entered into an amendment to the stock purchase agreement. In this prospectus supplement we refer to this acquisition as the ConAgra chicken division acquisition and we refer to ConAgra Foods chicken operations that we are acquiring as the ConAgra chicken division. Unless the context otherwise requires, the pro forma information contained in this prospectus supplement assumes that we have completed the ConAgra chicken division acquisition in accordance with the assumptions described in the section entitled Unaudited Pro Forma Financial Data and the issuance of the notes offered under this prospectus supplement and we have applied the net proceeds from the sale of the notes as set forth under the section Use of Proceeds.

The Company

We are the second largest producer of poultry in both the United States and Mexico and have one of the best known brand names in the poultry industry. In the United States, we produce both prepared and fresh chicken and turkey, while in Mexico, we exclusively produce fresh chicken. Through vertical integration, we control the breeding, hatching and growing of chickens and turkeys and 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, which represented 53.4% of the net sales of our U.S. chicken products in the LTM Period. 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 that our prepared foods capabilities remain state-of-the-art and have complemented these investments with a substantial and successful research and development effort. We produced 3.0 billion pounds of dressed chicken and 422.8 million pounds of dressed turkey generating net sales of $2.5 billion in the LTM Period. For the LTM Period, our U.S. operations accounted for 85.6% of our net sales, with the remaining 14.4% contributed from our Mexico operations.

We have entered into a stock purchase agreement with ConAgra Foods to acquire the ConAgra chicken division. The purchase price of the ConAgra chicken division acquisition will be calculated based on the adjusted net book value of the assets and liabilities of the ConAgra chicken division on the closing date of the acquisition. Based on the ConAgra chicken division s adjusted net book value as of May 25, 2003 and our stock prices through August 8, 2003, the amount we would record in our financial statements as the purchase price would be approximately $600 million plus transaction costs. Our pending acquisition of the ConAgra chicken division is expected to close during the third calendar quarter of 2003. The ConAgra chicken division is the fourth-largest chicken producer in the United States. The ConAgra chicken division is a fully-integrated chicken processing business engaged in the production, processing, marketing and distribution of fresh and frozen chicken products, and in the processing, marketing and distribution of processed and prepared food items. The complementary fit of markets, distributor relationships and geographic locations are a few of the many benefits we anticipate realizing from this acquisition. We believe that with the ConAgra chicken division s specialty prepared chicken products, well-known brands, well-established distributor relationships and Southeastern United States processing facilities, we will be able 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. For its fiscal year ended May 25, 2003, the ConAgra chicken division produced 2.4 billion pounds of dressed chicken and generated net sales of $2.3 billion. See Pending ConAgra Chicken Division Acquisition.

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Our Business

The U.S. chicken industry has grown each year for the last twenty years, from 12.0 billion pounds produced in 1982 to 31.9 billion pounds in 2002, a compounded annual growth rate of 5.0%. This growth resulted from increasing domestic and international per capita consumption of chicken and population growth. From 1982 to 2002, annual per capita consumption of chicken in the United States increased 65.3%, while annual per capita consumption of beef declined 12.2%, and pork increased only 4.9%. Per capita consumption of chicken in the United States surpassed that of pork in 1984 and beef in 1992. We believe these favorable trends will continue over the long-term due to consumers continued awareness of the health benefits, convenience, cost advantages and versatility of chicken. The United States Department of Agriculture (USDA) estimates that per capita consumption of chicken in the United States will grow from 82.0 pounds in 2002 to 82.9 pounds in 2007.

We expect several on-going industry trends to continue in 2004. These include increasing consumer demand for high-quality poultry products in the United States and globally and the consolidation of the United States poultry industry. We believe the consolidation in the industry is driven by the desire for enhanced cost efficiencies, the consolidation of the supermarket and food service industries and strict environmental regulations governing the poultry industry. We believe these trends will result in favorable demand for our products, more stable poultry prices and generally improved industry conditions.

We believe that the industry has two major customer categories, foodservice and retail. Foodservice customers principally include chain restaurants, food processors, foodservice distributors and certain other institutions. Retail customers principally include grocery store chains, wholesale clubs and other retail distributors. 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, during the 1998 through 2002 period, sales of chicken products to the foodservice market grew at a compounded annual growth rate of approximately 8.9%, versus 3.4% growth for the chicken industry overall. Foodservice growth is anticipated to continue as food-away-from-home expenditures continue to outpace overall industry growth rates. According to the National Restaurant Association, food-away-from-home expenditures grew at a compounded annual growth rate of approximately 4.6% from 1998 through 2002 and are projected to grow at a 4.4% compounded annual growth rate from 2002 through 2010. As a result, the food-away-from-home category is projected by the National Restaurant Association to account for 53.0% of total food expenditures by 2010, as compared with 46.6% in 2002. Our sales to the foodservice market from fiscal 1998 through fiscal 2002 grew at a compounded annual growth rate of 14.8% and represented 68.6% of the net sales of our U.S. chicken products in the LTM Period.

We are the second largest supplier of prepared chicken products in the United States. Our prepared chicken products include portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated. Our prepared chicken products are sold primarily to foodservice customers. We are a major supplier of chicken to Arby s®, Burger King, Chick-fil-A®, Stouffers®, Wal-Mart® and Wendy s®. Due to increased demand from our foodservice customers, our prepared chicken products sales from fiscal 1998 through fiscal 2002 grew at a compounded annual growth rate of 16.1% and represented 53.4% of the net sales of our U.S. chicken products in the LTM Period. We believe our above-market growth of prepared chicken products is attributable to our competitive strengths, which include full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience.

We also sell fresh chicken products to the foodservice and retail markets. Our fresh chicken products represented 42.0% of the net sales of our U.S. chicken products in the LTM Period. Our fresh chicken products consist of refrigerated (non-frozen) whole or cut-up chicken, either pre-marinated or non-marinated, and pre-packaged chicken, which includes various combinations of freshly refrigerated, whole chickens and chicken parts

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in trays, bags or other consumer packs labeled and priced ready for the retail grocer s fresh meat counter. Our retail sales are enhanced by the strong consumer awareness of the Pilgrim s Pride® brand, which is one of the leading chicken brand names in the chicken industry. We believe our brand awareness enhances the distribution of our fresh chicken and enables us to achieve price premiums in certain of our geographic markets.

We are the second largest producer of chicken in Mexico. Total production of chicken in Mexico increased from approximately 1.7 billion pounds in 1982 to approximately 4.8 billion pounds in 2002, a compounded annual growth rate of 5.3%. According to an industry source, between 1982 and 2002, annual per capita consumption of chicken in Mexico increased 101% to 47.8 pounds per person, as compared to 82.0 pounds per person in the United States. We believe per capita chicken consumption increased in Mexico due to increased disposable income and the price advantage of chicken relative to other meats and will continue to grow in the future as a result of these factors. Since entering the Mexican chicken market in fiscal 1988, we have made significant capital investments to modernize our production technology and improve our distribution network. In addition, we completed several strategic acquisitions, transferred experienced management personnel from the United States and developed a strong local management team. We believe that our strategy enables us to achieve greater brand awareness, increased market share and higher profit margins relative to most other chicken producers in Mexico. As a result, we are well-positioned to capitalize on the projected growth in demand for chicken in Mexico. According to industry data, per capita chicken consumption in Mexico is anticipated to grow from 47.8 pounds in 2002 to 55.0 pounds in 2007 as a result of the country s improving economy and favorable demographic trends.

We are the fifth largest producer of turkey in the United States. The U.S. turkey industry has grown from 3.2 billion pounds produced in 1982 to 7.4 billion pounds produced in 2002, a compounded annual growth rate of 4.3%. This growth resulted from increased domestic and international per capita consumption of turkey and population growth. We believe the turkey industry will continue to grow over the long-term due to consumers awareness of the health benefits and cost advantages of turkey, and the opportunity to develop and market more convenient and versatile turkey products in this sector of the poultry industry. The USDA estimates that per capita consumption of turkey in the United States will grow from 17.7 pounds in 2002 to 18.1 pounds in 2007.

Our turkey products include fresh and frozen whole birds and parts, including retail tray pack items, turkey burgers and a full line of further processed products, including deli meats and salads. We will continue to increase our focus on the production of higher margin, value-added turkey products, including a line of flavored turkey burgers, deli roasts and hams.

Pending ConAgra Chicken Division Acquisition

We entered into a stock purchase agreement with ConAgra Foods to acquire the ConAgra chicken division through the purchase from ConAgra Foods of all of the issued and outstanding capital stock of four of its wholly-owned subsidiaries. The purchase price will be calculated based on the adjusted net book value of the assets and liabilities of the ConAgra chicken division on the closing date of the acquisition. Based on the ConAgra chicken division s net book value as of May 25, 2003 and our stock prices through August 8, 2003, the amount we would record in our financial statements as the purchase price would be approximately $600 million plus transaction costs.

After giving effect to the acquisition, we will become the second largest company in the U.S. chicken industry. The ConAgra chicken division can generally be viewed as consisting of all of ConAgra Foods integrated chicken business (including grow-out, slaughter, processing, further processing, rendering, sales and distribution, both in retail and foodservice, and related assets and employees). The ConAgra chicken division does not include (and we are not acquiring) certain branded packaged foods operations, including the Butterball, Banquet, Marie Callender s and Country Skillet further chicken processing and marketing operations and related

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trade names. We believe that with the ConAgra chicken division s specialty prepared chicken products, well-known brands, well-established distributor relationships and Southeastern United States processing facilities, we will be able 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. We believe that ConAgra Foods facilities will allow us to expand our reach across the Southeastern United States, which will complement our existing Central and Mid-Atlantic regional operations in the United States. In addition, our purchase of the ConAgra chicken division will enable us to provide fresh chicken products to supermarkets and other retail customers throughout the Southeastern and Midwestern portions of the United States. The ConAgra chicken division is the largest distributor of chicken products in Puerto Rico and will provide us with a solid foothold in this profitable market. We also believe that the acquisition will present us opportunities to achieve significant cost savings through the optimization of production and distribution facilities and the implementation of a best practices approach across all operations, including purchasing, production, logistics and shared services.

The consideration payable to ConAgra Foods under the stock purchase agreement will consist of $100 million in cash and a combination of shares of our Class A common stock and our 10 $^{1}/2$% subordinated notes due March 4, 2011, provided that at our option we may pay the subordinated note portion of the purchase price with cash, subject to certain limitations. If we issue subordinated notes in payment of a portion of the purchase price, the initial principal amount of the subordinated notes must be at least $100 million or such lesser amount as may be acceptable to ConAgra Foods. The actual number and dollar amount of our shares of Class A common stock and the principal amount of subordinated notes to be issued to ConAgra Foods will be determined by reference to the final adjusted net book value (as defined in the stock purchase agreement) of the ConAgra chicken division on the closing date and the volume weighted average trading price of our Class A common stock for the period from June 10, 2003 through the fifth trading day prior to the closing date. If the final adjusted net book value were $536 million (which was the approximate adjusted net book value of the ConAgra chicken division at May 25, 2003) and the volume weighted average stock price of our Class A common stock were $7.61 per share (which was the volume weighted average trading price of our Class A common stock from June 10, 2003 through August 8, 2003), the stock portion of the purchase price would consist of 31.7 million shares of our Class A common stock. Of the remainder of the purchase price, $100 million would be payable in cash and the balance of $194.6 million would be payable in cash, subordinated notes or a combination of cash and subordinated notes, subject to certain limitations. The acquisition would be recorded in our financial statements at $600 million plus transaction costs based on the stock component of the purchase price being valued at $9.55 per share (which was the price of our Class A common stock on August 8, 2003). Accordingly, changes in the final adjusted net book value of the ConAgra chicken division, changes in the volume weighted average trading price of our Class A common stock and changes in the price of our Class A common stock prior to closing will change the amount of our Class A common stock and subordinated notes payable to ConAgra Foods and the purchase price of the ConAgra chicken division for purposes of our financial statements.

We have received commitments from certain of our existing lenders for the financing of the $100 million cash portion of the purchase price, and our lenders have issued consents as necessary to allow the consummation and financing of the ConAgra chicken division acquisition. Further, we intend to exercise our option to pay cash instead of issuing subordinated notes to ConAgra Foods to the extent of the proceeds of this offering and subject to the limitations described above.

On July 11, 2003, the thirty-day waiting period required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976 for antitrust regulatory clearance from the federal government, necessary for completion of the acquisition, expired without any further request of the government. The acquisition is subject to customary closing conditions, including stockholder approval of the issuance of our shares of Class A common stock to ConAgra Foods. The transaction is expected to close in the third calendar quarter of 2003.

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Business 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 to pursue the following strategies and, if acquired, apply these strategies to the ConAgra chicken division:

Capitalize on significant scale with leading industry position and brand recognition. Following the completion of the ConAgra chicken division acquisition, we will be the second largest producer of chicken products in the United States. We estimate that our market share based on total annual chicken production in the United States following the acquisition will be 16.3%, which is nearly twice the estimated market share of 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 anticipate realizing from this acquisition. We believe that ConAgra Foods established relationship with broad-line national distributors will enable us to expand our customer base and provide nationwide distribution capabilities for all of our product lines. As a result, we believe we will be 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.

Realize significant synergies from the combined operations of Pilgrim s Pride and the ConAgra chicken division. We expect that the ConAgra chicken division acquisition will result in significant cost saving opportunities and enhanced growth. We intend to integrate the ConAgra chicken division into Pilgrim s Pride as rapidly as possible while minimizing disruption to our respective operations. We expect to realize significant annualized cost savings after the ConAgra chicken division acquisition by:

- taking advantage of our geographic presence by optimizing our supply chain management and logistics;
- optimizing the uses of all production and distribution facilities; and
- determining and implementing a best practices approach across all operations, including purchasing, production and shared services.

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, reduces the impact of feed ingredient costs on our profitability and improves and stabilizes 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. Our sales of prepared chicken products grew from $466.8 million in fiscal 1998 to $848.7 million in fiscal 2002, a compounded annual growth rate of 16.1%. These prepared food sales represented 53.4% of our total U.S. chicken revenues in the LTM Period. The addition of ConAgra Foods well-known brands, including Pierce® and Easy-Entrée®, will significantly expand Pilgrim s Pride s already sizeable prepared foods chicken division. ConAgra Foods highly customized cooked chicken products, including breaded cutlets, sizzle strips and Wing-Dings®, for restaurants and specialty foodservice customers, 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

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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. We estimate that approximately $353 million, or 32%, of our chicken sales to foodservice customers in fiscal 2002 consisted of new products that were not sold by us in fiscal 1998.

Enhance U.S. fresh chicken profitability through value-added, branded products. Our U.S. fresh chicken sales accounted for $699.8 million, or 42.0%, of our U.S. chicken sales for the LTM Period. 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® brand name, which is one of the best known brands in the chicken industry. With the addition of ConAgra Foods processing plant in Gainesville, Georgia, we will add 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.

Capitalize on export opportunities. We intend to continue to focus on international opportunities to complement our U.S. poultry operations and capitalize on attractive export markets. According to the USDA, the export of U.S. poultry products grew 10.2% for chicken and decreased 1.2% for turkey from 1998 through 2002. We believe that U.S. poultry exports will grow as worldwide demand increases for high-grade, low-cost protein sources. According to USDA data, the export market is expected to grow at a compounded annual growth rate of 1.7% and 1.8% for chicken and turkey, respectively, from 2003 to 2008. Historically, we have targeted international markets to generate additional demand for our chicken and turkey 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 4.6% of our net sales for the LTM Period.

Leverage our turkey operations. We plan to take advantage of our leading market position and reputation as a high quality, high service provider of chicken products to purchasers of turkey products by focusing on the following four 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® brand name.

Pilgrim s Pride Corporation, 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. Our principal office is located at 110 South Texas Street, Pittsburg, Texas 75686 and our telephone number is (903) 855-1000.

Risk Factors

See Risk Factors beginning on page S-14 for a discussion of factors you should consider carefully before deciding to invest in the notes.

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The Offering

Issuer	Pilgrim s Pride Corporation.
Securities Offered	$100,000,000 principal amount of 9 5/8% Senior Notes due September 15, 2011. The notes are being offered as additional notes under the indenture and supplemental indenture pursuant to which, on August 9, 2001, we issued $200,000,000 aggregate principal amount of 9 5/8% Senior Notes due 2011. The notes offered under this prospectus supplement, the notes previously issued under the indenture and supplemental indenture and any other notes issued under the indenture and supplemental indenture will be treated as a single class of securities for all purposes under the indenture and supplemental indenture.
Subsidiary Guarantees	The notes will be guaranteed on a senior unsecured basis by any of our domestic subsidiaries that incur indebtedness. None of our foreign subsidiaries will guarantee the notes, and none of our existing domestic subsidiaries will initially guarantee the notes because they do not currently have any indebtedness.
Maturity Date	September 15, 2011.
Interest Rate	Interest on the notes will accrue at the rate of 9 5/8% per annum, payable semi-annually in cash in arrears.
Interest Payment Dates	March 15 and September 15 of each year, commencing on September 15, 2003.
Use of Proceeds	We will use the net proceeds from this offering to pay a portion of the purchase price of the ConAgra chicken division by paying cash instead of issuing subordinated notes to ConAgra Foods to the extent of the proceeds of this offering. After the application of the proceeds from this offering, the initial principal amount of the subordinated notes must be at least $100 million or such lesser amount as may be acceptable to ConAgra Foods. To the extent there are any remaining proceeds of this offering following their application to the purchase price or if we do not complete the ConAgra chicken division acquisition, the net proceeds will be used to repay indebtedness outstanding under our revolving/term borrowing facility.
Ranking	The notes will be senior unsecured obligations. They will rank equally with all of our existing and future obligations that do not expressly provide that they are subordinated to the notes. Because they are unsecured, they will effectively rank behind all of our secured obligations to the extent of the value of the assets securing those obligations.
	The notes will rank ahead of all of our future obligations that expressly provide that they are subordinated to the notes, including the subordinated notes to be issued to ConAgra Foods as payment for a portion of the purchase price of the ConAgra chicken division, if completed.

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Assuming that we had completed this offering and the ConAgra chicken division acquisition in accordance with the assumptions described in the section entitled Unaudited Pro Forma Financial Data and applied the net proceeds as intended, as of June 28, 2003, the notes would have been effectively subordinated to approximately $552.5 million of our secured obligations and liabilities of our subsidiaries and we would not have had any obligations that were subordinated to the notes on that date, other than the subordinated notes issued to ConAgra Foods, if any, pursuant to the ConAgra chicken division acquisition. Assuming that we had completed this offering as of June 28, 2003, but do not complete the ConAgra chicken acquisition, the notes would have been effectively subordinated to approximately $201.0 million of our secured obligations and liabilities of our subsidiaries and we would not have had any obligations that were subordinated to the notes on that date.

Optional Redemption	We will have the right to redeem the notes in whole or in part on or after September 15, 2006 at the redemption prices described in Description of Notes Optional Redemption. In addition, prior to September 15, 2004, we have the option to redeem up to 35% of the aggregate principal amount of the notes with the net proceeds of one or more sales of common equity at the price described in Description of Notes Optional Redemption.
Mandatory Offer to Repurchase	If we sell certain assets or experience specific kinds of changes in control, we must offer to repurchase the notes at the prices described in Description of Notes Repurchase at the Option of Holders.
Main Covenants of the Indenture	We will issue the notes under an indenture and a supplemental indenture with JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, each dated August 9, 2001. The indenture and supplemental indenture contain various covenants that will limit our ability and the ability of our subsidiaries to, among other things: borrow money; pay dividends; make investments; use our assets as security in other transactions; sell our assets; enter into transactions with affiliates; merge or consolidate with other companies; issue or sell equity interests in subsidiaries; restrict the ability of our subsidiaries to make payments to us; or

enter into sale and leaseback transactions.

