

PILGRIMS PRIDE CORP
Form 424B5
August 12, 2003
Table of Contents

Index to Financial Statements

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

9⁵/₈% Senior Notes due 2011

We are offering \$100,000,000 aggregate principal amount of our 9⁵/₈% 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 9⁵/₈% 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.

Edgar Filing: PILGRIMS PRIDE CORP - Form 424B5

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 depository, 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.

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

| | <u>Page</u> |
|---|-------------|
| <u>SUMMARY</u> | S-1 |
| <u>RISK FACTORS</u> | S-14 |
| <u>USE OF PROCEEDS</u> | S-23 |
| <u>CAPITALIZATION</u> | S-25 |
| <u>UNAUDITED PRO FORMA FINANCIAL DATA</u> | S-27 |
| <u>SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA</u> | S-36 |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION</u> | S-38 |
| <u>SELECTED HISTORICAL COMBINED FINANCIAL AND OTHER DATA - CONAGRA CHICKEN DIVISION</u> | S-50 |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION - CONAGRA CHICKEN DIVISION</u> | S-51 |
| <u>THE CHICKEN AND TURKEY INDUSTRIES</u> | S-57 |
| <u>BUSINESS</u> | S-63 |
| <u>PENDING CONAGRA CHICKEN DIVISION ACQUISITION</u> | S-85 |
| <u>MANAGEMENT</u> | S-95 |
| <u>DESCRIPTION OF OTHER INDEBTEDNESS</u> | S-97 |
| <u>DESCRIPTION OF NOTES</u> | S-100 |
| <u>IMPORTANT U.S. TAX CONSEQUENCES</u> | S-134 |
| <u>UNDERWRITING</u> | S-136 |
| <u>NOTICE TO CANADIAN RESIDENTS</u> | S-137 |
| <u>LEGAL MATTERS</u> | S-138 |
| <u>EXPERTS</u> | S-138 |
| <u>FINANCIAL STATEMENTS OF CONAGRA FOODS CHICKEN BUSINESS</u> | F-1 |

PROSPECTUS

| | <u>Page</u> |
|--|-------------|
| <u>RISK FACTORS</u> | 2 |
| <u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u> | 5 |
| <u>ABOUT THIS PROSPECTUS</u> | 5 |
| <u>WHERE YOU CAN FIND MORE INFORMATION</u> | 6 |
| <u>THE COMPANY</u> | 7 |
| <u>USE OF PROCEEDS</u> | 7 |
| <u>RATIO OF EARNINGS TO FIXED CHARGES</u> | 7 |
| <u>DESCRIPTION OF DEBT SECURITIES</u> | 8 |
| <u>DESCRIPTION OF EQUITY SECURITIES</u> | 16 |
| <u>CERTAIN PROVISIONS OF THE CERTIFICATE OF INCORPORATION, BYLAWS AND STATUTES</u> | 20 |
| <u>PLAN OF DISTRIBUTION</u> | 22 |
| <u>LEGAL MATTERS</u> | 23 |
| <u>EXPERTS</u> | 23 |

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.

Table of Contents

Index to Financial Statements

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.

Table of Contents**Index to Financial Statements****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.

Table of Contents

Index to Financial Statements

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.

Table of Contents

Index to Financial Statements

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

Table of Contents

Index to Financial Statements

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.

Table of Contents

Index to Financial Statements

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

S-5

Table of Contents

Index to Financial Statements

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.

S-6

Table of Contents

Index to Financial Statements

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 | <p>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.</p> <p>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.</p> |

Table of Contents

Index to Financial Statements

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 | <p>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:</p> <ul style="list-style-type: none"> 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.

S-8

Table of Contents

Index to Financial Statements

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.

S-9

Table of Contents**Index to Financial Statements****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 | | | |
|--|--|--------------------------|-----------------|-------------------------|
| | Fiscal Year Ended September 28, | Nine Months Ended | | LTM Period Ended |
| | | June 29, | June 28, | June 28, |
| | | 2002 | 2003 | 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,**

| | <u>2003</u> |
|--|----------------|
| | (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)

S-10

Table of Contents**Index to Financial Statements**

- (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: | | | | |

Edgar Filing: PILGRIMS PRIDE CORP - Form 424B5

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| 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 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| EBITDA | \$ 234,477 | \$ 184,092 | \$ 151,083 | \$ 201,468 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

- (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.

S-11

Table of Contents**Index to Financial Statements****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, | Oct. 2, | Sept. 30, | Sept. 29, | Sept. 28, | June 29, | June 28, |
| | 1998 | 1999(a) | 2000 | 2001(b) | 2002 | 2002 | 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- | Misc. | Non- | Misc. | Non- | Misc. | Non- | Misc. |
| | Recurring | Net | Recurring | Net | Recurring | Net | Recurring | 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.

Table of Contents**Index to Financial Statements**

- (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, | Oct. 2, | Sept. 30, | Sept. 29, | Sept. 28, | June 29, | June 28, |
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2002 | 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.

Table of Contents

Index to Financial Statements

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