For more details, see Description of Notes Certain Covenants.

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Form of Notes	We will initially issue the notes as one or more registered global securities without coupons. These global notes will be deposited with JPMorgan Chase Bank, as custodian for The Depository Trust Company. Beneficial interests representing interests in the notes and transfers of these interests in the notes will be shown on the records maintained by The Depository Trust Company and its participants. Except in the limited circumstances described in Description of Notes Book-Entry; Delivery; Form, participants or indirect participants in the global notes cannot obtain notes in definitive form and cannot have notes issued and registered in their names.

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Summary Unaudited Pro Forma Financial and Other Data

The following table sets forth certain of our income statement and other data on a pro forma basis giving effect to the completion of this offering and the application of the net proceeds as described under Use of Proceeds and the acquisition of the ConAgra chicken division as if they had occurred as of the beginning of the fiscal year ended September 28, 2002. The unaudited pro forma balance sheet data give effect to completion of this offering and the application of the net proceeds as described under Use of Proceeds and the acquisition as if they had occurred on June 28, 2003. The unaudited pro forma financial data is provided for information purposes only and is not necessarily indicative of our future results or the operating results or financial condition that would have actually been obtained had such transactions been consummated as of the assumed dates. You should read this unaudited pro forma financial data in conjunction with our consolidated financial statements and the combined financial statements of the ConAgra Foods Chicken Business and the related notes and Unaudited Pro Forma Financial Data, Management s Discussion and Analysis of Results of Operations and Financial Condition, Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Results of Operations and Financial Condition ConAgra Chicken Division, and Selected Historical Consolidated Financial and Other Data ConAgra Chicken Division incorporated by reference or included in this prospectus supplement.

	Pro Forma Consolidated			
		Nine Months Ended		LTM Period Ended
	Fiscal Year Ended September 28, 2002	June 29, 2002	June 28, 2003	June 28, 2003
	(In thousands)			
Income Statement Data:				
Net sales	$ 4,948,783	$ 3,701,309	$ 3,648,372	$ 4,895,846
Cost of sales	4,600,648	3,432,158	3,484,804	4,653,294
Non-recurring recoveries(a)	(756)	(691)	(36,002)	(36,067)
Selling, general and administrative expenses	230,411	171,302	170,754	229,863
Operating income(b)	118,480	98,540	28,816	48,756
Interest expense, net(c)	58,766	44,935	48,927	62,758
Other income(a)	(4,009)	(1,918)	(37,253)	(39,344)
Income before taxes	63,723	55,523	17,142	25,342
Income tax expense	10,920	9,811	4,494	5,603
Net income	$ 52,803	$ 45,712	$ 12,648	$ 19,739
Other Data:				
EBITDA(d)	$ 234,477	$ 184,092	$ 151,083	$ 201,468
Depreciation and amortization(e)	113,405	84,683	86,076	114,798
Capital expenditures	128,434	98,584	66,552	96,402
Ratio of EBITDA to interest expense, net(d)				3.2x
Ratio of total debt to EBITDA(d)				4.0x

Pro Forma at June 28,

	2003
	(In thousands)
Balance Sheet Data:	
Cash and cash equivalents	$ 16,667
Working capital	452,889
Total assets	2,035,424
Total debt, including current maturities	802,581
Total stockholders equity	724,696

(See notes on following page)

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(a) The following table presents the amounts recorded and received related to recoveries of federal compensation for avian influenza and the vitamin and the methionine litigation settlements separated by non-recurring recoveries and miscellaneous, net (which is included in other income). Amounts recovered related to the operations of WLR Foods, Inc. prior to its acquisition by the Company are included in miscellaneous, net.

	Fiscal Year Ended		Nine Months Ended				LTM Period Ended	
	Sept. 28, 2002		June 29, 2002		June 28, 2003		June 28, 2003	
	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net
	(In millions)							
Avian influenza					$ 16.1		$ 16.1	
Vitamin and methionine	$ 0.8	$ 4.3	$ 0.7	$ 3.5	$ 19.9	$ 35.4	$ 20.0	$ 36.2
Total	$ 0.8	$ 4.3	$ 0.7	$ 3.5	$ 36.0	$ 35.4	$ 36.1	$ 36.2

(b) Before considering the recoveries described in note (a) above, we estimate that the March 2002 outbreak of avian influenza negatively impacted our operating income by approximately $25.6 million in fiscal 2002 and by approximately $20.4 million and $7.3 million in the nine month periods ended June 29, 2002 and June 28, 2003, respectively. Additionally, we estimate that due to the October 2002 recall of cooked deli meat products produced at one of our facilities, our operating income was negatively affected by approximately $35 to $40 million in the nine month period ended June 28, 2003.

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

(d) EBITDA is defined as the sum of net income plus interest, taxes, depreciation and amortization (excluding amortization of capitalized financing costs). Our method of computation may or may not be comparable to other similarly titled measures used in our filings with the SEC or by other companies. EBITDA, as well as the ratios of EBITDA to interest expense and total debt to EBITDA, are presented because we believe they provide meaningful additional information concerning a company s operating results and its ability to service its long-term debt and to fund its growth, and we believe EBITDA and these ratios are frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of GAAP results, to compare the performance of companies. EBITDA is not a measurement of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with generally accepted accounting principles. The following table provides pro forma combined EBITDA and a reconciliation of pro forma combined EBITDA to pro forma combined net income for each of the periods presented:

	Fiscal Year Ended	Nine Months Ended		LTM Period Ended
	September 28, 2002	June 29, 2002	June 28, 2003	June 28, 2003
	(In thousands)			
Net income	$ 52,803	$ 45,712	$ 12,648	$ 19,739
Add:				

Interest expense, net	58,766	44,935	48,927	62,758
Income tax expense	10,920	9,811	4,494	5,603
Depreciation and amortization(e)	113,405	84,683	86,077	114,799
Minus:				
Amortization of capitalized financing charges	1,417	1,049	1,062	1,430
EBITDA	$ 234,477	$ 184,092	$ 151,083	$ 201,468

(e) Includes amortization of capitalized financing costs of approximately $1.4 million, $1.0 million, $1.1 million and $1.4 million in the fiscal year ended September 28, 2002, the nine months ended June 29, 2002 and June 28, 2003 and the LTM period, respectively.

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Summary Historical Financial and Other Data

The following consolidated financial data is derived from our consolidated financial statements. Historical results should not be taken as necessarily indicative of the results that may be expected for any future period. You should read this consolidated financial data in conjunction with our consolidated financial statements and the related notes and Management s Discussion and Analysis of Results of Operations and Financial Condition contained or incorporated by reference in this prospectus supplement.

	Fiscal Year Ended					Nine Months Ended	
	Sept. 26, 1998	Oct. 2, 1999(a)	Sept. 30, 2000	Sept. 29, 2001(b)	Sept. 28, 2002	June 29, 2002	June 28, 2003
				(In thousands)			
Income Statement Data:							
Net sales	$ 1,331,545	$ 1,357,403	$ 1,499,439	$ 2,214,712	$ 2,533,718	$ 1,893,889	$ 1,909,874
Cost of sales	1,195,442	1,171,695	1,333,611	2,004,106	2,369,309	1,761,095	1,805,257
Non-recurring recoveries(c)				(3,344)	(756)	(691)	(36,002)
Selling, general and administrative expenses	58,847	76,204	85,340	119,408	135,261	100,491	102,728
Operating income(d)	77,256	109,504	80,488	94,542	29,904	32,994	37,891
Interest expense, net(e)	20,148	17,666	17,779	30,775	32,003	24,866	28,835
Other (income) expense, net(c)	586	934	(77)	473	(4,009)	(1,918)	(37,253)
Net income	50,010	65,253	52,344	41,137	14,335	17,509	30,963
Other Data:							
EBITDA(f)	$ 108,268	$ 142,043	$ 115,356	$ 146,705	$ 103,469	$ 86,732	$ 128,335
Depreciation and amortization(g)	32,591	34,536	36,027	55,390	70,973	52,859	54,253
Capital expenditures	53,518	69,649	92,128	112,632	80,388	56,430	36,146

	At June 28, 2003
	(In thousands)
Balance Sheet Data:	
Cash and cash equivalents	$ 16,667
Working capital	267,844
Total assets	1,278,920
Total debt, including current maturities	482,785
Total stockholders equity	422,189

(a) Fiscal 1999 includes 53 weeks.

(b) The Company acquired WLR Foods, Inc. on January 27, 2001 for $239.5 million and the assumption of $45.5 million of indebtedness. 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.

(c) The following table presents the breakdown of amounts received related to recoveries of avian influenza federal compensation and the vitamin and the methionine litigation settlements between non-recurring recoveries and miscellaneous, net (which is included in other (income) expense, net). Generally, amounts recovered related to the operations of WLR Foods, Inc. prior to its acquisition by the Company are included in miscellaneous, net.

	Fiscal Year Ended				Nine Months Ended			
	Sept. 29, 2001		Sept. 28, 2002		June 29, 2002		June 28, 2003	
	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net
	(In millions)							
Avian influenza							$ 16.1	
Vitamin and methionine	$ 3.3		$ 0.8	$ 4.3	$ 0.7	$ 3.5	19.9	$ 35.4
Total	$ 3.3		$ 0.8	$ 4.3	$ 0.7	$ 3.5	$ 36.0	$ 35.4

(d) Before considering the recoveries described in note (c) above, we estimate that the March 2002 outbreak of avian influenza negatively impacted our operating income by approximately $25.6 million in fiscal 2002 and by approximately $20.4 million and $7.3 million in the nine month periods ended June 29, 2002 and June 28, 2003, respectively. Additionally, we estimate that due to the October 2002 recall of cooked deli meat products produced at one of our facilities, our operating income was negatively affected by approximately $35 to $40 million in the nine month period ended June 28, 2003.

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

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(f) EBITDA is defined as the sum of net income plus interest, taxes, depreciation and amortization (excluding amortization of capitalized financing costs). Our method of computation may or may not be comparable to other similarly titled measures used in our filings with the SEC or by other companies. See the consolidated statements of income and consolidated statements of cash flows included in our financial statements. EBITDA is presented because we believe that it provides meaningful additional information concerning a company s operating results and its ability to service its long-term debt and to fund its growth, and we believe EBITDA is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of GAAP results, to compare the performance of companies. EBITDA is not a measurement of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with generally accepted accounting principles.

A reconciliation of net income to EBITDA is as follows:

	Fiscal Year Ended					Nine Months Ended	
	Sept. 26, 1998	Oct. 2, 1999	Sept. 30, 2000	Sept. 29, 2001	Sept. 28, 2002	June 29, 2002	June 28, 2003
	(In thousands)						
Net income	$ 50,010	$ 65,253	$ 52,344	$ 41,137	$ 14,335	$ 17,509	$ 30,963
Add:							
Interest expense, net	20,148	17,666	17,779	30,775	32,003	24,866	28,835
Income tax expense (benefit)	6,512	25,651	10,442	21,263	(12,425)	(7,453)	15,346
Depreciation and amortization(g)	32,591	34,536	36,027	55,390	70,973	52,859	54,253
Minus:							
Amortization of capitalized financing costs	993	1,063	1,236	1,860	1,417	1,049	1,062
EBITDA	$ 108,268	$ 142,043	$ 115,356	$ 146,705	$ 103,469	$ 86,732	$ 128,335

(g) Includes amortization of capitalized financing costs of approximately $1.0 million, $1.1 million, $1.2 million, $1.9 million, $1.4 million, $1.0 million and $1.1 million in the fiscal years 1998, 1999, 2000, 2001 and 2002, and the nine months ended June 29, 2002 and June 28, 2003, respectively.

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RISK FACTORS

Before you invest in the notes, you should consider carefully the following factors, in addition to the other information contained in this prospectus supplement and the accompanying prospectus. Investing in the notes involves a high degree of risk. The risks described below are not the only risks we face, and additional risks and uncertainties that we currently deem immaterial may also impair our business operations. The occurrence of any one or more of the following or other currently unknown factors could materially adversely affect your investment in the notes or our business and operating results.

Risks Relating to Our Business

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

Profitability in the chicken and turkey industries 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.

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 United States and foreign governments. In particular, weather patterns often change agricultural conditions in an unpredictable manner. A sudden and significant change in weather patterns could affect supplies of feed ingredients, as well as both the industry s and our ability to obtain feed ingredients, grow chickens and turkeys or deliver products.

High feed ingredient prices have had a material adverse effect on our operating results in the past. We periodically seek, to the extent available, to enter into advance purchase commitments or financial hedging contracts for the purchase of feed ingredients in an effort to manage our feed ingredient costs. The use of such instruments may not be successful.

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

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

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 that 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 of these findings, we recalled all cooked deli products produced at the facility from May 1, 2002 through October 11, 2002 and temporarily suspended operations at the facility from October 12 through November 13, 2002 to redouble our food safety and sanitation efforts. We estimate that the recall negatively affected sales at the Franconia, Pennsylvania by approximately $73.0 million and operating margins by approximately $35.0-$40.0 million during the nine months ended June 28, 2003. As a result of these losses, we

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have filed or will be filing claims under our insurance for direct recall expense, business interruption and certain product re-establishment costs. We expect our total claims related to the recall were in excess of $66 million as of June 28, 2003, although our policy limit is $50 million ($4.0 million of which has been received and $22.1 million of which has been recorded as a receivable from our insurance carrier as of June 28, 2003). Therefore, the continuing effects of the recall on our business after June 28, 2003 will not be covered by insurance and will have a negative impact on our operating income estimated at $5.0 to $10.0 million per quarter. This impact is estimated to continue until the sales of prepared foods turkey products from our Franconia, Pennsylvania plant have been reestablished in the market to pre-recall levels which we currently project to be in or after the second fiscal quarter 2004. There can be no assurance that there will not be additional recalls of our products in the future or that any such future recall or any litigation arising therefrom will not have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations. See Management s Discussion and Analysis of Results of Operations and Financial Condition.

Livestock and Poultry Disease Outbreaks of livestock diseases in general, and poultry disease in particular, can significantly restrict our ability to conduct our operations.

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

An outbreak of low-pathogenic avian influenza, a disease contagious to turkey, chicken and other birds, has had a material adverse effect on our fiscal 2002 and the first six months of fiscal 2003 operating results. We currently believe there has been little or no effect on operations in the three month period ended June 28, 2003 and there will be little or no impact on future periods from this avian influenza outbreak. However, there can be no assurance that any future poultry disease outbreaks will not have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations. See Management s Discussion and Analysis of Results of Operations and Financial Condition.

Product Liability Product liability claims or product recalls can adversely affect our business reputation and expose us to increased scrutiny by federal and state regulators.

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

We recently recalled all cooked deli products produced at one of our facilities from May 1, 2002 through October 11, 2002. In connection with this recall, we were recently named as a defendant in two lawsuits brought by individuals alleging injuries resulting from contracting *listeria monocytogenes*. There can be no assurance that any litigation or reputational injury associated with this or any future product recalls will not have a material adverse effect on our ability to market our products successfully and on our business, reputation, prospects, financial condition and results of operations. See Business Legal Proceedings.

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Insurance We are exposed to risks relating to product liability, product recalls, property damage and injuries to persons for which insurance coverage is expensive, limited and potentially inadequate.

Our business operations entail a number of risks, including risks relating to product liability claims, product recalls, property damage and injuries to persons. We currently maintain insurance with respect to certain of these risks, including product liability insurance, property insurance, workers compensation insurance and general liability insurance, but in many cases such insurance is expensive and difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses we incur in connection with such events. For example, we expect losses attributable to our October 2002 recall of cooked deli-products produced at one of our facilities to significantly exceed available insurance coverage. See Management s Discussion and Analysis of Results of Operations and Financial Condition. Additionally, in the past one of our insurers encountered financial difficulties and was unable to fulfill its obligations under one of our insurance policies and one of our insurers contested coverage with respect to a claim forcing us to litigate the issue of coverage.

Although we have maintained product recall insurance in recent periods, in 2003 the availability of this type of insurance to the food industry has been limited and at times not available. We have been seeking quotes from insurers regarding an insurance policy that would cover any product recall that may subsequently arise. While we have received a proposal for this line of coverage that we are evaluating, we have not yet obtained an insurance policy that would cover any product recall that may arise subsequent to calendar 2002 and any coverage we may obtain could include higher deductibles and provide more limited coverage than we historically have been able to obtain. There can be no assurance as to when or if we will be successful in obtaining such a policy on acceptable terms.

Significant Competition Competition in the chicken and turkey industries with other vertically integrated poultry companies, especially companies with greater resources, may make us unable to compete successfully in these industries, which could adversely affect our business.

The chicken and turkey industries are highly competitive. Some of our competitors have greater financial and marketing resources than us. In both the United States and Mexico, we primarily compete with other vertically integrated poultry companies.

In general, the competitive factors in the U.S. poultry industry include:

- Price;
- Product quality;
- Brand identification;
- Breadth of product line; and

Customer service.

Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, we believe that competition is based on product quality, brand awareness and customer service. Further, there is some competition with non-vertically integrated further processors in the U.S. prepared food business.

In Mexico, where product differentiation has traditionally been limited, product quality and price have been the most critical competitive factors. Additionally, 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 that 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. In July 2003, the United States and Mexico entered into a safeguard agreement with regard to imports into Mexico of chicken leg quarters from the United States. Under this agreement, a tariff rate for chicken leg quarters of 98.8% of the sales price was established. This tariff rate will be reduced on January 1, 2004 and each of the

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following four years in equal increments so that the final tariff rate at January 1, 2008 will be zero. As those tariffs are reduced, increased competition from chicken imported into Mexico from the United States may have a material adverse effect on the Mexican chicken industry in general, and on our Mexican operations in particular.

Integration of ConAgra Chicken Division There can be no assurance that the acquisition of the ConAgra chicken division will be completed or, if completed, that our businesses can be combined successfully.

The pending acquisition of the ConAgra chicken division is subject to certain closing conditions, and there can be no assurance that these closing conditions will be satisfied or the acquisition completed. In evaluating the terms of our pending acquisition of the ConAgra chicken division, we analyzed the respective businesses of Pilgrim s Pride and the ConAgra chicken division and made certain assumptions concerning their respective future operations. A principal assumption was that the acquisition will produce operating results better than those historically experienced or presently expected to be experienced in the future by us in the absence of the acquisition. There can be no assurance, however, that this assumption is correct or that the businesses of Pilgrim s Pride and the ConAgra chicken division will be successfully integrated in a timely manner. See Pending ConAgra Chicken Division Acquisition.

Synergies of ConAgra Chicken Division There can be no assurance that we will achieve anticipated synergies from our purchase of the ConAgra chicken division.

We entered into the purchase agreement related to the ConAgra chicken division acquisition with the expectation that the acquisition will result in beneficial synergies, such as cost savings and enhanced growth. Any success in realizing these benefits and the timing of this realization, if any, depend upon the successful integration of the operations of the ConAgra chicken division into Pilgrim s Pride, and upon general and industry-specific economic factors. The integration of two independent companies is a complex, costly and time-consuming process. The difficulties of combining the operations of the companies include, among others:

- Transitioning and preserving the ConAgra chicken division s customer, contractor, supplier and other important third party relationships;
- Integrating corporate and administrative infrastructures;
- Coordinating sales and marketing functions;
- Minimizing the diversion of management s attention from ongoing business concerns;
- Coordinating geographically separate organizations; and
- Retaining key employees;

Even if Pilgrim s Pride and the ConAgra chicken division are able to integrate their operations and economic conditions remain stable, there can be no assurance that the anticipated synergies will be achieved. See Pending ConAgra Chicken Division Acquisition.

Assumption of Unknown Liabilities We will assume unknown liabilities when we acquire the ConAgra chicken division.

The ConAgra chicken division acquisition is structured as a stock purchase, which may result in us owning subsidiaries with unknown liabilities. We negotiated and obtained from ConAgra Foods certain representations and warranties concerning contingent liabilities and other obligations of the entities holding the ConAgra chicken division assets to reduce the risk that we will bear such subsidiaries liability for unknown liabilities. ConAgra Foods also agreed to indemnify us for breaches of representations and warranties concerning the pre-closing operations of the ConAgra chicken division and for certain liabilities of the entities holding the ConAgra chicken division assets. Certain of ConAgra Foods indemnification obligations are subject to a cap in the aggregate amount of $200 million. Nevertheless, ConAgra Foods indemnification obligations are generally subject to a $30 million deductible, and there may be circumstances in which ConAgra Foods indemnification obligations do

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not provide us protection from contingent or other obligations of the entities holding the ConAgra chicken division assets, or other pre-closing liabilities of the ConAgra chicken division. These obligations and liabilities could have a material adverse effect on us. See Pending ConAgra Chicken Division Acquisition.

Potential Acquisitions We may pursue additional opportunities to acquire complementary businesses, which could increase leverage and debt service requirements and could adversely affect our financial situation if we fail to successfully integrate the acquired business.

We intend to continue to pursue selective acquisitions of complementary businesses in the future. Inherent in any future acquisitions are certain risks such as increasing leverage and debt service requirements and combining company cultures and facilities, which could have a material adverse effect on our operating results, particularly during the period immediately following such acquisitions. Additional debt or equity capital may be required to complete future acquisitions, and there can be no assurance that we will be able to raise the required capital. Furthermore, acquisitions involve a number of risks and challenges, including:

- Diversion of management s attention;
- The need to integrate acquired operations;
- Potential loss of key employees and customers of the acquired companies;
- Lack of experience in operating in the geographical market of the acquired business; and
- An increase in our expenses and working capital requirements.

Any of these and other factors could adversely affect our ability to achieve anticipated cash flows at acquired operations or realize other anticipated benefits of acquisitions.

Foreign Operations Risks Our foreign operations pose special risks to our business and operations.

We have substantial operations and assets located in Mexico. Foreign operations are subject to a number of special risks, including among others:

- Currency exchange rate fluctuations;
- Trade barriers;

Exchange controls;

Expropriation; and

Changes in laws and policies, including those governing foreign-owned operations.

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

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

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

The chicken and turkey industries are subject to federal, state and local governmental regulation, including in the health and environmental areas. We anticipate increased regulation by various agencies concerning food

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safety, the use of medication in feed formulations and the disposal of poultry by-products and wastewater discharges. Unknown matters, new laws and regulations, or stricter interpretations of existing laws or regulations may materially affect our business or operations in the future.

Control of Voting Stock Voting control over Pilgrim s Pride is maintained by Lonnie Bo Pilgrim and Lonnie Ken Pilgrim.

Through a number of family trusts and limited partnerships, Lonnie Bo Pilgrim and his son Lonnie Ken Pilgrim presently have voting control of 62.2% of the voting power of our outstanding common stock and will continue to have voting control of our common stock following the completion of the ConAgra chicken division acquisition. They are therefore in a position to control the outcome of all actions requiring stockholder approval, including the election of directors. This ensures their ability to control the future direction and management of Pilgrim s Pride. If Lonnie Bo Pilgrim and certain members of his family cease to own at least a majority of the voting power of the outstanding common stock, it will constitute an event of default under certain agreements relating to our indebtedness.

Risks Associated with Tax Status Potential payment of deferred taxes may affect our cash flow.

Before July 2, 1988, we used the cash method of accounting for income tax purposes. Pursuant to changes in the laws enacted by the Revenue Act of 1987, we were required to change our method of accounting for federal income tax purposes from the cash method to the accrual method. As a consequence of this change in our accounting method, we were permitted to create a suspense account in the amount of approximately $89.7 million. The money in the suspense account represents deferred income arising from our prior use of the cash method of accounting.

Beginning in fiscal 1998, we are generally required to include 1/20th of the amount in the suspense account, or approximately $4.5 million, in taxable income each year for the next 20 years. As of September 28, 2002, the balance in the suspense account was approximately $64.0 million. However, the full amount must be included in taxable income in any year that Pilgrim s Pride ceases to be a family corporation. We will cease to be a family corporation if Lonnie Bo Pilgrim s family ceases to own at least 50% of the total combined voting power of all classes of stock entitled to vote. If that occurs, we would be required to recognize the balance of the suspense account in taxable income.

Currently there exists no plan or intention on the part of Lonnie Bo Pilgrim s family to transfer enough Pilgrim s Pride stock so that we cease to qualify as a family corporation. However, this may happen, and the suspense account might be required to be included in our taxable income.

Deferred Taxes Potential accrual of deferred taxes may affect our net income and cash flow.

We have not provided any deferred income taxes on the undistributed earnings of our Mexico subsidiaries based upon our determination that such earnings will be indefinitely reinvested. As of September 28, 2002, the cumulative undistributed earnings of these subsidiaries were approximately $191.7 million. If these earnings were not considered indefinitely reinvested, deferred U.S. and foreign income taxes would have been provided, after consideration of estimated foreign tax credits. However, determination of the amount of deferred federal and foreign income taxes is not practical.

Risks Relating to the Offering and Investment in the Notes

Substantial Leverage Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

Pilgrim s Pride currently has, and after this offering and the completion of ConAgra chicken division acquisition will continue to have, a substantial amount of indebtedness. The following table shows important

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credit statistics for our company. The table sets forth these statistics on an as adjusted basis to reflect the completion of this offering and on a pro forma basis to reflect the completion of this offering and the acquisition of ConAgra s chicken division and the application of the net proceeds as described in the sections of this prospectus supplement entitled Use of Proceeds and Summary Unaudited Pro Forma Financial and Other Data, and in accordance with the assumptions described therein.

	As of June 28, 2003	
	As Adjusted	Pro Forma
	($ in thousands)	
Total debt, including current maturities	$ 485.3	$ 802.6
Stockholders equity	$ 422.2	$ 724.7
Total debt to stockholders equity ratio	1.15x	1.11x

	LTM Period Ended June 28, 2003	
	As Adjusted	Pro Forma
Ratio of earnings to fixed charges	1.65x	1.27x

We presently have, and expect to continue to have, a substantial amount of indebtedness. Our substantial indebtedness could adversely affect our financial condition, which could have important consequences to you. For example, it could:

Make it more difficult for us to satisfy our obligations under our indebtedness, including our debt securities;

Increase our vulnerability to general adverse economic conditions;

Limit our ability to obtain necessary financing and to fund future working capital, capital expenditures and other general corporate requirements;

Require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;

Limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

Place us at a competitive disadvantage compared to our competitors that have less debt;

Limit our ability to pursue acquisitions and sell assets;

Make us vulnerable to increases in interest rates because a substantial portion of our borrowings are at variable interest rates; and

Limit, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds. Failing to comply with those covenants could result in an event of default or require redemption of indebtedness. Either of these events could have a material adverse effect on us.

Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future, which is dependent on various factors. These factors include the commodity prices of feed ingredients, chicken and turkey, and general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

For more information on our indebtedness, see Description of Other Indebtedness and Description of Notes.

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Additional Borrowings Available Despite our substantial indebtedness, we may still be able to incur significantly more debt. This could intensify the risks described above.

The terms of the indentures governing the notes do not fully prohibit us from incurring significant additional indebtedness in the future, including indebtedness expected to be incurred in connection with financing the purchase price of the ConAgra chicken division acquisition. If additional debt is added to our current debt levels, the related risks that we now face could intensify. For more information on our borrowing ability, see Capitalization,   Selected Consolidated Financial and Other Data,   Description of Other Indebtedness and Description of Notes.

Limitations on Change of Control We may not have the ability to raise the funds necessary to finance a change of control offer.

Upon the occurrence of certain specified change of control events, we will be required to offer to purchase the notes and our existing senior notes, plus accrued and unpaid interest, if any, to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds to pay the purchase price of the outstanding notes and existing senior notes, and we expect that we would require third party financing to do so. We cannot assure you that we would be able to obtain this financing on favorable terms, if at all. In addition, we may be required to refinance or obtain the consent of our lenders under our revolving and term senior credit facilities to purchase the notes and existing senior notes. If we do not obtain such consents or repay such borrowings, we would be prohibited from purchasing any notes or existing senior notes. In such case, our failure to purchase tendered notes and existing senior notes would constitute a default under the indenture governing the notes and existing senior notes, which, in turn, would constitute a default under our revolving and term credit facilities. For more information on our requirements to redeem the notes upon the occurrence of a change of control, see Description of Notes.

Effective Subordination of Notes The notes effectively will be junior in right of payment to some other liabilities.

The notes are junior in right of payment as to liabilities of our subsidiaries that do not guarantee the notes, to the extent of the assets of those subsidiaries. In addition, we have a significant amount of secured debt. Therefore, the notes will also be effectively subordinated to our secured debt to the extent of the value of the assets securing such debt. Assuming that we have completed this offering and the ConAgra chicken division acquisition in accordance with the assumptions described in the section entitled Unaudited Pro Forma Financial Data and applied the net proceeds of this offering as described under Use of Proceeds, as of June 28, 2003, the amount of our secured debt and the liabilities of our subsidiaries on a pro forma basis would have been approximately $552.5 million. Assuming that we have completed this offering but do not complete the ConAgra chicken division acquisition, as of June 28, 2003, the amount of our secured debt and liabilities of our subsidiaries would have been $201.0 million. The notes will not be secured by our assets or the assets of our subsidiaries, and our subsidiaries will not initially guarantee the senior notes. See Description of Notes.

Pending ConAgra Chicken Division Acquisition The notes will be outstanding regardless of whether we purchase the ConAgra chicken division.

In the event the ConAgra chicken division acquisition is not consummated, the notes will remain outstanding. Accordingly, holders of the notes will be entitled only to the benefit of our results of operations without those of the ConAgra chicken division.

Trading Market for Notes There may be no active trading market for the notes.

Although the notes are expected to trade with the existing senior notes, there is currently only a limited trading market in the existing notes. We do not intend to list the notes on any national securities exchange or to seek the admission of the notes for quotation through the National Association of Securities Dealers Automated Quotation System. Although the initial purchaser has advised us that they currently intend to make a market in

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the notes, they are not obligated to do so and may discontinue such market making activity at any time without notice.

Fraudulent transfer statutes may limit rights to receive payment on the notes.

Federal or state fraudulent transfer laws permit a court, if it makes certain findings, to:

- Void all or a portion of the obligations under the notes or any subsidiary guarantee;
- Subordinate the obligations under the notes or any subsidiary guarantee to our or our subsidiaries other existing and future indebtedness, entitling other creditors to be paid in full before any payment is made on the notes or any subsidiary guarantee; and
- Take other action detrimental to you, including, in some circumstances, invalidating the notes or any subsidiary guarantee.

If a court were to take any of these actions, we cannot assure you that you would ever be repaid.

Under federal and state fraudulent transfer laws, in order to take any of those actions, courts will typically need to find that, at the time we or a subsidiary guarantor incurred indebtedness evidenced by the notes or a subsidiary guarantee, we or any subsidiary guarantor:

- Issued the notes or a subsidiary guarantee with the intent of hindering, delaying or defrauding current or future creditors; or
- We or a subsidiary guarantor received less than fair consideration or reasonably equivalent value for incurring the indebtedness represented by the notes or subsidiary guarantee and we or a subsidiary guarantor:

(1) were insolvent or were rendered insolvent by reason of the issuance of the notes or subsidiary guarantee;

(2) were engaged, or about to engage, in a business or transaction for which our assets or the assets of a guarantor were unreasonably small; or

(3) intended to incur, or believed (or should have believed) that debts beyond our or its ability to pay as such debts mature would be incurred (as all of the foregoing terms are defined in or interpreted under such fraudulent transfer statutes).

Different jurisdictions define insolvency differently. However, we or a subsidiary guarantor generally would be considered insolvent at the time we or it incurred the indebtedness constituting the notes or any subsidiary guarantee if (1) the fair market value (or fair saleable value) of our assets or the assets of a subsidiary guarantor is less than the amount required to pay our or its total existing debts and liabilities (including the probable liability related to contingent liabilities) as they become absolute or mature or (2) we or any subsidiary guarantor were incurring debts beyond our or its ability to pay as those debts mature. There can be no assurance as to what standard a court would apply in order to determine whether we or any subsidiary guarantor were insolvent as of the date the notes or any subsidiary guarantee were issued, and there can be no assurance that, regardless of the method of valuation, a court would not determine that we or any subsidiary guarantor were insolvent on that date, or that a court would not determine, regardless of whether we or any subsidiary guarantor were insolvent on the date the notes or any subsidiary guarantee were issued, that payments under the notes or any subsidiary guarantee constituted fraudulent transfers on another ground.

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USE OF PROCEEDS

We estimate the net proceeds to us from the sale of the notes to be $104.3 million, after deducting estimated fees and expenses.

We entered into a stock purchase agreement with ConAgra Foods to acquire the ConAgra chicken division through the purchase from ConAgra Foods of all of the issued and outstanding capital stock of four of its wholly-owned subsidiaries. We intend to use the net proceeds of this offering to pay a portion of the purchase price of the ConAgra chicken division by paying cash instead of issuing subordinated notes to ConAgra Foods to the extent of the proceeds of this offering. The ConAgra chicken division is a fully-integrated chicken processing business engaged in the production, processing, marketing and distribution of fresh and frozen chicken products, and in the processing, marketing and distribution of processed and prepared food items. After the application of the proceeds from this offering, the initial principal amount of the subordinated notes must be at least $100 million or such lesser amount as may be acceptable to ConAgra Foods. To the extent there are any remaining proceeds of this offering following their application to the purchase price, we intend to use those proceeds to repay indebtedness outstanding under our revolving/term borrowing facility, as described below. For further information concerning the ConAgra chicken division acquisition, see Pending ConAgra Chicken Division Acquisition.

The following table contains the estimated sources and uses of funds assuming that we had completed this offering and the ConAgra chicken division acquisition in accordance with the assumptions described in the section entitled Unaudited Pro Forma Financial Data and applied the proceeds as described above.

Sources of Funds **(In millions)**	
Notes payable to insurance company maturing in 2010	$ 20.0
Notes payable to insurance company maturing in 2013	80.0
9 5/8% Senior Notes due 2011	106.8
10 1/2% Subordinated Notes (a)	100.0
Class A common stock (a)	302.5
Total Sources	$ 609.3

Uses of Funds **(In millions)**	
Purchase price of ConAgra chicken division, including transaction costs (a)(b)	$ 605.3
Reduction of debt under revolving/term borrowing facility maturing in 2007	1.2
Reduction of debt under revolving/term borrowing facility maturing in 2010	2.8
Total Uses	$ 609.3

(a) The calculation of the number of shares of Class A common stock and the principal amount of 10 1/2% subordinated notes to be issued to ConAgra Foods is based on a ConAgra chicken division adjusted net book value of $535.6 million (which is the approximate net book value of the ConAgra chicken division as of May 25, 2003) and the volume weighted average stock price of our Class A common stock from June 10, 2003 through August 8, 2003 of $7.61 per share. Based on these amounts, the stock portion of the purchase price would consist of 31.7 million shares of our Class A common stock. Of the remainder of the purchase price, $100 million is assumed to be provided from the issuance of 10 1/2% subordinated notes to ConAgra Foods and the remainder is provided from the Notes and secured financing. The acquisition would be valued in our financial statements at approximately $600 million plus transaction costs based on the stock component of the purchase price being valued at $9.55 per share (which was the closing price of our Class A common stock on August 8, 2003).

(b) Excludes $1.8 million of transaction costs incurred as of June 28, 2003.

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If we do not complete the ConAgra chicken division acquisition, we intend to apply $30.2 million and $74.1 million of the net proceeds of this offering to reduce outstanding indebtedness due in 2010 and 2007, respectively, under our revolving/term borrowing facility. If we apply the proceeds in this manner, $282.3 million in the aggregate will be available under our revolving/term borrowing facility. The revolving/term borrowing facility provides for interest at rates ranging from LIBOR plus five-eighths percent to LIBOR plus two and three-quarters percent, depending upon our total debt to capitalization ratio. Interest rates on debt outstanding under this facility at June 28, 2003 was LIBOR plus one and three-quarters percent for indebtedness due in 2007 and LIBOR plus two percent for indebtedness due in 2010. Borrowings under this facility were used for general corporate purposes.

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CAPITALIZATION

The following table sets forth our consolidated debt and capitalization as of June 28, 2003 (1) on an actual basis, (2) as adjusted to give effect to this offering and (3) pro forma to give effect to this offering, the completion of the ConAgra chicken division acquisition under the assumptions described under Unaudited Pro Forma Financial Data and the application of the net proceeds of this offering as described under Use of Proceeds. You should read this table in conjunction with Management s Discussion and Analysis of Results of Operations and Financial Condition, Description of Other Indebtedness, Description of Notes, Unaudited Pro Forma Financial Data, the combined financial statements of the ConAgra Foods Chicken Business, and our consolidated financial statements and the notes that accompany those financial statements.

	As of June 28, 2003(a)		
	Actual	As Adjusted	Pro Forma(b)
		(In millions)	
Cash and cash equivalents	$ 16.7	$ 16.7	$ 16.7
Debt (including current maturities):			
Revolving credit facilities(c)	$	$	$
Revolving/term borrowing facility maturing in 2007(d)	64.3	34.1	63.1
Revolving/term borrowing facility maturing in 2010(e)	157.7	83.6	154.9
Notes payable to insurance company maturing in 2010(f)			20.0
Notes payable to insurance company maturing in 2012(f)	59.2	59.2	59.2
Notes payable to insurance company maturing in 2013(f)			80.0
$9\ ^{5}/8$% Senior Notes due 2011	200.0	306.8	306.8
Industrial revenue bonds			17.0
Other debt	1.6	1.6	1.6
$10\ ^{1}/2$% Subordinated Notes(g)			100.0
Total debt	$ 482.8	$ 485.3	$ 802.6
Stockholders equity:			
Common stock	$ 0.4	$ 0.4	$ 0.7
Additional paid-in capital	79.6	79.6	381.8
Retained earnings	343.7	343.7	343.7
Less: Treasury stock	(1.5)	(1.5)	(1.5)
Total stockholders equity	422.2	422.2	724.7
Total capitalization	$ 905.0	$ 907.5	$ 1,527.3

(a) Does not include any amounts available under our Receivables Purchase Agreement, under which the Company sells, on a revolving basis, certain of our trade receivables (Pooled Receivables) to a special purpose corporation wholly-owned by us, which in turn sells a percentage ownership interest to third parties. On July 18, 2003 we extended and amended the existing Receivables Purchase Agreement to sell accounts receivable. The amended agreement increased the availability under this facility to $125.0 million from $60 million of accounts receivable and expires in June 2008. As of the fiscal month ended July 26, 2003, $22.9 million additional Pooled Receivables are available for sale subject to the terms and conditions thereof.

(b) The pro forma financial information relating to the ConAgra chicken division is for its fiscal year ending May 25, 2003 and reflects the assumptions described under Unaudited Pro Forma Financial Data.

(c) On a pro forma basis, at June 28, 2003, an additional $130.0 million was available under these facilities subject to the terms and conditions thereof.

(d)

On a pro forma basis, at June 28, 2003, an additional $51.9 million was available under this facility subject to the terms and conditions thereof. If the ConAgra chicken division acquisition is not completed, then at June 28, 2002, there would have been $80.9 million available under this facility after giving effect to this offering and the application of the net proceeds of this offering as described under Use of Proceeds.

(e) On a pro forma basis, at June 28, 2003, an additional $130.1 million was available under this facility subject to the terms and conditions thereof. If the ConAgra chicken division acquisition is not completed, then at June 28, 2002, there would have been $201.4 million available under this facility after giving effect to this offering and the application of the net proceeds of this offering as described under Use of Proceeds.

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(f) At June 28, 2003, an additional $50 million was available with this insurance company subject to the terms and conditions thereof, which will have a maturity date of ten years from the first day of the month following issuance. We have also received a commitment to provide an additional $50 million under this facility. Notes in the principal amount of $30 million under this $50 million additional commitment will have a maturity date of ten years from the first day of the month following issuance. The remaining $20 million of notes under this additional commitment will have a maturity date of seven years from the first day of the month following issuance. We expect to use the $100 million of availability and the additional commitment to pay a portion of the purchase price of the ConAgra chicken division.

(g) Represents the subordinated notes to be issued to ConAgra Foods as payment for a portion of the purchase price of the ConAgra chicken division assuming the final adjusted net book value of the ConAgra chicken division was $536 million (which is the approximate adjusted net book value of the ConAgra chicken division at May 25, 2003).

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UNAUDITED PRO FORMA FINANCIAL DATA

The unaudited pro forma financial data is based on our historical consolidated financial statements and the historical combined financial statements of the ConAgra chicken division. The unaudited pro forma data also assumes the completion of this offering and the application of the net proceeds of this offering to pay a portion of the purchase price of the ConAgra chicken division. The assumptions and adjustments are described in the notes to the unaudited pro forma financial data, including assumptions relating to the allocation of the consideration paid for the assets and liabilities of the ConAgra chicken division based on preliminary estimates of their respective fair values. The terms of the stock purchase agreement are likely to result in a purchase price of the ConAgra chicken division that is different from that presented in the unaudited pro forma combined financial statements primarily as a result of the following:

- The purchase price is determined by reference to the adjusted net book value of the assets and liabilities of the ConAgra chicken division as of the closing date of the acquisition. This amount will vary from the May 25, 2003 information used in the preparation of the unaudited pro forma financial statements; and

- The variability of the common stock portion of the consideration payable to ConAgra Foods, which is based on changes in the trading price and the trading volume of our Class A common stock for the period from June 10, 2003 through the fifth trading day prior to the closing date of the acquisition.

Based on the audited financial statements of the ConAgra Foods Chicken Business as of and for the fiscal year ending May 25, 2003 and the volume weighted average trading price of our Class A common stock through August 8, 2003, the acquisition would be valued at approximately $600 million plus transaction costs, which consists of approximately $194.6 million of cash (funded by the net proceeds of this offering and our secured borrowings), $100 million principal of subordinated notes and the issuance of 31.7 million shares of our Class A common stock valued at $9.55 per share. Our unaudited pro forma statements of operations have been presented as if the acquisition of the ConAgra chicken division had occurred at the beginning of the fiscal year ended September 28, 2002, while the unaudited pro forma balance sheet has been presented as if the acquisition had occurred on June 28, 2003. The fiscal year of ConAgra Foods and the ConAgra chicken division ended on May 25, 2003, while the fiscal year of Pilgrim s Pride will end on September 27, 2003. As a result, the combined pro forma financial statements have been prepared by adjusting the ConAgra chicken division s quarterly results to more closely match the applicable reporting periods of Pilgrim s Pride. However, the ConAgra chicken division information has been included with a one-month lag to the reporting periods of Pilgrim s Pride in order to maintain their existing quarterly periods.

Our unaudited pro forma financial data should be read in conjunction with Management s Discussion and Analysis of Results of Operations and Financial Condition, our historical consolidated financial statements and the historical combined financial statements and the related notes thereto of the ConAgra Foods Chicken Business either included or incorporated by reference in this prospectus supplement. Our unaudited pro forma financial data does not purport to represent what our results of operations would have been if the transactions listed above had actually been completed as of the date indicated and are not intended to project our financial position or results of operations for any future period.

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Pilgrim s Pride Corporation

Unaudited Pro Forma Condensed Balance Sheet

June 28, 2003

(In thousands)

	Pilgrim s Pride	ConAgra Chicken Division(A)	Pro Forma Adjustments	Pro Forma Combined
Current assets:				
Cash and cash equivalents	$ 16,667	$ 6,324	$ (6,324)(B)	$ 16,667
Accounts receivable	118,612	105,595		224,207
Inventories	358,301	209,639		567,940
Prepaids and other current assets	15,300	7,932		23,232
Total current assets	508,880	329,490	(6,324)	832,046
Other assets:				
Property, plant and equipment, net	739,203	419,834	15,920 (D)	1,174,957
Other long-term assets	30,837	37,365	(39,781)(C)	28,421
Total assets	$ 1,278,920	$ 786,689	$ (30,185)	$ 2,035,424
Current liabilities:				
Accounts payable and other current liabilities	$ 225,513	$ 133,421	$	$ 358,934
Current deferred income tax	12,888	13,882	(13,882)(C)	12,888
Current maturities of long term debt	2,635	400	4,300 (E)	7,335
Total current liabilities	241,036	147,703	(9,582)	379,157
Long-term debt and stockholders equity:				
Secured Debt	280,150	16,635	91,711 (E)	388,496
9 5/8% Senior Notes	200,000		106,750 (E)	306,750
10 1/2% Subordinated Notes			100,000 (E)	100,000
Deferred income taxes	134,229	11,239	(11,239)(C)	134,229
Other long term liabilities	1,316	780		2,096
Stockholders equity	422,189	610,332	(307,825)(D)	724,696
Total liabilities and stockholders equity	$ 1,278,920	$ 786,689	$ (30,185)	$ 2,035,424

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Pilgrim s Pride Corporation

Unaudited Pro Forma Statement of Operations

For the Year Ended September 28, 2002

(In thousands, except per share data)

	Pilgrim s Pride	ConAgra Chicken Division(A)	Pro Forma Adjustments	Pro Forma Combined
Net sales	$ 2,533,718	$ 2,410,565	$ 4,500 (H)	$ 4,948,783
Cost of sales	2,369,309	2,249,386	(18,047)(G)	4,600,648
Non-recurring recoveries	(756)			(756)
Selling, general and administrative expenses	135,261	95,150		230,411
Operating income	29,904	66,029	22,547	118,480
Interest expense, net	32,003	23,278	(23,278)(E)	58,766
			26,763 (E)	
Other income	(4,009)			(4,009)
Income before taxes	1,910	42,751	19,062	63,723
Income tax expense (benefit)	(12,425)	16,254	7,091 (F)	10,920
Net income	$ 14,335	$ 26,497	$ 11,971	$ 52,803
Earnings per common share				
Basic	$ 0.35	$	$ 0.38	$ 0.73
Diluted	0.35		0.38	0.73
Weighted average shares outstanding				
Basic	41,113		31,676	72,789
Diluted	41,113		31,676	72,789
Other Data:				
Depreciation and amortization	$ 70,973	$ 60,479	$ (18,047)	$ 113,405
Capital expenditures	80,388	48,046		128,434
Rental expense for operating leases	28,070	20,949		49,019
Amortization of capitalized financing charges	1,417			1,417

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Pilgrim s Pride Corporation

Unaudited Pro Forma Statement of Operations

For the Nine Months Ended June 29, 2002

(In thousands, except per share data)

	Pilgrim s Pride	ConAgra Chicken Division(A)	Pro Forma Adjustments	Pro Forma Combined
Net sales	$ 1,893,899	$ 1,804,060	$ 3,350 (H)	$ 3,701,309
Cost of sales	1,761,095	1,684,454	(13,391)(G)	3,432,158
Non-recurring recoveries	(691)			(691)
Selling, general and administrative expenses	100,491	70,811		171,302
Operating income	33,004	48,795	16,741	98,540
Interest expense, net	24,866	16,893	(16,893)(E)	44,935
			20,069 (E)	
Other (income) expense, net	(1,918)			(1,918)
Income before taxes	10,056	31,902	13,565	55,523
Income tax expense (benefit)	(7,453)	12,218	5,046 (F)	9,811
Net income	$ 17,509	$ 19,684	$ 8,519	$ 45,712
Earnings per common share				
Basic	$ 0.43	$	$ 0.27	$ 0.63
Diluted	0.43		0.27	0.63
Weighted average shares outstanding				
Basic	41,113		31,676	72,789
Diluted	41,113		31,676	72,789
Other Data:				
Depreciation and amortization	$ 52,859	$ 45,215	$ (13,391)	$ 84,683
Capital expenditures	56,430	42,154		98,584
Rental expense for operating leases	21,440	15,958		37,398
Amortization of capitalized financing charges	1,049			1,049

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Pilgrim s Pride Corporation

Unaudited Pro Forma Statement of Operations

For the Nine Months Ended June 28, 2003

(In thousands, except per share data)

	Pilgrim s Pride	ConAgra Chicken Division(A)	Pro Forma Adjustments	Pro Forma Combined
Net sales	$ 1,909,874	$ 1,735,148	$ 3,350 (H)	$ 3,648,372
Cost of sales	1,805,257	1,693,111	(13,564)(G)	3,484,804
Non-recurring recoveries	(36,002)			(36,002)
Selling, general and administrative expenses	102,728	68,026		170,754
Operating income	37,891	(25,989)	16,914	28,816
Interest expense, net	28,835	19,649	(19,649)(E)	48,927
			20,092 (E)	
Other income	(37,253)			(37,253)
Income (loss) before taxes	46,309	(45,638)	16,471	17,142
Income tax expense (benefit)	15,346	(16,979)	6,127 (F)	4,494
Net income (loss)	$ 30,963	$ (28,659)	$ 10,344	$ 12,648
Earnings per common share				
Basic	$ 0.75	$	$ 0.33	$ 0.17
Diluted	0.75		0.33	0.17
Weighted average shares outstanding				
Basic	41,113		31,676	72,789
Diluted	41,113		31,676	72,789
Other Data:				
Depreciation and amortization	$ 54,253	$ 45,387	$ (13,564)	$ 86,076
Capital expenditures	36,146	30,406		66,552
Rental expense for operating leases	19,747	15,212		34,959
Amortization of capitalized financing charges	1,062			1,062

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Pilgrim s Pride Corporation

Unaudited Pro Forma Statement of Operations

LTM Period Ended June 28, 2003

(In thousands, except per share data)

	Pilgrim s Pride	ConAgra Chicken Division(A)	Pro Forma Adjustments	Pro Forma Combined
Net sales	$ 2,549,693	$ 2,341,653	$ 4,500 (H)	$ 4,895,846
Cost of sales	2,413,471	2,258,043	(18,220)(G)	4,653,294
Non-recurring recoveries	(36,067)			(36,067)
Selling, general and administrative expenses	137,498	92,365		229,863
Operating income (loss)	34,791	(8,755)	22,720	48,756
Interest expense, net	35,972	26,034	(26,034)(E)	62,758
			26,786 (E)	
Other income, net	(39,344)			(39,344)
Income (loss) before taxes	38,163	(34,789)	21,968	25,342
Income tax expense (benefit)	10,374	(12,943)	8,172 (F)	5,603
Net income (loss)	$ 27,789	$ (21,846)	$ 13,796	$ 19,739
Earnings per common share				
Basic	$ 0.67	$	$ 0.44	$ 0.27
Diluted	0.67		0.44	0.27
Weighted average shares outstanding				
Basic	41,113		31,676	72,789
Diluted	41,113		31,676	72,789
Other Data:				
Depreciation and amortization	$ 72,367	$ 60,651	$ (18,220)	$ 114,798
Capital expenditures	60,104	36,298		96,402
Rental expense for operating leases	26,377	20,203		46,580
Amortization of capitalized financing charges	1,430			1,430

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NOTES TO THE UNAUDITED PRO FORMA FINANCIAL DATA

(A) The fiscal year of ConAgra Foods and the ConAgra chicken division ended May 25, 2003, while the fiscal year of Pilgrim s Pride will end on September 27, 2003. As a result, the combined pro forma financial statements have been prepared by adjusting the ConAgra chicken division s quarterly results to more closely match the reporting period of Pilgrim s Pride. However, the ConAgra chicken division information has been included with a one-month lag to the reporting periods of Pilgrim s Pride in order to maintain their existing quarterly periods. In addition, certain reclassifications have been made to the ConAgra chicken division s historical financial statements to conform to the presentation used by Pilgrim s Pride.

(B) Elimination of ConAgra chicken division cash assumed to be distributed prior to closing.

(C) Represents the elimination of the balance sheet amounts related to derivatives and hedging and goodwill which are not being acquired. In addition, deferred income taxes are eliminated because, upon the consummation of the ConAgra chicken division acquisition, Pilgrim s Pride will step-up the tax basis of assets to the value of the acquisition.

(D) The ConAgra chicken division acquisition will be accounted for as a purchase business combination. The unaudited pro forma financial statements do not include any adjustments related to restructuring costs or recurring benefits expected from synergies. The purchase price allocation is preliminary and further adjustments may be made based on the completion of a final valuation and other studies. As previously discussed, the purchase price is dependent on a number of factors, including the trading price and trading volume of our Class A common stock and the adjusted net book value of the ConAgra chicken division assets and liabilities at closing. The following table summarizes the net assets acquired and the purchase consideration based on the May 25, 2003 balance sheet of the ConAgra chicken division, the closing price of our Class A common stock on August 8, 2003 and the price and volume changes in our Class A common stock that have occurred since June 10, 2003 (in thousands, except per share amounts).

Net book value (less cash acquired)	$ 604,008
Less: Assets and liabilities not acquired (C)	(12,860)
	591,148
Purchase consideration:	
Pilgrim s Pride Class A common stock	
31,676 shares at $9.55 per share	302,507
9 5/8% Senior Notes due 2011	106,750
10 1/2% Subordinated Notes	100,000
Secured financing, net (including $8,200 for transaction costs)	96,011
Transaction costs incurred at June 28, 2003	1,800
Total consideration	607,068
Purchase price adjustment	$ 15,920

We expect that substantially all of this adjustment will be included to adjust the basis of property plant and equipment.

As discussed above, the purchase price will vary based on the adjusted net book value of the ConAgra chicken division and the price and trading volumes of our Class A common stock up to the closing date of the acquisition. The following table is presented as a sensitivity analysis assuming changes to the adjusted net book value while holding constant the trading prices and volumes of our Class A common stock as of these August 8, 2003 values (in thousands).

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Adjusted Net Book Value ($535,566)	
1. Shares of Class A common stock issued	31,676
2. Class A common stock value	$ 302,507
3. 9 5/8% Senior Notes due 2011	$ 106,750
4. 10 1/2% Subordinated Notes	$ 100,000
5. Secured financing, net	$ 96,011

Adjusted Net Book Value ($600,000)	
1. Shares of Class A common stock issued	35,487
2. Class A common stock value	$ 338,902
3. 9 5/8% Senior Notes due 2011	$ 106,750
4. 10 1/2% Subordinated Notes	$ 123,250
5. Secured financing, net	$ 108,200

Adjusted Net Book Value ($500,000)	
1. Shares of Class A common stock issued	29,573
2. Class A common stock value	$ 282,418
3. 9 5/8% Senior Notes due 2011	$ 106,750
4. 10 1/2% Subordinated Notes	$ 100,000
5. Secured financing, net	$ 76,450

(E) Represents adjustments to long-term debt and interest expense to consider the following attributes of the acquisition of ConAgra chicken division;

i. Elimination of the corporate allocation: finance charge previously allocated by ConAgra Foods.

ii. Increase in long-term debt as a result of the additional issuance of the notes in this offering.

iii. Increase in long-term debt resulting from the anticipated issuance of 10½% subordinated notes to ConAgra Foods as payment for a portion of the purchase price of the ConAgra chicken division.

iv. Increase in long-term debt resulting from the issuance of $80.0 million in senior notes from an insurance company having an interest rate equal to United States treasury rates plus 2.6% due in 2014.

v. Increase in long-term debt resulting from the issuance of $20 million in senior notes having an interest rate equal to United States treasury rates plus 2.6%, due in 2010.

vi. Reduction in outstanding borrowings under our revolving/term borrowing facility by $4.0 million from the proceeds of this offering in excess of amounts applied to the purchase price of the ConAgra chicken division.

vii. Consideration of the 1% guarantee fee paid to our major stockholder, for his guarantees of the secured debt described in iv. through vi. above.

(F) Represents the adjustment to estimated income tax expense as a result of the ConAgra chicken division acquisition and the pro forma adjustments.

(G) Represents the adjustment to depreciation expense based on the fair value preliminarily assigned to property, plant and equipment. On average, the useful life assigned to the property, plant and equipment is assumed to be 10 years.

(H) In connection with the stock purchase agreement, we will execute supply agreements under which Pilgrim s Pride will continue to provide poultry to the other divisions of ConAgra Foods. Historically, the intercompany transfer of certain products was done at values that approximated cost. The supply agreements with ConAgra Foods have two primary sales provisions, summarized as follows:

A pricing structure that covers a specific plant, which is substantially dedicated to producing chicken for a ConAgra Foods facility (Specific Plant Pricing Structure), will sell products to ConAgra Foods on a

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cost-plus a specified cent per pound mark-up. During the year ended May 25, 2003, approximately 53% of the pounds sold to other ConAgra Foods operations would have been produced under the Specific Plant Pricing Structure.

A pricing structure that generally covers all other sales to ConAgra Foods facilities (All Other Pricing Structure) specifies sales price based on a negotiated periodic adjustment to the representative thirteen-week average of a market-based index. During the year ended May 25, 2003, approximately 47% of the pounds sold to other ConAgra Foods operations would have been produced under the All Other Pricing Structure.

A pro forma adjustment has been included to reflect the increase in net revenues that would result by applying the specific plant pricing structure to the historical pounds sold applicable to this structure. Although no specific mark-up is specified in the All Other Pricing Structure, we believe that the pricing that will result from the operation of these agreements will be at least as favorable as the Specific Plant Pricing Structure. As a result, we estimate that the operation of the All Other Pricing Structure if applied on a pro forma basis to historical pounds sold would have increase net revenues and profits by at least an additional $4 million. This amount has not been included as a pro forma adjustment because the provisions of the All Other Pricing Structure in the supply agreement do not indicate a contractual profit percentage.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

Our selected consolidated financial data is derived from our consolidated financial statements. Historical results should not be taken as necessarily indicative of the results that may be expected for any future period. You should read this consolidated financial data in conjunction with our financial statements and the related notes and Management s Discussion and Analysis of Results of Operations and Financial Condition contained in this prospectus supplement.

	Fiscal Year Ended					Nine Months Ended	
	September 26, 1998	October 2, 1999(a)	September 30, 2000	September 29, 2001(b)	September 28, 2002	June 29, 2002	June 28, 2003
				(In thousands)			
Income Statement Data:							
Net sales	$ 1,331,545	$ 1,357,403	$ 1,499,439	$ 2,214,712	$ 2,533,718	$ 1,893,899	$ 1,909,874
Cost of sales	1,195,442	1,171,695	1,333,611	2,004,106	2,369,309	1,761,095	1,805,257
Non-recurring recoveries(c)				(3,344)	(756)	(691)	(36,002)
Gross profit	136,103	185,708	165,828	213,950	165,165	133,495	140,619
Selling, general and administrative expenses	58,847	76,204	85,340	119,408	135,261	100,491	102,728
Operating income(d)	77,256	109,504	80,488	94,542	29,904	33,004	37,891
Interest expense, net(e)	20,148	17,666	17,779	30,775	32,003	24,866	28,835
Other (income) expense, net(c)(f)	586	934	(77)	473	(4,009)	(1,918)	(37,253)
Income tax expense (benefit)	6,512	25,651	10,442	21,263	(12,425)	(7,453)	15,346
Extraordinary charges				894			
Net income	50,010	65,253	52,344	41,137	14,335	17,509	30,963
Ratio of earnings to fixed charges(g)	2.96x	4.33x	3.04x	2.16x	(j)	1.15x	2.17x
Other Data:							
EBITDA(h)	$ 108,268	$ 142,043	$ 115,356	$ 146,705	$ 103,469	$ 86,732	$ 128,335
Depreciation and amortization(i)	32,591	34,536	36,027	55,390	70,973	52,859	54,253
Capital expenditures	53,518	69,649	92,128	112,632	80,388	56,430	36,146
Dividends	1,655	1,865	2,476	2,467	2,476	1,854	1,858
Balance Sheet Data (end of period):							
Cash and cash equivalents	$ 25,125	$ 15,703	$ 28,060	$ 20,916	$ 14,913	$ 7,813	$ 16,667
Working capital	147,040	154,242	124,531	203,350	179,037	157,980	267,844
Total assets	601,439	655,762	705,420	1,215,695	1,227,890	1,218,365	1,278,920
Total debt, including current maturities	205,673	188,106	169,694	472,341	453,644	481,271	482,785
Total stockholders equity	230,871	294,259	342,559	380,932	394,324	397,910	422,189

(a) Fiscal 1999 includes 53 weeks.

(b) The Company acquired WLR Foods, Inc. on January 27, 2001 for $239.5 million and the assumption of $45.5 million of indebtedness. 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.

(c) The following table presents the breakdown of amounts received related to recoveries of avian influenza federal compensation and the vitamin and the methionine litigation settlements between non-recurring recoveries and miscellaneous, net (which is included in other (income) expense, net). Generally, amounts recovered related to the operations of WLR Foods, Inc. prior to its acquisition by the Company are included in miscellaneous, net.

	Fiscal Year Ended				Nine Months Ended			
	Sept. 29, 2001		Sept. 28, 2002		June 29, 2002		June 28, 2003	
	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net	Non-Recurring	Misc. Net
	(In millions)							
Avian influenza							$ 16.1	
Vitamin and methionine	$ 3.3		$ 0.8	$ 4.3	$ 0.7	$ 3.5	19.9	$ 35.4
Total	$ 3.3		$ 0.8	$ 4.3	$ 0.7	$ 3.5	$ 36.0	$ 35.4

(d) Before considering the recoveries described in note (c) above, we estimate that the March 2002 outbreak of avian influenza negatively impacted our operating income by approximately $25.6 million in fiscal 2002 and by approximately $20.4 million and $7.3 million in the nine month periods ended June 28, 2002 and June 28, 2003, respectively. Additionally, we estimate that due to the October 2002 recall of cooked deli meat products produced at one of our facilities, our operating income was negatively affected by approximately $35 to $40 million in the nine month period ended June 2003.

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

(f) Includes foreign exchange (gain) loss of approximately $2.3 million, ($0.05 million), ($0.2 million), $0.1 million, $1.5 million, $1.3 million and $(0.5) million in the fiscal years 1998, 1999, 2000, 2001 and 2002, and the nine months ended June 29, 2002 and June 28, 2003, respectively.

(g) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes and extraordinary items plus fixed charges (excluding capitalized interest). Fixed charges consist of interest (including capitalized interest) on all indebtedness, amortization of capitalized financing costs and that portion of rental expense that we believe to be representative of interest.

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(h) EBITDA is defined as the sum of net income plus interest, taxes, depreciation and amortization (excluding amortization of capitalized financing costs). Our method of computation may or may not be comparable to other similarly titled measures used in our filings with the SEC or by other companies. See the consolidated statements of income and consolidated statements of cash flows included in our financial statements. EBITDA is presented because we believe that it provides meaningful additional information concerning a company s operating results and its ability to service its long-term debt and to fund its growth, and we believe EBITDA is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of GAAP results, to compare the performance of companies. EBITDA is not a measurement of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with generally accepted accounting principles.

A reconciliation of net income to EBITDA is as follows:

	Fiscal Year Ended					Nine Months Ended	
	Sept. 26, 1998	Oct. 2, 1999	Sept. 30, 2000	Sept. 29, 2001	Sept. 28, 2002	June 29, 2002	June 28, 2003
	(In thousands)						
Net income	$ 50,010	$ 65,253	$ 52,344	$ 41,137	$ 14,335	$ 17,509	$ 30,963
Add:							
Income tax expense (benefit)	6,512	25,651	10,442	21,263	(12,425)	(7,452)	15,346
Interest expense, net	20,148	17,666	17,779	30,775	32,003	24,865	28,835
Depreciation and amortization(i)	32,591	34,536	36,027	55,390	70,973	52,859	54,253
Minus:							
Amortization of capitalized financing costs	993	1,063	1,236	1,860	1,417	1,049	1,062
EBITDA	$ 108,268	$ 142,043	$ 115,356	$ 146,705	$ 103,469	$ 86,732	$ 128,335

(i) Includes amortization of capitalized financing costs of approximately $1.0 million, $1.1 million, $1.2 million, $1.9 million, $1.4 million, $1.0 million and $1.1 million in the fiscal years 1998, 1999, 2000, 2001 and 2002, and the nine months ended June 29, 2002 and June 28, 2003, respectively.

(j) Earnings were insufficient to cover fixed charges by $4.1 million.

Supplemental Data of ConAgra Chicken Division

	Fiscal Year Ended May		
	2001	2002	2003
	(In millions)		
EBITDA of the ConAgra Chicken Division(1)	$ 43.7	$ 128.9	$ 52.0

(1) EBITDA of the ConAgra chicken division is presented because Pilgrim s Pride s management believes it provides meaningful additional information concerning the ConAgra chicken division s operating results and its ability to service long-term debt and to fund growth, and Pilgrim s Pride s management believes EBITDA is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of GAAP results, to compare the performance of companies. EBITDA is defined as the sum of net income (loss) plus interest, taxes, depreciation and amortization. EBITDA is not a measurement of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of the ConAgra chicken division s operating performance or any

other measures of performance derived in accordance with generally accepted accounting principles. The method of computation may or may not be comparable to other similarly titled measures used by other companies. The following table provides a reconciliation of net income (loss) to EBITDA:

	Fiscal Year Ended May		
	2001	2002	2003
	(In millions)		
Net income (loss)	$ (30.2)	$ 28.7	$ (21.8)
Add:			
Corporate allocations: Finance charges	31.8	22.7	26.0
Income tax expense (benefit)	(17.5)	17.6	(12.9)
Depreciation and amortization	59.6	59.9	60.7
EBITDA	$ 43.7	$ 128.9	$ 52.0

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MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION

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 United States of prepared foods products reduces the impact of the cost of feed ingredients on our profitability. Feed ingredient purchases are the single largest component of our cost of goods sold, representing approximately 30% of our cost of goods sold in fiscal 2002. 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 United States and foreign governments. As further processing is performed, feed ingredient costs become a decreasing percentage of a product s total production costs, 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 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 restrictions 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 and Mexico initiated a ban on the importation of all uncooked poultry produced in Texas, California and Arizona because of the recent outbreak of Newcastle s Disease in the Western United States. In July 2003, the United States and Mexico entered into a safeguard agreement with regard to imports into Mexico of chicken leg quarters from the United States. Under this agreement, a tariff rate for chicken leg quarters of 98.8% of the sales price was established. This tariff rate will be reduced on January 1, 2004, and 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 United States, 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.

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Our chicken and other products segment primarily includes sales of chicken products we produce and purchase for resale in the United States and Mexico, but also includes the sale of table eggs, feed and other items. Our chicken and other products segment conducts separate operations in the United States and Mexico and is reported as two separate geographical areas. Our turkey segment includes sales of turkey products produced in our turkey operation, which operate exclusively in the United States.

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 included with chicken and other products.

The following table presents certain information regarding our segments:

	Fiscal Year Ended			Nine Months Ended	
	Sept. 30, 2000	Sept 29, 2001(a)	Sept. 28, 2002	June 29, 2002	June 28, 2003
			(In thousands)		
Net Sales to Customers:					
Chicken and Other Products:					
United States	$ 1,192,077	$ 1,652,199	$ 1,842,749	$ 1,372,516	$ 1,399,518
Mexico	307,362	323,678	342,851	256,097	281,281
Sub-total	1,499,439	1,975,877	2,185,600	1,628,613	1,680,799
Turkey		238,835	348,118	265,286	229,075
Total	$ 1,499,439	$ 2,214,712	$ 2,533,718	$ 1,893,899	$ 1,909,874
Operating Income:					
Chicken and Other Products:					
United States	$ 45,928	$ 74,752	$ 31,907	$ 27,465	$ 32,368
Mexico	34,560	12,157	17,064	13,788	18,917
Sub-total	80,488	86,909	48,971	41,253	51,285
Turkey		4,289	(19,823)	(8,940)	(49,396)
Sub-total	$ 80,488	$ 91,198	$ 29,148	$ 32,313	$ 1,889
Non-recurring recoveries		3,344	756	691	36,002
Total	$ 80,488	$ 94,542	$ 29,904	$ 33,004	$ 37,891
Depreciation and Amortization(b):					
Chicken and Other Products:					
United States	$ 24,444	$ 38,155	$ 47,528	$ 35,240	$ 39,473
Mexico	11,583	11,962	13,526	10,189	9,006
Sub-total	36,027	50,117	61,054	45,429	48,479
Turkey		5,273	9,919	7,430	5,774

Total	$ 36,027	$ 55,390	$ 70,973	$ 52,859	$ 54,253

(a) The acquisition of WLR Foods, Inc. 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 January 27, 2001, the acquisition date.

(b) Includes amortization of capitalized financing costs of approximately $1.2 million, $1.9 million, $1.4 million, $1.0 million, $1.1 million in the fiscal years 2000, 2001 and 2002, and the nine months ended June 29, 2002 and June 28, 2003, respectively.

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

	Fiscal Year Ended			Nine Months Ended	
	Sept. 30, 2000	Sept. 29, 2001(a)	Sept. 28, 2002	June 29, 2002	June 28, 2003
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	88.9	90.3	93.5	93.1	94.5
Gross profit	11.1	9.7	6.5	7.0	5.5
Non-recurring recoveries			(0.1)	(0.1)	(1.9)
Selling, general and administrative expense	5.7	5.4	5.3	5.3	5.4
Operating income	5.4	4.3	1.2	1.7	2.0
Interest expense, net(b)	1.2	1.4	1.3	1.3	1.5
Income before income taxes and extraordinary charge	4.2	2.9	0.1	0.5	2.4
Net income	3.5	1.9	0.6	0.9	1.6

(a) The acquisition of WLR Foods, Inc. 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) Interest expense, net, consists of interest expense less interest income.

Results of Operations

In the last eighteen months, we have been affected by two significant unexpected challenges. First, on March 12, 2002, an outbreak of low-pathogenic avian influenza, a disease contagious to turkey, chicken and other birds, was discovered in Virginia. As a result, we destroyed a significant amount of poultry affected as a result of the virus. No new flocks have tested positive for the presence of avian influenza in Virginia since July 2, 2002, and we believe that the outbreak has been contained. We currently believe there has been little or no effect on operations in the three month period ended June 28, 2003 and will be little or no impact on future periods from the outbreak. On June 19, 2002, U.S. Secretary of Agriculture Ann Veneman proposed to the Office of Management and Budget that the USDA cover one-half of the total estimated economic loss suffered by the poultry industry and independent growers in Virginia due to the avian influenza outbreak. Secretary Veneman also recommended that the State of Virginia cover the remaining portion. On November 4, 2002, the USDA made public their estimate of total federal compensation at $51.0 million, with growers projected to be compensated $13.9 million and owners projected to be compensated $37.1 million. We have received $16.1 million in federal compensation in the nine month period ended June 28, 2003, which was recorded as Non-recurring recoveries. No additional future recoveries have been recorded, although on July 17, 2003, the USDA issued its final rule with total payments expected to approximate $52.4 million with approximately $47.8 million paid to owners and $4.6 million paid to growers. Owners are eligible for up to 75% of proven losses. Although no assurances can be given, based on this, we estimate we will receive an additional payment of approximately $10.5 million during fiscal 2003. No assurances can be given that any state agencies will provide any economic assistance to the poultry growers and producers affected by the avian influenza outbreak in Virginia. In the event that state agencies do decide to grant economic assistance to the affected poultry growers and producers, it is impossible at this time to estimate how the state agencies would allocate any such assistance between affected poultry growers and producers whose flocks were destroyed by the virus.

Our second challenge occurred in October 2002 when a limited number of USDA environmental samples from our Franconia, Pennsylvania plant tested positive for Listeria. As a result, we voluntarily recalled all cooked deli products produced at the plant from May 1, 2002 through October 11, 2002. No illnesses associated with the Listeria strain in a Northeastern outbreak have been linked to any of our products and none of our products have tested positive for the outbreak strain. We carried insurance designed to cover the direct recall related expenses and certain aspects of the related business interruption caused by the recall, and subject to the insurer s reservation of rights, we have received a $4.0 million advance payment from our insurer with respect to the product recall claim. As of June 28, 2003, we have recorded $22.1 million, net of the deductible amount of

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$0.5 million and the $4.0 million advance payment from our insurer, in recall related expenses as a component of Current Assets Trade accounts and other receivables, which we believe to be due from our insurance carriers. We estimate that the sales at the Franconia, Pennsylvania plant were negatively affected by approximately $19.0 million and $73.0 million and operating income was negatively affected by approximately $10.0-$15.0 million and $35.0-$40.0 million during the quarter and nine month periods ended June 28, 2003, respectively. As a result of these losses, we will be filing a claim for business interruption and certain product re-establishment costs which is expected to be in excess of $40 million. Aggregating the direct recall expense claim noted above, with this business interruption and reestablishment cost claim, we expect our total claims as of June 28, 2003 to be in excess of $66 million, although our policy limit is $50 million, $4 million of which has been received as of June 28, 2003. Therefore, the continuing effects of the recall on our business after June 28, 2003 will not be covered by insurance and will have a negative impact on our operating income estimated at $5.0 to $10.0 million per quarter. This impact is estimated to continue until the sales of prepared foods turkey products from our Franconia, Pennsylvania plant have been reestablished in the market to pre-recall levels which we currently project to be in or after the second fiscal quarter 2004. We have recently taken steps to reduce our turkey production levels by approximately 15%, which will take effect early fiscal 2004 in an effort to mitigate future losses.

Further, although we have maintained product recall insurance in recent periods, in 2003 the availability of this type of insurance to the food industry has been limited and at times not available. We have been seeking quotes from insurers regarding an insurance policy that would cover any product recall that may subsequently arise. While we have received a proposal for this line of coverage, we have not obtained an insurance policy that would cover any product recall that may arise subsequent to calendar 2002 and any coverage we may obtain could include higher deductibles and provide more limited coverage than we historically have been able to obtain. There can be no assurance as to when or if we will be successful in obtaining such a policy on acceptable terms.

First Nine Months of Fiscal 2003 Compared to First Nine Months of Fiscal 2002

Consolidated Net Sales. Consolidated net sales were $1,909.9 million for the first nine months of fiscal 2003, an increase of $16.0 million, or 0.8%, from the first nine months of fiscal 2002. The increase in consolidated net sales resulted from a $16.7 million increase in U.S. chicken sales to $1,248.4 million, a $24.4 million increase in Mexico chicken sales to $266.9 million and an $11.1 million increase in sales of other products to $165.5 million, offset partially by a $36.2 million decrease in turkey sales to $229.1 million. The increase in U.S. chicken sales was primarily due to a 1.8% increase in dressed pounds produced. The decrease in turkey sales was due primarily to the impact of the recall of turkey deli meat products and the continuing effects of last year s avian influenza outbreak discussed above. The $24.4 million increase in Mexico chicken sales was primarily due to a 9.9% increase in pounds produced. The $11.1 million increase in sales of other products was due to a $10.3 million increase in U.S. other sales and a $0.8 million increase in Mexico s other sales.

Cost of Sales. Consolidated cost of sales was $1,805.3 million for the first nine months of fiscal 2003, an increase of $44.2 million, or 2.2%, when compared to the first nine months of fiscal 2002. The U.S. operations had an increase in cost of sales of $22.2 million and our Mexico operations had an increase of $19.8 million.

The $22.2 million cost of sales increase in our U.S. operations was due to the increased price of our feed ingredients and effects of avian influenza during the first six months of fiscal 2003.

The $19.8 million cost of sales increase in our Mexico operations was primarily due to higher feed ingredient costs and production of a higher cost, more value added product mix compared to the prior year.

Non-recurring recoveries. Non-recurring recoveries for the first nine months of fiscal 2003 of $36.0 million include proceeds received from litigation initiated by us in anti-trust lawsuits related to vitamins and methionine of $19.9 million along with reimbursement received from the U.S. federal government under a

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relief plan related to the avian influenza of $16.1 million. Non-recurring recoveries for the first nine months of fiscal 2002 of $0.7 million include proceeds received from litigation initiated by us in anti-trust lawsuits related to vitamins.

Gross Profit. Gross profit was $140.6 million for the first nine months of fiscal 2003, an increase of $7.1 million, or 5.3%, from the same period last year, due primarily to the $36.0 million of non-recurring recoveries mentioned above, offset by the negative effects of the turkey deli meat recall and the continuing effects of last year s avian influenza outbreak and higher feed ingredient costs.

Gross profit as a percentage of sales increased to 7.4% in the first nine months of fiscal 2003, from 7.0% in the first nine months of fiscal 2002, primarily due to the $36.0 million of non-recurring recoveries mentioned above, offset by the negative effects of the turkey deli meat recall, the continuing effects of last year s avian influenza outbreak, and higher feed ingredient costs.

Selling, General and Administrative Expenses. Consolidated selling, general and administrative expenses were $102.7 million in the first nine months of fiscal 2003, an increase of $2.2 million, or 2.2%, from the first nine months of fiscal 2002. The $2.2 million increase was due primarily to an increase in selling and administrative expense resulting from higher sales volume. As a percentage of sales, consolidated selling, general and administrative expenses remained relatively stable in the first nine months of fiscal 2003 at 5.4%, when compared to 5.3% for the first nine months of fiscal 2002.

Operating Income. Consolidated operating income was $37.9 million for the first nine months of fiscal 2003, an increase of $4.9 million, or 14.8%, when compared to the first nine months of fiscal 2002. The increase was due primarily to the $36.0 million of non-recurring recoveries mentioned above, offset by the negative effects of the turkey deli meat recall, the continuing effects of last year s avian influenza outbreak and higher feed ingredient costs.

Interest Expense. Consolidated net interest expense was $28.8 million in the first nine months of fiscal 2003, an increase of $3.9 million, or 16.0% from the first nine months of fiscal 2002, due primarily to higher average outstanding debt balances experienced in the first nine months of fiscal 2003.

Miscellaneous, Net. Consolidated miscellaneous, net expense (income) (which is included in other (income) expense, net) was ($36.8) million, primarily due to $35.4 million of methonine and vitamin litigation settlements received in the fist nine months of fiscal 2003 versus ($3.3) million in the same period last year.

Income Tax Expense. Consolidated income tax expense in the first nine months of fiscal 2003 was $15.3 million, compared to an income tax benefit of $7.5 million in the first nine months of fiscal 2002. This increase in consolidated income tax expense was primarily caused by a tax benefit of $9.7 million in the second quarter of fiscal 2002 resulting from changes in Mexico tax laws. We have approximately $7.6 million in valuation allowances, primarily covering net operating loss carryforwards of our Mexican operations. We continue to explore strategies we might employ to mitigate the amount of net operating losses that would expire unutilized. The effectiveness of these strategies on the level of valuation allowance is evaluated when factors warrant, but at least annually. Changes in the valuation allowance will be reflected as an adjustment to income tax expense.

Fiscal 2002 Compared to Fiscal 2001

On January 27, 2001, we completed the acquisition of WLR Foods, Inc., a vertically integrated producer of chicken and turkey products located in the eastern United States. Accordingly, 35 weeks of operations of the former WLR Foods, Inc. are included in our results for fiscal 2001.

Consolidated Net Income Before Tax. Consolidated net income before tax is affected by foreign exchange rate fluctuations between the U.S. dollar and the Mexican peso. Assuming the peso exchange rate does

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not change from the rate at the end of fiscal 2002, approximately $1.7 million of future devaluation will result as remaining inventory is sold. On September 29, 2001, the Mexican peso closed at 9.54 to 1 U.S. dollar, compared to 10.02 to 1 U.S. dollar on September 28, 2002, and at 10.19 to 1 U.S. dollar on December 2, 2002. No assurances can be given as to how future movements in the peso could affect our future earnings.

Net Sales. Consolidated net sales were $2.5 billion for fiscal 2002, an increase of $319.0 million, or 14.4%, from fiscal 2001. The increase in consolidated net sales resulted from a $176.7 million increase in U.S. chicken sales to $1.6 billion, a $109.3 million increase in turkey sales to $348.1 million, a $19.2 million increase in Mexico chicken sales to $342.9 million and a $13.8 million increase in sales of other products to $212.8 million. The increase in U.S. chicken sales was primarily due to a 17.2% increase in dressed pounds produced, which resulted primarily from the acquisition of WLR Foods, Inc. on January 27, 2001 offset partially by a 4.4% decrease in total revenue per dressed pound produced, caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry, resulting in production being liquidated at less favorable pricing levels. The increase in turkey sales was due to the acquisition of WLR Foods, Inc., partially offset by the impact of the avian influenza discussed above. The $19.2 million increase in Mexico chicken sales was primarily due to an 8.8% increase in average revenue per dressed pound produced, partially offset by a 1.9% decrease in pounds produced. The $13.8 million increase in sales of other U.S. products was primarily due to poultry by-products sales price increases, an increase in sales by our wholesale feed division and the acquisition of WLR Foods, Inc.

Cost of Sales. Consolidated cost of sales was $2.4 billion in fiscal 2002, an increase of $367.8 million, or 18.4%, when compared to fiscal 2001. The U.S. operations accounted for $356.9 million of the increase in the cost of sales and our Mexico operations accounted for $10.9 million of the increase. The cost of sales increase in our U.S. operations of $356.9 million was due primarily to the acquisition of WLR Foods, Inc., $121.6 million of which is related to the turkey operations and was impacted by the avian influenza discussed above. The increase in cost of sales of chicken products also resulted from increased sales of higher cost prepared foods products.

The $10.9 million cost of sales increase in our Mexico operations was primarily due to production of a higher cost, more value added product mix compared to the prior year.

Gross Profit. Gross profit was $165.2 million for fiscal 2002, a decrease of $48.8 million, or 22.8%, from the same period last year, due primarily to the negative effects of the avian influenza outbreak in our operations in the Eastern United States and to lower dark meat sales prices in the United States caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry.

Gross profit as a percentage of sales decreased to 6.5% in fiscal 2002, from 9.7% in fiscal 2001, primarily due to increased operating expenses incurred in connection with the avian influenza outbreak in our operations in the Eastern United States and lower dark meat sales prices in the United States caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry.

Selling, General and Administrative Expenses. Consolidated selling, general and administrative expenses were $135.3 million in fiscal 2002 and $119.4 million in fiscal 2001. The $15.9 million increase was due primarily to the acquisition of WLR Foods, Inc., which was completed on January 27, 2001. Consolidated selling, general and administrative expenses as a percentage of sales decreased slightly in fiscal 2002 to 5.3%, compared to 5.4% in fiscal 2001.

Operating Income. Consolidated operating income was $29.9 million for fiscal 2002, decreasing by approximately $64.6 million, when compared to fiscal 2001 due primarily to the negative effects of the avian influenza outbreak and to lower dark meat sales prices in the United

States caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry.

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***Interest Expense*.** Consolidated net interest expense increased 4.0% to $32.0 million in fiscal 2002, when compared to $30.8 million for fiscal 2001, due primarily to higher average outstanding debt balances experienced in the year.

***Income Tax Expense*.** Consolidated income tax benefit in fiscal 2002 was $12.4 million compared to an income tax expense of $21.3 million in fiscal 2001. This decrease was primarily caused by the $11.9 million income tax benefit resulting from changes in the Mexico tax law and lower pretax earnings in fiscal 2002.

Fiscal 2001 Compared to Fiscal 2000

Net Sales. Consolidated net sales were $2.2 billion for fiscal 2001, an increase of $715.3 million, or 47.7%, from fiscal 2000. The increase in consolidated net sales resulted from a $422.0 million increase in U.S. chicken sales to $1.5 billion, a $238.8 million increase in turkey sales, a $38.2 million increase in sales of other products to $179.9 million and by a $16.6 million increase in Mexico chicken sales to $323.7 million. The increase in U.S. chicken sales was primarily due to a 35.6% increase in dressed pounds produced, which resulted primarily from the acquisition of WLR Foods, Inc. and to a 3.4% increase in total revenue per dressed pound produced. The increase in turkey sales was due to the acquisition of WLR Foods, Inc. The $38.2 million increase in sales of other U.S. products to $179.9 million was primarily due to the acquisition of WLR Foods, Inc. and higher prices in our commercial egg operations. The $16.6 million increase in Mexico chicken sales was primarily due to a 13.4% increase in dressed pounds produced offset partially by a 6.3% decrease in average revenue per dressed pound produced, primarily due to lower prices caused by an over supply of chicken.

Cost of Sales. Consolidated cost of sales was $2.0 billion in fiscal 2001, an increase of $667.2 million, or 50.0%, compared to fiscal 2000. The U.S. operations accounted for $630.8 million of the increase in the cost of sales and our Mexico operations accounted for $36.4 million of the increase.

The cost of sales increase in our U.S. operations of $630.8 million was due primarily to the acquisition of WLR Foods, Inc., $222.6 million of which related to the turkey operations, but also resulted from increased production of higher cost prepared foods products, higher energy costs and higher feed ingredient costs.

The $36.4 million cost of sales increase in our Mexico operations was primarily due to a 13.4% increase in dressed pounds produced.

Gross Profit. Gross profit was $214.0 million for fiscal 2001, an increase of $48.1 million, or 29.0%, over the same period last year, due primarily to the acquisition of WLR Foods, Inc. Gross profit as a percentage of sales decreased to 9.7% in fiscal 2001, from 11.1% in fiscal 2000, due primarily to lower sales prices in Mexico.

Selling, General and Administrative Expenses. Consolidated selling, general and administrative expenses were $119.4 million in fiscal 2001 and $85.3 million in fiscal 2000. The $34.1 million increase was due primarily to the acquisition of WLR Foods, Inc. and certain integration costs related thereto. Consolidated selling, general and administrative expenses as a percentage of sales decreased in fiscal 2001 to 5.4%, compared to 5.7% in fiscal 2000, due primarily to synergies resulting from the WLR Foods, Inc. acquisition.

Operating Income. Consolidated operating income was $94.5 million for fiscal 2001, an increase of $14.1 million when compared to fiscal 2000, resulting primarily from higher volumes from the acquisition of WLR Foods, Inc. and higher sales prices in the United States.

Interest Expense. Consolidated net interest expense increased 73.1% to $30.8 million in fiscal 2001, when compared to $17.8 million for fiscal 2000, due to higher outstanding balances incurred for the acquisition of WLR Foods, Inc.

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Income Tax Expense. Consolidated income tax expense in fiscal 2001 increased to $21.3 million compared to an expense of $10.4 million in fiscal 2000. This increase resulted from higher U.S. pre-tax earnings in fiscal 2001 than in fiscal 2000.

Liquidity and Capital Resources

We have agreed to acquire the ConAgra chicken division through the purchase from ConAgra Foods of all of the issued and outstanding capital stock of four wholly-owned subsidiaries of ConAgra Foods in accordance with a stock purchase agreement dated June 7, 2003. See Pending ConAgra Chicken Division Acquisition. The consideration payable to ConAgra Foods under the stock purchase agreement will consist of $100 million in cash and a combination of shares of our Class A common stock and our 10 $^{1}/2$% subordinated notes due March 4, 2011, provided that at our option we may pay the note portion of the purchase price with cash, subject to certain limitations. If we issue subordinated notes in payment of a portion of the purchase price, the initial principal amount of the subordinated notes must be at least $100 million or such lesser amount as may be acceptable to ConAgra Foods. The actual number and dollar amount of our shares of Class A common stock and the principal amount of subordinated notes to be issued to ConAgra Foods will be determined by reference to the final adjusted net book value (as defined in the stock purchase agreement) of the ConAgra chicken division on the closing date and the volume weighted average trading price of our Class A common stock for the period from June 10, 2003 through the fifth trading day prior to the closing date. If the final adjusted net book value were $536 million (which was the approximate adjusted net book value of the ConAgra chicken division at May 25, 2003) and the volume weighted average stock price of our Class A common stock were $7.61 per share (which was the volume weighted average trading price of our Class A common stock from June 10, 2003 through August 8, 2003), the stock portion of the purchase price would consist of 31.7 million shares of our Class A common stock. Of the remainder of the purchase price, $100 million would be payable in cash and the balance of $194.6 million would be payable in cash, subordinated notes or a combination of cash and subordinated notes. The acquisition would be valued in our financial statements at approximately $600 million plus transaction costs based on the stock component of the purchase price being valued at $9.55 per share (which was the closing price of our Class A common stock on August 8, 2003). Accordingly, changes in the final adjusted net book value of the ConAgra chicken division, changes in the volume weighted average trading price of our Class A common stock and changes in the price of our Class A common stock prior to closing will change the amount of stock and subordinated notes payable to ConAgra Foods and the purchase price of the ConAgra chicken division for purposes of our financial statements.

On July 11, 2003, the thirty-day waiting period required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976 for antitrust regulatory clearance from the federal government, necessary for completion of the acquisition, expired without any further request of the government. The acquisition is subject to customary closing conditions, including stockholder approval of the issuance of our shares of Class A common stock to ConAgra Foods. The transaction is expected to close in the third calendar quarter of 2003.

At June 28, 2003, we maintained $130.0 million in revolving credit facilities, $30.0 million of which relates to our Mexico operations, and $400.0 million in a secured revolving/term borrowing facility. The $400.0 million revolving/term borrowing facility provides for borrowing availability until November 15, 2004 and provides for $285.0 million of commitments maturing November 16, 2010 and $115.0 million of commitments maturing November 16, 2007. Borrowings under this facility are split pro rata between the commitments maturing November 16, 2010 and the commitments maturing November 16, 2007, as they occur. The credit facilities provide for interest rates ranging from LIBOR plus five-eighths percent to LIBOR plus two and three-quarters percent depending upon our total debt to capitalization ratio. Interest rates on debt outstanding under these facilities at June 28, 2003 ranged from LIBOR plus one and three-quarter percent to LIBOR plus two percent. The $100 million domestic revolving credit facility is secured by domestic chicken inventories, the $30.0 million facility in Mexico is secured by Mexico s accounts receivable, inventories and certain fixed assets and the revolving/term borrowing facility is secured by certain fixed assets. Borrowings against these facilities are

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subject to the availability of collateral and no material adverse change provisions. During the nine months ended June 28, 2003, we borrowed approximately $29.1 million on a net basis under our revolving/term borrowing facilities.

On August 30, 2002, we issued approximately $61.0 million in senior secured notes to an insurance company with a fixed interest rate of 6.68% maturing on August 30, 2012. At June 28, 2003, the remaining principal balance under these notes was approximately $59.2 million. Borrowings under this facility are secured by certain fixed assets. Until August 30, 2005, we may sell an additional $50 million of our senior secured notes under this facility. The issuance and sale of additional notes is subject to customary closing conditions, as well as our pledge of sufficient additional collateral so that the ratio of all outstanding notes to the insurance company to the appraised value of the collateral securing those notes will be 75% or less. At the time of any additional note issuance, we will make the determination whether to issue the additional notes with a fixed rate or a floating rate based on LIBOR plus a spread to be determined by the insurance company. Any additional note will mature ten years from the date of its issuance. In addition to our $50 million of existing availability, we have received a commitment to purchase an additional $50 million of our senior secured notes under this facility. Notes in the principal amount of $30 million under this $50 million additional commitment will have a maturity date of ten years from the first day of the month following issuance. These notes will bear interest at a fixed rate to be determined prior to issuance. The remaining $20 million of notes under this additional commitment will have a maturity date of seven years from the first day of the month following issuance. At the time of issuance we will make the determination whether to issue these remaining notes with a fixed rate or a floating rate. If a floating rate is selected then it will based on LIBOR plus a spread to be determined on or about the date of issuance. We expect to use the $100 million of aggregate availability and the additional commitment to pay a portion of the cash purchase price of the ConAgra chicken division.

On July 18, 2003, we extended and amended our existing Receivables Purchase Agreement to sell accounts receivable. The amended agreement increased the availability under this facility to $125.0 million from $60 million of accounts receivable and expires in June 2008. In connection with the Receivables Purchase Agreement, we sell, on a revolving basis, certain of our 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. At June 28, 2003 and September 28, 2002, an interest in these Pooled Receivables of $57.6 million and $58.5 million, respectively, had been sold to third parties and is reflected as a reduction to accounts receivable during each period. These transactions have been recorded as sales in accordance with Financial Accounting Standards Board Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* 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 the fiscal month ended July 26, 2003, $22.9 million of additional Pooled Receivables were available for sale.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51 (Interpretation No. 46). Interpretation No. 46 requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity s expected losses, receives a majority of the entity s expected residual returns, or both, as a result of ownership or contractual or other financial interest in the entity. Currently, entities are generally consolidated by an enterprise that has a controlling financial interest through ownership of a majority voting interest in the entity. Interpretation No. 46 is immediately effective for the variable interest entities created after January 31, 2003, and effective in the fourth quarter of fiscal 2003 for those created prior to February 1, 2003. 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. Adoption of Interpretation No. 46 may cause us to consolidate the trust and debt related to the Camp County Revenue Bonds. The effect of the consolidation would be to record

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$25 million as restricted cash in Other Assets and $25 million as Long-Term Debt. We believe the adoption of Interpretation No. 46 will not have a material impact on our results of operations.

Obligations under long-term debt and non-cancelable operating leases at June 28, 2003 were as follows (in millions):

	Payments Due By Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt(a)	$ 482.8	$ 2.6	$ 25.7	$ 12.4	$ 442.1
Guarantee fees	18.3	.6	6.4	3.6	7.7
Operating leases	98.7	7.7	61.7	23.1	6.2
Total	$ 599.8	$ 10.9	$ 93.8	$ 39.1	$ 456.0

(a) Excludes $16.4 million in letters of credit outstanding related to normal business transactions.

At June 28, 2003, our working capital increased to $267.8 million and our current ratio increased to 2.11 to 1, compared with working capital of $179.0 million and a current ratio of 1.68 to 1 at September 28, 2002, primarily due to the working capital changes discussed below. At September 29, 2001, working capital was $203.4 million and our current ratio was 1.85 to 1.

Trade accounts and other receivables were $118.6 million at June 28, 2003, compared to $85.3 million at September 28, 2002 and $95.0 million at September 29, 2001. The $33.3 million, or 39.0%, increase in trade accounts and other receivables between September 28, 2002 and June 28, 2003 was primarily due to the inclusion of $22.1 million in net insurance receivables related to the turkey deli meat recall and normal seasonal variations offset partially by improvements in collection recoveries. The $9.7 million, or 10.2%, decrease in trade accounts and other receivables between fiscal 2001 and fiscal 2002 was primarily due to improvements in collection efficiencies. Trade accounts and other receivables at the end of the first nine months of fiscal 2003 and at the end of fiscal 2002 and 2001 reflect the sale of $57.6 million, $58.5 million and $58.5 million, respectively, of receivables pursuant to the Receivables Purchase Agreement described above.

Inventories were $358.3 million at June 28, 2003, compared to $326.8 million at September 28, 2002 and $314.4 million at September 29, 2001. The $31.5 million, or 9.6%, increase in inventories between September 28, 2002 and June 28, 2003 was primarily due to increased chicken and turkey meat inventories due to the seasonal nature of the business. The $12.4 million, or 3.9%, increase in inventories between September 28, 2002 and September 29, 2001 was primarily due to increases in finished turkey products inventories resulting from changes made in product mix in connection with the outbreak of avian influenza.

Accounts payable and accrued expenses were $225.5 million at June 28, 2003, compared to $248.5 million at September 28, 2002 and $229.9 million at September 29, 2001. The $23.0 million decrease between September 28, 2002 and June 28, 2003 was primarily due to normal seasonal variations. The $18.6 million increase between September 29, 2001 and September 28, 2002 was primarily due to an increase in higher feed, other ingredients, packaging costs and other expenses.

Capital expenditures of $36.1 million and $56.4 million for the nine months ended June 28, 2003 and June 29, 2002, respectively, and $80.4 million, $112.6 million and $92.1 million, for fiscal years 2002, 2001 and 2000, respectively, were primarily incurred to acquire and expand certain facilities, improve efficiencies, reduce costs and for the routine replacement of equipment. We anticipate spending an aggregate of approximately $45.0 million to $65.0 million in fiscal 2003 to improve efficiencies and for the routine replacement of equipment. We expect to finance such expenditures with available operating cash flows and existing revolving/term and revolving credit facilities.

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Cash flows provided by operating activities were $14.7 million and $38.8 million for the nine months ended June 28, 2003 and June 29, 2002, respectively and $98.1 million and $87.8 million for the fiscal years 2002 and 2001, respectively. The decrease in cash flows provided by operating activities for the first nine months of fiscal 2003, when compared to the first nine months of fiscal 2002, was due to higher accounts receivable and inventories and lower accounts payable as described above. The increase in cash flows provided by operating activities for fiscal 2002 when compared to fiscal 2001, was primarily due to a full year impact from the former WLR Foods, Inc. operations in fiscal 2002, compared to 35 weeks in fiscal 2001.

Cash flows provided by financing activities were $27.3 million and $7.1 million for the nine months ended June 28, 2003 and June 29, 2002, respectively and ($21.2) million and $254.2 million for the fiscal years 2002 and 2001, respectively. The increase in cash provided by financing activities during the nine months ended June 28, 2003 primarily reflects the higher net borrowings on long-term financing and debt retirement amounts in the prior year. The increase in cash used in financing activities for fiscal 2002, when compared to fiscal 2001, is primarily due to borrowings to finance the acquisition of WLR Foods, Inc. in 2001.

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. We have not recorded a liability for any of these indemnities, as the likelihood of payment in each case is considered remote. These indemnities are discussed in the following paragraphs.

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.

We also maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value for assets at the end of the term of the lease. The terms of the lease maturities range from one to seven years. The maximum potential amount of the residual value guarantees is approximately $8.1 million; however, the actual amount is based on an undeterminable recoverable amount based on the fair market value of the underlying leased assets. The likelihood of payments under these guarantees is not considered to be probable, and accordingly no liabilities have been recorded. We historically have not experienced significant payments under similar residual guarantees.

Market Risk Sensitive Instruments and Positions

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

Feed Ingredients

We purchase certain commodities, primarily corn and soybean meal. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. As market conditions dictate, we will from time

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to time lock-in future feed ingredient prices using various hedging techniques, including forward purchase agreements with suppliers and futures contracts. We do not use such financial instruments for trading purposes and are not a party to any leveraged derivatives. Market risk is estimated as a hypothetical 10% increase in the weighted-average cost of our primary feed ingredients as of June 28, 2003. Based on our feed consumption during the first nine months of fiscal 2003, such an increase would have resulted in an increase to cost of sales of approximately $59.1 million.

Foreign Currency

Our earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position, but from time to time we have also considered executing hedges to help minimize this exposure. Such instruments, however, have historically not been economically feasible. We are also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the United States. However, we currently anticipate that the cash flows of our Mexico subsidiaries will continue to be reinvested in our Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact our results of operations and financial position in several ways, including potential economic recession in Mexico resulting from a devalued peso. The impact on our financial position and results of operations resulting from a hypothetical change in the exchange rate between the U.S. dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange gains and losses, representing the change in the U.S. dollar value of the net monetary assets of our Mexico subsidiaries denominated in Mexican pesos, was a gain of $0.1 million in the first nine months of fiscal 2003 compared to a gain of $0.9 million for the first nine months of fiscal 2002. On July 18, 2003, the Mexican peso closed at 10.39 to 1 U.S. dollar, compared to 10.02 at September 28, 2002. No assurance can be given as to how future movements in the peso could affect our future earnings.

Impact of Inflation

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

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SELECTED HISTORICAL COMBINED FINANCIAL AND OTHER DATA

CONAGRA CHICKEN DIVISION

The following table presents selected historical financial data of the ConAgra chicken division on a combined basis as of and for the five fiscal years ended May 25, 2003. The combined statement of income data for each of the three fiscal years in the period ended May 25, 2003 and the combined balance sheet data as of May 25, 2003 and May 26, 2002 was derived from the ConAgra Foods Chicken Business combined financial statements appearing elsewhere in this prospectus supplement which have been audited by Deloitte & Touche LLP, independent auditors. The combined statement of income data for the fiscal years ended May 28, 2000 and May 30, 1999 and the combined balance sheet data as of May 27, 2001, May 28, 2000, and May 30, 1999 were derived from the ConAgra Foods Chicken Business unaudited combined financial statements, which are not included in this prospectus supplement. In the opinion of the ConAgra Foods management, the combined unaudited financial statements include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the financial position and the results of operations of the ConAgra chicken division for these periods. The historical data are only a summary and should be read in conjunction with the audited combined financial statements of the ConAgra Foods Chicken Business and notes thereto beginning on page F-1 of this prospectus supplement.

	Fiscal Year Ended May				
	1999(a)	**2000(b)(c)**	**2001**	**2002(d)**	**2003(e)**
			(In millions)		
Income Statement Data					
Net sales	$ 1,784.2	$ 1,993.2	$ 2,341.0	$ 2,434.7	$ 2,341.7
Cost of goods sold	1,689.9	1,906.6	2,263.7	2,267.3	2,258.1
Gross profit	94.3	86.6	77.3	167.4	83.6
Selling, general and administrative expenses	56.3	71.8	72.6	79.4	73.0
Corporate allocations: Selling, general and administrative	7.6	13.8	20.6	19.0	19.3
Corporate allocations: Finance charges	12.3	21.9	31.8	22.7	26.0
Restructuring charges	5.9	56.5			
Income (loss) before income taxes	12.2	(77.4)	(47.7)	46.3	(34.7)
Income tax expense (benefit)	4.5	(28.5)	(17.5)	17.6	(12.9)
Net income (loss)	$ 7.7	$ (48.9)	$ (30.2)	$ 28.7	$ (21.8)
Other Data:					
Depreciation and amortization			59.6	59.9	60.7
Capital expenditures			48.6	54.8	36.3
Balance Sheet Data:					
Working capital	$ 113.3	$ 206.7	$ 260.4	$ 201.7	$ 181.8
Total assets	492.1	879.8	882.0	833.1	786.7
Long-term debt, less current maturities	3.2	18.5	17.9	17.1	16.6

(a) 1999 restructuring charges represent charges for asset impairments.
(b) 2000 restructuring charges include $52.7 million of asset impairments and $3.8 million of other restructuring-related charges.
(c) 2000 amounts reflect the acquisition of Seaboard Farms on January 3, 2000, the poultry division of Seaboard Corporation, for approximately $360 million.
(d) As of the beginning of fiscal year 2002, the ConAgra Foods Chicken Business adopted Statement of Financial Accounting Standard (SFAS) No. 133, *Accounting for Derivative Financial Instruments and Hedging Activities*, as amended.
(e) As of the beginning of fiscal year 2003, the ConAgra Foods Chicken Business adopted SFAS No. 142, *Goodwill and Other Intangible Assets.*

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MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION CONAGRA CHICKEN DIVISION

Results of Operations of ConAgra Chicken Division

The following discussion and analysis is intended to provide a summary of significant factors relevant to the ConAgra chicken division s financial performance and condition. The discussion should be read together with the ConAgra Foods Chicken Business financial statements and related notes included elsewhere herein. Years cited in this discussion refer to the ConAgra Foods Chicken Business fiscal years.

Fiscal 2003 Compared to Fiscal 2002

Sales. Net sales were $2,341.7 million for 2003, a $93.1 million or 3.8% decrease from 2002. This decrease, in part, reflects lower broiler markets, largely in dark meat and wings primarily impacting the retail channel. The 2003 decrease also reflects the closure of one of the ConAgra chicken division s distribution centers.

Cost of Goods Sold. Cost of goods sold was $2,258.0 million for 2003, a $9.3 million decrease from 2002. Gross profit (net sales less cost of goods sold) for 2003 declined to $83.6 million from $167.4 million in 2002. Gross margin (gross profit as a percent of net sales) declined to 3.6% in 2003 from 6.9% in 2002. These declines reflect increased grain and deboning costs, offset, in part, by improved processing yields and growth in the foodservice broad-line distributor business.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expenses decreased $6.3 million, or 8.0%, to $73.0 million for 2003. This decrease was primarily a result of lower compensation costs in 2003 as compared to 2002. SG&A expenses were also favorably impacted by $1.0 million, due to the ConAgra chicken division no longer amortizing goodwill beginning in the first quarter of 2003 as a result of the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets.* SG&A expenses were 3.1% of net sales during 2003, as compared to 3.3% of net sales during 2002.

Corporate Allocations Selling, general and administrative. Corporate allocations include charges that have been allocated by ConAgra Foods and recorded as an expense for corporate services, including executive, finance, legal and tax. Expenses incurred by ConAgra Foods and allocated to the ConAgra chicken division are determined based on the specific services being provided or are allocated based on ConAgra Foods investment in the ConAgra chicken division in proportion to ConAgra Foods total investment in its subsidiaries. Such expenses are included in the allocated selling, general and administrative expenses and are $19.3 million and $19.0 million for fiscal 2003 and 2002, respectively.

Corporate Allocations Finance Charges. Corporate allocations also include charges that have been allocated by ConAgra Foods and recorded as finance charges. ConAgra Foods allocated finance costs of $26.0 million and $22.7 million in fiscal 2003 and 2002, respectively.

Income Taxes. The effective income tax rate was 37.2% for 2003 compared with 38.0% for 2002.

On June 9, 2003, ConAgra Foods announced an agreement to sell its chicken business to Pilgrim s Pride Corporation. In connection with the expected sale, ConAgra Foods classified the ConAgra chicken division s long-lived assets as held for sale and recognized an impairment charge of $69.4 million (net of an income tax benefit of $42.6 million) in its financial statements to reduce the carrying amount of goodwill to zero and reflect a reduction in the carrying values of long-lived assets of the ConAgra chicken division to their fair market value, less cost to sell. The ConAgra chicken division has not recognized this impairment charge as it considers its long-lived assets to be fully recoverable on a held for use basis.

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Fiscal 2002 Compared to Fiscal 2001

Sales. Net sales were $2,434.7 million for 2002, a $93.7 million or 4.0% increase from 2001. This increase reflects improved broiler markets, especially in dark meat and wings, product mix improvements resulting from a higher proportion of prepared food sales, and improved prices and customer mix within the retail channel.

Cost of Goods Sold. Cost of goods sold was $2,267.4 million for 2002, a $3.6 million increase from 2001. Gross profit (net sales less cost of goods sold) for 2002 increased to $167.4 million from $77.3 million in 2001. Gross margin (gross profit as a percent of net sales) increased to 6.9% in 2002 from 3.3% in 2001. These increases reflect the improved sales pricing and mix discussed above, offset in part by increased grain costs.

Selling, General and Administrative Expenses. SG&A expenses increased $6.8 million, or 9.3%, to $79.4 million for 2002. This increase can be attributed to increased compensation costs in 2002 as compared to 2001. SG&A expenses were 3.3% of net sales during 2002, compared to 3.1% of net sales during 2001.

Corporate Allocations Selling, general and administrative. Corporate allocations include allocated SG&A expenses of $19.0 million and $20.6 million for fiscal 2002 and 2001, respectively.

Corporate Allocations Finance charges. Corporate allocations also include allocated finance charges of $22.7 million and $31.8 million in fiscal 2002 and 2001, respectively.

Income Taxes. The effective income tax rate was 38.0% for 2002 compared with 36.7% for 2001.

Liquidity and Capital Resources

Sources of Liquidity and Capital. Historically, the ConAgra chicken division s sources of cash have been from cash flow from operations and advances received from ConAgra Foods.

At May 25, 2003, working capital (current assets less current liabilities) was $181.8 million compared with $201.7 million at May 26, 2002. The reduced working capital is primarily a result of management s continued focus on minimizing trade working capital (accounts receivable plus inventory less accounts payable and accrued expenses).

Cash Flows. Cash flows from operating activities totaled $81.0 million for 2003 as compared to $144.5 million for 2002 and $8.7 million in 2001. The changes in cash flow were primarily due to changes in net income and significant reductions in trade working capital in 2002.

Cash used in investing activities totaled $36.8 million for 2003, as compared to $52.3 million in 2002 and $45.2 million in 2001. Cash flows used in investing activities are primarily capital expenditures incurred for property, plant and equipment.

Cash used in financing activities totaled $37.9 million for 2003 and $96.3 million in 2002, as compared to cash provided from financing activities of $32.9 million in 2001. Net cash flow from financing activities primarily reflects changes in net investments and advances/distributions from ConAgra Foods.

Obligations and Commitments. As part of its ongoing operations, the ConAgra chicken division enters into arrangements that obligate it to make future payments under contracts such as debt and lease agreements. Debt obligations, which total $17.0 million, are currently recognized as liabilities in the ConAgra chicken division s consolidated balance sheet. Operating lease obligations, which total $13.4 million, are not recognized as liabilities in the ConAgra chicken division s consolidated balance sheet in accordance with generally accepted accounting principles. At May 25, 2003, the ConAgra chicken division had no outstanding unconditional purchase obligations.

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A summary of the ConAgra chicken division s contractual obligations at the end of 2003 is as follows:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
	(In millions)				
Long-Term Debt	$ 17.0	$ 0.4	$ 0.1	$ 0.4	$ 16.1
Lease Obligations	13.4	2.1	4.3	1.8	5.2
Total	$ 30.4	$ 2.5	$ 4.4	$ 2.2	$ 21.3

At May 25, 2003, the ConAgra chicken division had no outstanding commercial commitment arrangements (e.g., guarantees).

Trading Activities.

The ConAgra chicken division has no trading activities as all derivative contracts are considered either normal purchase and sale contracts or hedging contracts which qualify for hedge accounting under SFAS No. 133.

Critical Accounting Policies

The process of preparing financial statements requires the use of estimates on the part of management. The estimates used by management are based on the ConAgra chicken division s historical experiences combined with management s understanding of current facts and circumstances. Certain of the ConAgra chicken division s accounting policies are considered critical as they are both important to the portrayal of the ConAgra chicken division s financial condition and results and require significant or complex judgment on the part of management. The following is a summary of certain accounting policies considered critical by management of the ConAgra chicken division.

Allowance for Doubtful Accounts The ConAgra chicken division s allowance for doubtful accounts reflects reserves for customer receivables to reduce receivables to amounts expected to be collected. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance, and anticipated customer performance. While management believes the ConAgra chicken division s processes effectively address its exposure for doubtful accounts, changes in the economy, industry, or specific customer conditions may require adjustment to the allowance for doubtful accounts recorded by the ConAgra chicken division.

Inventory Valuation Management reviews its inventory balances to determine if inventories can be sold at amounts equal to or greater than their carrying amounts. The review includes identification of slow moving inventories, obsolete inventories, and discontinued products or lines of products. The identification process includes historical performance of the inventory, current operational plans for the inventory, as well as industry and customer specific trends. If the ConAgra chicken division s actual results differ from management expectations with respect to the selling of its inventories at amounts equal to or greater than their carrying amounts, the ConAgra chicken division would be required to adjust its inventory balances accordingly.

Employment-Related Benefits The ConAgra chicken division incurs certain employment-related expenses associated with pensions, postretirement health care benefits, and workers compensation. In order to measure the expense associated with these employment-related benefits, management must make a variety of estimates including discount rates used to present value certain liabilities, assumed rates of return on assets set aside to fund these expenses, compensation increases, employee turnover rates, anticipated mortality rates, anticipated healthcare costs, and employee accidents incurred but not yet reported to the ConAgra chicken division. The

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estimates used by management are based on the ConAgra chicken division s historical experience as well as current facts and circumstances. The ConAgra chicken division uses third-party specialists to assist management in appropriately measuring the expense associated with these employment-related benefits. Different estimates used by management could result in the ConAgra chicken division recognizing different amounts of expense over different periods of time.

Impairment of Long-Lived Assets (including property, plant and equipment), Goodwill and Identifiable Intangible Assets In accordance with applicable accounting literature, the ConAgra chicken division reduces the carrying amount of long-lived assets, goodwill and identifiable intangible assets to their fair value when the fair value of such assets is determined to be less than their carrying amounts (i.e., assets are deemed to be impaired). Fair value is typically estimated using a discounted cash flow analysis, which requires the ConAgra chicken division to estimate the future cash flows anticipated to be generated by the particular asset(s) being tested for impairment as well as select a discount rate to present value the anticipated cash flows. When determining future cash flow estimates, the ConAgra chicken division considers historical results adjusted to reflect current and anticipated operating conditions. Estimating future cash flows requires significant judgment by the ConAgra chicken division in such areas as future economic conditions, industry-specific conditions, product pricing and necessary capital expenditures. The use of different assumptions or estimates for future cash flows could produce different impairment amounts (or none at all) for long-lived assets, goodwill and identifiable intangible assets.

Recently Issued Accounting Standards

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement requires the ConAgra chicken division to recognize the fair value of a liability associated with the cost the ConAgra chicken division would be obligated to incur in order to retire an asset at some point in the future. The liability will be recognized in the period in which it is incurred and can be reasonably estimated. The standard is effective for the ConAgra chicken division in the first quarter of fiscal 2004. The ConAgra chicken division will adopt this standard at the beginning of its fiscal 2004. The ConAgra chicken division has not yet completed its assessment of the anticipated adoption impact of SFAS No. 143.

Off Balance Sheet Arrangements

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*. A variable interest entity (VIE) is an entity whose equity investors do not have a controlling financial interest or do not have sufficient equity at risk such that the entity cannot finance its own activities. FIN No. 46 provides that VIEs shall be consolidated by the entity deemed to be the primary beneficiary of the VIE. FIN No. 46 is immediately effective for VIEs created after January 31, 2003. For VIEs created prior to February 1, 2003, FIN No. 46 is effective for the ConAgra chicken division in the second quarter of fiscal 2004. The ConAgra chicken division is currently evaluating its relationship with unconsolidated entities which may meet the definition of a VIE. Based on its analysis to date, the ConAgra chicken division has not determined the impact, if any, from the adoption of FIN No. 46.

Related Party Transactions

ConAgra Foods executive, finance, legal, tax and other corporate departments perform certain administrative and other services for the ConAgra chicken division. Expenses incurred by ConAgra Foods and allocated to the ConAgra chicken division are determined based on specific services being provided or are allocated based on ConAgra Foods investment in the ConAgra chicken division in proportion to ConAgra Foods total investment in its subsidiaries. In addition, ConAgra Foods allocates finance costs to the ConAgra chicken division based on ConAgra Foods investment in the ConAgra chicken division and net intercompany advances. Management believes that such expense allocations are reasonable. It is not practical to estimate the expenses that would have been incurred by the ConAgra chicken division if it had been operated on a stand-alone

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basis. Corporate allocations include allocated selling, general and administrative expenses of $19.3 million, $19.0 million and $20.6 million for fiscal 2003, 2002 and 2001, respectively, and allocated finance charges of $26.0 million, $22.7 million and $31.8 million in fiscal 2003, 2002 and 2001, respectively.

The ConAgra chicken division also has transactions in the normal course of business with parties under common ownership. Net sales to related parties were $134.7 million, $139.2 million and $160.0 million in fiscal years 2003, 2002 and 2001, respectively. With respect to gross margins associated with related party net sales, certain products are sold at cost while others are sold at prices resulting in gross margins similar to third-party net sales.

Market Risk

The principal market risks affecting the ConAgra chicken division are exposures to price fluctuations of commodity and energy inputs.

Commodities The ConAgra chicken division purchases commodity inputs such as chicken, wheat, corn, soybean meal, soybean oil, energy and packaging materials to be used in its operations. These commodities are subject to price fluctuations that may create price risk. The ConAgra chicken division enters into commodity hedges to manage this price risk using physical forward contracts or derivative instruments. ConAgra Foods has policies governing the hedging instrument its businesses may use. These policies include limiting the dollar risk exposure for each of its businesses. The ConAgra chicken division also monitors the amount of associated counter-party credit risk for all non-exchange-traded transactions. The ConAgra chicken division s trading activities are limited in terms of maximum dollar exposure and monitored to ensure compliance.

The following table presents one measure of market risk exposure using sensitivity analysis. Sensitivity analysis is the measurement of potential loss of fair value resulting from a hypothetical change of 10% in market prices. Actual changes in market prices may differ from hypothetical changes. In reality, as markets move, the ConAgra chicken division actively manages its risk and adjusts hedging strategies as appropriate. Fair value was determined using quoted market prices and was based on the ConAgra chicken division s net derivative position by commodity at each quarter end during the fiscal year. The market risk exposure analysis excludes the underlying commodity positions that are being hedged. The commodities hedged have a high inverse correlation to price changes of the derivative commodity instrument.

Effect of 10% Change in Market Prices

	2003	**2002**
	(In millions)	
Grains		
High	$ 10.8	$ 15.0
Low	4.2	6.0
Average	7.9	9.8

The above mentioned commodities are subject to price volatility caused by commodity market fluctuations, supply and demand, and changes in governmental agricultural programs. Commodity price increases will result in increases in raw material costs and operating costs. The ConAgra chicken division has many years experience in hedging against commodity price increases; however, hedging practices reduce but do not eliminate the risk of increased operating costs from commodity price increases.

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Quarterly Financial Data

The following is a summary of the ConAgra chicken division s unaudited quarterly results for each of the periods in fiscal 2003 and 2002:

	Net Sales	Gross Profit	Net Income (Loss)
		(In millions)	
2003			
First	$ 606.5	$ 41.6	$ 6.8
Second	590.4	35.4	3.1
Third	546.5	(4.6)	(21.7)
Fourth	598.3	11.2	(10.0)
Year	$ 2,341.7	$ 83.6	$ (21.8)
2002			
First	$ 630.7	$ 47.8	$ 8.9
Second	618.1	46.4	9.7
Third	575.5	32.0	2.4
Fourth	610.4	41.2	7.7
Year	$ 2,434.7	$ 167.4	$ 28.7

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THE CHICKEN AND TURKEY INDUSTRIES

United States

General

Prior to 1960, the U.S. chicken and turkey industries were highly fragmented with numerous small, independent breeders, growers and processors. The industries have consolidated during the last 40 years, resulting in a relatively small number of larger, more vertically integrated companies. In general, vertical integration of the U.S. chicken and turkey industries has led to increased operating cost efficiencies at each stage of the production process. These cost efficiencies have had a disproportionately adverse effect on less vertically integrated chicken and turkey producers, as they have been unable to realize the synergies benefiting their more integrated competitors.

The following tables set forth the estimated current annual production of live poultry, chicken and turkey produced by, and the corresponding market share of, the 10 largest U.S. producers. These tables reflect annualized respective volumes derived from average weekly data reported by *WATT Poultry USA* in January 2003.

Poultry

	Estimated Annual Live Weight (In millions of pounds)	Market Share
Tyson Foods, Inc	10,321.0	19.9%
Pilgrim s Pride Corporation(a)	**7,833.7**	**15.1**
Pilgrim s Pride Corporation	**4,331.0**	**8.3**
ConAgra Foods, Inc.(b)	4,302.7	8.3
Gold Kist, Inc	4,101.8	7.9
Perdue Farms, Inc	3,418.5	6.6
Wayne Farms, LLC	1,793.0	3.5
Foster Farms	1,614.6	3.1
Sanderson Farms, Inc.	1,597.4	3.1
Mountaire Farms, Inc.	1,326.0	2.6
Cargill, Incorporated	1,210.0	2.3

(a) Represents Pilgrim s Pride on a pro forma basis after giving effect to the completion of our pending acquisition of the ConAgra chicken division.

(b) We have entered into a stock purchase agreement to purchase the ConAgra chicken division. We are not acquiring the turkey operations of ConAgra Foods. The turkey operations of ConAgra Foods represent an estimated 800 million pounds of annual production and 1.5% of the market share of total poultry production in the United States.

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Chicken

	Estimated Annual Live Weight (In millions of pounds)	Market Share
Tyson Foods, Inc	10,321.0	23.0%
Pilgrim s Pride Corporation(a)	**7,434.7**	**16.3**
Gold Kist, Inc	4,101.8	9.1
Pilgrim s Pride Corporation	**3,822.0**	**8.5**
ConAgra Foods, Inc.	3,502.7	7.8
Perdue Farms, Inc	3,185.5	7.1
Wayne Farms, LLC	1,793.0	4.0
Sanderson Farms, Inc	1,597.4	3.6
Foster Farms	1,393.6	3.1
Mountaire Farms, Inc.	1,326.1	3.0
Cagle s, Inc	1,035.8	2.3

(a) Represents Pilgrim s Pride on a pro forma basis after giving effect to the completion of our pending acquisition of the ConAgra chicken division.

Turkey

	Estimated Annual Live Weight (In millions of pounds)	Market Share
Cargill, Incorporated	1,210.0	17.2%
Hormel Foods Corporation	1,200.0	17.0
ConAgra Foods, Inc	800.0	11.4
Carolina Turkeys	580.0	8.2
Pilgrim s Pride Corporation(a)	**509.0**	**7.2**
Kraft Foods, Inc	300.0	4.3
Bill Mar Foods	273.0	3.9
House of Raeford Farms, Inc	250.0	3.6
Perdue Farms, Inc.	233.0	3.3

Foster Farms	221.0	3.1

(a) We have recently taken steps to reduce our turkey production levels by approximately 15%, which will take effect early fiscal 2004. See Management s Discussion and Analysis of Results of Operations and Financial Condition.

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Chicken and Turkey Consumption

From 1982 to 2002, annual per capita consumption of chicken and turkey in the United States increased 65.3% and 67.0%, respectively, while annual per capita consumption of beef declined 12.2% and pork increased 4.9%, respectively. The following chart illustrates, for the periods indicated, per capita consumption in pounds of chicken and turkey in the United States relative to beef and pork.

Source: USDA.

Consumer awareness of the health and nutritional characteristics of chicken and turkey is a major factor influencing this growth in consumption. Such health and nutritional characteristics include lower levels of fat, cholesterol and calories per pound relative to beef and pork.

Growth in chicken and turkey consumption has also been enhanced by new products and packaging which increase convenience and product versatility. These products include breast fillets, tenderloins and strips, formed nuggets and patties and bone-in parts, which are sold fresh, frozen and in various stages of preparation, including blanched, breaded and fully-cooked. Most of these products are targeted towards the foodservice market, which is comprised of chain restaurants, food processors, foodservice distributors and certain other institutions. According to the National Chicken Council, an industry trade association, U.S. production of further processed chicken products has increased from 6.3 billion ready-to-cook pounds in 1992 to an estimated 15.0 billion ready-to-cook pounds in 2002. This growth establishes this product group as the fastest growing product group in the U.S. chicken industry. In addition, the National Chicken Council reported that the market share of this product group increased from 30.0% of U.S. chicken production in 1992 to an estimated 47.0% of such production in 2002.

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Another factor influencing the growth of chicken and turkey consumption is the significant price advantage of chicken and turkey compared with other meats. The price advantage has increased over time. For example, the retail price advantage of chicken and turkey relative to choice grade beef in the United States has increased from $1.67 to $2.24 and $1.46 to $2.27, respectively, per pound during the period from 1982 to 2002. The following chart illustrates, for the periods indicated, the average retail price of chicken and turkey in the United States compared to choice grade pork and beef.

Source: USDA and National Chicken Council. The average retail prices set forth above are based on boneless chicken, whole bird turkey and choice grade pork and beef.

Since chickens and turkeys require approximately two and two and one-quarter pounds, respectively, of dry feed to produce one pound of live weight, compared to cattle and hogs, which require approximately six and four pounds, respectively, the poultry industry enjoys a cost advantage that yields a price advantage relative to other competing meats. To help sustain this price advantage, the poultry industry has implemented improved genetic, nutritional and processing technologies in an effort to minimize production costs.

Industry Profitability

Profitability in the chicken and turkey industries 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.

For example, industry profitability is heavily influenced by feed ingredient costs, and feed ingredient costs are dependent on a number of factors unrelated to the chicken and turkey industries. According to an industry source, feed ingredient costs have averaged approximately 32-49% of total production costs of fresh chicken products and 33-43% of total production costs of fresh turkey products and have fluctuated substantially with the price of corn and soybean meal. Assuming finished product prices and other factors remain constant, very small movements in feed ingredient costs may result in large changes in industry profits from fresh chicken and turkey

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products. By comparison, according to the same industry source, feed costs typically average approximately 16-25% of total production costs of further processed and prepared chicken products. In addition, we believe that feed costs typically average approximately 25-35% of total production costs of further processed and prepared turkey products. As a result, increased emphasis on sales of further processed and prepared chicken and turkey products by chicken and turkey producers reduces the sensitivity of earnings to feed ingredient cost movements.

Exports

Due to U.S. consumers general preference for poultry white meat, the U.S. poultry industry has traditionally targeted international markets to generate sales for poultry dark meat. According to the USDA, broiler exports increased from 1.5 billion pounds per year to 4.8 billion pounds per year, or 220%, from 1992 to 2002. The USDA estimates that broiler exports will grow to 6.2 billion pounds in 2012, a compounded annual growth rate of 2.6%. The United States is the world s largest exporter of turkey. The largest importer of turkey products is Mexico, accounting for more than 42% of the United States turkey exports. According to industry sources, total turkey exports are expected to decrease to 434.8 million pounds in 2003 (a decrease of approximately 0.9%) and represent approximately 7.6% of total U.S. production of turkeys.

Mexico

General

As compared to the United States, the Mexican chicken industry is more fragmented with significantly more chicken producers, many of which are not vertically integrated. We believe that the Mexican chicken industry is in the process of consolidating, which is expected to result in a relatively smaller number of larger, more vertically integrated producers. In general, the effects of vertical integration in the Mexican chicken industry should be similar to those experienced in the past by the U.S. chicken industry. These effects include increased price competition and reduced costs of production on a per unit basis. The Mexican chicken industry has undergone consolidation in recent years, with the largest producers gaining market share through internal growth and acquisitions. The estimated market share of the eight largest Mexican producers, as reported by Seccion Nacional de Productores de Pollo Mixto de Engorda de la Union Nacional de Avicultores (SENAPOME) (an industry association in Mexico), has grown from 51.3% to 67.0% from 1992 to 2002. The following table sets forth the estimated number of chickens placed by, and the market share of, the eight largest Mexican producers of chicken.

	Estimated Number of Chickens Placed in 2002 (In millions)	Estimated Market Share in 2002
Bachoco S.A	436.3	32.3%
Pilgrim s Pride, S.A	**180.4**	**13.3**

Provemex Industries (Tyson)	140.3	10.4
Productos Agricolas Tehuacan S.A. (Patsa)	41.7	3.1
Grupo Pecuario San Antonio	39.4	3.0
Buenaventura Grupo Pecuario	28.1	2.1
Avicola San Andres	22.1	1.6
Nutrypollo	16.8	1.2

Chicken Consumption

Total production of chicken in Mexico increased from approximately 1.7 billion pounds in 1982 to approximately 4.8 billion pounds in 2002, a compounded annual growth rate of 5.3%. According to an industry source, between 1982 and 2002, annual per capita consumption of chicken in Mexico increased 200% to 47.8

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pounds per person, as compared to 82.0 pounds per person in the United States. We believe per capita chicken consumption increased in Mexico due to increased disposable income and the price advantage of chicken relative to other meats and will continue to grow in the future as a result of these factors. According to industry data, chicken consumption in Mexico is anticipated to grow from 47.8 pounds in 2002 to 55.0 pounds in 2007 as a result of the country s improving economy and favorable demographic trends.

Industry Profitability

As in the U.S. chicken industry, profitability in the Mexican chicken industry is heavily influenced by the price of chicken and the cost of feed ingredients, each of which are determined largely by supply and demand factors. Our experience has been that the industry s profitability is cyclical, with each cycle generally having a shorter duration and exhibiting greater price fluctuations than the cycles typically experienced by the U.S. chicken industry. Our experience in Mexico also indicates that, in contrast to the U.S. chicken industry, the Mexican chicken industry s peak chicken prices occur during the winter holiday season.

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 such tariffs by January 1, 2003. On November 21, 2002 the Mexican Secretariat of the Economy announced that 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. In July 2003, the United States and Mexico entered into a safeguard agreement with regard to imports into Mexico of chicken leg quarters from the United States. Under this agreement, a tariff rate for chicken leg quarters of 98.8% of the sales price was established. This tariff rate will be reduced on January 1, 2004, and each of the following four years in equal increments so that the final tariff rate at January 1, 2008 will be zero. As such tariffs are reduced, we expect greater amounts of chicken to be imported into Mexico from the United States, which could negatively affect the profitability of Mexican chicken producers and positively affect the profitability of U.S. exporters of chicken to Mexico.

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BUSINESS

General

We are the second largest producer of poultry in both the United States and Mexico and have one of the best known brand names in the poultry industry. In the United States, we produce both prepared and fresh chicken and turkey, while in Mexico, we exclusively produce fresh chicken. Through vertical integration, we control the breeding, hatching and growing of chickens and turkeys and 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, which represents 53.4% of the net sales of our U.S. chicken products in the LTM Period. 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 that our prepared foods capabilities remain state-of-the-art and have complemented these investments with a substantial and successful research and development effort. We produced 3.0 billion pounds of dressed chicken and 422.8 million pounds of dressed turkey and generated net sales of $2.5 billion in the LTM Period. For the LTM Period, our U.S. operations accounted for 85.6% of our net sales, with the remaining 14.4% contributed from our Mexico operations.

Pilgrim s Pride Corporation, 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. Our principal executive offices are located at 110 South Texas Street, Pittsburg, Texas 75686 and our telephone number is (903) 855-1000.

We entered into a stock purchase agreement with ConAgra Foods to acquire the ConAgra chicken division. The purchase price will be calculated based on the adjusted net book value of the assets and liabilities of the ConAgra chicken division on the closing date of the acquisition. Based on the ConAgra chicken division s net book value as of May 25, 2003 and our stock prices through August 8, 2003, the amount we would record in our financial statements as the purchase price would be approximately $600 million plus transaction costs. Our pending acquisition of the ConAgra chicken division is expected to close during the third calendar quarter of 2003. The ConAgra chicken division is the fourth-largest chicken producer in the United States. The ConAgra chicken division is a fully-integrated chicken processing business engaged in the production, processing, marketing and distribution of fresh and frozen chicken products, and in the processing, marketing and distribution of processed and prepared food items. The complementary fit of markets, distributor relationships and geographic locations are a few of the many benefits we anticipate realizing from this acquisition. We believe that with the ConAgra chicken division s specialty prepared chicken products, well-known brands, well-established distributor relationships and Southeastern United States processing facilities, we will be able 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. For its fiscal year ended May 25, 2003, the ConAgra chicken division produced 2.4 billion pounds of dressed chicken and generated net sales of $2.3 billion. See Pending ConAgra Chicken Division Acquisition.

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 to pursue the following strategies and, if acquired, apply these strategies to the ConAgra chicken division:

> ***Capitalize on significant scale with leading industry position and brand recognition.*** Following the completion of the ConAgra chicken division acquisition, we will be the second largest producer of chicken products in the United States. We estimate that our market share based on total annual chicken production in the United States following the acquisition will be 16.3%, which is nearly twice the estimated market share of the next largest competitor in the chicken industry. The complementary fit of markets, distributor

relationships and geographic locations are a few of the many benefits we anticipate realizing from this acquisition. We believe that ConAgra Foods established relationship with broad-line national distributors will enable us to expand our customer base and provide nationwide distribution capabilities for all of our product lines. As a result, we believe we will be one of only two U.S. chicken

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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.

Realize significant synergies from the combined operations of Pilgrim s Pride and the ConAgra chicken division. We expect that the ConAgra chicken division acquisition will result in significant cost saving opportunities and enhanced growth. We intend to integrate the ConAgra chicken division into Pilgrim s Pride as rapidly as possible while minimizing disruption to our respective operations. We expect to realize significant annualized cost savings after the ConAgra chicken division acquisition by:

- taking advantage of our geographic presence by optimizing our supply chain management and logistics;
- optimizing the uses of all production and distribution facilities; and
- determining and implementing a best practices approach across all operations, including purchasing, production and shared services.

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, reduces the impact of feed ingredient costs on our profitability and improves and stabilizes 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. Our sales of prepared chicken products grew from $466.8 million in fiscal 1998 to $848.7 million in fiscal 2002, a compounded annual growth rate of 16.1%. These prepared food sales represented 53.4% of our total U.S. chicken revenues in the LTM Period. The addition of ConAgra Foods well-known brands, including Pierce® and Easy-Entrée®, will significantly expand Pilgrim s Pride s already sizeable prepared foods chicken division. ConAgra Foods highly customized cooked chicken products, including breaded cutlets, sizzle strips and Wing-Dings®, for restaurants and specialty foodservice customers, 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. We estimate that approximately $353 million, or 32%, of our chicken sales to foodservice customers in fiscal 2002 consisted of new products that were not sold by us in fiscal 1998.

Enhance U.S. fresh chicken profitability through value-added, branded products. Our U.S. fresh chicken sales accounted for $699.8 million, or 42.0%, of our U.S. chicken sales for the LTM Period. 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® brand name, which is one of the best known brands in the chicken industry. With the addition of ConAgra Foods processing plant in Gainesville, Georgia, we will add 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.

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Capitalize on export opportunities. We intend to continue to focus on international opportunities to complement our U.S. poultry operations and capitalize on attractive export markets. According to the USDA, the export of U.S. poultry products grew 10.2% for chicken and decreased 1.2% for turkey from 1998 through 2002. We believe that U.S. poultry exports will grow as worldwide demand increases for high-grade, low-cost protein sources. According to USDA data, the export market is expected to grow at a compounded annual growth rate of 1.7% and 1.8% for chicken and turkey, respectively, from 2003 to 2008. Historically, we have targeted international markets to generate additional demand for our chicken and turkey 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 4.6% of our net sales for the LTM Period.

Leverage our turkey operations. We plan to take advantage of our leading market position and reputation as a high quality, high service provider of chicken products to purchasers of turkey products by focusing on the following four 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® brand name.

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. Since November 2002, we no longer produce frankfurters although we continue to distribute frankfurters processed by others.

(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 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. exports.

(4) Mexico products, which consist primarily of lower value-added products such as eviscerated chicken and chicken parts and basic products such as New York dressed (whole chicken with only feathers and blood removed) and live birds.

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. Since November 2002, we no longer produce frankfurters although we continue to distribute frankfurters processed by others.

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

(3) Export and other products, which are parts and whole turkey products, either refrigerated or frozen, for U.S. export or domestic use, and frankfurters produced by others for U.S. export or domestic use.

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The following table sets forth, for the periods since fiscal 1998, net sales attributable to each of our primary product lines and markets served with those products. Consistent with our long-term strategy, we have emphasized our U.S. growth initiatives on sales of prepared foods products, primarily to the foodservice market, because 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					Nine Months Ended		LTM
	Sept. 26, 1998	Oct. 2, 1999(a)	Sept. 30, 2000	Sept. 29, 2001(b)	Sept. 28, 2002	June 29, 2002	June 28, 2003	Period Ended June 28, 2003
	(In thousands)							
U.S. Chicken Sales:								
Prepared Foods:								
Foodservice	$ 418,160	$ 527,732	$ 589,395	$ 632,075	$ 659,856	$ 489,156	$ 530,342	$ 701,042
Retail	46,335	28,079	47,655	103,202	158,299	116,941	119,970	161,328
Total Prepared Foods	464,495	555,811	637,050	735,277	818,155	606,097	650,312	862,370
Fresh Chicken:								
Foodservice	220,804	205,968	202,192	387,624	448,376	339,319	333,289	442,347
Retail	162,283	163,387	148,977	224,693	258,424	189,919	188,936	257,440
Total Fresh Chicken	383,087	369,355	351,169	612,317	706,800	529,238	522,225	699,787
Export and Other:								
Prepared Foods	2,301	1,030	4,595	18,912	30,528	22,622	19,523	27,429
Other Chicken	64,469	37,300	57,573	105,834	93,575	73,714	56,315	76,176
Total Export and Other	66,770	38,330	62,168	124,746	124,103	96,336	75,838	103,605
Total U.S. Chicken	914,352	963,496	1,050,387	1,472,340	1,649,058	1,231,671	1,248,375	1,665,762
Mexico Chicken Sales:	249,104	233,074	285,605	303,433	323,769	242,509	266,939	348,199
Total Chicken Sales	1,163,456	1,196,570	1,335,992	1,775,773	1,972,827	1,474,180	1,515,314	2,013,961
U.S. Turkey Sales:								
Prepared Foods:								
Foodservice				88,012	134,651	104,922	66,956	96,685
Retail				48,681	54,638	40,354	19,862	34,146
Total Prepared Foods				136,693	189,289	145,276	86,818	130,831
Fresh Turkey:								
Foodservice				18,618	36,119	26,323	38,226	48,023
Retail				71,647	107,582	82,180	94,901	120,303
Total Fresh Turkey				90,265	143,701	108,503	133,127	168,326
Export and Other:								
Prepared Foods				2,434	2,858	2,147	1,563	2,274
Other Turkey				9,443	12,270	9,360	7,567	10,477
Total Export and Other				11,877	15,128	11,507	9,130	12,751

Total U.S. Turkey Sales				238,835	348,118	265,286	229,075	311,908
Sales of Other Products:	168,089	160,833	163,447	200,104	212,773	154,433	165,485	223,825
Total Net Sales	$ 1,331,545	$ 1,357,403	$ 1,499,439	$ 2,214,712	$ 2,533,718	$ 1,893,899	$ 1,909,874	$ 2,549,694